

Marketing Practices of Indian Jute Industry: 2000-01 to 2012-13

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STATEMENT OF THE PROBLEM

Jute business in India is arguably the oldest corporatized commercial activity. Most of the today's jute companies have their origins in the previous century. After India's independence in 1947, not only there were changes in ownership, but also a distinct decline in profitability and investors interest in jute. However, recent policy changes emphasizing domestic consumption of jute goods and rising demand in global market for jute made products because of its green environmental nature have combined to make for renewed investors' interest in this, most important segment of the India's corporate sector. Indian Jute industry in its early stage is one of the major foreign exchange earners for the country. While the growth of the industry in past few decades in terms of production and exports have not been satisfactory. The three facts cannot escape our attention:

- (i) the growth of production of jute goods when considered on a year to year basis was marked by violent ups and downs;
- (ii) export of jute products has continuously declined; and
- (iii) primitive ways of marketing practices followed by the Indian jute industry in domestic as well as in overseas market in case of promotion.

A part from the advantage of having huge potential by its side Indian jute industry continuously declining in terms of production and export of jute goods which clearly indicating the deteriorating interest of the manufacturers across the country. Nevertheless, it would be very difficult to deny the fact that the disappointing state of affairs with regard to Indian jute industry by the manufacturers of jute goods and by the government.

The observed failure, as indicated above, of the Indian jute industry to encash the opportunities both in domestic as well as in export market and hence to actualise its growth potential gives rise to number of important research questions:

- How Indian jute industry has actually performed in the marketing front in recent years?
- What are the current marketing practices followed by Indian jute industry? Particularly, how the industry has been handling the 'marketing mix' in the domestic as well as in the export market?

- What are the different challenges and problems faced by the Indian jute producers/marketers in domestic and in export market during the study period?

The study is a modest attempt to seek answers to the aforesaid questions.

RESEARCH GAP

The available literature on different aspects of Indian jute industry includes various survey reports published by the Government of India, by the Indian Jute Mill Association, National Jute Board and different associations of the industry as well as different studies conducted by individual scholars and different books and articles. Although not adequate, they furnish a good deal of information on various aspects of the industry. The literature focus on in particular on-

- i) the historical aspects of the Indian jute industry as well as the different aspects regarding the inception of jute in packaging world, cultivation of jute in the different countries, world trade of jute textiles.
- ii) raw jute production, early development of the industry, raw jute marketing structure, causes of decline in some regions of the country.
- iii) impact of the changing structure of the jute industry on strategic management of jute business firms.
- iv) production process, product quality and grade, varieties of jute plants and production related matters.
- v) role of jute industry in Indian economy, projection of the future jute trade.
- vi) reforms, changing ownership patterns, investment, international competitiveness, challenges and opportunities.

However, only few studies have been conducted so far on marketing aspects of Indian jute industry. A cursory glance over concerned literature indicates that the analysis so far has been wanting in at least following aspects:-

First, the analysis has been formulated along an overall scenario of the jute industry. There has not been any worthwhile attempt by the concerned investigators to trace empirically the elements of marketing mix. The principles and the concepts of marketing management and their implications for the practices followed by the jute industry have not often drawn the due attention from scholars.

Second, marketing practices of the jute industry can be divided into two segments - domestic and export. The export marketing practices and domestic marketing practices should have been examined separately, which was many a times overlooked by the concerned investigators.

Third, jute product market is divided into two different products viz., Traditional jute products and Diversified jute products. The marketing practices of both the products should have examined separately.

Fourth, due to liberalization and privatization many changes have occurred in the trade policy, government rules and regulations etc. But the changes effected in the marketing practices of the Indian jute industry in the context of the changed scenario also not been adequately addressed and studied so far.

The present study, within its specified limits, has sought to academically address some of the issues relating to the marketing practices of the Indian jute industry that so far have received scant attention.

OBJECTIVES OF THE STUDY

The objectives of the present study are as follows:

- To examine the trend and pattern of jute market in India and to examine the actual performance of the Indian jute industry in the marketing front.
- To analyze the pace and patterns of traditional jute products in the marketing mix of the industry in domestic as well as export market.
- To assess the performance of diversified jute products in the marketing mix of the industry in domestic as well as export market.
- To identify the major marketing problems faced by the jute product manufacturers in India and to assess how far these problems have hindered the growth of the jute industry in India.

HYPOTHESES

The prime objective of the study, as mentioned earlier, is to assess the marketing practices and performance of the Indian Jute Industry during the period 2000-01 to 2012-13.

The rationale of the study is to know the marketing pattern and performance of Indian Jute Industry during 21st century particularly during the period 2000-01 to 2012-13. Considering this, the study period has been conducted the period of 13 years. A comparison of the marketing performance and marketing practices of the Indian Jute Industry during this period is undertaken from the point of view of “traditional jute products” and “jute diversified products” in order to assess the said practices and performance.

The underlying premise or hypothesis throughout the study has been that *the immense competition in 21st century shifts in favour of openness, deregulation, decision-making-freedom and innovation would lead to significant changes in the marketing practices followed by an industry particularly in handling its given marketing mix.*

To be more specific, the study has been guided by the following **four** tentative and **a priori** hypotheses:

- (i) There has been a significant market opening during the period 2000-01 to 2012-13 for Indian Jute Industry.
- (ii) Increased competition in the domestic market from imported jute products as well as other substitutes has forced the Indian Jute Industry to be increasingly export-market oriented in case of “traditional jute products”.
- (iii) There is a significant increase in the share of “jute diversified products” during the period 2000-01 to 2012-13.
- (iv) Appropriate coping strategy has been adopted by the Indian Jute Industry in terms of product-diversification, promotional campaign and placing strategy.

To put it otherwise, the above are the **four** questions which have been extensively investigated in course of the present study.

METHODOLOGY AND DATA

The nature of the present study is descriptive which is mainly based on secondary data. In order to attain the objectives of the study, relevant secondary data for a period of 13 years, i.e., from 2000-01 to 2012-13 have been considered.

In order to collect secondary data, annual reports of National Jute Board, Indian Jute Mills Association and Ministry of Textiles, GOI have been considered. Moreover, the data

published by the Directorate of Jute Development, Office of Jute Commissioner (Handloom) and Office of the Development Commission (Ministry of Textiles) have also been taken into consideration. Information about the world jute economy has been collected from annual reports published by Food and Agricultural Organization (FAO) and International Jute Study Group (IJSJG). In order to supplement the information procured from aforesaid sources, the researcher has personally visited to the offices of the National Jute Board (NJB), Kolkata and Indian Jute Mill Association (IJMA), Kolkata.

Besides, to know the various facts regarding marketing practices and to get the appropriate intricacies about the handling of the components of marketing mix by the jute industry involved in marketing activities the researcher has had discussions with the officials of National Jute Board (NJB) of India and Indian Jute Mill Association (IJMA). To identify more about the marketing practices followed by the Indian jute industry researcher has visited corporate offices of 10 jute firms. The data and information processed with the help of MS-OFFICE EXCEL, 2007 Version. The relevant data have been analyzed with the help of descriptive statistics like Arithmetic Mean, Standard Deviation (SD), Maximum, and Minimum. Further, Compound Annual Growth Rate (CAGR), Annual Growth Rate (AGR) and for trend analysis, linear least squares method have been used. Furthermore, line charts and bar diagrams have been used for lucid presentation of the study.

SCOPE AND LIMITATION OF THE STUDY

The study focuses on the adoption of marketing practices by the Indian jute industry. To make the study more precise and practical, investigation and analysis were limited within a defined boundary. The following information limits the scope of the present study:

- a) Of the different jute goods producing countries in the world, Indian jute industries have been taken for the study. This is because, Indian jute industry is the world largest jute goods producer, and has the largest consumer market for the same.
- b) To examine the marketing practices of the industry, only 4Ps (Product, Price, Place, and Promotion) of marketing has been taken into consideration for study. Other peripheral factors are not considered for the study.
- c) Marketing has two aspects: i.e., domestic marketing or marketing within India and export marketing or marketing abroad. The strategies as well as the practices widely differ among domestic marketing and export marketing. While examining the

marketing practices, we have covered both the aspects of marketing, i.e., domestic as well as export marketing.

- d) In this study researcher has examined the marketing practices followed by the Indian jute industry in domestic as well as in overseas market analyzing the components of marketing mix [i.e., 4Ps, viz., Product, Price, Promotion and Place (Distribution)].
- e) The researcher has taken only that quantity in case of distribution of jute goods which is measured **in weight** (i.e., in Kg, Bales, Tonnes, Metric Tonnes etc.) only. During the study period jute products measured **in length** (i.e., in meters, square meters, etc.) and **in pieces** are excluded from the study. Moreover, quantity of jute products measured in length/pieces did not cover the complete study period.
- f) The study covers the period from 2000-01 to 2012-13 to highlight the performance of Indian jute industry in recent past of 21st century. The study enables us to understand the marketing practices followed by the Indian jute industry in recent years so as to market their products in both domestic and international market more lucidly in the near future.

The limitations of the study are as follows:

- a) Marketing of raw jute is not included in the study, though some information have been furnished to highlight the nature of the industry and to give a balanced and complete picture of the context.
- b) The present study limits the number of jute business firms to 10 (Ten) across India so as to know the various facts regarding marketing practices and to get the appropriate intricacies about the handling of the components of marketing mix by the jute industry.

CHAPTER SCHEME

Chapter 1 of the study presents the introductory framework and general information followed by the historical background of Indian jute industry, statement of the problem, objectives of the study, hypotheses, brief methodology, scope and limitation of the study and chapter scheme.

Chapter 2 of the study presents the extensive review of literature and research works on marketing issues associated with the jute industry in India as well as in other foreign countries to establish the present study establishing the research gap.

Chapter 3 presents the conceptual framework and data sources and methodology of the study.

Chapter 4 of the study represents the overview of the growth of Indian jute market and highlights the trend and pattern of Indian jute industry.

Chapter 5 of the study highlights the marketing practices followed by the jute goods manufacturers in India to place the traditional jute products in domestic as well as in export market.

Chapter 6 of the study highlights the marketing practices followed by the jute goods manufacturers in India to place the diversified jute products in domestic as well as in export market.

Chapter 7 of the study contains with major marketing problems/challenges faced by Indian jute goods manufacturers and assesses the implication of these problems of the industry's growth.

Chapter 8 of the study presents the summary of findings, suggestions and conclusion.

THE MAJOR FINDINGS OF THE STUDY

The major findings of the study are summed up in the following paragraphs.

Objective 1

- The production trend of jute goods clearly indicates that Indian jute industry is gradually declining during the study period 2000-01 to 2012-13.
- The internal consumption of jute goods has gone downwards severely particularly during the study period 2000-01 to 2012-13. Decrease in demand has occurred mainly because of higher cost of jute goods, lesser availability of products, etc. the average annual growth rate of jute goods consumption significantly declined during the study period.
- During the study period it is seen that amongst the major jute goods consuming sector foodgrains had the highest total consumption of jute goods in last five years followed by sugar industry.
- There were progressive decline of export's proportion to total production of jute goods.

- It was found that during the study period the imports of jute products has shown growing trend.

Moreover, it is found that the overall performance of the Indian jute industry has been gradually declining during the period 2000-01 to 2012-13. Though the performance has declined over the years but at the same time export earnings from jute goods has shown positive trend, which indicates that the demand of jute goods is still there in the international market. But due to low production and heavy demand in domestic market Indian producers are not able to meet the demand of overseas market. It has also been found that import of jute goods has increased during the period 2000-01 to 2012-13, it is because of Indian producers are not able to produce good quality of products and at the same time they are not in a position to meet the domestic demand too. Therefore, in order to meet the demand of consumers Indian government and other agencies are bound to export jute goods from other countries, primarily from Bangladesh.

Objective 2

- It has found that the proportion of Hessian, CBC, Yarn and Other products had shown declining over time. As Sacking and Felt goods had shown positive growth during 2000-01 to 2012-13.
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- It has found that the proportion of Hessian, CBC, Yarn and Other products had shown declining over time. As export of Sacking goods had shown positive growth during 2000-01 to 2012-13.
- It is found that the prices of jute products had shown some positive increase, which may lead to help in growth of jute industry in coming future.

Moreover, it is also found that domestic consumption of jute goods has measured lots of ups and downs. During the period it is observed that more than 90% of jute goods are produced in the form of traditional products, viz., hessian, sacking, CBC, yarn etc., it describes that till today Indian jute producers mainly dependent on primitive way of production. Due to high cost and lesser production of good quality hessian bags, yarn & twine, CBC and other traditional products have measured downwards trend during the study period. It is also found that Indian jute industry is heavily dependent on sacking goods during

the period and it has shown positive growth, because of heavy demand of sacking other traditional products are declining from the market over the years.

Objective 3

- During the period it is found that there is a great difference in highest and lowest production of JDPs. It clearly indicates the significant decline in production of Jute Diversified Product during the period 2000-01 to 2012-13.
- The consumption of JDPs also found declining as the production has declined during the period of 2000-01 to 2012-13.
- It is found that total export and export earnings from diversified jute products showing fluctuating trend during 2000-01 to 2012-13.

Moreover, it is also found that during the period 2000-01 to 2012-13 production of JDPs has shown downwards trend. Except hand and shopping bags and decorative fabrics all other JDPs have accounted declining during the period. Export earnings from hand and shopping bags and decorative fabrics have shown a good amount growth during the period and export earnings from all other JDPs have decreased. Because of high prices and lesser availability at time demand of JDPs are diluting not only from the domestic market but it disturbed the international market as well.

Objective 4

During the course of the study it is observed that Indian jute industry is facing lot of obstacles in the path of flourishing progress. The major problems which are distracting the progress of Indian jute goods manufactures are as follows, threat from substitutes, keen competition from Bangladesh, primitive way of manufacturing, high prices of jute goods, inefficient to attract the customer, etc.

- **Threat from substitutes products**

Before 1960's, jute had monopoly in packaging market globally. Since the inception of synthetic and plastic packaging materials in the packaging world there was inherent weakness in supplies of jute goods was found and vice versa supply of synthetic and plastic packaging has gained the momentum and developed so rapidly. Because of the wrecked supply of jute product in world market substitutes products grab the market rapidly. One of the prime reasons of threat from substitutes is the price of jute product, generally it is

pretty higher side in front other substitutes like synthetic, plastic, etc. To overcome these difficulties Indian jute has to develop some policy and take initiative for its survival.

- **Keen Competition from Bangladesh**

Indian jute industry is facing stiff competition from neighbour country Bangladesh which has taken a large portion of global trade of jute goods. After partition major part of raw jute production area has moved out to Bangladesh, that is one of the prime reasons for dilution of Indian jute industry. During the period of 2000-01 to 2012-13 production of raw jute and jute products in Bangladesh have shown significant growth in respect to India's growth. Though, till today Indian jute sector enjoying the position of major producers of raw jute as well producers and consumers of jute goods also, but due to large amount of consumption, Indian jute industry are lacking behind in export market in front of Bangladesh jute industry. To overcome the situation Indian jute board must initiate some policy measures for its survival.

- **Fluctuations in supply and price of raw jute**

Lesser demand in world market leads to shortage of production of jute. Shortage of adequate quantity of raw material is one of the major problems of the industry. Fluctuation in supply and price of raw jute; gradual decline in production of raw jute of finer grades; unevenness in price structure of jute goods, and inadequate demand at international level have adversely affected the jute sector. To meet the requirements of the industry, Indian jute board and other regulatory agencies that are connected with Indian jute are bound to import raw jute mainly from Bangladesh and other jute growing nations.

- **Warehousing and Storage of raw jute**

Warehousing and storage of raw material is one of the major problems of Indian jute sector. Due to lack of storage facility it leads to uneven supply of raw material. Due to this, Indian jute products manufacturers are not able to compete in world market as well as they are not able to fulfil the domestic demand.

- **Inconsistent production of jute goods**

It is observed that production of jute goods has been fluctuating during the period. This is due to irregular and insufficient supplies of raw jute, unskilled labourers, primitive way of manufacturing, inefficient machinery to produce better quality of products, etc.

- **High prices of jute goods**

Products are made costlier because till today most of the Indian jute product manufacturers using primitive way of manufacturing. Gradual increase in the price of raw jute has affected the production cost of jute goods in India. Rising prices of jute goods have both a short-term and long-term impact on the export market. While exports may not be impacted in a big way in value terms, the decline would be felt in terms of quantity. Most of the Indian 24 jute mills are running at loss. As a result of this products made from jute are much costlier than other substitute's products which are easily available in the market with lower cost.

- **Traditional ways of marketing**

In this era where marketing is the most vital factor to increase the organisation client base, Indian jute product manufacturers still applying traditional ways of marketing to place their products in different markets. Though traditional marketing methods have been successful in the past, they all have disadvantages, especially with the rapid increase in Internet usage. With traditional ways of marketing, it is difficult to target a specific customer; specific market segments can be targeted, but not an individual. There is no sign of marketing which includes placing advertisements in newspapers and magazines, T.V. commercials, direct mail and door-to-door sales, which may help more to compete with other products.

For further development of Indian jute industry the policy makers of Indian jute had to take some remedial measures for the growth of the industry. To make progress in production and to grab the market, the main goal of Indian jute goods manufacturers should be the quality production available at affordable price.

SUGGESTIONS FOR IMPROVEMENT

(a) Redesigning of product mix is necessary

It is found that, India's strength lies in its production of traditional jute goods like Hessian and Sacking which is mainly used for packaging. During the study period it is observed that the industry is mainly dependent on sacking products which has accounted for more than 60 percent in both the markets (export market and domestic market). Due to stiff competition from other packaging materials like plastic, synthetic, etc. which are available at lower cost than jute goods the demand of jute goods has declined in the global market.

Under these circumstances reorientation of product mix is very much necessary for the industry for its survival.

(b) To promote Indian jute as a "Brand"

It has been noticed in course of the survey, Indian jute industry is dependent predominantly on demand constraints of the fixed consumers. As it is one of the oldest industries in India and at one point of time it provides a huge amount of export earnings to the government of India. But, till today, Indian jute industry is not able to earn 'brand' image in front of the huge world market.

(c) Implementation of green marketing concept

Jute and its products are known as environmental friendly and eco- friendly products by its nature compared to the other substitutes like synthetic, plastic etc. It has many inherent advantages like luster, high tensile strength, low extensibility, etc. Disposal of jute and jute products do not pose problem like synthetic materials. In order to meet the requirement of environment conscious consumer of jute products, 'green' marketing concept should be brought into practice in the entire value chain of jute sector.

(d) Improve effective information system

Indian jute industry is often criticized by the importers for their lack of marketing information. Though in Textile Policy 2005 government has taken a step to improve the information technology (IT) sector as it is an integral part of the entire value chain of jute and the production of jute goods, and thereby facilitate the industry to achieve international standards in terms of quality, design, and marketing. But till today Indian jute industry is not yet able to improve the IT sector. Jute organizations have to

look forward for the development of IT (Information Technology) sections to facilitate consolidation and dissemination of information globally.

(e) Focus on quality improvements of jute goods

As Indian jute is facing stiff competition from neighbour country Bangladesh and other substitutes like synthetic and plastic materials, therefore it is very much necessary for the health of the industry to concentrate on improving the qualities of production.

To improve the quality, a proper transformation programme is required among the manufacturers of jute goods. Besides, an appropriate training and development programme for workforce is also required to maintain the health of the business.

(f) Proper storage and warehousing facilities

Warehousing and storage facilities of raw jute need to be improved. Due to lack of storage facility of raw jute it leads to uneven supply of raw material to the manufacturing industry of jute products.

(g) More emphasis on research& development is required

Necessary initiatives should be taken at the industry level towards find customer preferences in key markets in terms of customers' requirement; expectation; quality etc. arrangements should be made for regular collection of market feedbacks from top importers or distributors in domestic as well as in export market. Undertaking market research, on a regular basis might help in knowing the tastes and preferences of customers.

CONCLUSION

The study concludes that the Indian jute goods producers are yet to realize the importance of 'marketing concept' within the framework of their overall manoeuvre of the industry. The industry till today mainly focused on 'production concept'. In today's world, most of the world economies are promoting 'green marketing' and 'green packaging' of manufacturing goods. Besides having huge potential as a 'eco-friendly' and 'biodegradable' product by its nature, Indian jute goods manufactures are not yet able to grab the market. To promote Indian jute as a 'brand' in different markets jute manufacturers along with other

agencies related to promotion of Indian jute not only among the potential customers but also promote the 'golden-fibre' products to other developed countries and different parts of domestic market also.