Foreign Direct Investment in India

Prof.V.Krishna Chaitanya

Abstract

For over a decade, FDI has been seen as the magic wand that will transform India into an advanced nation with a modern infrastructure. Every government has talked of taking steps to encourage and expand FDI. But is FDI truly the panacea for the ills of the Indian economy?

Ever since the process of liberalization and globalization hit the Indian shores in early '90s there were major policy changes made in areas of financial sector, foreign trade sector, public sector and social sector. These policy changes or the reforms were initiated to restructure the Indian economy.

One question which needs to be answered is how did the world react to the width and depth of Indian reforms?

One such measure is FDI inflows. By and large, the global response has been quite positive. In the post '90s India has seen dramatic inflow of FDI. In the year 1990 the FDI inflow was US $ 280 million and in 2003 the FDI inflow was US $ 3440 million.

Compared to China and other developing economies where does India stand? This paper focuses on the study on FDI inflows into India and tries to assess where India stands in terms of attracting FDI in relation to developing nations and particularly Asia.

Key words: FDI, FDI inflow & outflow, GDP, infrastructure

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Introduction

Foreign Direct Investment (FDI) refers to investment in a foreign country where the investor retains control over the investment. It typically takes the form of starting a subsidiary, acquiring a stake in an existing firm or starting a joint venture in a foreign country.

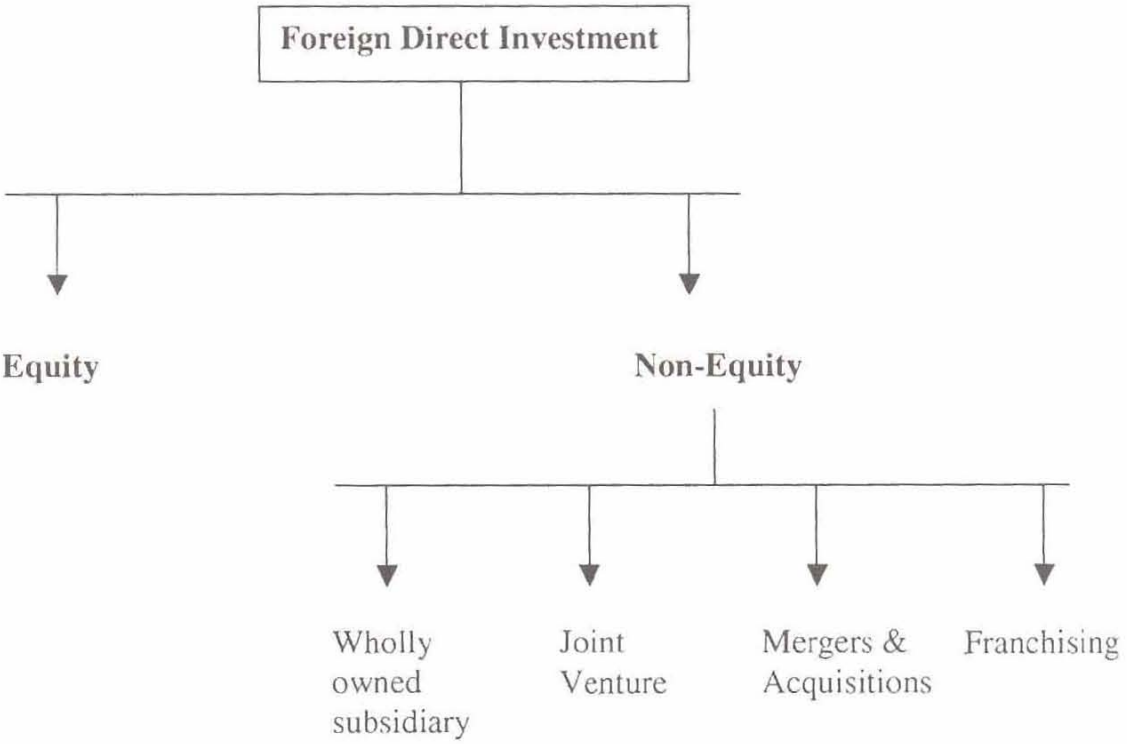
According to IMF, FDI is an investment involving a long-term relationship and reflecting a lasting interest and control of a resident entity in one economy in an enterprise resident in an economy other than that of the foreign direct investor. FDI may be undertaken by individual as well as by business entities.

FDI flows comprise two distinct forms:

i. Equity

ii. Non-equity

Exhibit: 1



Equity flows comprise foreign direct investor's purchase of shares of an enterprise in a foreign country. The non-equity form of FDI include investments through such activities as joint ventures, setting up of wholly owned subsidiaries, management contracts, turnkey arrangements, franchising, licensing and product sharing.

Objectives of the Study

To understand the meaning, nature and advantages of FDI.

To compare FDI inflow & outflow of India vis-à-vis developing economies, Asian economies and China.

To study the key determinants required for a nation to attract FDI.

To analyze the FDI inflow by Industry and evaluate the infrastructural facilities available in India.

To study the regulations for FDI in India.

To bring out suggestions out of the study.

Significance of FDI

In India, in the '70s bank-lending was the largest component of capital flows to the developing countries. In the '90s, the capital flows were dominated by bonds, portfolio investment, more so FDI and private sector did most of the external borrowing.

On the one hand, FDI provides the much-needed resources leading to accelerated capital formation; on the other, it facilitates transfer of technology, knowledge skills and above all the organizational and managerial capabilities. The proponents of FDI also emphasize on its role in accessing international marketing networks.

In an attempt to reach to a verdict on the significance of FDI to a nation, the following are the advantages specified for any nation in attracting FDI.

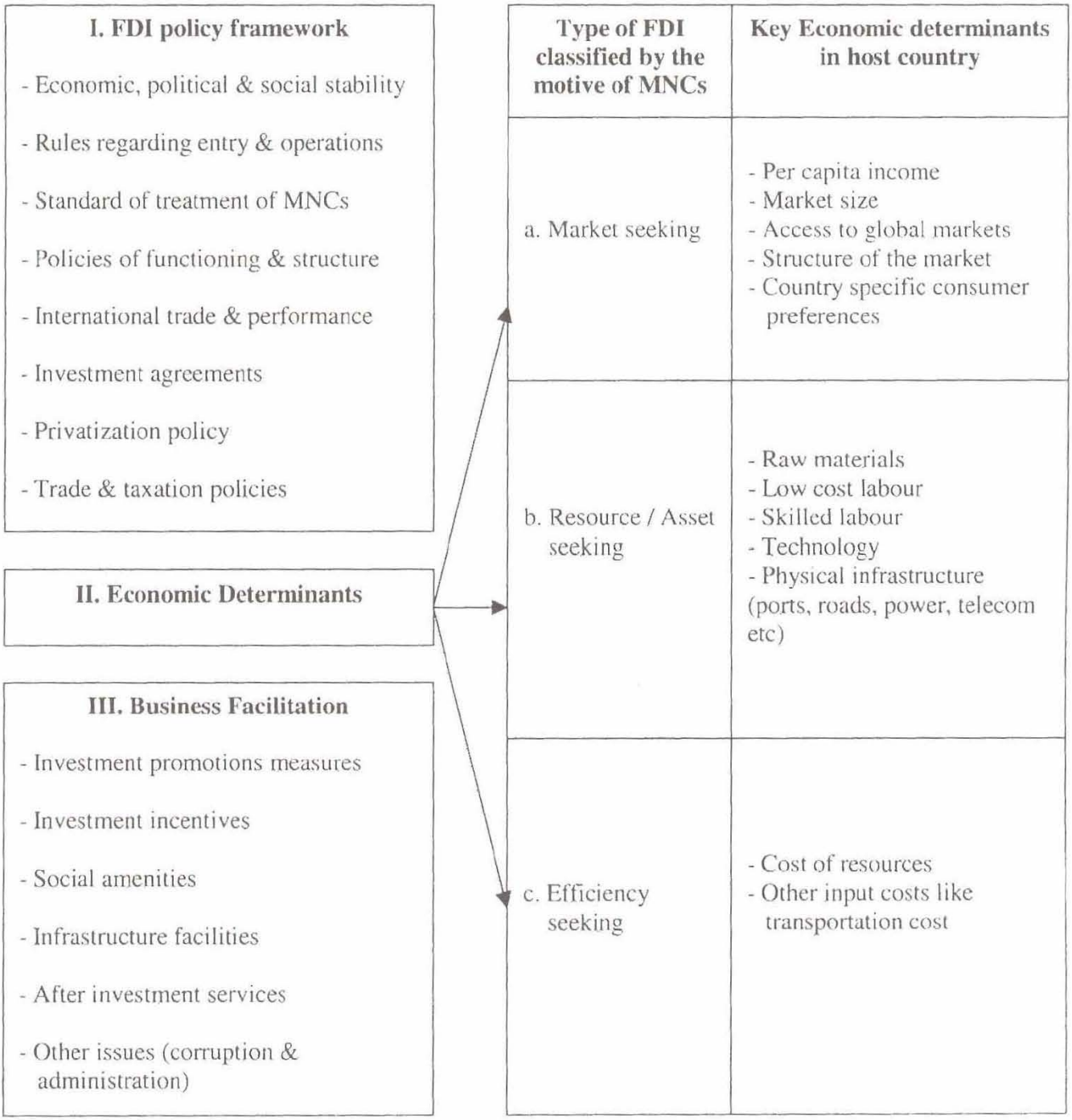
- FDI flow will always expand when world trade slows down or when portfolio investment dries down. Moreover FDI is less risky as they represent long-term commitment.
- It involves the transfer of technology, financial capital, other skills, which are very much needed for any developing nation.
- FDI boosts growth in the host nations through technology diffusions and transfer of capital.
- FDI leads to improvement in the capital account of the host country.
- FDI can lead to increase in employment in the host country by setting up new production facilities.
- It contributes to filling the savings and foreign exchange gaps by providing financial capital.
- FDI shifts the risk of investment from domestic country to foreign investors.

What determines FDI

National policies are key for attracting FDI. Countries seek FDI to promote their growth and development. Many policies in a nation will affect FDI inflows.

Exhibit – 2 shows the key economic determinants in an economy and the policy framework of the government which will in turn have an effect on FDI flow into a nation.

Exhibit: 2 Host country determinants of FDI



FDI in India

India is one of those countries which are keen on attracting FDIs on its soil and has therefore brought about significant policy changes in this area in the past decade ever since the process of liberalization in 1991. From then on, the Government of India has

given permission of automatic approval for foreign investments upto 57 per cent in more than 34 industries. The New Industrial Policy, 1991 allowed most of the foreign investments in industries of automatic route (i.e. no prior approval of the government or RBI is required). The automatic route has subsequently expanded very significantly and now there are different categories of industries on the basis of the ceiling of foreign equity participation, viz.

- Industries in which FDI does not exceed 50 per cent
- Industries in which FDI does not exceed 51 per cent
- Industries in which FDI does not exceed 74 per cent
- Industries in which upto 100 per cent foreign equity is permitted.

Government has appointed Foreign Investment Promotion Board (FIPB) to make a fast processing of applications for FDI, which are not covered in the automatic route. In the post '90s India did exceedingly well in attracting FDI inflows.

The figures given in Table –1 shows the amount of FDI India was able to attract during the past decade.

Table 1: FDI Inflow into India

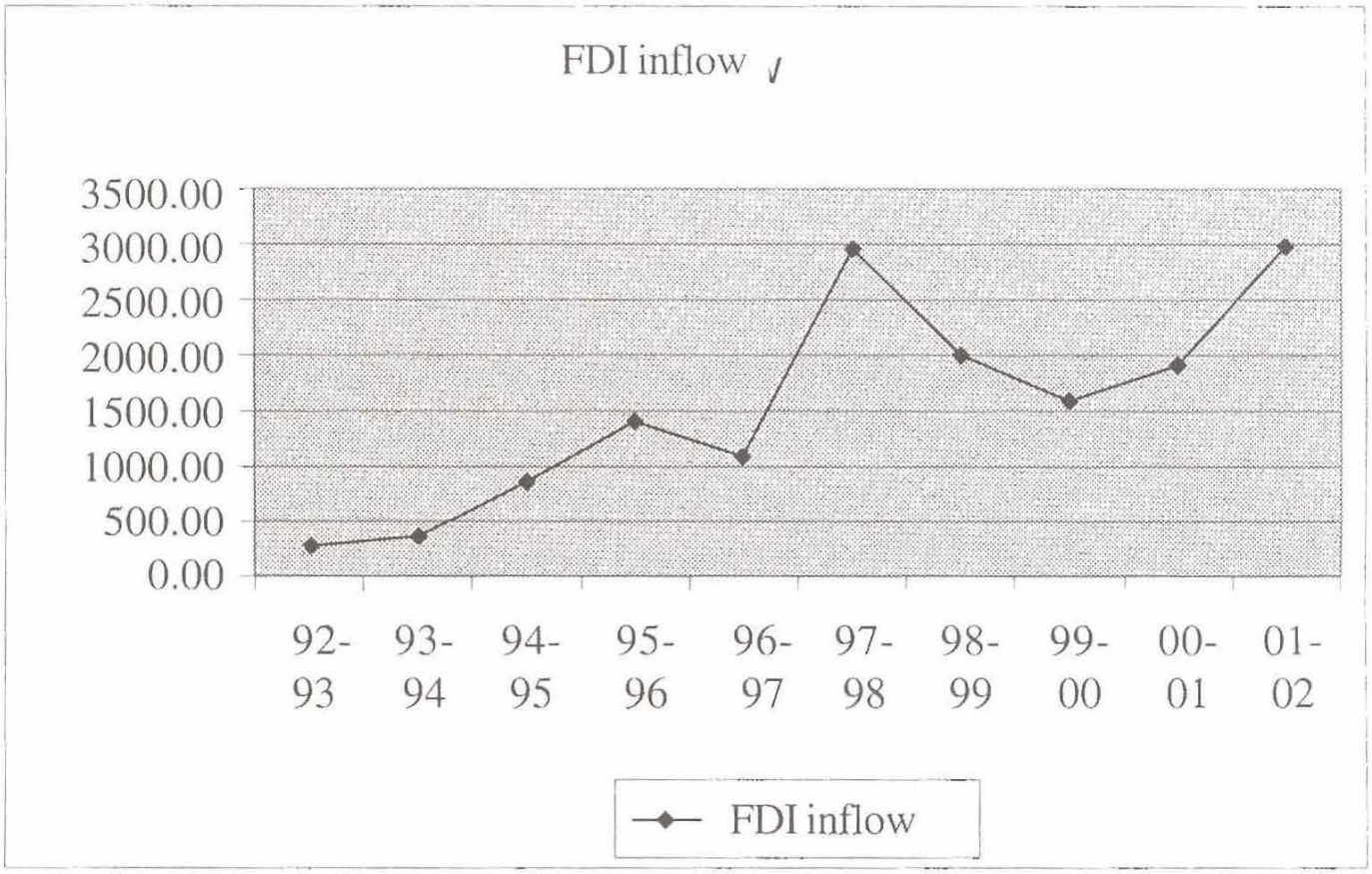
Rs in Million US dollars

Year	FDI inflow
1992-93	279.5
1993-94	369
1994-95	872.1
1995-96	1418
1996-97	1091.6
1997-98	2955
1998-99	2000
1999-00	1581
2000-01	1910
2001-02	2988

Source: Economic Times

As per the Annual report of RBI, the FDI into India has gone up from a mere $ 280 million in 1992-93 to a massive $ 2988 million in 2001-02. As per the report in the year 1998-99 FDI dipped to $ 1581 million (shown in Graph 1).

Graph 1: FDI Inflow into India
(Million US dollars)



FDI Flow in India as percentage of GDP: A broader picture

The FDI inflow in case of developing nations increased by leaps and bounds. There was a growth of over 20 per cent of the GDP in the period 1980 – 1999. In the year 1980 FDI inflow for developing economies was 6 per cent of GDP and in the year 1999 it is 28 per cent. In the case of Asia, the FDI inflow have gone up from 14.2 per cent to over 30 per cent during the same period. But the biggest beneficiary seems to be China. It may be noticed that the FDI inflow in China during the year 1980 was a little above 3 per cent and by the end of the year 1999 it rose to

31 per cent. In relative terms an increase of over 25 per cent. Compared to this, India seems to have made only marginal progress. The FDI inflows to India was about 0.7 per cent of its GDP in the year 1980 and in the year 1999 it stood at 3.6 per cent, an increase of just below 3 per cent.

The FDI inflow was 0.6 per cent when the economic reforms were introduced in the year 1991 and has increased to about 3.6 per cent of its GDP by 1999. This looks impressive but when compared to what happened in China, the only other economy of the size of India, over performance becomes minimal. China during that particular period was able to attract FDI of over 31 per cent.

An equally opposite part of this is that a country should also be making FDI in other nations as well. Quite obviously the countries have failed miserably. The Asian economies stood highest in this head as these regions invest in other countries a sum equivalent to about 13.6 percentage of their GDP. The developing economies too have been doing so. The FDI outflow from India is not more than 0.2 per cent of its GDP.

Table – 2: FDI Inflow & Outflow as percentage of GDP

FDI Inflow as percentage of GDP

Host Economies	1980	1985	1990	1995	1999
Developing Economies	10.2	14.1	13.4	15.6	28.0
Asia	14.2	17.4	15.4	17.3	30.2
China	3.1	3.4	7.0	19.6	30.9
India	0.7	0.5	0.6	1.7	3.6

FDI Outflow as percentage of GDP

Host Economies	1980	1985	1990	1995	1999
Developing Economies	0.9	1.6	2.6	4.8	10.1
Asia	0.7	1.0	2.7	5.7	13.6
China	NA	NA	0.7	2.3	2.5
India	0.1	0.1	00	0.1	0.2

Source : UNCTAD, 2001

FDI Inflow into India: Relative share

With FDI inflow worth more than 3.4 US billions, India receives only a little out of the total FDI inflow from the developing economies. In terms of growth there has been a remarkable increase in FDI inflow since 1994. The growth during this period was termed to be dramatic. As the growth recorded in FDI inflow to India when compared to its corresponding year was over 750 per cent, Asia itself saw an increase of over 150 per cent. However the interesting point to be highlighted is that the growth rate of India in terms of Index numbers seems to be very high than China. This may sound quite impressive but only part of it is true. As the initial FDI inflow to India have been very low, some increase in FDI inflow resulted in a very high index number.

Though FDI inflow to India have increased by leaps and bounds over the recent past, when compared to Chinese growth of more than 52 billions our growth becomes dismal. The only point of cheer is that FDI inflow to India as percentage of FDI inflow to Asia has gone up from 2.8 per cent in the year 1995 to over 3.3 per cent in the year 2002.

Table – 3: FDI inflow into India: key indicators

FDI Inflow (millions of dollars)

Host Economies	89-94	1995	1996	1997	1998	1999	2000	2001	2002
Developing Economies	59578	113338	152493	187352	188371	222010	240167	204801	162145
Asia	37659	75293	94351	107205	95599	99728	143479	102066	94989
China	13951	35849	40180	44237	43751	40319	40772	46846	52700
India	394	2144	2591	3613	2614	2154	2315	3403	3449

INDEX NUMBER (Base 1989-94 = 100)

Host Economies	89-94	1995	1996	1997	1998	1999	2000	2001	2002
Developing Economies	100	190	256	314	316	373	403	344	273
Asia	100	200	251	285	254	265	381	271	252
China	100	257	288	317	314	289	292	336	378
India	100	544	658	917	663	547	588	864	875

Relative Share

Host Economies	89-94	1995	1996	1997	1998	1999	2000	2001	2002
Share of India in Developing Economies	0.6%	1.9%	1.7%	1.9%	1.4%	0.9%	0.9%	1.7%	2.1%
Share of India in Asia	1.0%	2.8%	2.7%	3.4%	2.7%	2.2%	1.6%	3.3%	3.63%
Share of China in Developing Economies	23.4%	31.6%	26.4%	23.6%	23.2%	18.2%	17%	23%	32.5%
Share of China in Asia	37%	47.6%	42.6%	41.3%	45.8%	40.4%	28.4%	46%	55.5%

Source UNCTAD, 2001, 2002 & 2003

When it comes to FDI outflow here too the index numbers are deceptive though India might appear to have grown at a rate of more than 8 per cent from the year 1995. But the share of India in developing economies is a little above 1 per cent. Here also the FDI outflow from India when compared to China seems to be very minimal. However within Asia, the FDI outflow from India is about 2 per cent.

Table – 4: FDI Outflow from India: key indicators

FDI Outflow (millions of dollars)

Host Economies	89-94	1995	1996	1997	1998	1999	2000	2001	2002
Developing Economies	24925	48987	57584	65745	37750	57978	99546	36371	43095
Asia	20335	31149	51924	49393	28617	35421	85204	41827	37121
China	2154	2000	2114	2563	2634	1775	2324	1775	2850
India	19	119	244	113	48	79	336	757	431

INDEX NUMBER (Base 1989-94 = 100)

Host Economies	89-94	1995	1996	1997	1998	1999	2000	2001	2002
Developing Economies	100	197	231	264	151	233	399	146	173
Asia	100	153	255	243	141	174	419	157	183
China	100	93	98	119	122	82	108	82	132
India	100	626	1284	595	253	416	1768	3984	2268

Relative Share

Host Economies	89-94	1995	1996	1997	1998	1999	2000	2001	2002
Share of India in Developing Economies	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%	1.00%
Share of India in Asia	0.1%	0.4%	0.5%	0.2%	0.2%	0.2%	0.4%	2.4%	1.17%
Share of China in Developing Economies	8.6%	4.1%	3.7%	3.9%	7.0%	3.1%	2.3%	4.9%	6.61%
Share of China in Asia	10.6%	6.4%	4.1%	5.2%	9.2%	5.0%	2.7%	5.6%	7.67%

Source: UNCTAD, 2001, 2002 & 2003

FDI Inflow into India by country of origin

A thorough analysis of country-wise data on FDI inflow into India shows some interesting trends. The inflow from the United States was around 8 per cent of the total inflow in the year 1992-93, rose to 22 per cent in the year 1999-00, but saw a gradual decline of 10 per cent in the next two years. Whereas the investments from Japan remained at an average of about 8 per cent throughout the period, there is a slight decline in the year 2001-02. Interestingly FDI inflow from UK have vanished from the year 1997-98, but returned with figures of 3.19 per cent and that too did not last long as it declined to 1.50 per cent of the total inflow in the very next year. Same was the case with Singapore. The inflow disappeared from the year 1997-98 onwards and in the year 2000-01 & 2001-02 it came back with figures of over 1 per cent of the total inflow.

Table – 5: Country-wise FDI inflow into India (percentage)

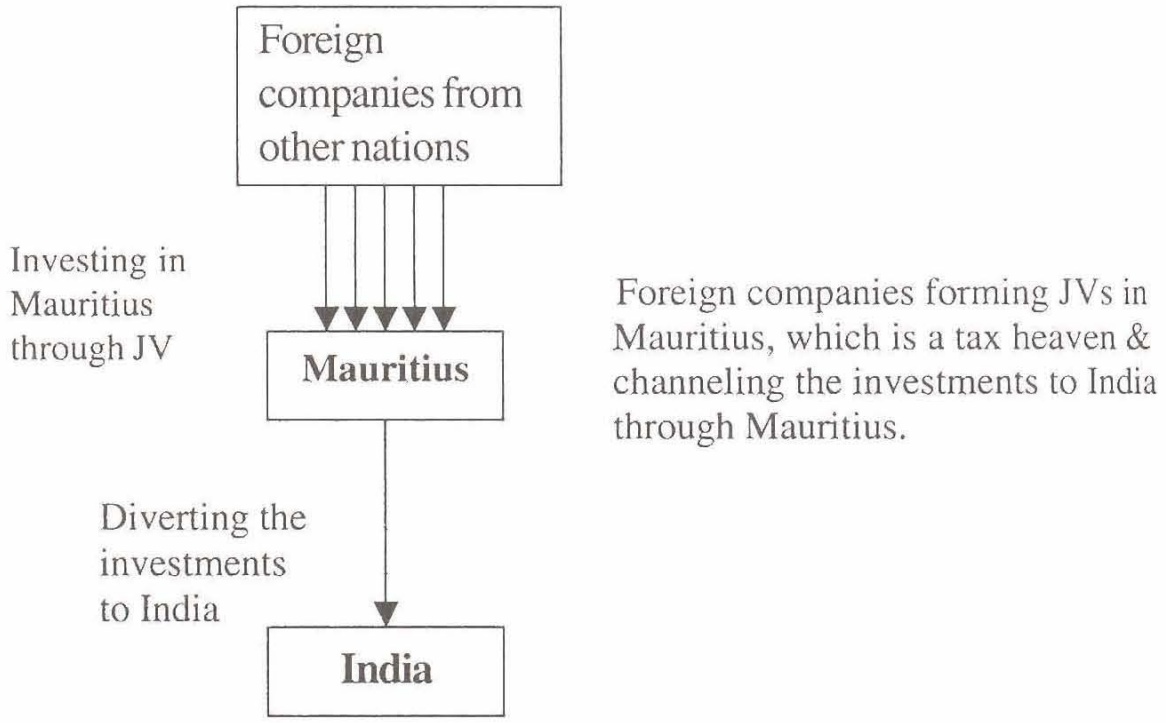
Country	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	00-01	01-02
France	3%	3%	2%	4%	0%	0%	0%	0%	5%	3%
Germany	8%	10%	4%	7%	15%	5%	6%	2%	6%	3%
Hong Kong	1%	2%	2%	7%	0%	0%	0%	0%	0%	0%
Italy	0%	0%	0%	0%	0%	1%	6%	8%	0%	0%
Japan	9%	10%	11%	4%	9%	6%	12%	9%	8%	5%
Mauritius	0%	0%	0%	0%	0%	30%	30%	32%	44%	62%
Holland	8%	13%	5%	4%	11%	5%	3%	5%	4%	2%
Singapore	1%	3%	3%	4%	7%	0%	0%	0%	1%	2%
S. Korea	0%	0%	0%	0%	0%	11%	4%	1%	1%	0%
Switzerland	13%	6%	3%	2%	0%	0%	0%	0%	0%	0%
UK	2%	17%	16%	5%	5%	0%	0%	0%	3%	2%
USA	8%	27%	23%	14%	22%	23%	23%	22%	17%	12%
Others	47%	10%	30%	49%	31%	18%	18%	21%	11%	9%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: RBI Annual Report 1995-6, 1999-00

The investments from Hong Kong and Switzerland have simply frozen from the year 1996-97 onwards. Similarly there has been a substantial decline in FDI inflow from Netherlands, Germany and other countries. Another interesting feature to be noticed is inflow from Mauritius, where the inflow was nil till 1996-97 but suddenly started gaining momentum from thereon. By the year 2001-02 the inflow from Mauritius was about 62%. This significant development can be attributed to the investors in this country who might be channeling their investments through this country, which is a tax heaven.

FDI Flow from Mauritius

Exhibit - 3



If this is the real case, the country needs to speed up its efforts in making its avoidance of double taxation treaties with different nations more effective.

FDI Flow by Industry

The RBI data on FDI inflow into Indian industries from the year 1992-93 to 2001-02 reveals that among the major players that have benefited the most include computers, electronic and electrical equipment and service sectors. Interestingly, FDI inflows into

domestic appliances have evaporated from the year 1997-98, while food & dairy products, finance and banking, and chemical & allied products saw a declining trend over the years. While the pharma sector witnessed a constant growth rate of 3 per cent on an average in all the years, the chemical & allied products saw a mixed trend of growth over the years but declined at a much greater rate in the recent years. Same was the case with finance & banking sector, where it saw an increasing trend till the year 1996-97 and from thereon the inflows declined drastically.

The sectors like electronic & electrical equipments, service sectors and computers are relatively becoming more of attractive destinations.

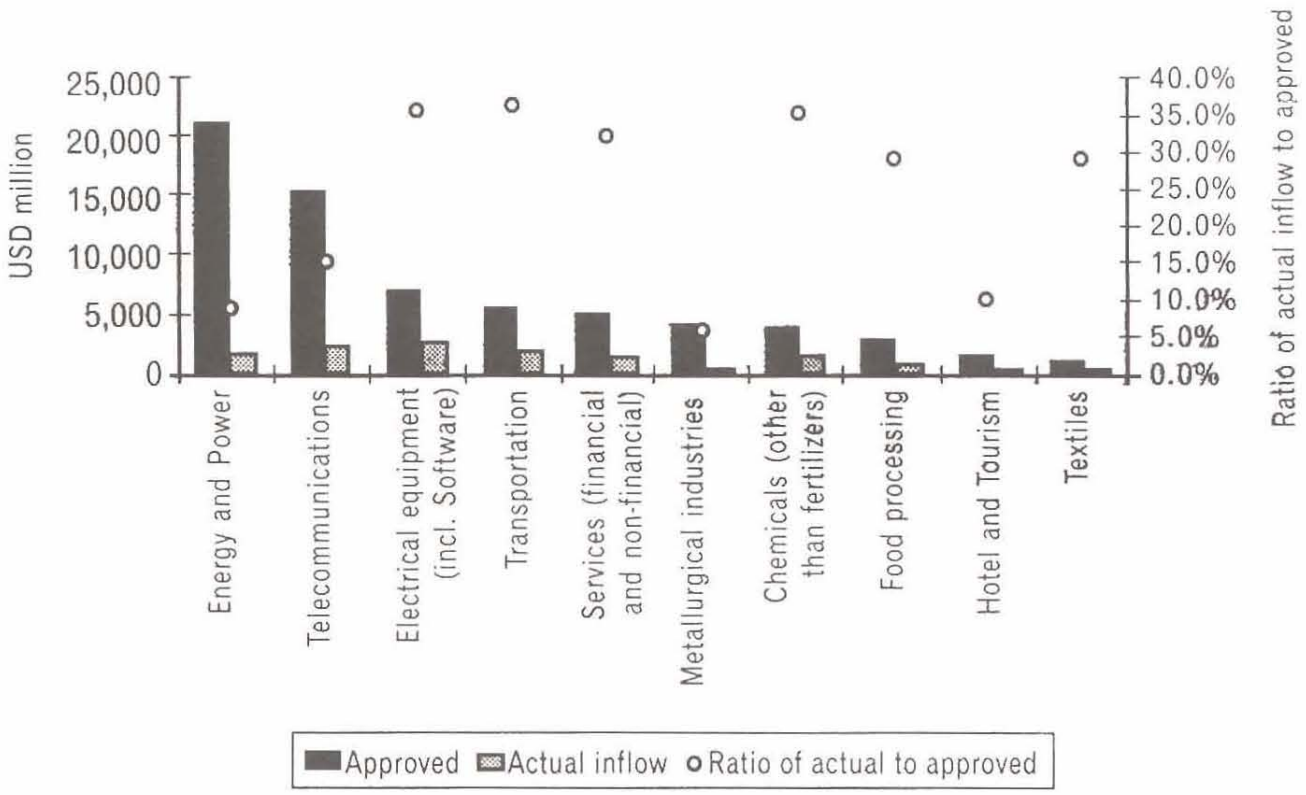
Table – 6: Sector-wise FDI Inflows into India (percentage)

Industry	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	00-01	01-02
Chemical & Allied products	17%	10%	16%	9%	15%	9%	19%	8%	7%	2%
Computers	3%	2%	1%	4%	3%	5%	5%	6%	16%	12%
Domestic Appliances	6%	1%	12%	0%	1%	0%	0%	0%	0%	0%
Electronic Equipments	12%	16%	6%	9%	7%	22%	11%	11%	15%	22%
Engineering	25%	9%	15%	18%	35%	20%	21%	21%	11%	8%
Finance	1%	11%	11%	19%	11%	5%	9%	1%	2%	1%
Food & Dairy products	10%	12%	7%	6%	12%	4%	1%	8%	4%	2%
Pharma	1%	13%	1%	4%	2%	1%	1%	3%	3%	2%
Services	1%	5%	11%	7%	1%	11%	18%	7%	12%	38%
Others	25%	21%	19%	24%	14%	24%	13%	35%	30%	13%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: RBI Annual Report – 1999-00

Here it is worth mentioning that the FDI inflows do not seem to be coming to those industries which have been made more attractive through policy concessions by the government. This is an encouraging sign which is worth appreciation as this means the FDI inflow into the country are guided more by market and economic conditions rather than the incentives offered by the government.

Graph - 2 : FDI inflow & approvals - Industrywise
FDI approval and inflow
(August 1991 - October 2002)



Source : Planning Commission paper - 2002

Evaluation of Infrastructure in India

If we analyze the factors that are generally considered responsible for attracting FDI inflow, India as a destination stands out very prominently. But it has to be said that India despite having all the necessary requirements (large domestic market, cheap labour and natural resources) has not been able to attract FDIs to make any significant impact.

One factor, which can make India attract FDI flow to a larger extent is infrastructure. Table – 7 shows the state of infrastructure in various sectors, where India stands out.

Table – 7: Position of Infrastructure in India to attract FDI

Service	General Perception
Power Supply	Intermittent; suffers from reliability
Energy (petrol, diesel etc.)	Import dependent; relatively expensive
Telecommunication	Improving, becoming on par with other nations
Transportation	Not very efficient, needs to improve
Sewage & Waste Removal	Primitive; largely in public sector
Public Security Services	Needs Improvement
Construction Services	Improving with entry of private sector
Fire Department Services	Reliable; relatively less efficient
Health Services	Improving with entry of corporate sector in health care
Insurance Services	Improving after liberalization
Information Services	Improving; right to information legislation, disclosure norms
Media Services	Quite developed
Primary Capital Market	Developed but jittery
Secondary Capital Market	Developed but suffers from imperfections
Banking	Quite developed
Forex Market Services	Improving; Current account convertibility permitted; capital account may become convertible soon
Free-Zone Services	Developing
Forward / Future Market	Introduced
Water Supply Services	Primitive; largely in public sector

Source: as compiled by Furqan Qamar (2003)

Regulation of FDI in India

The Government of India has been taking many measures to attract FDI into India. The Government has set up a separate body, Foreign Investment Promotion Board (FIPB) which is created for the sole purpose of attracting FDI into the nation. Its prime duty is to check the process of applications for FDI which are not covered in automatic route. Many other measures have also been taken to facilitate foreign investments.

Projections of FDI into India

The tenth Five Year Plan approach paper, on a cautious note visualized FDI inflows in range of 1 – 1.5 percent of GDP during the plan period. The sub group on External sector of the tenth FiveYear Plan has the projections worked out for FDI inflows under two scenarios during the plan as shown below in Table – 8.

Table – 8: FDI projection for 10th Five-year plan

(in US $ Million)

GDP growth rate	2004-05	2005-06	2006-07	Average
i. @ of 6.0%	8,200	9,600	11,000	9,600
ii. @ of 8.0%	9,800	11,450	13,100	11,450

Source: Planning commission report-2002

Concluding Remarks

The economy of the size of India has not been able to capitalize on the opportunities that have been thrown open by the winds of liberalization and globalization. This scenario urgently requires a thorough analysis as to what can be done to make India the most favored destination for FDI. While doing so one should carefully identify the sectors which has the potential to attract large volumes of FDI and also the sectors which can be developed to make those areas as attractive destinations by providing much needed incentives.

Discussions at the national level have revealed that removal of limits on FDI in sectors like petroleum, where the petroleum retailing should be allowed without any link to refining. Another such case is constructions & real estates, where 51% of FDI can be allowed would have the greatest potential for increased FDI.

Added to all these, there is a general perception that India as a product is not able to market itself as an FDI destination. An attitudinal mindset change towards FDI is necessary. This may seem to be simple but practically it is very difficult to change. Changing the foreign perception on India and making India, as FDI destination is a challenging task.

Only one method that could work i.e. the government should focus on highlighting the cases of successful FDIs and it should present a well-designed publicity campaign bringing out the advantages that foreign nations could reap from investing in India. It should take steps to provide more and better information about policy, regulations, procedures etc. about each sector. A strong publicity mechanism needs to be adopted by the Government of India which can project the success stories in various sectors.

Suggestions

The following are the 'ten point suggestions' to make India an attractive destination for FDI:

a) The State Governments in India should provide for separate investment laws relating to infrastructure.

b) Sector FDI caps in almost all the sectors can be further minimized except the defence sector.

c) The existing strategy of attracting FDI should change. The strategy should be more of company oriented in specific sector than broader ones.

d) One hindrance in attracting the FDI could be the bureaucratic hassles and incidence of corruption, which should be addressed at a national forum.

e) The government should also focus on developing fast track clearance system for legal disputes.

f) The central government can create separate investment fund for the purpose of attracting FDI into the nation (E.g. AP Infrastructure Development Enabling Ordinance).

g) The major problem cited is low realization of FDI inflow vis-à-vis proposals cleared / approved and this could be because of the post approval procedures.

h) Most of the problems which the MNCs have cited are plethora of clearances, legislations, Center State duality, bureaucracy, labour laws and weak image

i) There is no clear-cut policy framework in India for attracting FDI. Hence there is an urgent need to frame policy, which should spell out clearly the ways and means to attract FDI.

j) Sector-wise targets should be set and sector ministries must be made responsible for achieving these specified targets.

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Influence of Packaging in Brand Selection with respect to Bar Chocolate

Dr.C.Anandan & Ms.A.Deepa

Abstract

Historically, packaging was a production activity in most companies, performed mainly to obtain the benefits of protection and convenience. In recent years, however the marketing significance of packaging has been increasingly recognized especially in chocolate industry; and today, packaging is truly a major competitive force in the struggle for markets. Most retailers are inclined to cater to producers that have effective packaging. In addition, the increased use of branding and the public's rising standards in health and sanitation has contributed to the importance of packaging. New developments in packaging, occurring rapidly and in a seemingly endless flow, require management's constant attention to packaging design. We have reviewed the literature in order to understand how packaging has got an influence among the public with respect to chocolate industry. In this paper we have arrived at decisions related to packaging of chocolate industry. This would help the management to make an effective strategic decision for chocolate industry.

Key words: Packaging & Brand selection

Introduction

The entire business history is testimony to the fact that the brands which have consistently strived to create additional value for customers through innovative

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strategies have been able to build strong brands with the customers. Innovations in any aspect of a business have the potential to enhance the customer value proposition and hence the brand value. Most of the companies plan and implement some marketing activities, mainly to receive a favorable response from their buyers. Even small notable improvements in the contents or the flavors or even modifications in pricing, firms play an intelligent game in getting new customers and attracting them to buy their products time and again. As a last resort the companies are depending upon packaging as a strategic weapon to handle the competition. Since customers are the one to take the final judgment, and the assessment of the final product based on a holistic view of the total product offer, it is of great relevance to know how far the packaging strategy has influenced the above said assessment of the customers. This study was thus carried out to assess the influence of packaging in customers' brand selection in bar chocolate industry.

Literature Review

Packaging

Packaging, a part of product strategy can be defined as the activities of designing and producing the container or wrapper for a product. The container or wrapper is called the package. Packages are often referred to as five second commercials. Better packaging can improve the product image, help reposition it, or take on the competition in a niche area.

Decisions related to packaging

The packaging of some products may be designed to convey and enhance the high-end positioning of the brand. So there lies the need for effective decision making.

- Strategic decisions should be taken regarding the packaging of products as packaging decisions are attracting increasing public attention.
- Decision should be made on additional packaging elements materials, color, text and name.

- Decisions must be made on much or little text, cellophane or other transparent films, a plastic or laminate tray and so on. The various packaging elements must be harmonized. The packaging elements must be harmonized with decisions on pricing, advertising and other marketing elements.

- Developing effective packaging may cost several hundred thousand dollars and take from a few months to a year. Stress should be made on the functions it performs in attracting and satisfying customers.

Packaging has grown as a marketing tool due to following factors:

Self service: An increasing number of products are sold on self-service basis. Package must perform any of the sales tasks: attract attention, describe the product's features, create consumer confidence and make a favorable overall impression.

Consumer affluence: Consumer affluence means consumers are willing to pay a little more for the convenience, appearance, dependability and prestige of better packages.

Company and brand image: Companies are recognizing the power of well designed packages to contribute to instant recognition of the company or brand.

Innovation opportunities: Innovative packaging can bring large benefits to consumers and profits to producers.

Need for packaging

Packaging serves several utilitarian purposes; it protects the product on its route from the producer to the final customer, in some cases even while it is being used by the customer. Moreover, some protection is provided by "child-proof" closures to containers that are potentially harmful to children. Packaged goods always have an edge over the bulk items, in being more convenient, cleaner, and less susceptible to losses from evaporation, spilling, and spoilage.

Packaging may help a company's marketing program. Packaging helps in identifying a product and thus may prevent substitution of competitive goods. A package may thus help in differentiation of goods.

In case of some industries, customers are even willing to pay more for special, attractive packages. Besides this, an increase in ease of handling or a reduction in damage losses, packaging will cut marketing costs, there by increasing profit.

Packaging plays a major role in value generation as well as positioning and repositioning of a product. Usually, brand preference provides a basis for positioning of a product. Packaging, hence in a broader sense is meant for consumer utility and promotion. Due to the above stated aspects, 'packaging' is a part of the product strategy.

Packaging – Marketing mix

Packaging is rightly considered to be the 5th P of marketing mix and the *key objectives* of packaging are:

- Contain the contents,
- Protect the contents,
- Promote the contents,
- Differentiate the contents,
- Increase the utility of middlemen and final buyers.

Legal concerns of packaging

Packaging of products is regulated by the following Acts:

Federal Trade Commission Act: In 1914, the Federal Trade Commission Act in US held that false, misleading or deceptive labels or package constitute unfair competition.

Fair Packaging and Labeling Act: It was passed by US Congress in 1967, set mandatory labeling requirements, encouraged voluntary industry packaging standards, and allowed federal agencies to set packaging regulations in specific industries.

Standard Weights and Measures Act: This enforces the metric system of weights and measures and sets out standards, penalties for non-compliance and means for enforcement.

Packaging Commodities Regulation Act: This Act expects all consumer products to show on the package the following when ultimately sold to the consumer:

a. The date of manufacture/expiry,

b. Maximum retail price excluding local tax,

c. Net content and the name and address of the manufacturer.

Chocolate Industry – Present Scenario

With regard to chocolate industry, brands have proved successful in creating additional value, for customers have been able to build strong brands with customers. Innovations have the potential of enhancing the customer value proposition and hence the brand value. Packaging may be considered as a true value catalyst in the chocolate industry.

Just months after the presence of pesticides was reportedly detected in bottled water another major controversy rocked the Indian food industry when a batch of Cadbury chocolates was reportedly found to be infested with insects. What followed was another round of allegations and counter-allegations being hurled on Cadbury India, while the company's sales took a beating in the festive season. Preliminary investigations by Food and Drug Administration, Maharashtra revealed the presence

of worms in the chocolates. Cadbury, on the other hand claimed that its chocolates were manufactured under strict hygienic conditions but improper storage by retailers might have caused some of them to have got infested.

Following FDA's suggestion to package its product differently and to gain back consumer confidence the company has decided to change the packaging of its chocolates. The consumer scare is believed to have seriously affected sales of the nation's leading chocolate bar.

Cadbury India Limited launched a strengthened, 'purity sealed' packaging for Cadbury Dairy Milk. The packaging for 13g (Rs.5) is double wrapped for maximum protection. The chocolate is wrapped in aluminum foil and enclosed in a poly flow pack, which is completely sealed on all sides. In the second phase, the larger Cadbury Dairy Milk packs are to be in poly-coated aluminum foil, heat-sealed and then wrapped in the branded outer package. Both these steps are first ever in chocolate packaging in India.

Companies must pay attention, however to the growing environmental and safety concerns about packaging and make decisions that serve society's interests as well as immediate customer and company objectives.

Research Methodology

Sources of data

- Both primary and secondary data were collected for research survey.
- Primary data was collected among households in Madurai and Trichy.
- Sample size of 50 respondents were selected for the survey.
- The sampling technique used for the survey was convenient sampling.
- The primary data was collected using a pilot tested questionnaire.

The profile of the respondents is given below:

AGE	# respondents
15 - 20	4
20 - 30	45
30 - 50	1

GENDER	# respondents
Male	14
Female	36

INCOME	# respondents
Less than 5000	4
5000 - 15000	3
Not applicable	43

Objectives of the Study

The following objectives were set for the research study:

- To understand the influence of packaging on brand preference of customers,
- To find the impact of packaging on the pricing strategy of products,
- To make out the influence of packaging in communicating the quality image of the brand,
- To determine the role of packaging as a promotion tool of the product,
- To make out the environmental and legal issues regarding packaging,

- To determine the influence of packaging on positioning and repositioning of a product and
- To determine the influence of packaging on product differentiation.

Analysis

Factors influencing the brand choice in bar chocolate

The important attributes of a chocolate are

- quality
- price
- availability
- package
- taste
- brand name.

1. Friedman and Kendall test was conducted to see if various attributes of the product had any significant impact on the preference of bar chocolate. At 5% significance level, it is concluded that the respondents' preference for the various product related attributes influencing the chocolate purchase is significantly different.

2. Kruskal Wallis test was conducted to find the impact of age and income on the choice of brand. At 5% significance level, it is inferred that age and income do not influence respondents in preference of attributes.

3. Mann Whitney test was conducted to find the impact of gender on the selection of brand. At 5% significance level it is inferred that the attributes like quality, price, package, taste and brand name are not influenced by gender whereas the availability attribute is influenced by gender.

4. Friedman Kendall test was done to find the most influential attribute. Overall it is found that the most influencing attribute is taste, next is quality followed by price, brand name, package and availability respectively.

Attracting feature of a bar chocolate

The important features of a chocolate pack are

Colour combination,

Picture,

Logo,

Offers and

Re-usability.

With respect to gender, higher preference for colour combination was found among more females.

With respect to age, it was inferred that most of the people belonging to the age group 20-30 years give more importance to colour combination in a chocolate pack. In the age group 15-20 years and in 30-50 no preferences are given for logo and offers.

Most of the people belonging to low income category give importance to colour combination in a chocolate pack and least attracting feature for them is the logo. In the income category < Rs 5000 no preference is given for other features like logo, picture and offers. In income category Rs 5000-15000 all the respondents give preference to colour combination.

It was found in general that the colour combination of a pack is given more importance than the logo in the pack.

Good quality bar chocolate has good packaging

Mann-Whitney test was conducted to see if gender had any significant impact on the opinion regarding whether good quality products come in good packaging.

With respect to gender, it was inferred that the significant value (P=0.907) is greater than 0.05 (at 5% level of significant), hence the null hypothesis is accepted and it is concluded that the respondents' opinion of whether good quality products come in good packaging is not influenced by their gender.

Kruskal Wallis test was conducted to find the impact of income regarding the opinion that good quality products come in good packaging. With respect to age, it is inferred that the significant value (P=0.667) is greater than 0.05, hence the null hypothesis concerning the impact of age on opinion whether good quality products come in good packaging, is accepted. Hence, age does not influence the opinion as to whether good packaging implies good quality.

Kruskal Wallis test is conducted to find the impact of income regarding the opinion that good quality products come in good packaging. With respect to income, it is inferred that the significant value (P=0.046) is not greater than 0.05, hence the null hypothesis concerning the impact of income on opinion whether good quality products come in good packaging, is not accepted. Hence, income influences the opinion as to whether good packaging implies good quality or not.

Overall it is found that only income influences the opinion regarding 'good quality comes in good packaging'.

Willingness to note instructions on chocolate pack

The important information on a chocolate pack are:

Expiry date,

Price,

Manufacturing date,

Storage information,

Company details and

Disposal of pack.

A Phi test was conducted to see if gender had any significant impact on noting of instructions on chocolate pack.

Phi value is 0.375. It clearly shows that the correlation between gender and noting of instructions on chocolate pack is moderate. This indicates that, gender influences moderately in noting the instructions on the chocolate pack.

Chi-square test was conducted to find the impact of age on willingness to note down the instructions on chocolate pack. With respect to age, it was inferred that the significant value (P=0.636) is greater than 0.05 (at 5% level of significant), hence the null hypothesis is accepted and it was concluded that the respondents' willingness to note the instructions on chocolate pack is not influenced by their age.

Chi-square test was conducted to find the impact of income on willingness to note down the instructions on chocolate pack. With respect to income, it was inferred that the significant value (P=0.345) is greater than 0.05 (at 5% level of significant), hence the null hypothesis is accepted and it was concluded that the respondents' willingness to note the instructions on chocolate pack is not influenced by their income levels.

Overall it was found that only gender influences to note instructions on chocolate pack.

Among the total respondents who buy bar chocolates, more females indicated a higher importance for expiry date. With respect to gender, age and income, expiry date is given the importance and next the price, manufacturing date, storage information, company details, and disposal.

Additional premium for an attractive package

Phi test was conducted to find whether respondent's willingness to pay additional premium for preferred product in a better quality pack, is influenced by gender. Phi value is -0.171 which clearly shows that the correlation between gender and willingness to pay a premium for a better quality pack is very low. This proves that respondents' willingness to pay a premium for a better quality pack is in no way influenced by their gender.

Chi-square test was conducted to find whether respondent's willingness to pay additional premium for preferred product in a better quality pack, is influenced by age and income.

It is inferred that the significant value (P=0.197) is greater than 0.05 (at 5% level of significant), hence the null hypothesis is accepted and it was concluded that the respondents' willingness to pay a premium for their preferred brand is not influenced by their age groups.

It was inferred that the significant value (P=0.076) is greater than 0.05 (at 5% level of significant), hence the null hypothesis is accepted and it is concluded that the respondents' willingness to pay a premium for their preferred brand is not influenced by their income levels.

It was concluded that gender, age and income do not influence the respondent's willingness to pay an additional premium for an attractive pack.

Willingness to collect chocolate pack

Phi test was conducted to find whether respondents' willingness to collect chocolate pack, is influenced by gender. Phi value is -0.116. It indicates that the correlation between gender and collection of chocolate package is very low. This proves that the respondents regarding their willingness to collect chocolate pack is not influenced by gender.

Chi-square test was conducted to find whether collection of chocolate pack is influenced by age and income.

It was inferred that the significant value (P=0.457) is greater than 0.05 (at 5% level of significant), hence the null hypothesis is accepted and it is concluded that the respondents' willingness to collect the chocolate pack is not influenced by their age groups.

It is inferred that the significant value (P=0.259) is greater than 0.05 (at 5% level of significant), hence the null hypothesis is accepted and it was concluded that the respondents' willingness to collect the chocolate pack is not influenced by their income levels.

It was inferred that the collection of chocolate pack is not influenced by gender, age or income.

Chocolate pack reflecting the nature of the chocolate

Among the respondents, more females feel that only sometimes the chocolate pack reflects the nature of the chocolate. It is found that most of the respondents try to find the nature of the chocolate from the pack.

It is inferred that respondents belonging to the age group of 20 – 30 sometimes find that the chocolate pack reflects the nature of the chocolate. Few people do not notice such aspects.

Respondents belonging to the non income category sometimes find that the chocolate pack reflect the nature of the chocolate. Respondents belonging to income category <5000 feel that chocolate pack always doesn't reflect the nature of the chocolate pack.

It is found that most of the respondents try to find the nature of the chocolate from the pack irrespective of the various influencing factors like gender, income and age.

Type of material for chocolate pack

Among the respondents, more females prefer only eco-friendly material for a chocolate pack.

With respect to age the respondents prefer eco-friendly material. Most of the people lie in the age group of 20 – 30.

Most of the respondents belonging to non-income category prefer eco-friendly material. In income category < 5000 no preference is given for card board box and transparent material. In the income category 5000-10000 no preference is given for cardboard box and transparent material.

Generally the respondents don't prefer transparent materials. After eco-friendly material, respondents prefer gold or silver foils, cardboard box with respect to age, gender and income.

Preference of celebrity image on chocolate pack

Phi test was conducted to find out whether gender influences the preference of celebrity image on chocolate pack. Phi value (0.335) shows that the correlation between gender and preference of celebrity image on the chocolate pack is moderate. The preference of celebrity image on the chocolate pack is somewhat influenced by gender.

Chi-square test was conducted to find whether the age and income influences the preference of celebrity image on the chocolate pack.

It was inferred that the significant value (P=0.144) is greater than 0.05 (at 5% level of significant), hence the null hypothesis is accepted and it is concluded that the respondents' preference to have a celebrity image on the chocolate pack is not influenced by their age groups.

It was inferred that the significant value (P=0.665) is greater than 0.05 (at 5% level of significant), hence the null hypothesis is accepted and it is concluded that the respondents' preference to have a celebrity image on the chocolate pack is not influenced by their income levels.

Overall the preference of celebrity image on chocolate pack is not influenced by gender, age and income.

Change of brand for an attractive package

It was inferred that the correlation between gender and brand switching for a better attractive pack is very low. The conclusion that may be drawn from this is that, gender does not play any role in influencing brand switching in bar chocolate, for a better attractive pack.

It was inferred that the significant value (P=0.859) is greater than 0.05 (at 5% level of significant), hence the null hypothesis is accepted and it is concluded that the respondents' preference to bar chocolate is not influenced by their age groups.

It was inferred that the significant value (P=0.499) is greater than 0.05 (at 5% level of significant), hence the null hypothesis is accepted and it is concluded that the respondents' preference to bar chocolate is not influenced by their income levels.

Findings and Recommendations

The study revealed a whole lot of information regarding packaging and its relevance as far as chocolate industry is concerned. The finding from the study takes us to two schools of thought as to packaging that can be insignificant in a broader sense but can influence the users to some extent. These findings are listed below.

Attributes of chocolate

Related to the attributes of chocolate, packaging doesn't seem to be an influential attribute for consumers to purchase as compared to attributes like quality and price. Packaging is found to have no influence in the brand selection of customers across the various income, age and gender groups. This by itself explains how insignificant packaging can be, as far as chocolates are concerned with respect to attributes.

Brand switching

Dairy milk is the most preferred brand (68% of the respondents). The preference among the respondents didn't show much of difference. 78% of the respondents do not prefer change of brand for an attractive pack. The research gives the result that the respondents are not ready for changing their brands for an attractive pack. So packaging of the product doesn't influence respondents to select their brand.

Reasons for brand preference:

In analyzing the reasons for particular brand the following factors are considered

Quality

Price

Availability

Packaging

Brand name

Taste.

It was found that the respondents purchasing was guided by taste, next influencing factor is quality followed by price, brand name, package and availability respectively. The research gives the result that the packaging doesn't seem to have significant influence in purchase of the brand.

Packaging

The study and subsequent research tested the influence of gender, age and income on the opinion on packaging and findings are listed below:

Colour combination

Irrespective of gender, age and income most of the respondents find colour combination to be an attracting feature of the chocolate pack. With respect to gender, 24% of the male respondents give priority to colour combination and it was 54% in case of female respondents. With respect to age 78% of the respondents prefer colour combination. In the age category 15 – 20, 4% of them gave priority to colour combination and in the age category 20 – 30, 72% of the respondents and 2% in the age category 30 – 50. With respect to income 78% of them prefer colour combination. In the income category < 5000 all the respondents (4%) and in the income category 5000 – 15000 all the respondents give priority to colour and in the non income category 64% of the respondents prefer colour combination.

Information

Regarding information on the chocolate pack, respondents gave higher priority to expiry date irrespective of gender, age and income. Next the respondents look for price information on the package. With respect to gender 62% of them give importance to expiry date (21% of males and 31% of females). With respect to age 62% of them give priority to expiry date (2% in age category 15-20, 58% in the age category 20-30, 2% in the age category 30-50). With respect to income 62% give priority to expiry date (4% of them in the income category < 5000, 54% of them in the income category 5000-15000, 4% of them in non income category)

Packaging material

With respect to package material, respondents prefer eco-friendly material. 56% of the respondents prefer eco-friendly material (22% of males and 34% of females).With respect to age 56% of the respondents prefer eco-friendly material (2% in the age category 15- 20, 52% in the age category 20-30, 2% in the age category 30 – 50).With respect to income 56% respondents prefer eco-friendly material (4% in the income category <5000, 4% in the income category 5000-15000 48% in the non income category).

Additional premium

The study revealed that the respondents are not willing to pay additional premium for a better packaging. 76% of the total respondents are not willing to pay additional premium for an attractive pack (18% of male and 58% of female).With respect to age 76% of them are not willing to pay additional premium for attractive pack (6% in the age category 15-20, 70% of them in age category 20 – 30) . With respect to income 76% of them are not willing to pay additional premium for an attractive pack (4% of them in income category <5000, 2% of them in income category 5000-15000, 70% of them in non-income category).

Celebrity image

84% of the respondents do not prefer to have celebrity image on chocolate pack (18% of males and 66% of females). 84% in terms of age do not want a celebrity image on the chocolate pack (4% in the age category 15 -20, 78% in the age category 20 – 30, 2% in the age category 30 – 50) .With respect to income category 84% of the respondents do not prefer to have celebrity image on chocolate pack(6% of them in income category < 5000, 6% in the income category 5000 – 15000 and 72% non-income category).

Impact of packaging on customer's opinion

The research revealed a lot of information regarding packaging and its relevance as far as chocolate industry is concerned. The findings are listed below.

Packaging is found to have no influence on the brand selection of customers across the various income, age and gender groups. Most of the respondents are not willing to pay a premium for a better attractive packaging nor are they willing to resort to brand switching for a product with attractive packaging. This clearly explains how insignificant packaging can be, as far as chocolates are concerned. The study reveals that packaging is given the least preference among the various attributes that the consumer considers while buying the chocolate. As per the research, packaging is not found to have an influence on the preference of various chocolate brands by the customers.

Among those surveyed, a good number of respondents revealed that they are keen in noting the instructions on the chocolate pack, whereby they worried about the utility and shelf life of the product. A good number of the respondents did not prefer transparent material pack for chocolate. The respondents are attracted towards the colour combination of the chocolate pack. This in itself shows that packaging can have an impact on the customers, provided the firms use proper marketing strategies to harness the customers' inclination towards packaging.

Conclusion

The study conducted using actual consumers resulted in outcome which will help the Chocolate companies to tune their marketing strategies to give customer satisfaction. The study also reveals the influencing factors like type of material, information, colour combination of a chocolate pack. The companies can make an effective strategic decision related to packaging of chocolate by considering all above said findings. Thus findings would bring about value for chocolate industry through packaging.

Consolidated Test Results

Serial No.	Independent Variable	Dependent Variable	Test Used	P Value	Result
1	*Preference of attributes*	-	**Friedman**	0.000	Preference for the various product related attributes influencing the chocolate purchase is significantly different.
2	Preference of attributes	-	**Kendall**	0.556	Moderate influence on preference of attributes
3	Age	Attribute-Quality	**Kruskal Wallis**	0.842	Age doesn't influence the preference of quality
4	Age	Attribute-Price	**Kruskal Wallis**	0.215	Age doesn't influence the preference of price
5	Age	Attribute-availability	**Kruskal Wallis**	0.958	Age doesn't influence the preference of availability
6	Age	Attribute-Package	**Kruskal Wallis**	0.631	Age doesn't influence the preference of package
7	Age	Attribute-Taste	**Kruskal Wallis**	0.647	Age doesn't influence the preference of taste
8	Age	Attribute-Brand name	**Kruskal Wallis**	0.296	Age doesn't influence the preference of brand name
9	Income	Attribute-Quality	**Kruskal Wallis**	0.900	Income doesn't influence the preference of quality
10	Income	Attribute-Price	**Kruskal Wallis**	0.208	Income doesn't influence the preference of price
11	Income	Attribute-Availability	**Kruskal Wallis**	0.910	Income doesn't influence the preference of availability
12	Income	Attribute-Package	**Kruskal Wallis**	0.817	Income doesn't influence the preference of package
13	Income	Attribute-Taste	**Kruskal Wallis**	0.334	Income doesn't influence the preference of taste

Serial No.	Independent Variable	Dependent Variable	Test Used	P Value	Result
14	Income	Attribute-Brand name	**Kruskal Wallis**	0.250	Income doesn't influence the preference of brand name
15	Age	Opinion-"good quality products come in good packaging"	**Kruskal Wallis**	0.955	Age doesn't influence the opinion that good quality products come in good packaging
16	Income	Opinion-"good quality products come in good packaging	**Kruskal Wallis**	*0.046*	*Income influences* the opinion that good quality products come in good packaging
17	Gender	Quality	**Mann Whitney**	0.213	Gender doesn't influence the preference of quality
18	Gender	Price	**Mann Whitney**	0.281	Gender doesn't influence the preference of price
19	Gender	Availability	**Mann Whitney**	0.015	Gender influence the preference of availability
20	Gender	Package	**Mann Whitney**	0.532	Gender doesn't influence the preference of package
21	Gender	Taste	**Mann Whitney**	0.429	Gender doesn't influence the preference of taste
22	Gender	Brand name	**Mann Whitney**	0.356	Gender doesn't influence the preference of brand name
23	Gender	Opinion-"good quality products come in good packaging	**Mann Whitney**	0.907	Gender doesn't influence the opinion that good quality products come in good packaging
24	Gender	Interest of seeing instructions on chocolate pack	**Phi**	0.375	Moderate influence of gender on interest of seeing instructions on chocolate pack

Serial No.	Independent Variable	Dependent Variable	Test Used	P Value	Result
25	Gender	Brand Switching for an attractive pack	**Phi**	-0.009	Gender has very low influence on brand switching
26	Gender	Willingness to pay additional premium for an attractive pack	**Phi**	-0.171	Gender has very low influence on the willingness to pay additional premium
27	Gender	Willingness to collect chocolate pack	**Phi**	-0.116	Gender has very low influence the willing ness to collect chocolate pack
28	Gender	Preference of celebrity image on chocolate pack	**Phi**	0.335	The preference of celebrity image on chocolate pack is moderately influenced by gender
29	Age	Interest to see instructions on chocolate pack	**Chi-square**	0.636	Age doesn't influence the interest of seeing instructions on chocolate pack
30	Income	Interest of seeing instructions on chocolate pack	**Chi-square**	0.345	Income doesn't influence the interest of seeing instructions on chocolate pack
31	Age	Willingness to pay additional premium for an attractive pack	**Chi-square**	0.197	Age doesn't influence the willingness to pay additional premium for an attractive pack
32	Income	Willingness to pay additional premium for an attractive pack	**Chi-square**	0.076	Income doesn't influence the willing ness to pay additional premium for an attractive pack
33	Age	Brand of chocolate	**Chi-square**	0.859	Age doesn't influence the brand of chocolate consumed
34	Income	Brand of chocolate consumed	**Chi-square**	0.499	Income doesn't influence the brand of chocolate consumed

Serial No.	Independent Variable	Dependent Variable	Test Used	P Value	Result
35	Age	Willingness to pay additional premium for an attractive pack	**Chi-square**	0.197	Age doesn't influence the willingness to pay additional premium for an attractive pack
36	Income	Willingness to pay a premium for an attractive pack	**Chi-square**	0.076	Income doesn't influence the willing ness to pay additional premium for an attractive pack
37	Age	Willingness to collect chocolate pack	**Chi-square**	0.457	Age doesn't influence the willingness to collect chocolate pack
38	Income	Willingness to collect chocolate pack	**Chi-square**	0.259	Income doesn't influence the willingness to collect chocolate pack
39	Age	Preference of celebrity image on chocolate pack	**Chi-square**	0.144	Age doesn't influence the preference of celebrity image on chocolate pack
40	Income	Preference of celebrity image on chocolate pack	**Chi-square**	0.665	Income doesn't influence the preference of celebrity image on chocolate pack

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FDI in Indian Print Media

Prof. Sudhindra Bhat

India has always been a supporter & practitioner of free & independent press. Over the last 50 years Indian media has not only thrived but has on several occasions attained global recognition for its constructive contributions. In fact very few countries can claim to have a press as independent and free as in India.

Interestingly, despite all this operational freedom, any kind of foreign investment in Print Media was not allowed since 1955 following a Union Cabinet resolution specifically prohibiting such investment, citing national interests as the primary reason for such a decision.

But this did not mean any restriction on availability of foreign publications in the country. Although foreign journals & magazines could not be published (Reader's Digest being the only exception), but they were at all times freely importable, duty free, into the country.

However as times change, rules must also change!

On June 26, 2002 the Government of India, after a long deliberation lasting almost a complete decade finally announced the opening of Print Media for investment from Foreign & NRI investors.

The Indian Press has entered the liberalization phase with the government's decision to open up the print media to Foreign Direct Investment (FDI). This landmark decision, unshackling the Indian Press, is a measure of India's growing self-confidence.

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Foreign Direct Investment up to 26 per cent has been allowed in news and current affairs publications. In technical, medical and specialized science journals, foreign equity is to be allowed upto 74 per cent.

The new print media policy was announced in 2002 after a debate on the policy issue, stretching more than a decade. The government has been cautious in changing the 1955 Cabinet resolution against foreign participation in Indian print media. The country was skeptical about foreign investment in the early years after Independence, especially of its influence in the media, given the memory of colonial rule. However, changed circumstances and new developments in media sector over the past decades and new challenges in the 21st century necessitated a comprehensive review of the whole matter.

Describing the move as "careful opening up" of the print media, the then Information and Broadcasting Minister, Smt. Sushma Swaraj said it was a *"logical decision in line with the opening up of other sectors including broadcasting"*. However news agencies will continue to be governed by the 1955 Cabinet decision, prohibiting foreign participation.

The decision to restrict foreign equity to 26 per cent of total equity will mean that only joint ventures would be possible. This will automatically restrict the number of foreign players, since many foreign media groups would like to enter the Indian market with their respective brands.

Controversy

The desirability of allowing FDI in print media has been made by some media houses and journalists ever since foreign satellite channels were permitted to beam into the country a decade ago. However, the divergence of views and perspectives compelled the Government to defer the decision indefinitely.

The argument advanced by those who supported the entry of foreign investment in the print media is that since the foreign entry into electronic media has been permitted,

there is little sense in insulating the print media against the foreign entry. According to them, the hold of electronic media on the public mind is far greater than that of the print media. TV has 75 per cent coverage of the population as opposed to the print media coverage of just 16 per cent.

The inconsistency had become even more glaring once foreign television channels and Internet were permitted access to the people. There are more than 40 million cable homes which have access to 100 per cent foreign-controlled media. There are more than a million Internet users who can access any site. Through these TV channels and Internet sites, millions of Indians are seeing and reading foreign material daily and this has not adversely affected the country in any way.

Our main English newspapers- through news-sharing arrangements – carry articles from leading international newspapers, including tirades put out by the Pakistani media for our consumption. So if the policy of banning foreign investment into print media was aimed at ensuring that our people are influenced by foreign media, then it never served the purpose.

On the other hand, those who are opposed to the foreign investment argue that the influence of the print media on the public mind is greater than that of the electronic media. Their concern: foreign powers may take over the reigns in the newspaper business, thereby influencing the readers' minds as per their needs.

The reasons for and against the entry of foreign investment have mostly to do with the business of news. Some media houses are struggling for lack of proper funds and cannot raise resources from the capital market. Those who are opposing are big profitable media houses which have a comfortable position and do not want to face competition.

Currently, the cost of printing newspapers containing 36 pages comes to about Rs. 8 and they are selling them at less than Rs.2 per copy. The subsidies are being managed

because of enormous quantities of advertisement that some of the newspapers have been able to draw, by catering to tastes which have nothing to do with opinion making. Perhaps the opposition is understandable given the desire of every participant in any market to restrict competition.

What the old policy did serve was creation of monopolies. In the past, we used to have many newspapers and periodicals which reflected many shades of opinion. But now that the field is left to a few newspapers without any powerful competition, they have practically eliminated all others. This has been done by predatory pricing – the pernicious practice of pricing a product way below its cost price so that it stifles competition and reduces the freedom of choice for the consumer.

At present, print media companies cannot get themselves listed in the Indian share market because their shares are not freely tradable. Moreover, restrictions in the trading of shares erode their value. Unless shares are freely tradable, the capital market never supports such companies. Even for getting the support of the Indian capital market, it is essential that the print media companies give at least their 26 per cent equity which is freely tradable.

The print media is now an industry. So, all those facilities which are available to industry need to be given to the print media for its growth including opportunity to enter into the capital market of India without any restrictions. Any restriction on raising funds from the Indian capital market is very much counter-productive. Further, if the shares of Indian print media are not allowed to be purchased by foreign buyers the share value of such a company goes down considerably. Only those shares get their fair value where there is no restriction on their trading.

Reactions

Large sections of the media have welcomed the government's decision to partially open up the print media to foreign direct investment as it will improve the condition of several small, medium and large newspapers.

In a joint statement, editors of leading national dailies welcomed FDI clearance, based on safeguards, hoping India's economy would get a booster shot from foreign equity participation and better still, help the nation's viewpoint find serious takers among international communities.

"The print media has been losing out in growth and reach, as well as in advertising, to the television industry, which has had no restrictions on foreign ownership. The government's decision gives the print media a more level playing field than before", the statement said.

Safeguards

The fears regarding FDI in print are unfounded as the government has brought in adequate safeguards to ensure that the management and editorial control remain in Indian hands. For that the government has done a few things in the case of news and current affairs publications. The Indian shareholding cannot be dispersed and a single largest Indian shareholder must hold at least 26 per cent. Also, if the shareholding pattern is to be changed, prior permission of the Information & Broadcasting Ministry will have to be obtained.

To ensure that editorial control does not go to foreigners, at least three fourths of the board of directors must be resident Indians. All key editorial posts including the chief editor must be resident Indians.

All the applicants' credentials would be verified by the Home Ministry. The Foreign Investment and Promotion Board (FIPB) route has been barred for investors entering the news and current affairs business. As FIPB is considered a fast-track clearance route, which may sometimes overlook things, only investors in non-news and non-current affairs publications can follow that route.

Advantages

Small and medium newspapers have been suffering from a capital constraint and the FDI option could offer them the required financial muscle. Media analysts also point out to a huge NRI investment community, keen on acquiring equity in Indian media.

Industry representatives say initially only the English language publications may tend to gain. But in the long run the policy benefits will percolate down to the regional Press as well. Overall, in the news and current affairs segment, the only possible advantage at the moment, till the time the FDI cap is pushed further up, would go to the reader. With foreign entry, the range and quality of information available to the reader will become expansive.

Among other things, foreign equity participation is expected to bring in a sound mechanism to evaluate readership, thereby having a major impact on advertising.

Besides, a focus on human resources, almost missing in the Indian print media, would come into play, once foreign players come on the Indian scene. HR practices would include appraisal system, training and development programmes.

The decision to permit 74 per cent equity in professional journals should go a long way in advancing the cause of professional education and research in medicine, engineering, science and bio-technology. This decision will help India's knowledge economy by providing it access to affordable literature from abroad.

FDI in print would mean that medium and small newspapers that were running on meagre funds now stand a chance to compete with bigger houses by striving to give the same or even better editorial quality. It also has the potential to reactivate the recession-hit media economy. It may even herald the arrival of "specialists" in Indian print on a wider scale that will go to underscore its difference from the electronic media. Newspapers may no longer have to emulate television for retaining readership, and that could well be the single biggest contribution of FDI.

Conclusion

Media consolidation has turned news into a highly developed commodity. It is hoped that the entry of foreign capital does not transform the Indian print media into a commodity producing machine that is more focused on the bottom-line than its critical role in the continuing nation-building project. Foreign investment in the print media should lead to improvement of standards, both editorial and technological. More than that, our talented journalists will be able to get more benefits and opportunities.

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Risk, Return and Equilibrium in Indian Capital Market Under CAPM

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Abstract

This paper investigates to find out if there is risk - return relationship under CAPM in Indian Stock Market. Sensex is market proxy and 91 days Treasury Bill is the risk-free rate of return. Random samples of 200 company stocks to represent the Indian Capital Market are taken for our study. Second Pass Regression Model is used. It concludes that the return is just equal to T-Bill rate. It means that, as it is proved statistically, an investor's return in Indian stock market is less than the rate of interest provided on the fixed deposits by the nationalised banks. Hence the Sharpe-Lintner's CAPM is not relevant to Indian capital market.

Introduction

Investors are now thrilled by the seemingly spectacular percentage gains recorded over the past few months and are yearning for more. Everyday the Sensex is shooting up and it is quite expected by the investors that it would cross 8000 marks. In this regard, we have to remind about the "Art of Gambling in Stock Market".

James Dines noted, "When catering to the delusions of the gambler, ten minutes of good luck is all he needs to forget all the bad luck he ever had". In stock market terms, such psychology shifts are some times facilitated by what can be termed as

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the percentages fallacy. A stock falls from 100 to 10, a 90 per cent drop, and then rises back to 30 – a 200 per cent rise off the lows though still down 70 per cent from the peak – but the mass is left more excited by the immediate 200 per cent.

Though the Sensex is bullish, many investors are apprehensive of the current trend on the basis of their burnt hands through security scams of Harshad Mehta, Ketan Parakh etc. This paper, therefore, tries to throw light on two pressing things:

1. Does the Indian market move in tandem with the rest of the world equity markets?

2. If any evidence supports the above, can the Capital Asset Pricing Model (CAPM) be relevant to Indian capital market?

Statement of the Problem

The following are the two main problems that will be empirically and statistically tested:

Problem 1 : Does the Indian market move in tandem with the rest of the world equity markets?

Problem 2 : Will different portfolios taken from randomly selected 200 firms yield more returns than the returns provided by the Treasury Bill of the Reserve Bank of India, on the basis of CAPM?

Global Capital Markets Village

From the evidence seen nowadays on the high upward volatility of stock market in Bombay Stock Exchange (BSE), we can safely assume that the Indian market looks and behaves like any other global market. Before seeing this spectacular phenomenon, we must understand the BSE.

There are more companies listed in Bombay Stock Exchange (BSE) than on some of the biggest bourses in the world, such as National Association of Securities Dealers Automated Quotation (NASDAQ) System, London Stock Exchange, Tokyo Stock Exchange etc. The 1990s had been a period of rapid growth of

market capitalisation, which grew at an annual rate of 46% during 1990s. Market capitalisation increased sharply by 221% during 1991-92 and by 107% during 1990-2000. Another dramatic development has been an improvement in the volume of trading. The turnover ratio, which reflects the volume of trading in relation to the size of the market, has been increasing leaps and bounds after the advent of screen-based system. However, we are unable to say if the investors receive any equitable returns from the securities, which they have invested in. Further we must also take with a pinch of salt that, after 1996, some leading Stock Exchanges were unable to survive due to least quantum of trade caused by depression.

In spite of these things, now all stocks rise, and not in isolation. There is a tight relationship between the Indian and rest of the world's equity markets, led by the US. The Correlation Coefficients of 12-month weekly return of Indian Markets and Global Markets are given in Exhibit 1.

Exhibit 1

Correlation Coefficients of Indian Markets & Global Markets

Sectors	Correlation Coefficients	
	India with World Index	India with Emerging Markets Index
Information Technology	0.94	0.86
Telecommunication Services	0.89	0.85
Financials	0.81	0.89
Industrials	0.82	0.94
Materials	0.80	0.95
Energy	0.66	0.73
Consumer Discretionary	0.40	0.63
Consumer Staples	0.56	0.81
Health Care	0.32	0.46
Utilities	0.32	0.56
OVERALL INDEX*	**0.92**	**0.93**

* a correlation coefficient of any value above 0.5 is significant with 1.0 being the maximum.

Source: "*Nothing Local About It*", Ruchir Sharma, The Economic Times, 11.12.2003, pp 6.

One reason for the strong overall correlation of the Indian market to the rest of the world's equity markets is that the Indian market's composition (on a sector basis) is quite similar to the world equity index. The weights of technology, health-care (including pharmaceuticals), energy and even the overall consumer sector in the Indian market are near identical to the world market index.

Today trade accounts for about 30 per cent of global GDP, about four times the level of three decades ago. Research work by the International Bank Credit Analyst shows the 12-month rolling correlation between global industrial production and India currently running at a very high level of 0.63. Systematically higher levels of cross-border capital flows (largely in the form of portfolio balances and FDI) also account for greater independence.

The interest rate linkages are even stronger than the equity market correlation, with central banks responding to synchronise to the same basic international impulse. In this way, the business is organised and reshaped. We need not worry about global macroeconomic matters, because global sector analysts are on the ascendance. Local research comes into play only in identifying companies that will capture global trends. Of course, there will be certain secular growth stories, such as China (even it is not immune to global forces) or disaster zones such as Argentina. They lead to significant performance differentials. Therefore, while explaining the Indian market's gyrations, it is better to look outwards. Let us hopefully hope persons such as Harshad Mehta, Ketan Parakh etc. do not re-emerge.

On this hope, we move on to know whether CAPM is applicable to the Indian stock market.

Fama & Macbeth's Empirical Tests in Risk, Return & Equilibrium

In this paper the **Fama and MacBeth (1973)** methodology has been selected to follow and test the relationship of risk and return of Indian Stocks under CAPM theory.

The implications of the two-parameter model for expected returns derive from expected risk-return relationship. It is convenient to write this relation as:

$$\mathbf{E(R_i) = E(R_f) + [E(R_m) - E(R_f)]\ \beta_i} \qquad (1)$$

In words, $\mathbf{E(R_i)}$ the expected return on security i is, $E(R_f)$ the expected return on a security that is riskless in portfolio m, plus a risk premium of β_i times the difference between $E(R_m)$ and $E(R_f)$.

In the two-parameter portfolio model, the capital market is assumed to be perfect. Distributions of one period percentage returns on all assets and the portfolios are assumed to be normal.

Equation (1) is an *ex ante* form and we can test an equation with observed data only with *ex post* form. Assuming that the rate of return on an asset is fair game, on an average the realised rate of return on an asset is equal to the expected return. The *ex post* form of CAPM is:

$$\mathbf{R_i = \gamma_o + \gamma_1\ \beta_p + \varepsilon_{pt}} \qquad (2)$$

R_i is return on security i, γ_o is the risk free return, γ_1 is risk premium $(R_{mt} - R_{ft})$, β_p is the covariance between the security's return and the market portfolio return divided by the variance of the market portfolio's return and ε_{pt} is a random error term.

Suppose we deduct risk - free return from both sides of Equation 2, we have

$$\mathbf{R_i - \gamma_o = \gamma_1\ \beta_p + \varepsilon_{pt}} \qquad (3)$$

If we add, into Equation (3) an intercept term 'α' which should be zero, then we have

$$\mathbf{R_i - \gamma_o = \alpha + \gamma_1\ \beta_p + \varepsilon_{pt}} \qquad (4)$$

The intercept term α plays an important role in the testing of CAPM. If α term does not turn out to be zero, it indicates that some other factor(s) besides relative systematic risk are determining the investor's return.

In order to empirically test Equation (4), a stochastic generalisation is given by Fama - MacBeth (1973) as:

$$R_{it} = \gamma_{0t} + \gamma_{1t}\,\beta_i + \gamma_{2t}\,\beta_i^2 + \gamma_{3t}\,s_i + \eta_{it} \qquad (5)$$

Hypotheses

Basically we assume the following four hypotheses in Equation (5) :

a. $H_{0A} : \gamma_{0t} = 0$ where γ_0 = the excess return on intercept over and above the T-Bill.

$H_{1A} : \gamma_{0t} \neq 0$

b. $H_{0B} : \gamma_{1t} > 0$ γ_1 is the positive expected risk-return trade off, i.e. the difference between return of the market minus T-Bill.

$H_{1B} : \gamma_{1t} \not> 0$

c. $H_{0C} : \gamma_{2t} = 0$ The equation of two parameter model for expected return are linear

$H_{1C} : \gamma_{2t} \neq 0$

d. $H_{0D} : \gamma_{3t} = 0$ There are no systematic effects of non-beta risk.

$H_{1D} : \gamma_{3t} \neq 0$

Data

The data sets that are used to perform the empirical testing in this study are the scrips of the firms whose shares are traded on the floor of BSE over a period of 12 years (from April 1991 till March 2003), taken from Prowess issued by the Centre for Monitoring Indian Economy (CMIE).

The name of a firm is randomly selected from the newspaper Economic Times (ET) Compulsory Rolling Stocks on BSE given under Stock Intelligence. Around 100 days of ET are randomly selected, relating to the year 2000. On each of these 100 days, 10 scrips per day are randomly selected. There are 1000 scrip names available and the firm may belong to Group A, Group B1, Group B2 or Group Z. Using the April edition of Prowess, all the 1000 firms' stocks are checked. A firm's scrip is selected to be included in the sample if: (1) the shares are traded at the month end on all the years (1991 - 2003) and (2) the total number of days traded on BSE exceeds 65% of the total trading days of BSE. In this way, we chose 200 scrips from 90 different types of industries.

Sensex is the surrogate of the market returns. The 91 days Treasury Bill (T-Bill) of the Reserve Bank of India is the risk-free rate of return. Though the T-Bills were regulated in India, till 8th January 1993, with a constant yield of 4.6% p.a., later it is exogenously determined on an auction basis. The month wise data on 91 days T-Bill for more than 12 years (April 1991 to March 2003) are taken (source: The Handbook of Statistics on Indian Economy 2002 and RBI Bulletins).

Methodology

The total study period is broadly divided into three sub-periods: First Period (April 1991 - March 1995), Second Period (April 1995 - March 1999) and Third Period (April 1999 - March 2003).

The testing procedure for each type of set can be summarised as under:

Step 1 : Calculate beta for each scrip in the sample using Ordinary Least Squares (OLS) time-series regressions with Sensex market index for the formation period (1991-1995).

Step 2 : Recompute beta and residual error for each scrip in the same period using the method of simple time series regression period for the estimation period (1995 - 1999)

Step 3 : Group the total samples into 11 portfolios (in case of 200 stocks) on the basis of beta ranking.

Step 4 : Calculate beta, beta squared and residual error for each portfolio.

Step 5 : Calculate return for each portfolio for each of the 48 months in the testing period (1999 - 2003)

$$\left[\text{Returns} = \left[\left(\frac{P_t}{P_{t-1}}\right) - 1\right] - R_f\right] \qquad (6)$$

Step 6 : Run cross - sectional regression for each month in the testing period using beta, beta squared and stochastic error of 1995 - 1999 data as independent variables on the returns of 1999 - 2003 data.

Step 7 : At the end, there will be sets of values for the coefficient of independent variables in Equations 1, 2, 3 and 4 (equations are given in Exhibit 2).

Step 8 : Average of the coefficients in step 7 is tested for the significance as a final test of CAPM.

The Results & Analysis

The results given in Exhibit 2, are related to the result of 198 stocks (out of 200 companies Gammon India Ltd. and Tata Finance Ltd scrips are not included in the tests because of their negative beta values) as a sample of Indian Capital Market in terms of equity shares (adjusted for bonus, splits etc) of the secondary market.

Exhibit 2

Fama - Macbeth (1973) II Pass Regression Results for the Third Period (1999-2003)

	γ_0	γ_1	γ_2	γ_3
$r^2 = 0.016$ Adjusted $r^2 = -0.005$ Equation One $R_{it} = \gamma_{0t} + \gamma_{1t} \beta_i + \eta_{it}$				
Value	0.229	0.157	-	-
SD	1.165	0.182	-	-
t	0.197	0.866	-	-
p	0.845	0.391	-	-
$r^2 = 0.032$ Adjusted $r^2 = -0.011$ Equation Two $R_{it} = \gamma_{0t} + \gamma_{1t} \beta_i + \gamma_{2t} \beta_i^2 + \eta_{it}$				
Value	1.107	0.202	-.02277	-
SD	1.540	0.189	.026	-
t	0.719	1.067	-.875	-
p	0.476	0.292	.386	-
$r^2 = 0.020$ Adjusted $r^2 = -0.023$ Equation Three $R_{it} = \gamma_{0t} + \gamma_{1t} \beta_i + \gamma_{3t} s_i + \eta_{it}$				
Value	0.229	0.157	-	-0.119
SD	1.175	0.183	-	0.269
t	0.195	0.858	-	-0.443
p	0.846	0.395	-	0.660
$r^2 = 0.039$ Adjusted $r^2 = -0.026$ Equation Four $R_{it} = \gamma_{0t} + \gamma_{1t} \beta_i + \gamma_{2t} \beta_i^2 + \gamma_{3t} s_i + \eta_{it}$				
Value	1.184	0.205	-.02476	-0.153
SD	1.558	0.190	0.26	0.272
t	0.760	1.078	-0.936	-0.564
p	0.451	0.287	0.354	-0.576

Interpretation

Regarding 198 stocks, of the first set, the excess risk free rate (γ_0) is empirically statistically not significant. We cannot reject the null hypothesis that excess risk-free rate of return in Indian Stock Market is zero.

The beta coefficient in all the four equations shows the more p value and hence they are empirically statistically not significant. We cannot reject the null hypothesis that there are excess returns available over and above the Sensex (market) returns. It simply means the impact of beta is zero.

The same results are related to beta squares also. They are empirically statistically not significant. We cannot reject our null hypothesis that the equations of two-parameter model for expected returns are linear.

The stochastic errors' coefficients also are empirically statistically not significant. We cannot reject our null hypothesis that there is no systematic effect. In a nutshell, the coefficient of stochastic error is simply zero.

That means that, over a period of 12 years, the returns are:

$R_i - R_f = (0 \text{ excess return over T-bill}) + (0 * \text{beta}) + (0 * \text{Beta square}) + (0 * \text{stochastic error})$

$R_i - R_f = 0$

(i.e.) $\mathbf{R_i = R_f}$.

It shows that, in the secondary market over a long period of time, the returns are just equal to the risk-free T-Bill return of RBI. There may be umpteen number of reasons for this result like erratic behaviour of BSE, involvement of bull players like Harshad Mehta, Ketan Parakh etc, camouflaged political stability at the central government and so on.

Regarding the returns, though the excess return over and above T-Bill is negative the null hypothesis cannot be rejected. The excess returns are empirically and statistically not significant. The same things are true for all other coefficients. At 95% confidence level, no coefficient is empirically and statistically significant. It indicates, the returns on scrips are just equal to T-Bill returns.

$$\mathbf{R_i = R_f} \qquad (7)$$

Conclusion

We are surprised to know the bullish behaviour of investors on Indian scrips. On the basis of the statistical proof of our test for the scrips of two samples of 200 firms, it may be concluded that an investor cannot get returns over and above the rate of return of RBI 91 days Treasury Bill. This T-Bill rate is generally less than the Fixed Deposit interest rates of nationalised banks. Instead of going to invest in secondary market, it is better one can invest in Fixed Deposit of nationalised banks. In reality, this type of investment in Indian stock market goes beyond comprehension when we follow the Sharp-Lintner's CAPM. There are some other methods or techniques, which can thaw the frozen and unknown understandability of Indian psyche on Indian stock market.

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An Insight into the Product Deletion Practices in the Indian Context

Dr.K.S.Chandrasekar

Introduction

Product deletion is relatively given a low preference as to the product development activities undertaken by the organisations. Compared to the excitement of developing and launching new products; getting rid of out-dated, ineffective or obsolete products take a back seat. Product deletion is just as important as the product innovation process; because whatever are for deletion, are obstacles to profitability. They may consume too much valuable executive time, financial resources, factory and warehouse space and generate hidden cost, all of which could be devoted to growth products and markets.

Despite the boldest attempt to save the products they are sometimes required to be pruned or deleted. Perhaps new technology has made the product obsolete or heavier cost has started eroding profits. The product may have become the victim of changes in consumer taste or competitive pressures. Whatever be the reasons, when a product reaches the decline phase of its life-cycle and sales dip seemingly irreversible, consider deleting the product, so that the company can maintain an effective product mix. In this article let us look at the warning signals for product deletions, stages of product deletions and the product deletion strategies in the Indian scenario.

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Premonitions for product deletion

Deleting a product is a difficult decision to make because dropping even a single product will alter the product line and product portfolio. However, there are certain warning premonitions that a company cannot leave alone.

They are:

- Declining sales
- Declining prices
- Declining product profitability
- Increasingly effective alternatives or substitutes
- Devotion of excessive attention to otherwise weak-link product due to emotional influences

But too many companies ignore these warnings. Products are maintained in the company's line because of concern that the customers who still buy them may be upset if they are no longer available that their decision may have a negative effect on sales of the firm's other products, or that the sales-force or distributors will object to the loss of old familiar standbys. This suggests the need to establish a comprehensive and thorough product deletion process.

Revitalising a declining product

There may be ways to revitalise a declining product. Production cost may be reduced through value analysis. Joint cost might be reallocated. The product might be repositioned or relaunched in a foreign market. The product might be made more profitable in its waning years by raising its price as in the case of old Cinthol soap from Godrej, by cutbacks in promotion expense or through more economical distribution such as consolidating field inventories in a central warehouse.

The drain on company's resources might be reduced and customer demand still met by subcontracting production of the product to another manufacturer. But when these alternatives hold little hope, the best approach is to program the product's elimination in such a way that the least disturbance is created for the company, its distributors and customers, so that replacement and repair parts will still be available to customers. One technique for doing this is to authorise another company, which can operate profitably serving the remaining core market, to take over the product.

Product deletion stages

The product deletion strategies follow four stages. Each stage is essential for arriving at clear decisions:

- Recognise weak products

This determination should be made as a part of a continuing and systematic monitoring of all company products. Products are to live upto the expectations for profitability, sales growth and market share and consumer attitudes. Portfolio techniques like BCG matrix will help identify these weak links.

- Analysis of weak products

Management must examine the products identified in the above step to determine why they are falling short. Before product deletion, other possibilities like product modifications, repositioning and improved marketing mix strategies need to be found. In other words, the cost of resources, executive time and likely benefits need to be considered for the deletion decision.

- Cause and effect evaluation

If repositioning, product modification and improvement in the marketing mix seem unlikely to salvage the product, the next obvious step is to consider the implication of cause and effect of product deletion. The influence of product deletion upon the

entire company in terms of finance, resources, marketing and management are to be analysed. The potential fallout on the financial positions, influence and impact of the members of the relationship marketing, potential marketing effects and the top management commitment on the deletion will have to be studied and analysed.

- Implementation of the deletion decision

After the decision is made through all the above steps, the timing and the procedure of elimination must be planned in order to minimise the disruption from the constituents of the relationship marketing. This stage may be used to sell the product to some interested party, perhaps including patents and production and distribution facilities.

Examples in the Indian context

When the Indian automobile industry was opened up along with other global players, Ford Motors also launched their most tried and tested, "Escort". The product was positioned along with Opel Astra and Mitsubishi Lancer. Initially Escort was successful in bringing revenue to the company, but later on it showed a declining trend. The company adopted various strategies to revive the product. Special series of Escorts named "Orion" and "Independence" were introduced to retain the soil underneath. The management realised that the product has reached the deletion stage and launched "Ford Ikon" replacing the old Ford.

Similar is the case of PAL Peugeot 709. The model was initially a success, but with years, irrespective of having very good engine and good media support, it showed a declining trend. PAL had to delete this model from the existing product line and now thinking of coming up with the new 909 series. Hindustan Motors (HM) introduced a luxury model car Standard 2000 in the Indian market before the entry of other MNCs. The model was a run away hit in the market and was symbolised

as an aristocrat's vehicle. HM also had to undertake a deletion strategy for the model as it came to know that model had reached the decline stage. A product which was moving to a stage of a failure was Maruti 1000 and the company quickly modified the same and brought out Maruti Zen which went on to become a great success.

Rave, Bajaj Auto's first improvisation on the existing step-through, M80, with the Italian design and futuristic looks and larger wheelbase failed miserably after an initial period. Prior to the deletion decision the sales never went beyond a couple of 100 units per month. Similarly, Kawasaki SX Endura was also deleted from its product line after certain years as a part of product mix strategies.

Godrej's famous brand of toilet soaps, "Vigil" and "Fresca" continued to top the market for several years. Later on the company found out that these brands were depleting the company's bottom line. The only option left out was to adopt the product deletion even though it had other serious repercussions. In the computer peripheral industry, Hewlett Packard introduced the HP DJ-500 printer. After going through the first two quadrants of the model the printer failed to bring in profits to the firm. Irrespective of heavy promotional efforts, HP finalised with the strategy of product deletion.

The Illustrated Weekly of Bennett and Coleman too went through all the stages of product life cycle and later when the profits began to decline, the company deleted the product. Sun TV network in recent years found that their new channel launched during 1997, Sun Movies and Sun Music channels were heavily cannibalising the parent channel Sun TV. They decided to delete the products from the product line. They later on made a strategy to offer K TV which offers a bouquet of music and cinema and it became a success. Business India group after launching their channel

TVi found no advertisers interested in it as the market was flooded with the information channels like BBC World, CNN, CNBC etc., and decided to delete TVi from their product mix. The companies that are seriously hurt on product deletions are those in the technologically volatile environment. In the case of pagers in India, it had a premature death since they were launched along with mobile phones.

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