



Competitive Advantages and Business Practices of Exporting SMEs For Internationalization

(A STUDY ON PUMP AND MOTOR MANUFACTURING FIRMS OF COIMBATORE)

KEYWORDS

Business Practices, Competitive advantages, SMEs

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ABSTRACT *Pump manufactures in India continuously need to improve to enhance productivity, quality and service to customer. In the era of global business, Internationalization of firm has been a critical factor for companies and paid attention to small and medium sized enterprises(SMEs). Good business planning must include the engineering expertise that has made such business possible in the past and without doubt continue to do so in the future. This study attempts to delineate differences among exporting firms when firms are classified by their degree of internationalization. These firms are then contrasted with each other with respect to measurable company characteristics, domestic market environment, nature of international business involvement, marketing policy aspects, and export market research practices. The analysis in the paper is based upon data gathered through personal interviews and mail surveys had with the executives of 143 Coimbatore Pump and motor manufacturers. The study reveals significant differences among the Exporters in having competitive advantages and setting up of Business practices.*

I. Introduction

The Indian market in agriculture and domestic pumps is valued at Rs.4,000 crore a year, and Coimbatore alone accounts for Rs.2,000 crore. Coimbatore is also called as the pump city of Asia. The City houses large number of small scale engineering companies. The motor and pump industry supplies over 40% of India's requirements. The Rs 4,000-crore pump industry in Coimbatore is all set to touch the Rs 6,000 crore in sales revenues over the next two years. Nevertheless, it says that a number of small and medium enterprises (SMEs) in the industry are either closing shop or increasingly becoming suppliers to large companies, due to erosion in their profit margins due to increases in raw material prices. Exports account for 10 per cent of the industry's total sales revenues. The town exports pumps to Europe, United Arab Emirates, East Europe and countries and the Indian subcontinent. While the bigger companies can withstand the erosion in margins, small units are unable to. The industry is becoming more competitive and each company is trying to set up their own competitive advantage over the other in operating with international markets.

II. Objectives

1. To find out the Competitive advantages of the Pump and motor exporting firms of Coimbatore.
2. To find out the Business practices followed by the Pump exporting firms of Coimbatore.
3. The SWOT analysis of the selected Industry.

III. Research Methodology

From the reliable sources, 270 firms are involved in exporting pumps and motors to various countries. The sample chosen for the study is 143 exporting firms from both sector. Out of which 70 companies are the registered companies from EEPC list. The rest of the data belongs to the unorganized sector of the selected industry. A structured questionnaire was used to collect the data from the respondents through simple random sampling.

IV. Profile of the Industry

The Indian pump industry is poised to register a faster growth rate than global average. The industry is set to grow at approximately increasing its share of global market, 2.9 percent of global market share to US\$ 1.25 billion in 2015 (4.4 percent of global market share). According to industry estimates, India produces 1.2 million pumps of various kinds.

There are around 800 large, medium and small units producing pumps for sectors from agriculture to nuclear power generation. Indian pump manufacturers are able to meet most of the domestic market demand. Exports have registered 11 percent growth in the last two years. **India has today become a reliable, technically competent, competitive, and enterprising outsourcing option for many western pump manufacturers who will continue to buy more low-cost pump parts, or sell 'private-label' complimentary pumps of other manufacturers, instead manufacturing their own.**

Globalisation, which has opened the doors of India to multinationals, coupled with growing concerns of pollution control, water and waste –water treatment, and demand for energy –efficient systems is changing the scenario of the Industry. Pump manufactures in India continuously need to improve to enhance productivity, quality and service to customer. Good business planning therefore must include the engineering expertise that has made such business possible in the past and will without doubt continue to do so in the future. The Indian pumps and motor industry is in the order of Rs.3500 crores which makes it to be about 2.5 % of world market. Indian Pumps & motors are now being exported to more than 70 countries both developed and developing countries. This can be expected to happen increasingly and across many more countries around the world through proper interventions.

4.1 Current Scenario of Pumps & Motors industry of Coimbatore

With demand from domestic users picking up and the monsoon playing truant for successive seasons, the pump industry here is seeing a gradual shift in its product profile - with the share of submersible pumps increasing at the cost of jet pumps and surface pump sets, popularly known as mono-block pump sets. There is also a greater focus on exports and the industry expects its performance during the current fiscal to nearly be double that of last year.

The manufacturers are also waiting for a positive response from the Union Government and the bankers for inclusion of pump sets in the enhanced package for the agriculture sector. There was a similar increase in the production of BIS-marked submersible motors and in the number of BIS-licensed producers. Surface pump sets used by the agriculture sector took a knock because of declining ground water

table. There has been an improvement on the export front in the last two years. EEPC also stresses their members in bringing up quality products to match the industry. The export turnover of the pump set manufacturers of Coimbatore region edged up to Rs 40 crore in 2003-04 (Rs 30 crore). and expected to touch nearly Rs 75 crore to 100 crore during the coming years.

4.2 Major Players in the Indian Pump Industry of Coimbatore

About 15 of the total 70 registered companies from Coimbatore, dominated by SMEs, have already entered the Asian markets, Middle-east, Egypt, USA, Italy, Greece and southern parts of African countries. Some of the leading exporters from Coimbatore include, CRI Pumps, Sharp Pumps, Aqua Sub Pumps, Suguna Motors & Pumps, Texmo Pumps, Aqua Sub and Mahendra Pumps etc.

V. Findings

SMEs with the turn over of 1-4 crore and 4-40 crore annual turnover were selected for the study. Many of the firms export their products to Indian subcontinents, and middle east markets. This shows the Physical distance with countries while Internationalization. According to the latest reports, the firms have widened their market to Europe and US. These firms operate with previous International experience, market knowledge, ability to create networks and proactiveness of the Entrepreneur..

SWOT ANALYSIS

A detailed SWOT analysis paves the foundation stone for taking strategic decisions. It helps identify the areas where proper care should immediately be taken and at the same time, identifies the areas of competitive edge. In figure 1 below, the respective strengths, weaknesses, opportunities and threats are identified for the selected Industry.

5.1 Competitive advantages

Every manufacturer will have their own competitive edge in their export market and trying to be a market leader. The competitive advantages listed by the companies are as follows:

- On line testing procedures, separate R & D facility, Quick delivery, Time management , Building of Network relationships, Customer Contacts, Understanding customer specifications and other Niche marketing strategies.
- Having experienced / devoted and committed work force.
- Excellent quality standards and Quality service and after sales service,
- Expanding to global platform
- Commitment towards value creation
- Stress on R & D, exclusive range of customized solutions
- Delivery of commitments, reducing downtime, increasing productivity
- Foreign Business knowledge

Entrepreneurs from Coimbatore are having high technical experience in setting up their own business. They run their own business or their own family business. Some of the International players are the technocrats having more than 20 years of previous experience in Internatioanl Markets. Their important concentration is on constantly updating their technology and adapt it into ever changing needs of the customer.

5.2 Marketing System

Each unit in the pumps& motor product line has developed its own marketing channel. There are no common marketing channels available for the cluster. Few medium scales are also exporting their products to other countries. These marketing channels had been developed over a period by the respective units. Others are supplying through agents who are selling through dealers. Some agents come to Co-

imbatore to place orders and take the product on their own. These traders develop a severe price competition among the manufacturers. The following are some common distribution channels.

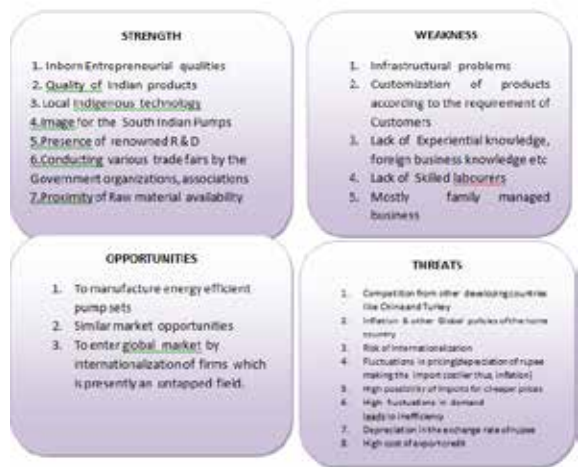
- 1) Manufacturer ▶ Branch ▶ Distributors ▶ Retailer
- 2) Manufacturer ▶ Distributors ▶ Showroom ▶ Retailer
- 3) Manufacturer ▶ Retailer
- 4) Manufacturer ▶ Agent ▶ Export

There are manufacturers who manufacture as per the clients specification.

The export from Coimbatore is only approx. Rs. 100 Cr. may be due to major competition from Turkey, which has a short shipping time to anywhere in Europe. China may also be a threat in exports, because the cost of its finished product was equal to the cost of the raw material of Indian companies.

Discussions had with some of the pump manufacturers of Coimbatore provides the marketing information related with developing of network, initiatives and understanding of the networks or cluster approach around the globe is important. As a system in which the pump will play a major part in market penetration is the internationality, Private labeling- order of business concept etc to be adopted by them. Vast scope for growing the business with non conventional energy is preserved for Motor and Pump industry. Hence, Industry customer (end user) relationship and selling through professional channels to HNI (High income networks) has to be targeted.

5.3 SWOT ANALYSIS OF COIMBATORE PUMP MANUFACTURING FIRMS FOR INTERNATIONALIZATION



(Fig - 1. Source :own)

Each business must develop a competitive strategy focused on its own domestic market. In pursuing this strategy the home country of operation is often the most important source of competitive advantage. The resources and capabilities of the home country frequently allow the firm to pursue the strategy into markets located in other countries.

VI. Conclusion

From the above study, it is very clear that, the Industry should hold competitive advantages and follow Niche Marketing strategies over the other state players of the International markets. These marketers are more keen on finding the need for transformation in order to survive. Quality delivery, servicing and pricing are also the important advantages. Knowledge factors also should be considered while Internationalizing.

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