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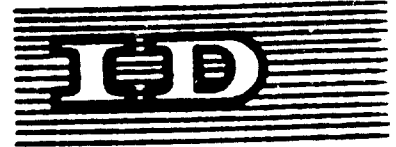
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Meeting on Promotion of Small
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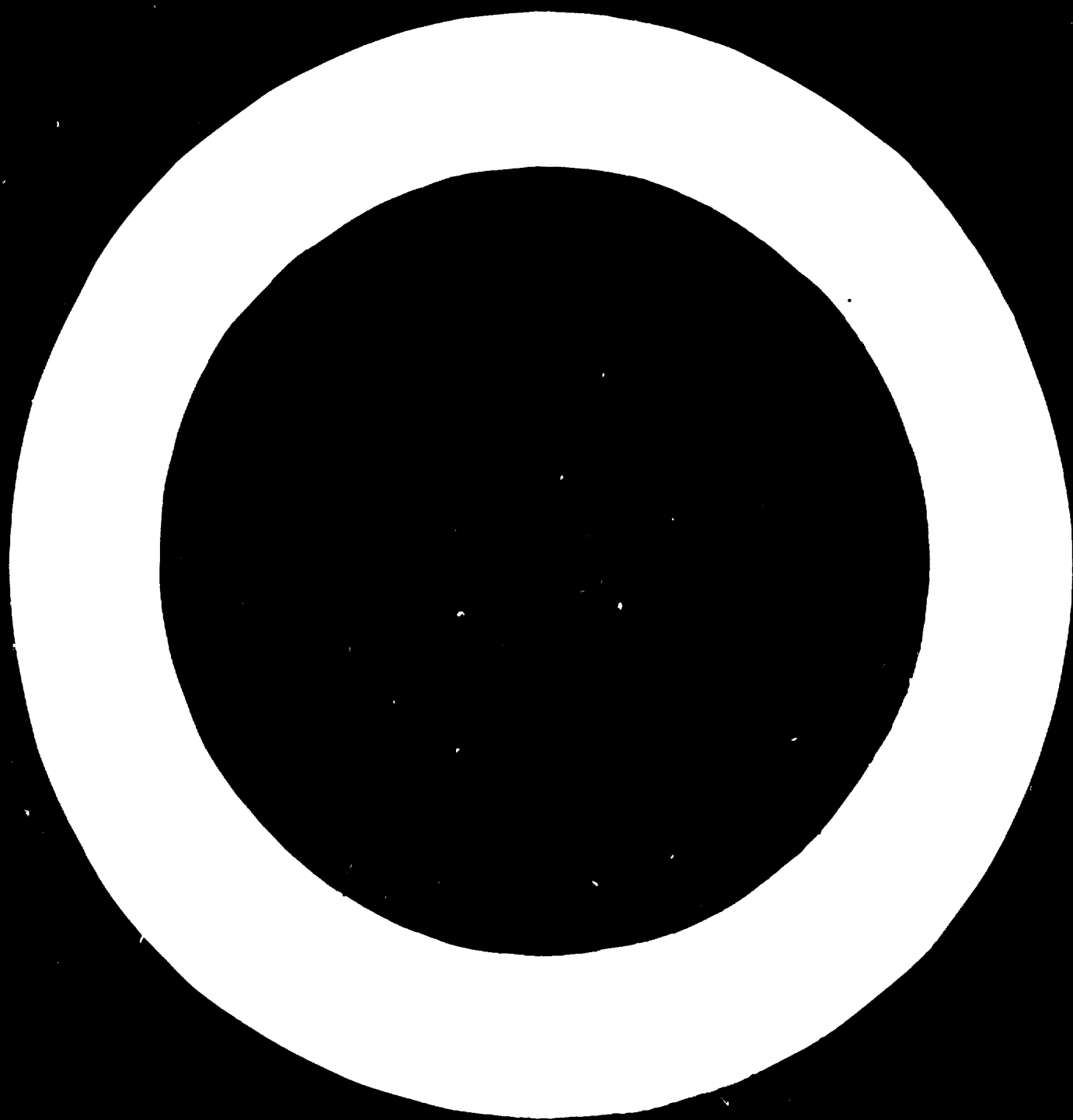
MARKETING ASSISTANCE INCLUDING THE
DEVELOPMENT OF ANCILLARY INDUSTRIES AND
PROMOTION OF GOVERNMENT PURCHASE PROGRAMMES ^{1/}

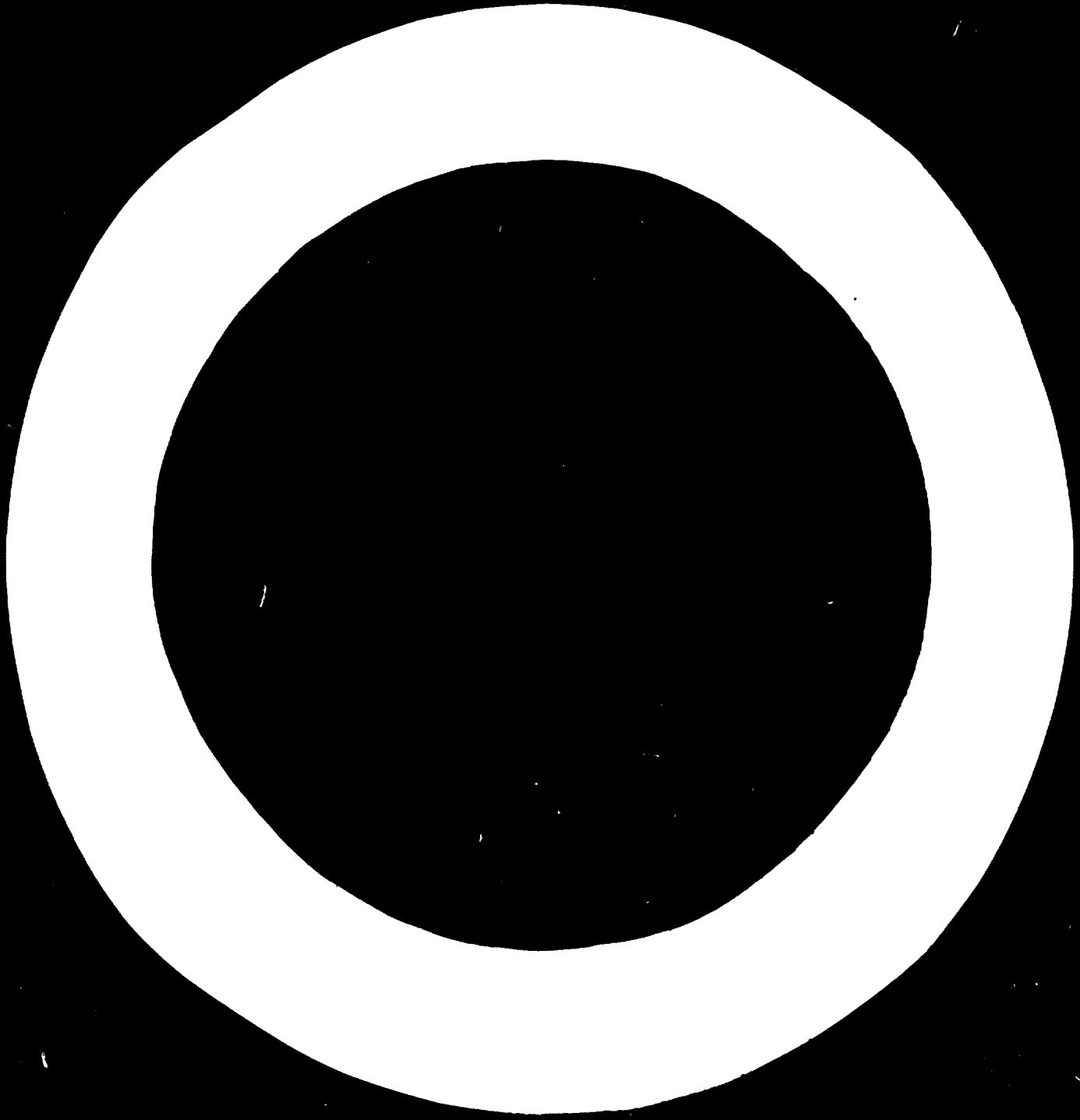
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AGENDA - Item II C

Marketing Assistance, including the development of ancillary industries and promotion of government purchase programmes

The problems encountered by the Iranian small industrialists such as shortage of financial resources, difficulty in obtaining credit, inefficient methods of production and lack of managerial knowledge are obviously problems common to small industrialists in all developing countries. In the field of marketing also small industries in developing countries share certain common problems. Often these are problems inherent in the very structure of small industries. A small industry in these countries, is a one-man job. A small industrialist apart from being the manager of his workshop, is compelled to act as foreman, worker, accountant, office clerk salesman etc. Evidently, with such heavy tasks to be carried out, a small industrialist hardly finds time to make himself acquainted with modern techniques of production and selling. He therefore is unable to organise his production activities in coordination with the needs of the market.

The non-acquaintance of small industrialists with modern techniques of production and selling compels him to continue with what has been handed over to him by his ancestors and he develops a kind of indifference, if not, defiance towards modernisation.

The shortage of finance, has always created great difficulties for a small industrialist in adopting modern and efficient methods of marketing. Banks and credit institutions are not prepared to give credit facilities to small industrialists. The first handicap is the heavy rate of interest, ranging from 10-12% per annum imposed on small industrialists. The second and the more important handicap is the security requirements of such institutions which are often two or three times the amount of the loans. This forces the small industrialists to obtain loans at exorbitant rates of interest from private lending agencies and this in turn makes their production uneconomic.

In order to overcome the difficulty of raising funds, a small industrialist contents himself with having a local and limited market, unaware of the trends of market growth, competition and the preferences of the customer.

Some times small industrialists engage in production activities unrelated to the demand of the product in the country and thus create a surplus which can hardly be absorbed by the market. This kind of unplanned production sometimes results in a glut or excessive supply of goods. The frustrated small industrialists, badly in need of working capital, try to dispose of their products in any way possible, even at considerable loss.

Another problem is the illogical competition between large and small industries. Evidently, a large scale industry has greater competitive strength with

its access to ample working capital and facilities for publicising its products, and obtaining raw materials cheaper by bulk buying. In this unequal competition, the loser is always the small industrialist.

The OSSSI & IEI is well aware of the difficulties faced by small industrialists in the marketing field and is trying to help them in overcoming them, through various measures of assistance. The most important among the assistance programmes planned by the OSSSI & IEI are (i) helping the small industries to diversify their production wherever possible in order to take up the manufacture of ancillary parts, components etc. required by large industries and (ii) assisting the small industries to get a share in the government store purchase activities.

At the present time, a multitude of large complexes like petrochemical, oil refining, steel mill, machine-making, aluminium industries etc. are developing rapidly throughout the country, The promotion of ancillary industries along these lines has become one of the major activities of the OSSSI & IEI. It is encouraging to note that some of the large industries have shown interest in obtaining parts, components and sub-assemblies through sub-contracting to small units.

The OSSSI & IEI is currently engaged in a study of the scope for introducing a scheme of special assistance to small industries to participate in government store purchase programmes. One of the objectives of the study is to identify the industries which need special measures of assistance to participate in government purchases.

The OSSI & IEI has launched an active programme of extension service in marketing including counselling and advisory service and training, with the cooperation of the UNIDO experts.

The marketing assistance programmes proposed to be carried out in future comprise the following:

1. Close contacts with small entrepreneurs who are engaged in the production of ancillary parts and components.
2. Standardisation of products in compliance with the requirements of large industries in both private and public sectors.
3. Categorisation of parts, components and accessories, and subassemblies etc. to meet the requirements of the two sectors.
4. Ascertaining the needs of government organisations in regard to capital and consumer goods and assisting small industries to supply such goods at competitive prices.
5. Provision of technical, financial and managerial assistance to small industries to enable them to comply with the orders of the large industries promptly and satisfactorily.
6. Identification of those small industries which have export potentiality and collaborating with the Export Promotion Centre for export promotion of small industries products.

Among the special measures of assistance proposed to be introduced to help the small industrialists in solving their marketing problems are:

1. Guidance in adopting modern techniques and methods of marketing through counselling service and training courses.

2. Helping individual units who have orders from government or large industries in obtaining credit from the banks at favourable terms and raw materials at economic prices.
3. Establishment of industrial estates in the vicinity of large industries for units which produce ancillaries, components, parts etc.
4. Encouraging small enterprises to form marketing cooperatives, export associations, syndicates etc. for joint action.





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