Integral Review- A Journal of Management
ISSN :2278-6120, Volume 5, No. 1, June-2012, pp 75-80
http://www.integraluniversity.ac.in/net/journalsAndPublications.aspx

MARKETING MYOPIA REVISITED : STRATEGIC IMPETUS TO HELP COPE WITH GLOBAL CRISIS

Dr. P.C.K. Rao[1], Anoop Kumar Srivastava [2]
[1](Director, Taksila Business School, Greater Noida, U.P.,India)
[2](Research Scholar, CMJ University, Shillong, Meghalaya, India)

Abstract :

The global financial system literally went into a cardiac arrest after the Lehman Brothers Holdings Inc.collapsed and a meltdown was barely avoided through very aggressive policy responses. Unfortunately, the worst is predicted further. The entire global economy will likely to get chagrined in a severe and protracted U-shaped global recession that began last decade. The recession in the US markets and the global meltdown termed as Global recession that engulfed complete world economy in its whirlpool. World over the impact has diversified and can be observed from the very fact of falling Stock market prices, havoc in the employment market followed by downsizing strategies of corporates, cost cutting through deductions in pay packets etc. India Inc. is no exception this turbulence. Perceptually, it might have suffered remors with lesser intensity due to its stringent economic policies. The BFSI (Banking Financial Sector Insurance) has taken a hit with the financial sector getting affected in US. The textile sector has also been hit with the export of textiles coming down in the recent months. Several jobs are in danger of being lost. There has been decline in the automobile sector as well. The present study is an attempt to understand the impact of global recession vis-à-vis India Inc. and suggest strategies to sustain in turbulence. The paper also sheds light on the new insights of robust marketing strategies that is the call of the day for all future corporate houses to overcome the recessional vehemence.

Keywords : *Global meltdown, Dourising strategy, Regional financial fiasco, FDI, FIIA, U-shaped strategy*

Economic and Market Doldrums: An Overview :

The current day buzzword is "recession and downturn". Recession is a usual phenomenon of any business cycle which is sure to happen sooner or later. It is the result of fall in demand for consumer products in the global market. It may happen due to number of factors, however two fundamentally dominant reasons could be thus; the lack of employment potential in the economy leading to crunched purchasing power of the consumer and secondly due to abundant production of luxury goods that the economy may not consume within a given period of time. It may have the influence of other economic phenomenon such as inflation (increasing prices) and stagnant economic growth. The reasons and interpretations cannot be in union as every one will have their own perspective. In fact, global economies are encountering the crisis with apprehension and delusion while coping to overcome the global meltdown. The meltdown has led to shock waves across the world, with economy after economy gasping for breath to survive this financial tsunami.

Recession has been traced a long back in the 30's which took place in the United States, it bounced back in 2008-09 taking its toll on the global economic health. A glimpse of some of the major catastrophes that collapsed the world economic order is:

- **The Great Depression (1929-1939):** Stock markets crashed worldwide, and a banking collapse took place in the United States. The recession and aftermath lasted for a decade.
- **The Oil Crisis and resulting recession (1973-1975):** A quadrupling of oil prices by OPEC coupled with high government spending due to the Vietnam War led to stagflation in the United States. The downturn lasted two years.
- **Recession of the early 1980s (1980-1982):** The primary cause of the recession was a contraction in monetary policy by the Federal Reserve in the United States designed to control high inflation.
- **Stock Market Crash (1987) and the recession of the early 1990s:** Global stock markets crashed, shedding a huge money value in the markets over a very short span toppled down the financial soundness of even good countries.
- **Asian Financial Crisis (1997-1998):** Disinvestment spree by the foreign investors in the stock markets resulted in deserting Asian markets, including Hong Kong stock market. However, Asian economies began showing signs of meek recovery after couple of years
- **Collapse of the dotcom bubble (2001-2003):** The collapse of the dot-com bubble, the 9/11 attack, and accounting scandals contributed to a contraction in many western economies.
- **Sub-prime crisis and bankruptcy of Lehman Brothers (2008-09):** The recent past crisis which took heavy toll on major fronts of economic spheres across the globe once again sirened on the unethical practices and filthy policies of corporate governance that played with the emotions of stake-holders.

Indian economy is not spared by such economic tremors and thus got affected due to the financial meltdown. Currently the economy bears heat from three angles: (1) Falling Stock Markets (2) Depreciating rupee value as against dollars and (3) Severe Liquidity Crunch in banks. Indeed all these issues are intertwined with roots of global crisis. Especially in the fag end of this decade stock markets were plunged due to heavy investments by Foreign Direct Investment and Institutional Investments (FDI and FIIs). However, when the parent companies of these investors (from US and Europe) found themselves in a severe credit tumult as a result of sub-prime mess, the only option left for them was to withdraw their stake from Indian Stock Markets to meet liabilities back home. FIIs were the main buyers of Indian Stocks and their exit wreaked the markets. FIIs that were on a buying spree previously, are now selling their stocks. At the same time, as more and more FIIs are buying dollars, the rupee lost its strength against dollar. The current financial crisis also started directly affecting Indian corporate environment. For the past few years, the two most preferred methods of raising money by the companies were Stock Markets and external borrowings on low interest rates. Stock Markets were falling everyday and it was not possible to raise money there. Regarding external borrowing from world markets, this option has also become difficult.

India Today :

In fiscal year 2009-10 alone, India borrowed $29 billion from foreign lenders and got $34 billion of foreign direct investment. A global recession has hurt external demand. International lenders who have become extremely risk aversive can limit access to international capital. If that happens, both India's financial markets and the real economy will be hurt in the process. Suddenly, the 9% growth target seems to be 'unrealistic' and will have to be contented by hitting 7 % this fiscal.

However, one positive point in favour of India is that Indian Banks are more or less secured from the ill-effects of sub-prime mess. A glance at Indian banks' balance sheets would show that their exposure to complex instruments like Collateralized Debt Obligations (CDOs) is almost dismal. In India, still the major banking operations are in the hands of Public Sector Banks who exercise extreme cautions in disbursing loans to needy people/companies. As a result, we are not likely to see a repeat of sub-prime crisis in India. Though there have been a presence of big US/ European Banks in India and even some Indian banks (like ICICI) have some foreign subsidiary with stake in the sub-prime losses, their presence is much small as compare to the overall size of Indian banking industry. Global depression is likely to result in a fall in demand of all types of consumer goods. In 2007-08, India sold 13.5% of its goods to foreign buyers. A fall in demand is likely to affect the growth rate this year. Our export may get affected badly.

Impact of IT Sector :

A negative atmosphere, shortage of cash, fall in demands, reducing growth rate and uncertainties in the market are some of the most visible aspects of an economic depression. What started as a small matter of sub-prime loan defaulters has now become a subject of global discussion and has engulfed the global economy scenario. And again, there is certainly a deep recession as far as jobs for the highly educated are concerned. Ironically, this may be the first time in India's history when it is more difficult for the professional graduates to find employment or appropriate employment, compared to the less educated millions. The present job recession has also hit the aspiration level of the Indian youth. The myth of IT and the glamour of private jobs are all history now. Now in an age of pink slips and mounting recession, the Indian Youth is once again looking in public sectors for jobs.

The recession hype made India realise on its huge potential to rebuild itself in the eyes of the world. Therefore, some of the major influencing factors could be:

1. The fluctuating commodity prices, like steel and cement, ensure that construction costs are sure to go down. This should definitely help in making infrastructure and construction more viable,
2. The demand and supply factors of crude oil, which means that if the prices of petrol and diesel are cut in India, we could see a drop in inflation as well,
3. The distinct Indian growing middle class to be a powerful spending force, To identify domestic company's contribution towards GDP to attract FDIs and FIIs,
4. The real estate is booming despite recession clouds globally,
5. Multiple avenues to the Indian companies for acquisition or mergers leading to worldwide meta morphosis in the business horizons,
6. The green-revolution that help overcome recession fears and makes industries look for new ways to settle-back. Green revolution will definitely get on top of the priority list for several companies, and that will help the country (likely to be the third biggest polluter by the end of this year)

An obvious remark goes, whenever the US sneezes, the world catches cold. This is evident from the way the Indian markets behaved taking a cue from a probable recession abroad and global economic meltdown. Weakening of the American economy is bad news, not just for India, but for the rest of the world too. With new uncertainties raised by the attacks and many economists forecasting a deep and prolonged recession, businesses will have to do everything within their power to brace for the coming storm and survive the bad times.

Focus on Core Comptencies: Diversification is to be discounted

All organisations should focus on their core competencies during turbulent economic times. Firms that dare to diversify will eventually split their focus away from their core competencies often struggle to manage their unrelated businesses whereas companies that remain intact and integrated, or focused on their strengths and opportunities to gain market share more comfortably over their competitors. For example, industrial giants like Tata's, Birla's and other Big B-houses did sold out their small time units and increased their focus on their core functional fields to sustain, compete and grow.

High-Tech Process and Efficiency: State-of-the-art Technology Boosts Efficiency

Optimisation of resources through a win-win situation only could result in efficient and effective deliverables. Especially during recessions, cost effective and limited volumes only will ensure the units respire continually. Indeed, organisations need to process their production through a deliberate strategy that can cope with rising prices and fall in demand. Perhaps it is quite logical to assume such efficient processes will help trimming costs and safeguard budgets from overrun. However, these organisations need to be flexible and quick in reacting to the changes in market conditions to survive and prosper during the recession. Flexibility on the part of product portfolios and timely deliverables will allow the corporate to design and implement their strategies better than competitors. Often, parallel structures would directly attribute to the speed with which organisations are able to integrate and sustain businesses successfully. For instance, Asia Brown Bovary, Hughes, etc. companies are practicing horizontal structures to cope with customers ever increasing demands meet timely delivery.

Strategic Divestment: Putting all eggs in different baskets

Another vital strategy will be to divest good part of their revenue elsewhere in the recession periods. At face value these divestments will be part of a cost cutting strategy to generate liquidity, particularly where less profitable ventures are divested. Often organisations use this strategy to meet the debt crisis and manage the funds most suitably for any contingent purposes. Nevertheless, it is obvious to strike off only unrelated and short-term profitable divisions from the core-business.

Contingency Planning: Series of plans to be made ready

Clever organisations draw up various workable plans to fit-in-the-bill in accordance with the need of the hour. As it is well said, “good managers don't wait for the future, they create their own future”, organisations will go ahead with proactive and contingent plans to cope with all turbulences. Learning from the past and creating future will entail the strategic planning process more crispy and solid that cannot fail under any eventuality. Microsoft is one such good example that keeps all its plans protected from the environment and never into shambles even when the IT industry collapsed globally due to Silicon Valley's double-trouble that hit the global software industry.

Acquisitions and Strategic Alliances: Being United is better than Isolation

Collective efforts can make even the small teams win the battle. In the economic battle ground, it is advisable for the corporate to go hand in hand by joining their business interests through strategic alliances and acquisitions. This could enhance their market position as well as their mileage. Also their morale will get boosted and the lost markets can also be recaptured within a short span through collective efforts. The universal cliché “united we stand, divided we fall”, suits the situation and corporate should learn to behave in a manner akin to that of cartels. Apparently the price factor dominates the scene of the markets and under all likelihood it will be lower compared to any stressful situation. This enables good corporate houses draw suitable plans to merge and acquire and broaden their market horizons. Not many corporate houses will have risk taking potential and have resources to make such deals. Therefore, the advantage of less competition for acquisition targets can be dared to venture and gain the heretofore unattainable markets more fruitfully.

Increased advertising and marketing: Overcome the Myth of cost cutting

Often it is seen by the corporate houses that especially during the slow downs, they tend to cut-down the expenditure on advertising and other marketing activities. Grossly this can be seen as a blunder and lamented as "penny wise and pound foolish" all such business magnets who believe this to be right. This foolish attitude only proves fatal to the long term business interests, also loses the image and faith of the market on the business. Usually, the very purpose of advertising is to weather away the stormy winds and strengthen the demand for core products. Therefore, marketing efforts have to be more aggressive and more comprehensive than before. The relationship marketing should be more focused by contacting even past clients and serving the current from ground level. Such strategies will improve the probability to gain new projects or portfolios on which the corporate may divert its attention for better results.

Research and Development: Rationality of Research for Results

Organisations with R & D will have more life than those who don't have. This is the 'corpus callosum' of the organisations that prepares organisations to react and sustain the increasingly diverse needs of the recessionary customers who seek greater value from their spending. Organisations have to attempt to increase their innovations and introduce new product designs to quickly to gain advantage over competitors. They can be pursued by prioritizing the most promising products that meet the immediate needs of their customers second to subsequent ones. This should be a constant exercise on the part of good business houses to create confidence and a feeling of "never give up" amongst its loyal customers.

Human Factor: The Race ahead of all

"Right man on the right job at the right time" is the motto of any HR head. Not unlikely that during recession and economic slowdowns it is often seen that companies begin to retrench their manpower considering them to be cost-to-company. Especially during tough times, employees are to be taken into confidence and seek their benign cooperation and advise to cope with such crisis. Once the employee confidence is won by the management, the loyalty factor gets boosted and 'out of the box' thinking begins amongst those employees to give the best result. Good employees always stand by the organisation in times of emergency and protect the interests of not only customers but also stakeholders. No resource can be so much dependent than the human resource as other resources are all derived out it.

Epilogue:

Undeniably, it is not farce to witness the impact of recession in all or one facet of economic phenomenon permeates to all the sectors in the economy that are interconnected, intertwined and interdependent. Irrespective its reality, the rumours so spread about its weather will leave business houses go haywire and crumbling. This seems to create havoc but temporarily and will likely to settle scores quickly provided proper precautionary measures are taken. A total turnaround may not happen to any of the good businesses but might topsy-turvy their approaches to an extent that will disturb their financial position at least for some time.

References

1. *Marketing Management – V.S Ramaswamy & S Namkumari.*
2. *4Ps Business and Marketing – Vol-4, Issue -1, (16January – 29January ‘ 09)*
3. *4Ps Business and Marketing – Vol-4, Issue-2, (30January- 12February’09)*
4. *Business Today - March08,2009*
5. *HR has to Challenge the Challenges, HRD News Letter Jan’09 Vol.24.iss.10 p.22*
6. *Articlebase.com*
7. *Google.com*