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CHANNELS OF DISTRIBUTION OF AMERICAN MERCHANDISE IN INDIA



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FOREWORD

India, with its 352,000,000 population, offers, next to China, the largest field among the undeveloped markets of Asia for the sale of American manufactured products. Competition, it is true, is exceptionally keen with products of Great Britain, Germany, and Japan, but many lines in which the United States specializes, such as automotive products, adding machines, typewriters, flashlights, and breakfast foods, have long made American-type goods familiar to the Indian customer. Of course, the buying power of the Indian people in the mass is too low to afford them, individually, a large share in American trade. Yet, as Mr. Flake observes in this bulletin, if only 1 percent of India's population were buyers of some particular American product, the manufacturers of that product would have more customers in India than the entire population of Cuba.

Trained students of the Indian market, however, are convinced that considerably more than 1 percent of India's people are potential buyers of some product made by American firms who value highly their business in Cuba.

A good deal of our failure to appreciate the potentialities of the Indian market has been due to a lack of knowledge of the unique conditions pertaining to that market, and of the best methods of securing adequate distribution for our merchandise. The channels of distribution particularly seem obscure or confused, from the viewpoint of the average manufacturer or exporter in the United States. This bulletin traces the channels of distribution from the exporter at our seaports to the hands of the ultimate consumer, wherever he may be on the Indian peninsula, and it is designed to make clear these channels to all manufacturers or exporters in the United States who are interested in the sale of "light merchandise" in that field. No effort is made to deal with the heavier lines of trade, such as industrial machinery, tobacco, petroleum products, or raw cotton, which today make up the bulk of our exports to India.

Whether to sell direct to the importer or through a resident agent; whether the agent selected shall be an American branch house, one of the many old, established European firms, or an Indian of the Hindu or Mohammedan religion, are questions which every prospective exporter to India must ask himself. This report attempts to deal with the problems inherent in the case comprehensively and impartially. It gives, therefore cogent expression to the outstanding policy of this Bureau, which is to encourage the foreign trade of the United States by supplying the actual or prospective merchant therein with as much information as possible that may be of use to him.

The bulletin is the work of Assistant Trade Commissioner Wilson G. Flake, who has had 4 years' experience with the Bureau's offices at Bombay and Calcutta, and has made a special study of merchandising methods which have direct application to export products of the United States.

WILLARD L. THORP, *Director,*
Bureau of Foreign and Domestic Commerce.

OCTOBER 1933.

CHANNELS OF DISTRIBUTION OF AMERICAN MERCHANDISE IN INDIA

By Assistant Trade Commissioner Wilson C. Flake, Calcutta

Many American products are sold in India today. Cotton, derivatives of petroleum, automobiles, and machinery are among the more important items; but the complete list, which is long and varied, includes such things as toilet articles, collar buttons, fountain pens, patent medicine, silk stockings, flashlights, playing cards, and breakfast foods.

These latter items represent the general class of merchandise with which this report is concerned. No consideration is given to the distribution of cotton, petroleum products, machinery, and related lines, which are supplied by American firms who frequently maintain branch offices in India; many items (e.g. leather) are excluded because they are sold to processors and reach the consumer in changed form; some other commodities have been ignored for one reason or another in order to keep the subject within desirable limits. The report is confined to a definite class of merchandise which may be termed "proprietary articles", "trade-marked goods", "packed goods", or given some other title to identify that general category of light merchandise which reaches the consumer in the same form as it leaves the factory, is usually branded, and would probably be purchased by a consumer in an American city at a drug store, a department store, or a specialty shop.

By far the greater number of India's 352,000,000 people, however, cannot afford such American products as those with which this report is concerned, but scattered among this huge population are many thousands of people who can and do purchase just these or similar lines of Western goods. The problem with which a manufacturer is faced is to build up some selling system whereby these widely scattered customers may be reached at the least expense.

PRESENT-DAY INDIA

GEOGRAPHIC FACTORS

India, with an area of 1,773,168 square miles (about three fifths the size of the United States) and a population of 352,000,000 (about one fifth of the world's total), spreads out fan-like from a base just north of the Equator and roughly half-way between Aden and Singapore. Cape Comorin is the most southern point, from which the fan spreads out. Half-way up the western side of the fan is Bombay, while Karachi is the most northern port of any importance on the western side. Around the top rim of the fan, from west to east, are the important cities of Peshawar, Rawalpindi, Lahore, Delhi, Agra,

Cawnpore, Lucknow, Allahabad, and Benares. A short distance from the top rim of the fan, on the eastern coast, is Calcutta, and about half-way from Calcutta to Cape Comorin is Madras. Burma, with the important city of Rangoon, is not a part of the fan, being off to the east; but Burma is a political unit of India and is considered in this report despite its economic independence, the mechanics of distribution in that Province being about the same as those in other parts of India.

There are great variations in the geography, climate, and customs of the people of India. The Himalayas extend along much of the northern frontier, and they, together with other mountains, practically cut India off from land communication with the north. Just south of the Himalayas spreads the fertile Ganges Valley, while the Sind Desert lies in the western part of the country between the mountains and the sea. To the south of the Ganges River and east of the Sind Desert there is a vast tableland, separated from the narrow coastal plains by the Western Ghat Mountains, and to a less extent by the Eastern Ghats.

No less variation occurs in the climate of India. Extending from a point in the Tropics 8° north of the Equator (on a line with Panama) to a point in the Temperate Zone at 36° north (on a line with Norfolk, Va.), the country includes areas which have sharp climatic distinctions at certain times of the year. Speaking generally, the southern part of the country is hot throughout the year and is not subject to great changes in temperature, while the farther north one goes the greater is the change in seasons. Madras, in the southern part of the country, has a mean annual temperature of 81.8° , ranging from 75° in January to 87° in May; the figures for Lahore, in the north, are 74.4° , 53° , and 90° , respectively. In many places of northern India the extremes are more pronounced, being sometimes as great as 30° and 125° . The southwest monsoon, which spreads over India during the summer and which is largely responsible for watering the country, loses its force as it progresses toward the northwest, causing a great difference in the rainfall of various parts of India. Parts of the Sind Desert get less than 5 inches of rain a year, while a fall of 500 inches is not unknown in the northeastern part of the country. Calcutta has an average annual rainfall of 60.83 inches; Lahore, 20.70 inches. Many more comparisons could be cited to explain why India has large areas of barren land and equally large areas of swampy jungles thick with vegetation, between which extremes are to be found still larger areas of fertile farm land and wooded hills.

RELIGION AND LANGUAGE

Religion has an important bearing on the acceptance of certain merchandise in India. This subject is not within the scope of the present report, but some reference may be made to the numerical strength of the various religions. (This is a convenient place to emphasize what is well known to those familiar with India—that it is a mistake to refer to all Indians as "Hindus.")

At one time Buddhism was strong in many parts of India, but that religion has now practically died out in India proper, although it remains the principal religion in Burma, where it is embraced by approximately 85 percent of the inhabitants. The Sikhs are confined largely to the Punjab, Zoroastrians (Parsees) have the greatest

strength in Bombay, while the 6,000,000 Christians (practically all of whom are converted Indians) are scattered throughout the country. There are other minor religions; but 68 percent of India's total population are Hindus and 22 percent are Mohammedans—the two religions accounting for 90 percent of the entire population.

There is a complexity of speech in India where, according to the last census, no less than 222 languages are spoken. These include many languages which have very limited use, but still there are at least 11 "principal languages" spoken in India—Bengali in Bengal, Tamil in the Madras Presidency, Burmese in Burma, and so on. Only 8 percent of the people are literate in any language, while English, the official and commercial language, can be written or read by less than 1 percent—which, however, includes all Indians engaged in foreign trade. Hindustani is a sort of lingua franca, but is not understood by numerous Indians.

NATIVE INDUSTRIES

Although India has developed a cotton-manufacturing industry which is exceeded by only three other countries, boasts a jute-manufacturing industry which employs more than 300,000 workers, and has numerous other factories, which enable it to claim a place among the seven leading industrial states of the world, the country remains predominantly agricultural, more than 70 percent of the people being engaged in growing rice, cotton, wheat, oilseed, jute, or other crops. Many estimates have been made of the average income of these farmers (ryots), some of which are as low as the equivalent of \$20 or \$30 a year; but, in the words of a Government publication of India issued in 1932, "whatever the validity of these estimates of income may be, the main fact to be emphasized is that the vast majority of the rural population of India lives perpetually on the very margin of subsistence."

THE MARKET IN INDIA

EXPORTS FROM THE UNITED STATES

The export trade of the United States with India in "light" merchandise, for the 3 latest years for which figures are available, is clearly indicated in the following table. Included in this table are a number of commodities which are not apparent in Indian statistics, but the classifications used are those most nearly corresponding to the classifications employed in Indian trade figures. It will also be noted that in some instances the principal items which are included under a specific classification are indicated, as a further guide to what particular commodity of American manufacture has enjoyed hitherto the bulk of interest in the Indian market.

No effort should be made to reconcile the figures given in this table with the figures obtained from Indian statistics given in the table following, as due largely to the difference in time of shipping and arrival between the two countries, figures of import into one country can never be reconciled to figures of export from the corresponding country. Indian statistics, moreover, are compiled for the Indian fiscal year, which ends with March 31, while United States figures cover a calendar year.

It is perhaps worthy of note that the figures in the table below indicate an increase in direct exports from the United States to India in 1932, as compared with 1931, of fountain pens, patent medicines, tooth brushes, safety-razor blades, and canned prunes.

EXPORTS OF "LIGHT" MERCHANDISE FROM THE UNITED STATES TO INDIA

Article	1930		1931		1932	
	Quantity	Value	Quantity	Value	Quantity	Value
Playing cards.....packs.....	2, 746, 270	\$189, 650	2, 521, 330	\$165, 510	1, 315, 450	\$69, 250
Toys.....	16, 450	12, 550	16, 450	12, 550	16, 450	5, 910
Sporting goods.....	19, 810	18, 020	19, 810	18, 020	19, 810	2, 660
Pens and pencils.....	130, 370	70, 900	130, 370	70, 900	130, 370	72, 190
Fountain pens.....dozen.....	6, 060	104, 160	4, 085	57, 280	3, 260	64, 840
Writing paper and envelops.....pound.....	425, 170	42, 460	469, 850	40, 110	101, 540	8, 350
Proprietary medicines.....	971, 780	515, 930	971, 780	515, 930	971, 780	533, 100
Other medicines and drugs.....	317, 100	501, 170	317, 100	501, 170	317, 100	440, 990
Soaps, all kinds.....pound.....	703, 750	259, 930	605, 020	204, 730	575, 030	153, 670
Toilet soap.....do.....	481, 110	179, 540	460, 200	143, 470	476, 830	84, 930
Perfumery.....	1, 520	1, 700	1, 520	1, 700	1, 520	1, 080
Toilet preparations, n.e.s.....	511, 090	444, 920	511, 090	444, 920	511, 090	431, 390
Dentifrices.....pound.....	295, 210	327, 500	272, 240	282, 350	282, 910	249, 800
Brushes.....dozen.....	46, 740	132, 240	29, 250	80, 430	34, 700	80, 520
Tooth brushes.....do.....	40, 730	116, 550	23, 250	64, 510	29, 000	66, 860
Clocks.....number.....	9, 310	27, 110	5, 360	12, 540	660	38290
Alarm clocks.....do.....	5, 830	6, 180	4, 105	4, 550	440	1, 570
Electric clocks.....do.....	(1)	(1)	(1)	(1)	57	56, 730
Cutlery.....	114, 870	51, 650	114, 870	51, 650	114, 870	45, 500
Safety-razor blades.....dozen.....	163, 020	83, 850	50, 960	27, 780	92, 460	45, 500
Other hardware.....	80, 530	50, 510	80, 530	50, 510	80, 530	11, 530
Flashlight batteries.....cells.....	11, 297, 130	558, 910	9, 569, 640	424, 760	8, 129, 690	312, 780
Flashlight cases.....number.....	486, 810	394, 820	225, 990	139, 760	167, 160	78, 740
Paints and varnishes.....	294, 550	176, 650	294, 550	176, 650	294, 550	103, 540
Polishes.....pound.....	167, 700	444, 450	92, 120	27, 310	97, 380	15, 960
Automobile.....do.....	71, 750	18, 540	56, 620	16, 290	19, 280	6, 080
Shoe.....do.....	35, 240	10, 290	13, 690	5, 380	11, 330	3, 850
Hosiery:.....						
Cotton.....dozen pairs.....	21, 790	47, 780	20, 680	38, 850	14, 210	20, 120
Silk.....do.....	12, 120	117, 490	8, 840	69, 130	4, 630	27, 520
Rayon.....do.....	11, 720	38, 040	7, 100	22, 247	2, 950	8, 820
Biscuits and crackers.....pound.....	22, 350	6, 580	13, 850	5, 560	1, 729	190
Fruits, canned and bottled.....do.....	2, 026, 540	257, 640	1, 105, 180	136, 600	887, 740	92, 830
Canned prunes.....do.....	344, 040	42, 620	220, 135	21, 730	267, 760	25, 000
Mixed fruits.....do.....	292, 520	48, 860	226, 670	32, 580	162, 510	20, 930
Fish, canned.....do.....	7, 224, 910	501, 110	1, 746, 520	115, 100	1, 623, 110	91, 750
Sardines.....do.....	7, 022, 450	459, 180	1, 597, 420	94, 400	1, 544, 650	81, 240
Vegetables, canned.....do.....	607, 020	88, 170	447, 560	63, 300	272, 300	38, 149
Asparagus.....do.....	206, 920	44, 990	192, 470	33, 200	195, 850	29, 850
Breakfast foods.....do.....	119, 290	23, 570	139, 770	21, 220	115, 080	18, 050
Milk, canned.....do.....	703, 470	82, 620	249, 340	33, 040	162, 870	12, 110

¹ Not shown separately prior to 1932.

Source: Foreign Commerce and Navigation of the United States.

COMPETITION OF EUROPEAN COUNTRIES AND JAPAN

The following table, made up from statistics of India's sea-borne trade, makes it apparent that the United Kingdom and Germany are the chief competitors of the United States for "light" merchandise in the Indian market, with the United Kingdom leading in most lines by a tremendous margin. However, the share of the United Kingdom in this trade is undoubtedly less than seems apparent, because a very considerable proportion of merchandise of this character imported into India is purchased in London, and in the customs returns is credited accordingly to the United Kingdom, whereas the actual origin may be the United States or Continental Europe. In such characteristic products as soaps and toilet preparations France holds an appreciable amount of the trade, while Austria appears as an important source of writing paper; Switzerland, canned milk; Belgium, playing cards; and Persia, perfumery.

In spite of the numerous lines which the table shows as imported from the United States, it is apparent from a study of the figures that, with the exception of canned fruits and canned fish, the United States still plays a comparatively small part in "light" merchandise trade with India. On the other hand, in recent years Japan has gained a comparatively important place in such lines as toys, medicines, brushes, clocks, hardware, and paints.

Those items credited in the table as imports from the Straits Settlements are, of course, transshipments of goods originating either in Europe or the United States, as the Straits Settlements do not manufacture such articles. A comparatively inconsiderable amount of American goods may reach the Indian market through this channel.

IMPORTS OF "LIGHT" MERCHANDISE INTO INDIA

[Years ended Mar. 31]

Article and country from which imported	1929-30		1930-31		1931-32	
	Quantity	Value	Quantity	Value	Quantity	Value
		<i>Rupees</i>		<i>Rupees</i>		<i>Rupees</i>
Playing cards.....		1,165,270		1,224,610		905,470
United States.....		528,340		611,270		413,340
Belgium.....		435,620		463,770		340,150
Toys.....		4,403,840		2,793,970		2,062,750
United States.....		278,120		210,690		144,340
Japan.....		1,864,530		1,278,930		933,830
Germany.....		1,416,040		703,830		464,540
Sporting goods (except firearms).....		975,050		887,660		746,130
United States.....		30,900		33,260		38,730
United Kingdom.....		697,810		613,600		505,860
Norway.....		116,480		93,770		96,730
Germany.....		76,360		106,720		72,470
Stationer's supplies (except paper and including pens and pencils).....		10,506,380		8,124,500		6,802,500
United States.....		503,500		448,900		300,430
United Kingdom.....		5,552,720		4,376,200		3,595,040
Germany.....		2,677,780		1,948,990		1,659,550
Writing paper and envelopes						
hundredweight.....	244,910	6,907,790	157,320	4,655,450	159,300	4,420,790
United States.....do.....	4,230	147,610	3,490	107,650		124,200
United Kingdom.....do.....	79,170	3,116,960	54,960	2,329,870	42,070	1,810,000
Austria.....do.....	20,030	469,280	14,960	332,060	34,780	729,640
Norway.....do.....	65,820	1,420,540	35,200	789,460	27,530	600,970
Patent medicines.....		4,856,290		4,290,560		4,614,890
United States.....		626,860		691,080		764,670
United Kingdom.....		2,428,660		1,838,840		2,207,550
Germany.....		741,610		786,900		828,370
France.....		503,400		466,610		468,390
Other medicines and drugs.....		17,769,090		15,103,030		14,496,150
United States.....		1,719,860		1,530,630		1,191,170
United Kingdom.....		7,100,550		4,598,280		4,459,600
Germany.....		3,319,260		4,025,680		3,447,170
France.....		814,960		1,577,630		399,210
France.....hundredweight.....	2,661,060	2,661,060	1,619,180	1,619,180		1,746,100
Soaps.....						
hundredweight.....	447,940	16,868,410	332,320	11,198,220	309,780	8,872,150
United States.....do.....	7,790	768,480	5,460	573,560	4,580	512,920
United Kingdom.....do.....	393,630	14,581,470	295,480	9,782,530	264,760	7,504,770
France.....do.....	32,700	760,860	20,090	449,050	24,010	415,650
Perfumery.....		425,160		341,270		321,510
United States.....		230		5		460
Persia.....		120,640		73,060		102,660
Straits Settlements.....		83,020		81,530		64,550
Netherlands.....		44,580		50,580		37,370
Toilet articles, n.e.s.....		7,268,020		5,380,810		4,779,750
United States.....		1,974,930		1,748,410		1,552,520
United Kingdom.....		2,790,340		1,936,680		1,813,240
France.....		696,510		553,540		402,690
Brushes and brooms.....dozen.....	608,210	1,434,350	534,540	1,207,480	458,460	897,720
United States.....do.....	40,170	325,200	45,750	334,760	25,160	191,960
United Kingdom.....do.....	78,480	542,740	55,650	402,070	52,020	313,940
Germany.....do.....	175,020	313,800	152,350	268,150	115,250	232,420
Japan.....do.....	208,130	126,910	181,490	109,870	153,570	89,700

IMPORTS OF "LIGHT" MERCHANDISE INTO INDIA—Continued

Article and country from which imported	1929-30		1930-31		1931-32	
	Quantity	Value	Quantity	Value	Quantity	Value
		<i>Rupees</i>		<i>Rupees</i>		<i>Rupees</i>
Clocks.....number.....	414,800	1,733,830	349,000	1,356,920	245,900	870,510
United States.....do.....	62,740	412,760	48,720	289,200	19,430	120,480
Germany.....do.....	218,000	653,850	194,100	519,170	161,470	411,440
Japan.....do.....	43,590	192,360	41,080	295,860	33,620	181,360
Cultery.....		4,140,700		2,604,630		2,069,273
United States.....		208,400		137,100		74,520
Germany.....		2,680,300		1,571,550		1,322,670
United Kingdom.....		1,112,540		829,810		586,750
Other hardware.....		50,664,840		36,028,320		26,061,410
United States.....		5,922,720		4,492,710		2,716,780
United Kingdom.....		18,041,860		13,149,430		9,615,330
Germany.....		16,530,630		10,771,530		7,585,030
Japan.....		2,605,020		2,091,150		1,576,930
Flashlights.....number.....	1,029,160	1,167,130	420,030	761,870	(1)	(1)
United States.....do.....	357,830	835,080	302,810	634,090		
Germany.....do.....	555,030	241,850	81,210	74,840		
Japan.....do.....	21,860	11,040	29,430	4,600		
Paints and colors.....hundredweight.....	492,700	11,377,710	453,130	8,580,720	333,730	6,649,170
United States.....do.....	19,420	859,720	9,540	481,400	6,650	290,850
United Kingdom.....do.....	251,030	7,476,610	188,940	5,413,630	163,890	4,283,420
Germany.....do.....	97,660	1,084,820	125,060	1,033,670	69,580	780,320
Japan.....do.....	14,137	333,030	21,990	408,260	24,920	403,100
Netherlands.....do.....	19,420	351,860	30,420	325,630	20,560	217,410
Polishes.....		2,633,880		2,159,070		1,916,550
United States.....		153,210		154,210		78,650
United Kingdom.....		2,422,390		1,958,460		1,815,400
Germany.....		26,890		20,050		17,900
Hosiery, cotton.....dozen pairs.....	1,100,410	2,026,410	827,895	1,288,710	651,370	872,900
United States.....do.....	36,220	241,050	16,580	109,140	17,865	107,090
Japan.....do.....	412,110	842,640	307,040	596,040	302,770	384,330
Hong Kong.....do.....	494,735	593,190	404,110	390,880	292,855	238,780
Biscuits and cakes.....hundredweight.....	65,245	5,498,710	48,145	4,032,920	35,760	2,990,260
United States.....do.....	50	5,950	230	19,920	185	15,520
United Kingdom.....do.....	46,940	4,727,430	34,405	3,496,930	27,120	2,673,740
Straits Settlements.....do.....	13,930	465,800	10,960	357,530	6,950	196,910
Canned and bottled fruits.....	33,300	1,406,830	32,660	1,204,670	22,650	690,200
United States.....do.....	17,360	843,130	13,390	629,910	6,900	311,700
Straits Settlements.....do.....	7,240	142,760	9,140	155,090	8,740	124,770
Canned fish.....do.....	80,740	2,566,990	60,060	1,849,670	19,810	723,180
United States.....do.....	66,520	1,810,220	48,200	1,180,580	12,540	326,310
United Kingdom.....do.....	4,940	362,220	4,670	338,380	3,250	243,530
Canned vegetables.....	321,125	12,005,160	296,025	10,903,400	116,850	4,241,640
United States.....do.....	2	125	25	1,770	35	2,095
Netherlands.....do.....	290,560	10,874,780	232,340	8,537,010	79,250	2,868,700
Germany.....do.....	14,640	578,270	22,050	833,900	12,550	480,750
Cereals, prepared.....	40,780	2,421,780	36,150	2,273,990	26,980	1,894,770
United States.....do.....	14,290	574,870	15,170	669,790	8,760	417,850
United Kingdom.....do.....	25,640	1,823,050	19,630	1,572,310	17,150	1,451,720
Condensed milk.....	242,610	8,834,940	226,850	7,854,780	185,920	5,732,700
United States.....do.....	6,620	265,410	5,340	231,050	2,350	120,950
Netherlands.....do.....	141,790	3,607,910	126,120	3,041,540	88,160	2,030,070
Switzerland.....do.....	23,150	1,175,640	9,630	499,960	31,180	1,012,330

¹ Not shown separately in 1931-32.

Source: Annual statements of Sea-Borne Trade of British India.

NOTE.—Average value of the rupee—1929-30, \$0.3616; 1930-31, \$0.3601; 1931-32, \$0.3127. Cwt. (hundred-weight) equals 112 pounds. Imports for Government account are not included in the table.

THOSE WHO CAN BUY

It is thus apparent, without going into great detail, that the average Indian cannot afford American soap, fountain pens, clocks, or some other products with which this report is concerned. But percentage figures can be misleading; there are numerous Indians of the landlord, clerk, merchant, and other classes who can and do purchase American merchandise besides kerosene and lanterns. Added to these comparatively well-to-do Indians are the 200,000 Europeans residing in the country and the 125,000 Anglo-Indians who, in themselves, form

a fair market for the American merchandise under consideration. If only 1 percent of the Indians were buyers of a particular American product, the manufacturer of that product would have more customers in India than the entire population of Cuba. And it is obvious to market observers that more than 1 percent of the people in India are potential buyers of some products made by American firms who value highly their business in Cuba.

But these potential customers in India (small in percentage but large in actual number) are not concentrated in one locality; they are scattered thinly throughout the country. Many are, of course, in the port cities or large interior towns; but some small village in the interior may be the home of one Indian who can and does purchase things which are not within the reach of his immediate neighbors, and the British planter and his wife, located on some lonely tea estate far from a town, are representative of a group of buyers before whom the manufacturer will wish to place his products, if he is to cover the market fully. The important thing is to devise some method of distribution whereby the manufacturer may be sure that his merchandise is within easy reach of every prospective consumer, whether that consumer be located in a large port city or a small village far in the interior of the country. It is the purpose of this report to describe the methods which have been found most efficacious.

BUYING HABITS OF THE CONSUMER

The consumer of imported products (such as those under consideration) who is located in one of the large cities of India has no difficulty in making his purchases from one of the European-controlled department stores or specialty shops, or from one of the numerous bazar shops operated by Indians who cater to the consumers of imported merchandise.

LEADING RETAIL OUTLETS

Department stores.—In Calcutta, for example, there are five large and well-known department stores under European management which compare favorably with the small department stores in the United States. Their merchandise is well displayed, European salesmen or saleswomen are in attendance, electric fans are properly arranged for the comfort of their patrons, and other inducements are offered to the European or comparatively well-to-do Indian woman to spend an hour or two shopping in the store.

Bazar shops.—There are specialty shops operated by Europeans which offer well-selected merchandise to the discriminating buyer, while in the heart of the town there is a huge market building, owned by the municipality, which houses hundreds of small bazar shops stocked with American tooth paste, silk stockings, flashlights, lip sticks, and other products bought largely by the Europeans, Anglo-Indians, and comparatively wealthy Indians. These bazar shops are operated by Indians who are satisfied with a very small margin of profit. The shops are usually small, particularly those in sections which sell to Indians almost exclusively, and buyers are waited on by the proprietor or by an assistant (Indian) who may be paid a salary equivalent to \$10 a month, or less. Therefore, the bazar shop usually sells at prices below those quoted by the department store or the

specialty shop controlled by Europeans. The department stores and specialty shops have set prices, while the bazar shop is well known as a place to bargain about prices.

PROBLEMS ARISING

The presence of these two retail outlets side by side creates a problem for the manufacturer, who finds that the department store is reluctant to stock merchandise which will be sold by bazar shops at prices below those which the department store can afford to offer. This subject will be dealt with more fully in a subsequent section of this report, but it may be mentioned here that the tendency is for the department stores to handle new, novel, or superior merchandise, and leave the bazar shops to sell products which have an established reputation and which are more or less "bought" by the consumer rather than "sold" by the store. The bazar shop, for example, is more likely to stock brands of soap which are well known and which have retail prices practically fixed by the bazar shop merchants, who set their quotations at very little above cost, while the department store is more inclined to stock some new or superior brand of soap which can be sold at a fairly good profit, owing to the absence of competition from bazar shops.

The consumer in Calcutta may visit the department store, specialty shop, or bazar shop, select some merchandise and accept delivery over the counter, but many of the consumers of the merchandise under consideration have servants, who are sent to buy some particular product. The servant is told exactly what to buy, and at times is given an old container or a label, so that he may quickly and accurately identify the merchandise in the shop which he visits.

MAIL-ORDER BUSINESS

In the outlying districts it is not so easy for the consumer to make his purchase. In many towns there is at least one bazar shop which stocks a few imported items regularly purchased by people in the particular town, but in some places no imported products are sold in stores or shops. The consumer who is located in some out-of-the-way place usually depends for his supplies on one of the stores in a large city which has a mail-order department. Whereas the bazar shops sell almost exclusively "over the counter", the department and specialty stores do an important mail-order business in addition to their "over the counter" sales. This is also true of some provision and other stores. Large and expensive catalogs, fully illustrated, are issued once or twice a year by these stores and are sent out to thousands of people in the country. The British official located in some lonely town far in the interior, or the Indian landlord in some small village who is the only person in that town to buy imported merchandise, may send an order once a month to some store in a large town which has a mail-order department. The order may be for a dozen bars of soap, two neckties, a finger-nail file, a fountain pen, and a pack of playing cards. The order may be for more or less, depending on the extent to which the buyer uses imported merchandise. The goods are usually dispatched "Value payable post" (same as c.o.d.) and are delivered by mail within a few days to any part of India. The excellent railway system of India, comprising over 40,000 miles,

is exceeded in extent by the railways of the United States and Canada only, and reaches into every section of the country. If the consignee is not on a railway, the mail is carried through by motor car, bullock cart, or runner; but whatever the means of transport may be, the mails in India go through safely and on time. This facilitates the conduct of mail-order business.

THE IMPORTER

It has been shown where the consumer is likely to buy. Rather than work back from that point, next showing from whom the retailer buys, the continuity of the report will be interrupted here in order to start with the merchandise at the American factory and follow it through the various channels of distribution until it comes before the consumer in India.

It is assumed, for the purpose of this report, that the merchandise is manufactured by a company which has its own export department. But whether the merchandise is sold abroad by the manufacturer's own export department, handled by a "combination export manager", or exported by a company engaged in foreign trade exclusively, the methods of distributing the merchandise after it has left the American shores will probably be the same. Whoever may be interested in exporting the goods, the first object will be to sell to the Indian importer—the first in the link of distribution in India.

This importer in India may be a wholesaler who operates very much like a wholesaler in the United States, stocking merchandise in large lots for resale to small stores and shops which do not import direct. The importer may also be a department store or some other retail firm whose purchases of imported products are so extensive that they import direct. The importer may even be a large consumer whose requirements make it advantageous for him to buy direct from the American factory or exporter. Whether the importer be a wholesaler, retailer, or consumer, the first object is to sell to the importer.

There are two generally accepted methods of selling to the importers—direct or through agents. These two methods, both of which have advantages and disadvantages, will be described later. The immediate object is to classify the importers and describe their methods of business.

THE WHOLESALER

The wholesaler who performs no function other than that of a wholesaler is likely to be an Indian. In Calcutta (which is typical of cities in India) the wholesalers who stock the class of American merchandise under consideration are probably located in Colootolla or Canning Street, where the wholesale trade in such products is largely centered. This wholesaler is an importer who is responsible for bringing the merchandise to India. He may have a small office which gives the appearance of an unimportant retail store, but a warehouse nearby will contain big stocks of tooth paste, razor blades, soap, flashlights, and other imported merchandise. It is likely that this wholesaler handles nothing but imported products.

The wholesaler described above sells to the small bazar-shop retailers who purchase their week-to-week requirements from "Colootolla." But an important part of the wholesaler's business is with

small bazar shops in the interior. The Collootola Street wholesaler will receive an order, perhaps once a week, from some small store far in the interior which may have two or three customers for imported products. This order from the bazar shop in the interior may be for a dozen bars of soap, three packages of breakfast food, one dozen pairs of stockings, and so on. The wholesaler probably has a long-standing connection with the retailer in the interior and supplies all the latter's requirements for imported goods. If the wholesaler happens not to have in stock some product ordered by his customer in the interior, he will probably go out and buy it from someone else, so that he may fill his customer's order completely.

THE RETAILER WHO IMPORTS DIRECT

The department stores, specialty shops, and even some of the larger bazar shops owned by Indians import direct, and do not, except on rare occasions, purchase from the wholesaler in Colootolla or Canning Street. These stores are retailers who purchase "direct from the factory." A bazar shop (retailer) which today obtains its requirements from a wholesaler in Colootolla Street may tomorrow expand its business to a point where it commences to go around the wholesaler and order direct from the factory and/or exporter.

THE LARGE CONSUMER WHO IMPORTS DIRECT

The third important importer is the consumer whose requirements are so great that he buys direct from the factory. The hotel which uses large quantities of soap or toilet paper may buy direct from the factory; the club which provides playing cards to its large list of members may go around both the retailer and wholesaler and purchase direct from the manufacturer; the large chain of theaters is likely to buy flashlights direct from the manufacturers, and so on. One more example of large consumers buying direct may be cited. There are around 50,000 British soldiers in India who consume many imported products. Each regiment has a "contractor" who provides these things, and all the contractors are members of an organization known as the "Canteen Contractors Syndicate", with headquarters at Karachi. The central office of this syndicate buys for its members throughout India such things as sardines, razor blades, and the many other items used by soldiers and their families. This is an important example of consumers buying direct from the factory, where their requirements make it highly desirable to do so.

SELLING TO THE IMPORTER

It is obvious that the American exporter cannot himself sell to any firms in India except those which import direct. The exporter in the United States can, and frequently does, lend assistance to the importer so as to move the merchandise into consumption; but the primary object is to get the merchandise from America to India—that is, to sell the merchandise to the importer in India.

SELLING DIRECT

Some manufacturers have found it desirable to appoint no agents in India, the word "agent" being used here to mean a manufacturer's representative who holds no stocks but confines his activity to selling, on behalf of his principal, to the actual buyer.

In this case, the manufacturers and/or exporters in the United States send their representatives to India, who, during their short stay, make arrangements with the wholesalers—or the American company may complete negotiations by mail. There will be no “agent” between the American exporter and the Indian importer. One wholesaler (importer) may be selected in each large city of India which serves a particular area, and that wholesaler given the exclusive distribution of the product, the wholesaler being expected to place orders direct with the factory. The inducements offered to the wholesaler are that he will get the benefit of any commission which would have to be paid to an agent if an agent were employed, and that he would be the exclusive distributor of the product in a given territory.

The above method of selling has some advantages and many disadvantages. The wholesaler who is granted the exclusive distribution of a certain product is likely to feature that particular product, and the exporter in the United States is relieved of commission charges of any intervening “agent.” However, when a line is confined to one wholesaler, distribution to the retail shops is limited largely to those shops which are regular customers of the wholesaler who has exclusive rights. There may be located in the same street six wholesalers who sell tooth paste. Each wholesaler has his group of customers, and the last five of these wholesalers may not be expected to urge their customers (retail stores) to stock a particular brand of tooth paste for which the first wholesaler—their competitor—acts as the exclusive distributor. Of course, the manufacturer may popularize his brand, through advertising and other means, to the extent that the last five wholesalers will be forced to buy from the first in order to supply the particular brand of tooth paste to their customers, or their customers may go to the first wholesaler and make their purchases.

In the case of new merchandise which has not yet become popular in India, it is an advantage at times to confine the line to one importer, which the American factory may possibly do through correspondence rather than through the services of an agent. The wholesaler who is given exclusive rights may be expected to make an effort to induce all his customers (retailers) to stock the merchandise, thus providing an immediate display of the product before a certain number of consumers. But the distribution of the product to retail shops will probably be confined to the stores which regularly obtain their requirements from the particular wholesaler—at least, until such time as consumer demand increases and forces other retail stores to stock the goods.

The greatest drawback to this method of selling direct to the importer without the use of an agent is the lack of someone in India to protect the interests of the American exporter. The wholesaler selected may have been an excellent connection at the time arrangements were made; but in the Indian market, where old firms go out of business and new companies spring up almost overnight, it is highly desirable that someone on the spot watch developments and protect the interests of the exporter. The wholesaler may get behind in his payments, or may decline for one reason or another to take up a shipment. It is in these cases that the American exporter suffers by not having an agent on the ground who can put pressure on the wholesaler, which, coming from the agent on the spot, is more

real than pressure exercised by the exporter in the United States, whose only approach is through correspondence. Furthermore, if the American company had an agent in India, that agent would be expected to resell any merchandise which the wholesaler declined to accept after its arrival in India.

In the light of experience gained by many exporters, it appears that the best method of selling American products such as these under consideration is not direct to the wholesaler through correspondence or an occasional visit, but rather through the services of an agent who remains on the ground.

SELLING THROUGH AGENTS

Most of the American products such as those under consideration are now sold through an agent. This agent carries no stocks. He is, in effect, an employee of the American exporter, receiving his remuneration in the form of a commission on sales. This agent receives catalogs and/or samples from his American principal and solicits business from the importers, taking orders from the importers subject to their acceptance by the American exporter. The merchandise is shipped direct to the importer, the drafts are drawn on the importer and sent to a bank for collection, and the agent has no further connection with the transaction (except to receive a commission from the exporter) unless some difficulty should arise to cause intervention by the agent.

The remarks immediately preceding apply to the ordinary agent. A large part of the American merchandise such as that under consideration is sold by *del credere*¹ agents who exercise more control over the merchandise. Some of these agents have their head offices in New York and branches in the principal cities of India. The branch office in India takes an order from an importer and transmits it to the agent's head office in New York. The head office, after approving the order, sends it to the factory. The factory ships the merchandise to the importer in India, but sends the draft to the New York office of the agents, who make immediate payment. The agents are then responsible for collecting from the importer, there being no recourse on the drawer of the original draft.

SELECTING AGENTS

If the American manufacturer and/or exporter has decided to sell in India through an agent, his next concern will be to select an agent who can cover the market adequately. The manufacturer may decide that it would be better for his agent in India to confine the line to one wholesaler in each principal city, or it may be that the manufacturer will wish the agent to maintain an "open market" and sell to any and every importer who will buy; but whatever the policy of the American exporter may be, he will wish to investigate closely an agent's ability before appointing him as a representative.

Aside from the branch offices of American firms, there are many "European" agents in India who undertake to represent American exporters. There are those of English, French, German, Australian, or other nationality who act as agents (manufacturers' representa-

¹ An agent who guarantees payment for goods sold through his activities.

tives). At the same time, there are numerous Indians who perform the same services.

With the strong feeling of nationalism which has been manifested in India during recent years, it has occurred to many American exporters that they would be better served by an Indian agent. But this is not necessarily true. Many products are sold to department stores and specialty shops controlled by Europeans, and it would be difficult for an Indian to sell to these stores as well as could be done by European agents. It is true that the Indian agent may be better received among the Indian wholesalers, but at the same time the Indian wholesalers may feel honored to have a European agent call on them. Some manufacturers feel that by having a European agent there is not as much possibility of connivance between the agent and importer as there would be if an Indian agent were employed. Inasmuch as there are many reputable Indian agents, the preceding statement is not to be construed as reflecting on their integrity; but the belief has been expressed that the Indian agent may be inclined to be more lenient with the Indian wholesaler than the European agent would be.

Some of the agency firms which have met with much success in selling the products under consideration are those which have European managers and Indian salesmen. The Indian salesmen call regularly on the Indian wholesalers, while the European manager exercises general supervision over that business, and in addition calls on the stores controlled by Europeans.

If a *del credere* agent is appointed, who agrees to be responsible for all payments, the manufacturers will wish to investigate closely the agent's finances. If, however, an agent is selected who is not to be responsible for payments, then his financial worth becomes less important than his personal integrity. If the manufacturer expects to ship direct to the importer to whom the agent has sold, draw his drafts on the importer, and bear any losses which may possibly arise through such procedure, it is important that the manufacturer have an agent who may not possess much money but who can be depended upon to select carefully the accounts to which he sells and otherwise operate in the best interest of his principal, so as to obviate any difficulty which might result in a loss to the exporter.

DIVISION OF TERRITORY

The proper division of territory among agents in India is no small problem, but full coverage of the market is usually obtained by having agents in Rangoon, Calcutta, Madras, Bombay, Karachi, Lahore, and Delhi. These are the cities in which most of the importers are located, and these importers take care of requirements in the surrounding area. Agents in these cities may be appointed separately and may work independently, or the agency for all India may be given to one firm which maintains branches in the cities named. But the law of diminishing returns usually precludes the expansion of a selling organization to include branches in cities other than those named above. Salesmen from these branches may, of course, visit nearby cities occasionally, but there are few importers outside the seven principal markets where agents are usually maintained.

One of the most successful lines of American canned goods in India is sold by a company which maintains an office in Calcutta only. The distribution of these canned goods reaches into every part of India and offers a challenge to the statement that agents must be maintained in the seven principal cities. In the case of these goods, a traveler from the Calcutta office is constantly visiting the important centers, and, as he is concentrating on one line, he is able during his frequent trips to each important center to sell more effectively than some agent who maintains branches in those principal cities. The individual agent who maintains no branches but who travels constantly from place to place is sometimes able to do more for the manufacturer than is the agent who maintains branches in the principal cities—but this is the exception rather than the rule. What appears to be more desirable is to have energetic agents in the cities of Rangoon, Calcutta, Madras, Bombay, Karachi, Lahore, and Delhi. Such agents, who may operate independently or may be branch managers of one firm, are in a position to cover the market effectively.

There is one considerable advantage which is enjoyed when the agency for all India is controlled by one agent or firm of agents. Owing to the shape of India, many interior towns are almost equidistant from Calcutta, Bombay, or Karachi, and the buyers in those towns may make their purchases from importers in whichever city offers the best prices. Calcutta and Bombay importers (wholesalers) frequently fight for the business of some store in say, Agra; and it is highly desirable that the manufacturers see that the importers in Bombay are given the same terms as those given to importers in Calcutta. If separate agents are maintained in Bombay and Calcutta, the two agents frequently compete by giving an inside discount (which comes out of the agent's commission), or secure, on some grounds or other, better prices from the manufacturer. If the agents at Bombay and Calcutta are members of one firm, a very close supervision is possible, and there is no incentive for the agents to accept a larger order in Bombay which they know will do nothing more than cause a corresponding decrease in the size of orders taken at Calcutta, thus creating dissatisfaction on the part of the Calcutta importers.

CREDIT TERMS

A great proportion of the American merchandise such as that under consideration is sold in India on terms of 60 days, documents against payment. Some importers request, and receive terms of documents against acceptance, but the generally accepted terms are those which require payment within 60 days from the date of the invoice, the documents being delivered to the drawee after the draft had been paid.

When the American manufacturer is selling through a *del credere* agent, the manufacturer's credit department is concerned with the financial position of the agent only; but when an agent is employed who does not assume responsibility for payment in case the importers to whom he has sold should default, the manufacturer must exercise extreme caution in accepting orders, even for shipment on D/P terms. This is where the worth of an agent is shown. It is true that, in the case of D/P transactions, the importer does not obtain possession

of the merchandise unless and until the accompanying draft is paid; but the manufacturer is likely to be faced with a loss, if the merchandise arrives and the importer refuses to accept delivery.

In India it is extremely difficult, if not impossible, to obtain satisfactory credit references or bank reports concerning many importers: This does not mean that the importers are small and unimportant, but rather that there is no satisfactory machinery to collect and disseminate worthwhile credit reports. There are banks in India which are in a position to furnish information regarding some of the importers, but their task is made extremely difficult by the complicated arrangements under which many of the importers operate—involving at times all members of a large family, who, under Hindu or Mohammedan law, share certain rights and obligations of other members of their family, although all may not be actively engaged in the business. Thus, one of six Hindu brothers may do an import business and may have very little liquid capital, but this same man may have property rights which enable him to secure any necessary financial accommodation. This importer, operating the business himself with a certain amount of his own capital, may have equity in a large fortune (as a member of a Hindu family), but if he should default on an obligation as an importer, the person to whom he owed the obligation could not sue him with the view to obtaining settlement from funds which he (the importer) might realize as his equity in the joint fortune of the family.

The American exporter who takes the credit risk when selling through an agent in India rightly expects the agent to furnish, when submitting an order, credit references on the importer to whom he (the agent) has sold. This is not always possible, owing to reasons which have been mentioned. The agent may know that the importer is honest, possesses adequate finance, and is worthy of D/P or possibly D/A terms. But the importer may not keep his money in a bank, and he may otherwise conduct his business in such a way that it is impossible for the agent to get, on paper, facts and figures which the precise credit department of the exporter frequently demands. This has, on more than one occasion, limited the exporter's sales in India. Numerous cases could be cited where the agent carefully selected the accounts in India to whom he sold, knowing that the importers were worthy of the terms extended, only to have the order refused by the American exporter, because the agent was unable to furnish a tabulated statement of the importer's assets and liabilities.

It is appreciated that a credit manager is not always free to approve an order on the basis of what an agent thinks about the buyer. But if the exporter does not have a *del credere* agent and still expects to do an extensive business in India his credit department will frequently have to depend on the recommendations of the agent, rather than on formal credit reports. It is obvious, therefore, that the exporter must select an agent of high integrity and good judgment, whose intimate knowledge of the wholesalers enables him to hand-pick the accounts, submitting orders on behalf of no one other than importers who, to the best of the agent's knowledge, will honor their obligations.

PACKING AND MARKING OF GOODS

The subject of packing and marking of goods destined for India, while not strictly within the scope of this report, must be mentioned, owing to its importance. Many unfortunate experiences may be avoided if proper attention is given to packing goods and marking them in the necessary manner.

The climate of India is such that many products deteriorate rapidly. The American manufacturer who sells cigarettes in paper and cardboard containers in the domestic market, finds that he must ship the same cigarettes to India in vacuum-sealed tins. The shaving cream sold in a flexible lead tube with nothing more than a cap screwed on the top to prevent leakage will be difficult to sell in India unless a lead seal is placed underneath the screw cap, and so on. The variety of packing required depends on the particular class of merchandise, but it must be remembered that the hot, humid climate of India makes it necessary to give particular attention to the subject of containers for merchandise. As far as outside packing is concerned, that usual for export shipments is sufficient, provided the merchandise is fully protected by its immediate container.

In India there is a Merchandise Marks Act, which is rigidly enforced. This act practically assumes that the English language is the language of England only; and the appearance of any English words on merchandise imported into India is taken to imply that the merchandise was made in England. Therefore, when any words or trade marks appear in English, they must be offset by a mark of origin, in case the goods were made in any country other than the United Kingdom.

The act provides that, except in the case of merchandise made in the United Kingdom, every application of English words or trade marks on imported goods must carry a counterindication of origin. In the case of American merchandise, the term "Made in U.S.A." is sufficient. If no English words or trade marks appear on the goods or containers, then it is not necessary to provide a mark of origin. But wherever English words or trade marks are employed—whether they be on the outside packing, on the immediate container or on the goods themselves—there must be the counterindication "Made in U.S.A."

The law provides that the mark of origin must be as conspicuous as the English words which it offsets. This can be held to mean that the letters forming the term "Made in U.S.A." must be as large as any other letters in the English words which they offset, but this interpretation is not strictly enforced, the customs authorities being inclined to pass any shipment which is marked in such a way as to surely catch the eye of the buyer, even though the letters "Made in U.S.A." may not be as large as some other English letters on the same label.

It is most important that the provisions of the Merchandise Marks Act be respected, as goods not properly marked are subject to confiscation by the customs and may render the importer liable to a fine.

Besides that of conforming to the official regulations, there is another reason why the American exporter should give due thought to the marking and labeling of products destined for India. It has been mentioned that many buyers of the merchandise under con-

sideration send their servants to make purchases, and the servant is frequently given an old container or label so as to make sure that the right article is purchased. A good trade mark is worth much in India. One American manufacturer, finding that his product was being imitated, had the happy thought of placing in each container shipped to India a slip of paper on which the consumer was warned that imitations were being sold. The consumer was asked to insist on the genuine product, and on the same slip of paper there was printed the manufacturer's trade mark. This slip of paper containing the warning was placed where the consumer would reach it about the time the package became exhausted; and it was convenient for the consumer who wanted the genuine product to hand this slip of paper to his servant who went to a store and, with the trade mark right before him, insisted on getting the genuine article.

TRADE MARKS

There is no provision for registering trade marks in India, such as there is in the United States. If an infringement arises, the right to the trade mark is awarded to the party who can prove prior use in India. The American manufacturer exporting his merchandise to India for the first time may "register" his use of a trade mark with the Government, but that action does not in itself assure the manufacturer of the exclusive use of the mark. It may, however, be cited at a later date as evidence that the manufacturer was using the particular trade mark on a certain date. Companies frequently place notices in newspapers, showing their trade mark and notifying the public that the trade mark belongs to them. This is done so that they may, if necessary, use the advertisement at a later date to prove that they employed a specific trade mark in India before it was used there by some other company. It is comparatively inexpensive to "register" a trade mark in India; the charges accrue if and when it becomes necessary to protect the trade mark in court.

FORCING MERCHANDISE PAST THE IMPORTER

After the merchandise has been sold to the importer, the next concern is to see that it moves along through the various channels of distribution to the consumer. This immediately suggests advertising or other propaganda work to create consumer demand. The subject of advertising is not strictly within the scope of this report, but there are other aids which manufacturers sometimes extend and which may be described here.

ASSISTING THE WHOLESALER

The wholesaler (importer) who has stocked the merchandise is likely to be an Indian with little knowledge of modern merchandising methods, and he probably will keep the goods in stock until they are asked for by one of his customers, unless the wholesaler happens to act as exclusive distributor for the particular product or has some other inducement to feature it. Many lines sell more or less automatically because of their established reputation and fairly constant demand, but the movement of many products from the wholesaler to the retailer and consumer can be accelerated by the manufacturer who encourages the wholesaler in some way or another.

One of the most important things for the manufacturer to do is to create goodwill among the wholesalers. Some companies sell their products in India because they have, in one way or another, built up a consumer demand, thus forcing the wholesalers to stock the merchandise; but a still greater number have built up so much goodwill among the wholesalers by their sympathetic attitude that the wholesalers are pleased to stock the merchandise of such companies and push its sale.

Some manufacturers protect the wholesalers in India against price declines, while others do not. It is obvious that the Indian wholesaler will do more to sell razor blades manufactured by a company which makes an adjustment on unsold stock, if and when prices are reduced, than he would do on behalf of a company which disregarded his stock position and commenced to sell at lower prices to his competitor. Every Indian wholesaler knows what is going on in the market, and if some special concession is given to one wholesaler and withheld from the others, the manufacturer loses much goodwill; for such practices cause the majority of the wholesalers to avoid as much as possible the product of the manufacturer who engages in them. If, on the other hand, one wholesaler has a just claim which is settled satisfactorily and promptly by the manufacturer, it is likely to become known throughout the market and cause other wholesalers to place confidence in the manufacturer. These are obvious facts; the point being made is, that in India the wholesaler knows pretty well what prices and terms his competitors are receiving.

The wholesaler may send his "list" to a consumer (retailer) in the interior, but unless there is some strong incentive, the wholesaler does not put much pressure on his customer to buy any particular product. He merely fills the orders of his customers, who may be located either in the wholesaler's city or in some interior town. Some American manufacturers have sent their own representatives to India or have made arrangements with their agents in India to assist in moving the merchandise from the importer to the retailer. Indian salesmen, employed by the American manufacturer, are sent throughout the interior to sell the merchandise to the retail stores. Demonstrations are made, the selling features of the merchandise are pointed out, and probably an order is booked. This order is not sent direct to the agents but is forwarded to the wholesaler with whom the retail store does business, thus in no way depriving the wholesaler of a profit.

The difficulty arises when the salesman employed by the American manufacturer visits a retailer and sells an order to be shipped direct from the factory to the retailer without the wholesaler benefiting to any extent whatsoever. Wholesalers in the large cities have complained bitterly about the action of some manufacturers in sending their salesmen into the interior and selling, for direct shipment, to their (the wholesalers') customers. The retailer in the interior may have been purchasing every month 1 case of some product from the wholesaler, but was induced by the salesman of the manufacturer to purchase 5 cases for direct shipment, so as to receive practically the same prices and terms as those given to the wholesaler. This may or may not increase total consumption of the goods, but there are instances where the retailer in the interior merely purchases in larger

lots after being invited to do business direct with the factory, without increasing his aggregate annual purchases.

The question of going around the wholesaler and selling direct to the retailer is, of course, a matter of policy to be decided by each manufacturer; but in India, where distances are great and orders small, there is considerable doubt that the manufacturer is well advised to attempt selling to the smaller accounts. It is highly desirable that the manufacturer, through his agent or representative in India, create interest in the merchandise among retailers, but it has been found that the best plan is to have any orders from the smaller accounts sent to a wholesaler for execution. Selling products, such as those under consideration, in India must be extensive rather than intensive, and the Indian wholesaler, with small overhead charges, must be the keystone in the selling system.

RETAILERS WHO IMPORT DIRECT

The remarks immediately preceding refer to wholesalers who supply the smaller retail stores which do not import direct. But there are many retailers whose requirements are so great that they purchase direct from the factory, and in these cases the Indian wholesaler raises no objection. Besides the department stores, there are specialty stores and large bazaar shops operated by Indians who do not, as a rule, purchase from wholesalers, but place their orders direct with the factory, through the factory's agents.

A brief reference has already been made to the conflict between European-controlled stores (particularly department stores) and bazar shops. The European-controlled department store sometimes refuses to stock merchandise which will also be handled by bazar shops. Their reason is that the bazar shop practically always sells the product at a lower price than the department store can afford to charge, as the department store maintains a much more attractive establishment, employs European or Anglo-Indian clerks, and gives other service which makes its overhead charges considerably higher than those of bazar shops. Both the department stores and the bazar shops are important outlets, and the manufacturer may find himself in a dilemma, not knowing whether to confine sales to the European store or sell to the bazar shops with the hope that his merchandise will become so well known that the department stores will be forced to handle it. The department stores usually can be induced more easily than bazar shops to take up new lines and introduce them in the market, and the former have much justification to make the often-heard complaint that the manufacturer uses the department stores to popularize his products and then ignores the position of the department stores when the bazar shops begin to ask for the merchandise. The complaint is made that the department stores do all the work to introduce a new product, and then have the ground cut from under them by the bazar shops.

Many products have become so well known that it is necessary for the European-controlled stores to stock them, but the merchandise is not featured. It is unheard of in India for a department store to follow modern merchandising methods by advertising a hundred units of some well-known product at a price slightly below cost in order to draw a large crowd of buyers who, once in the store, could probably be sold many other articles not handled by the bazar shops.

Some manufacturers have partly solved the problem by using different labels. Thus, a pair of silk stockings may be sold in bazar shops under the designation "No. 92X", while exactly the same stockings may be sold in the department store under a label marked "230M." In this way the department store is not embarrassed by its customers demanding to know why they charged more than bazar shops for the stockings. The manufacturer frequently can induce the European-controlled store to feature his merchandise if he will provide a separate label—not necessarily a separate label for each store, but a distinct label for the general group of European-controlled stores.

A very important part of the business of a department store is done by its mail-order department. Thousands of people in the country districts depend on these mail-order departments to supply their requirements of products such as those under consideration. The department stores issue expensive catalogs, which are sent to these people; and it is decidedly advantageous for the manufacturer to have his products represented to the best advantage in these catalogs. The stores issuing catalogs must help meet the expense by selling advertising space to the manufacturers whose products they handle. If the manufacturer does not assist financially, his product is likely to be described briefly and illustrated in black and white. If, however, the manufacturer is in a position to extend some financial assistance, the department store may place a full-page display of his products in the catalog, with illustrations in colors, which obviously is an excellent way to force merchandise past the importer.

INDUCING THE RETAILER TO FEATURE THE MERCHANDISE

The subject of inducing the retailer to feature a certain product has been dealt with in connection with those retailers who import direct. However, there are many small retailers in the interior who draw their supplies from a wholesaler and who need some encouragement to push the sale of a particular brand.

The small retail shop in the interior, practically always owned by an Indian, may continue year after year to order from the wholesaler just those products which are being called for by his customers. These customers may possibly be persuaded, through advertising, to demand some new brand, but there are some things which can be done to stimulate the retailer's interest in a particular product and cause him to bring it to the attention of his customers.

One way is to arrange with the wholesaler to give the retailer a bonus on the business done. The people who buy from the small Indian retailer are apt to bargain a long time before making a purchase. The Indian retailer is accustomed to this, and while arranging the "bundobast" with his customer he may bring out and display his invoice to show that he is making little or no profit. If the full discount is given to the retailer at the time the goods are purchased, and that discount shown on the invoice, the retailer cannot use the invoice to good advantage when selling to his customer. But if the retailer knows that, by purchasing a certain quantity of some particular product during a given time, he will receive a bonus in the form of a credit on future purchases, or an extra case free, he may feature the merchandise so as to reach the highest sales figures possible.

He may not make any more profit by pushing this particular product than he would by selling other brands, but he will follow the line of least resistance and sell the product on which there is a bonus, having to do little more than to show the invoice to the consumer to close the sale.

Indians like color, and cardboard displays or enameled signs are welcomed by the small shopkeeper, who uses them to decorate his sometimes shabby shop; and the manufacturer who provides the most attractive signs is likely to get the most favored location in an Indian retail shop. This is more particularly true of interior stores than the bazaar shops in the cities, the latter usually having more restricted space, which precludes any extensive display of advertising material.

MANUFACTURER MUST COOPERATE

The manufacturer must give full consideration to the important position of the wholesaler in the system of distribution in India; he should assist the wholesaler by endeavoring to create demand from retail stores and consumers, but he should work always in cooperation with the wholesaler—which would not in any way interfere with the manufacturers' doing business direct with those retailers or consumers whose needs require that they purchase direct from the factory rather than through a wholesaler.

The manufacturer can do much to stimulate the movement of his goods past the importer to the consumer, but he must remember that methods used in the American market, or even in some other export market, are not always suited to India, where there are many peculiar customs.

If the manufacturer hopes to do business with the European-controlled stores, and at the same time sell his merchandise to bazaar shops controlled by Indians, he must sympathize with the former and cooperate with them, giving full consideration to their request for special labels, or similar matters.

Packing and marking of the goods are very important. The rapid deterioration which some merchandise undergoes in India makes it necessary for the manufacturer to consider carefully whether his product will stand up well in India in containers being used regularly for other markets. He must be especially careful to have the term "Made in U.S.A." accompany any and every application of English words or trade marks.

Above all, the American manufacturer should keep in mind that what is true of other export markets is not necessarily true of India. The manufacturer desiring to sell his products in India must take into consideration the peculiarities of the country and be prepared to flex his export policy if necessary. India offers a growing market for American products, such as those which have been considered in this report, and the manufacturer who wishes to profit therefrom should give at least as much attention to the machinery of distribution as he gives to such subjects as advertising or other plans designed to create consumer demand.

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