

IDM : Sustaining Legacy, Creating a Niche

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Abstract

The origin of the Indian sports industry can be associated with Sialkot which is now in Pakistan. It was known for its sports goods production before partition. Now the export products from there are sports goods, martial art equipments, leather products, and sports wear. IDM is a family oriented business firm which originated in Sialkot before partition. This firm manufactures and exports sports goods and equipments. This firm prefers to operate in niche markets by customizing the products.

Keywords: Customization, exports, niche market, sports goods

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The global sports industry is worth between €350 billion and €450 billion (\$480-\$620 billion), according to the study of ATKearney (Global Management Consultant) on leagues, different federations, and sports teams. This study was based on requirements for licensed products, construction, and infrastructure construction. According to PricewaterhouseCoopers International Limited (2011), the sports market revenues increased at a rate of 3.7% from US \$121.4 billion in the year 2010 to US \$145.3 billion in the year 2015. The global sports event market including all revenues in the market spend on major sports was worth €45 billion (\$64 billion) in 2009. Football (Soccer) still remains the king. The overall revenue for this sport is equivalent to €20 billion (\$28 billion) annually. In Europe alone, football does business of €16 billion. In the report named as “changing the Game” PwC in 2011 had concluded that despite economic trouble, sports has continued to thrive. Ratten (2011) had highlighted entrepreneurial opportunities available in the sports industry. Levermore (2009) had acknowledged the role of sports industry in international development.

The sports market is made up of sponsorships, for associating the product with the team or event. Media rights fee is paid to cable networks, radios, the internet, and also over the mobile devices. Merchandising includes the selling of licensed products. As shown in Appendix Table 1 sports goods market doubled for most of the BRIC member countries during year 2006-2015. As clearly shown in Appendix Table 2, global sports merchandising by origin significantly increased in Asia Pacific as compared to other regions. As evident from Trade Data of Canada (Appendix Table 3), during year 2007-2001 local employment had decreased while imports had increased.

Indian Sports Industry : An Introduction

Jalandhar has clusters of sports goods industry. The sports industry origin can be associated with Sialkot which is

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now in Pakistan. It was known for its sports goods production before partition. The origin of modern sports goods manufacturing industry can be associated with the North-West region before partition of India in 1947. The sports goods industry has been the saviour for different unique traditional skills which have been inherited over generations by different workers. Different high-skill oriented processes helped the industry to survive automated production systems.

Various bodies like Sports Authority of India (Ministry of Youth Affairs and Sports, Government of India) and Sports Goods Foundation of India are working to promote sports and related business. The United Nations Industrial Development Organization (UNIDO) supported sustainable industrial development for different countries. UNIDO is a specialist in industrial affairs. Sialkot is earning \$900 million per annum from exports and is known as the export city for sports goods. The major goods which are exported are as follows: sports goods, martial art instruments, surgical instruments, sports wear, leather products, and musical instruments. In terms of figures, there are more than 2800 firms which are manufacturing and exporting surgical goods.

The total market of surgical instruments was US \$ 30 billion in the year 2008-2009 and exports from the city of Sialkot were US \$ 70,920 thousands in the year 2008-2009. In the current scenario we can see that UNIDO has taken the responsibility for the development of Jalandhar clusters, which are known as the biggest market of sports goods in India. The city of Meerut is another important destination for sports marketing which has gained huge appreciation for sports marketing. The additional support from the UNIDO helped in adoption of technological innovations, ideas, stimulating networking between foreign partners.

Sports Goods Cluster of Jalandhar

The cluster for industry of sports goods emerged at Jalandhar due to partition, as this sports industry was founded by Sardar Bahadur in 1883 and was earlier operated at Sialkot for manufacturing tennis, footballs, cricket bats, and footballs but after political division in the year 1947, Jalandhar became the hub for the export of sports equipment.

In the Jalandhar cluster, there are basically two locations for sports equipment manufacturing i.e. Basti Nau and Basti Daneshmandan. Due to accelerated growth of the industry, it has now spread to Industrial Area, Basti Sheikh Road, G.T. Road towards Amritsar etc. There is involvement of skilled workers for achieving good productivity in manufacturing units and these are located away from residential areas.

SWOT Analysis of Sports Industry in India

The following major strengths, weaknesses, opportunities, and threats were identified from primary and secondary sources.

(1) Strength of Sports Industry in India

- ❖ Strong customer loyalty
- ❖ Niche markets
- ❖ Unique technology

(2) Weakness of Sports Industry of India

- ❖ Limited product range
- ❖ Lack of patents
- ❖ Low barriers to entry

(3) Opportunities for Sports Industry of India

- ❖ International expansion
- ❖ Getting into soccer
- ❖ Large market share in female market

(4) Threats to Sports Industry of India

- ❖ Intense competition
- ❖ Lack of focus on females
- ❖ Change in consumer behaviour
- ❖ High risk of product substitution

Gupta and Srinivasan (2010) had recommended CSR for sports industry as it will help industry in long run and will improve its global image. Soni, Verma, and Joshi (2016) had highlighted importance of non government organizations (NGOs) such as Sports Good Foundation of India which had helped members and the industry on various fronts including issue related to FEFA.

IDM : An Export Oriented Sports Manufacturer

IDM had started family business in 1927 in Sialkot and re-established its business in Jalandhar in the year 1952. The family business was started by Ishar Dass Mahajan at Sialkot. After the partition due to non-availability of skilled labour, it was very tough to rescale the business again but intensive efforts were put in for the initial five years for getting skilled labour in India. The foresightedness of some people helped them with technical details at that time. This supported the business in the initial years after partition of India.

Till the year 1962, IDM was into domestic business in India and was not involved in exports. At that time one person was operating the business in India, who was the supporter of British sports goods in India. Till the year 1952-1962 IDM strengthened its production base, setup, distribution network, and established its goodwill in the market. By that time the firm was able to settle down and economic activities were restarting in the post independence era.

Their focus shifted to expansion and growth. As suggested by experts, export was an obvious entry mode to enter the international market for expansion and growth but after 1962 they were involved in exports of sports goods worldwide. Now they have the experience of more than 50 years in the manufacturing of sports goods. This firm manufactures goods like hockey, cricket balls, cricket bat, cricket gloves, martial arts, protective gears, and is also involved in sports goods handcrafts. They prefer to manufacture niche products and export them to international markets. Before launching a product in the market, the firm prefers to incur the cost on R&D of the goods so as to design the products according to the needs of the customers and to satisfy them.

The firm was earlier involved in stitching of footballs manually as it focussed on the quality of products produced. The management believed that manually they could exaggerate the worth of the products. With the passage of time, technological advancements occurred and laser technology for stitching footballs developed. Now IDM prefers to use it because competition has increased and the volume of manufacturing has also increased. It is very challenging to manufacture huge lot of sports equipments manually. In the year 1952 India faced challenges regarding procurement of labour because after partition there was severe shortage of skilled labour in India as it was in Sialkot. Earlier, cricket balls were made from leather and the labour in Sialkot before partition was very well skilled to handle it. Now certain firms use nylon instead of leather.

IDM expanded its business by reaching out to customers through participation in trade fairs held by promotion councils in various countries and also through personal visits to customers. Today, if we compare the current

scenario of Jalandhar with that of Sialkot, Jalandhar contributes only 2% to the exports of sports goods due to certain barriers from the government, issues with procurement of raw material, high technological upgradation, and cheap labour in Sialkot. If we compare the current scenario of Jalandhar with that of Meerut, we see that the latter has more advantages. Meerut has facilities like nearby airport, cheap labour, and VAT was not applicable. IDM serves Australia, America, Europe, England, and Gulf regions etc. The major markets are U.S, U.K, Australia. This firm is involved in outsourcing of raw material for manufacturing.

▪ **Strengths of IDM :** The strength of this firm is that it targets only specific customers i.e. it goes for niche marketing with fair deals with them. Research & development is also the major USP of the manufacturer. They opt for cost and freight (C&F) or free on board (FOB) in accordance with the requirements of the customers.

Problems and Challenges

Generally, when a firm is going abroad, it tries to run its business in accordance with the rules and regulations of markets. Cricket balls made up of PVC are not acceptable in Europe. Modifications have to be done in the product according to the standards of that country. Procurement of labour and raw material is the main challenge. As customer is king, so modifications as per the requirement of the customer cannot be ignored. There is no testing centre for the manufacturing units to provide necessary testing and certification to meet international standards. There is not much technical support from the government for development of labour, machinery, and for skill development.

The athletic and sports goods manufacturers produce different products for winter sports, fitness, golfing, exercise, shooting etc. As the entry barriers are very few, the industry is characterized by a number of firms which vary in specialization and size, and forward-integration. Their success is determined by brand loyalty of the customer.

Different socio-economic factors affect the demand in the market for this industry. Since athletic products are majorly concerned with leisure, it is a matter of individual preferences and is subject to change in tastes and recent trends. As these products belong to leisure category, they also have to compete with others. Finally, these goods are also affected by demographics, weather conditions, price of complementary goods, and substitute goods.

Recommendations

Literature survey and interaction with industry leaders suggested the following measures for promotion of sports goods and their exports. FICCI (2012) in representation to Government of India on giving industry status to sports sector had suggested that adequate infrastructure, tax exemption, and development of sports zone will give new heights to the sports industry.

(1) Common testing facility centers should be provided by the government for providing certification of products and testing as per international standards.

(2) Technical support should be upgraded from the side of the government so that there can be more of machinery skill enhancement. Moreover, there is a requirement of specific cell for different products. Medium and small scale enterprises face labour issues. There is a need for engagement of casual labour for short periods depending on orders/demand.

(3) More technical support should be provided by the government for development of labour and machinery. Skill development cell need to be set up for imparting training to the workforce for various products.

(4) There is a need to engage labour for short periods depending on demand. As a consequence, labour laws should be more liberal.

- (5) There are challenges due to scarcity of financial support, lack of raw materials, close vicinity of industrial sites etc.
- (6) Political, economic, and social commitment on the part of government is required.
- (7) Infrastructure should be upgraded. Structures and facilities for electricity supply should be replaced by good infrastructure support.

Other challenges that need to be addressed by the government as well as by manufacturers are adopting new technologies, collaboration among industries in terms of transfer of technical know-how, knowledge, business development, and skills. It was further suggested that sports goods industries should pursue research collaboration with international agencies.

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Appendix

Table 1. BRIC Sports Market by Country (US\$ Millions)

Country	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Brazil	2890	2919	2931	2910	3231	3180	3303	383	4605	4188
Russia	666	762	749	702	697	715	741	778	2246	871
India	856	916	1095	1185	1489	1534	1530	1648	1831	1899
China	1785	1871	2764	2179	2909	2500	2763	2913	3439	3430

Source: PricewaterhouseCoopers International Limited. (2011). Retrieved from <https://www.pwc.com/gx/en/hospitality-leisure/pdf/changing-the-game-outlook-for-the-global-sports-market-to-2015.pdf>

Table 2. Merchandising by Origin (US \$ Million)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
North America	14395	15255	15860	12631	12571	12482	12771	13275	13891	14257
EMEA	2557	2518	2494	2253	2286	2233	2398	2359	2577	2544
Asia Pacific	2023	2165	2444	2285	2350	2427	2387	2455	2571	2762
Latin America	455	475	465	417	417	428	446	560	526	504

Source: PricewaterhouseCoopers International Limited. (2011). Retrieved from <https://www.pwc.com/gx/en/hospitality-leisure/pdf/changing-the-game-outlook-for-the-global-sports-market-to-2015.pdf>

Table 3. Sports and Athletic Goods Manufacturing (NAICS 33992) (Millions of Canadian \$, Employment in Thousands)

Economic Indicator	2007	2008	2009	2010	2011	2007-2011
Gross Domestic Product	478.9	434.1	364.1	390.6	413.2	-3.60%
Total Import	1354.6	1499.6	1388.3	1419.4	1414.9	1.10%
Domestic Export	417.5	366.5	308.5	274.4	283.5	-9.20%
Domestic Market Share	34.70%	29.20%	28.20%	29.40%	28.60%	-4.70%
Manufacturing Intensity Ratio	42.20%	44.10%	42.70%	45.10%	48.60%	3.60%
Employment	6715	5570	5785	5389	n/a	-7.10%

Source: Government of Canada. (n.d). Retrieved from https://www.ic.gc.ca/eic/site/026.nsf/eng/h_00079.html

(Statistics Canada trade data Online)

The North American Industry Classification System (NAICS) code is: 33992 - Sporting and Athletic Goods Manufacturing

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