

**MARKET ANALYSIS OF
ENVIRONMENTALLY FRIENDLY
CELLULOSE INSULATION MATERIAL
IN THE CONSTRUCTION BUSINESS IN
SRINAGAR, INDIA**

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Rakhshanda Khan

Lahti University of Applied Sciences
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ABSTRACT

The purpose of this thesis is to analyze the market for environmentally-friendly cellulose insulation material in Srinagar, J&K, India. Insulation plays an important role when trying to decrease the energy consumption. At the same time, insulation creates better living conditions. Despite several benefits of insulation, the constructions are not commonly insulated. To get a deeper understanding of this contradiction, this study focuses on questions: 1) what is the demand for cellulose insulation in Srinagar? 2) how can cellulose insulation be sold in Srinagar?

The study is based on the analysis of qualitative data acquired through the in-depth interviews with the key stakeholders including structural engineers, construction companies, architects, government officials, printing agencies and retailers.

Most of the experts interviewed declared insulating the constructions as a necessity. It would not only save the people from harsh winters but also help people in reducing their utility bills up to 50% as it is highly energy efficient. However, the reason why people do not insulate the houses is the lack of availability of the insulation materials and technologies.

J&K offers tremendous potential for cellulose insulation business. The weather conditions, no real competition in the market and high environmental awareness among the government are some of the reasons why cellulose insulation should be introduced there. Entering the market with cellulose insulation may face some challenges. There is lack of awareness about the insulation among the common masses. The people in J&K cannot afford high prices. Further, India has a different construction style compared to Europe so alternative methods have to be adopted to insulate the structures that suit the local architecture.

Key words: energy consumption, cellulose insulation, living conditions, India.

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1 INTRODUCTION

1.1 Background of study

During winter time, the northern regions of India are relatively colder than the rest of the country with Jammu and Kashmir (J&K) being the coldest among the northern states. J&K is the northernmost state of India comprising three climatic regions: temperate Kashmir valley, arctic cold desert areas of Ladakh and sub-tropical region of Jammu. While the winter season in Jammu is slightly moderate, the regions of Kashmir and Ladakh face harsh winters. In winter, the temperature in Ladakh ranges between - 20 to - 40 degrees Celsius in some regions while in Kashmir the temperature varies between -2 and -10 degrees Celsius. (Government of J&K 2007)

Despite the harsh weather conditions during winters, the heating facilities available for locals are insufficient. As the government cannot provide electricity throughout the day, the concept of centrally heated constructions is rare. Further, it is quite expensive to use central heating systems using some other form of energy like petrol or diesel. The buildings, company premises and houses are not even thermally insulated which makes it much harder for the people to survive the cold. Such constructions do not stop the cold from sweeping inside. As a result, the houses are very cold inside and people need to wear heavy woollen clothes even when they are indoors. Outside temperature is almost the same as the room temperature unless the rooms are heated using traditional heating systems which involve the use of coal. Normally, only one room is heated where all the family members sit during winters while the rest of the house is terribly cold which affects the health of the people. Proper insulation of the houses can make a big difference to the lives of the people of J&K by not only protecting them from cold but also by avoiding the illnesses caused by the chilly winters.

European countries have experience of using the insulation material in constructions for over several decades now. Insulation helps in reducing the amount of energy required to heat or cool a building thus reducing the energy utility bills of consumers. Different materials are used for insulation like fibre glass, rock wool, foam, cellulose etc. The building structures are properly insulated which reduce the unwanted heat loss and decrease the energy demands of heating systems.

Today, European construction companies offer environmentally friendly cellulose blown fiber insulation material that is even more effective than other types of insulation materials. Cellulose insulation has many advantages over other insulation materials. It has a much smaller impact on the environment and is the most environmentally friendly insulation product. “Cellulose insulation is one of the greenest products in the world. It is made from recycled newsprint and other paper sources, paper that might otherwise end up in landfills, releasing greenhouse gases as it gets decomposed. If all the paper currently being put into landfills each year were converted to cellulose insulation, it would save approximately eight million tons of carbon dioxide emissions. Further, the production of the cellulose insulation uses far less energy than any other type of insulation like fiber glass or foam insulation”. (Cellulose Insulation Manufacturers Association 2009)

Although numerous companies in Europe and the United States of America deal with the insulation materials, the companies which manufacture cellulose blown insulation material are suitable for the Indian market. The main advantage is that they produce the insulation material from waste paper which could be readily found in India.

The process of insulating the houses and buildings in J&K is a new concept and the technologies required for this process are unavailable. The fact that such technologies do not exist in J&K gives an excellent opportunity for the foreign companies to introduce their products to this market. There is undoubtedly huge potential for insulation business in J&K and this opportunity could be utilized by such foreign companies that can enter into this business.

Expanding and internationalizing the business is vital for all companies and by entering this untapped market, they can certainly benefit. On the other hand, J&K can also benefit as the new constructions will be thermally insulated which in turn will protect its occupants from cold and illnesses. This offers a win-win solution to both parties.

The foreign companies that are interested in entering the Indian market and who have technical expertise in the production and manufacturing of the cellulose insulation material will particularly find this research useful. This research is purposeful as it not only supports the concept of internationalization of foreign companies but also deals with modernizing the construction industry in J&K by using the technologies that do not inflict any harm on the environment. Using such technologies will eventually lead to the betterment of the Indian society by benefiting the common man.

1.2 Research objectives, questions and limitations

The objective of this research is to conduct a market analysis for the foreign companies to sell the environmentally friendly cellulose insulation material in the capital city of J&K, Srinagar and to devise strategies to market this product. This research provides a better insight to the foreign companies about the intricacies of the market in Srinagar, stakeholder analysis, information about the market segments, inclination of the customers to buy this product, the cost level expected for the product and the strategies to market the cellulose insulation product.

The main research question:

1. What is the demand for the cellulose insulation product in Srinagar?
How can this eco-friendly product be sold there?

Other research questions:

1. What is the current situation of insulation business in Srinagar?
2. Who are the most important stakeholders for establishing the cellulose insulation business in Srinagar?

3. How can the market in Srinagar be segmented for selling the insulation products?
4. How much can the customers spend on the cellulose insulation product? What would be the best pricing level?
5. Can enough raw materials be produced or gathered in Srinagar for creating the cellulose insulation material?
6. How should cellulose insulation be marketed to the customers?

One of the limitations of the research is that the researcher does not cover the whole state of J&K. Therefore, only the capital city, Srinagar, J&K is selected for the research. This city is selected because of the fact that this type of business is not yet available there and also its cold climate makes it the most attractive market. Srinagar offers good opportunities for the business of cellulose insulation products.

This research deals with analyzing the stakeholders, segmenting the market for cellulose insulation and finding the right marketing mix and strategy for selling this product in Kashmir. However, it does not deal with the logistics management of the product. The researcher cannot focus on all the theories related to market segmentation. In addition, the focus of this research is on the environmentally friendly cellulose insulation material and does not consider other types of insulation materials that are available in the European markets.

The main theoretical framework includes the market segmentation theories, stakeholder analysis and marketing mix. In addition, a brief discussion about the entry modes, market analyzing tools and business models will also be handled.

1.3 Theoretical framework

Paul Fifield (2007) compares different definitions of marketing strategy. According to Kotler, marketing strategy is the marketing logic by which the business unit

expects to achieve its marketing objectives. As per Doyle, marketing strategy can be defined as a set of decisions taken by the management on how the business will allocate its resources and achieve sustainable competitive advantage in its chosen markets. Marketing strategy means different things to different organizations. It will fulfill different needs both within the organization as well as the market place. (Fifield 2007, 15)

Marketing strategy must be based on the assessment of reality. It is very important to study the outside environment for the correct evaluation of the market. Therefore, conducting marketing research assists in developing good marketing strategy and improving the management decision making.

Marketing research is a critical part of a marketing intelligence system; it helps the management by providing relevant, accurate and timely information. Every decision poses unique needs for information, and relevant strategies can be developed based on the information gathered through marketing research in action. (Aaker et al. 2001)

The researchers believe that the basic functions and stages involved in marketing research do not differ so much in domestic and foreign markets. However, international marketing research is a more complex process.

When a firm launches international activities, information can be accumulated to provide basic guidelines. The aim is to gather information on questions that will help management to find the possibilities to succeed in the international market. The possible questions that an international marketing researcher might ask to achieve this objective include 1. Do opportunities exist in foreign markets for the firm's products and services? 2. What are the major economic, political, legal, and other environmental facts and trends in each of the potential countries? 3. What mode of entry does the company plan to adopt to enter the foreign market? 4. What is the market potential in these countries? 5. What is the nature of competition in the foreign markets? 6. What kind of marketing strategy should the firm adopt? (Aaker et al. 2001)

Once these questions are addressed, the researcher can start investigating the foreign markets after making careful considerations.

1.4 Research Approach, methodology and empirical material

The researcher has chosen qualitative research method due to the subjective nature of the research. In this research, in depth interviews are used that are expected to offer insight and guidance to the researcher. Semi-structured interviews are conducted with builders, construction company officials, architects, civil engineers, structural engineers, housing material wholesalers and retailers, key people from printing houses and government officials from Directorate of Industries and Commerce and J&K, State Industrial Development Corporation in Kashmir.

The researcher conducted desk research and field research. Desk research included gathering empirical data from various sources like internet, books, journals, articles and previous research made about the subject. The important journals are those referring to environmental sustainability. The material from CIMA (Cellulose Insulation Manufacturer's Association) is used as it provides necessary information regarding the nature of cellulose insulation. The theoretical part of the thesis was gathered mainly from the materials/books from the library database and internet. The academic literature about the marketing research, modes of entry, market segmentation, stakeholder analysis and marketing mix was extensively explored by the researcher which was gathered through books and internet for the relevant knowledge. The latest material was considered for exploration.

The key personnel for interviews were selected in advance in order to save time. The open ended questions gave them enough time to express themselves and sufficient information to the researcher for the research.

1.5 Structure of the research

This thesis is divided into five chapters. As already seen, chapter one deals with the background of the study, research objectives, research questions, approach, methods and limitations.

Chapter two discusses the theoretical framework for the research. It deals with the theories related to modes of entry, market segmentation, stakeholder analysis and marketing mix. Further, it also discusses other theoretical concepts that the researcher needs to know before actually conducting the research in the target market.

Chapter three describes in detail the methods, approaches, processes, quality issues, validity concerns that the researcher needs to address. It also discusses the research context in detail.

Chapter four focuses on the case analysis and answers the research questions in detail. It provides the results and the findings of the case that the researcher was set out to produce. Lastly, chapter four also provides recommendations, marketing strategies and business model.

Chapter five includes the conclusion, and the future research suggestions made by the researcher while considering the cellulose insulation business in Srinagar, India.

2 THEORY OF MARKET ANALYSIS

In this section, the core theory of the study is presented. This chapter deals with the main theoretical concepts like market segmentation, stakeholder management and marketing mix. Besides, it also contains brief discussions about other important concepts like marketing research, market entry modes, marketing strategy, market analysis tools and business model.

Marketing research is the systematic and objective identification, collection, analysis, and dissemination of information for the purpose of assisting management in decision making related to the identification and solution of problems and opportunities in marketing. (Naresha 2002)

Marketing research aids decision making by providing management with specific kinds of information useful for strategic and tactical planning. Marketing research is used to infer systematic and objective research into all factors which contribute to the successful marketing of goods and services. (Chisnall 2005, 14)

Decision making cannot be done effectively without the continuous flow of marketing research. It provides a reassurance about who the customers are, how well the company is servicing them, what kind of changes are there in the market and how to make those customers loyal in the longer term. (Birn 2004, 3)

Therefore, the purpose of marketing research is to link the customer to the marketer by providing information that can be used in making marketing decisions. (Burns & Bush 2008, 9)

The concept of international marketing research evolved in the mid-twentieth century when the companies in the small markets began to venture into the foreign markets to broaden the scope of their operations and to take advantage of economies of scale. International marketing research relies more on primary data rather than secondary information. It is conducted in the similar fashion as the domestic market research. However, the assumption of what sells in the domestic

market would sell in the foreign markets is meaningless. Certain issues that do not arise in the domestic markets may become strong objects of concern in the foreign markets. For example, different cultures, customs, backgrounds and expectations can hinder the working ways of a company in the international markets.

Before committing to overseas markets, companies should ask themselves a few questions. Whether they should enter the foreign market? What markets should be selected for development? When should these markets be tackled? What market strategy should be adopted? (Chisnall 2005, 428)

In this study, the reasons for selecting J&K as a market area for cellulose insulation business are provided and also the marketing strategies that are suitable for entering into J&K are presented. However, the cellulose insulation companies that are interested in extending their businesses to foreign markets have to determine their readiness themselves and need to be aware of the risks associated with doing international business before operating in foreign markets.

An important factor considered before exploring an international market is determining the right way to enter the market. There are many foreign market entry alternatives which a firm can consider before entering the international market. The decision related to choosing the right mode of entry can have a significant impact on the success of the company. Therefore, companies make this decision after careful planning and deliberation.

2.1 Foreign Market Entry Alternatives

The modes of operation include several mechanisms that a company undergoes when it wants to enter a foreign market. There are three basic ways to enter foreign markets: exporting, investment or contract. (Blythe & Zimmerman 2005, 109)

2.1.1 Exporting

Exporting is the marketing and direct sale of domestically produced goods to another country. Exporting is the traditional and well established way of reaching the foreign markets. Since the exporting does not require that the goods be produced in the target country, no investment in foreign production facilities is required. Most of the costs associated with exporting take the form of marketing expenses. Exporting commonly requires coordination among four players: exporter, importer, transport provider and government. (Foley 1999)

Exporting can be further classified as direct exporting and indirect exporting. Direct exporting means selling a product to an intermediary located in a foreign market while indirect exporting means selling a product to an intermediary located within the same domestic market. (Blythe & Zimmerman 2005, 109)

2.1.2 Investment

Using investment, a firm may choose to pursue a sole venture in which it owns all aspects of the foreign business entity or other forms of foreign direct investments like joint venture. Wholly owned or sole venture entry modes may be so called greenfield enterprises in which the firm establishes a branch office or subsidiary from the ground up. A firm may choose to make an acquisition of an existing firm. (Blythe & Zimmerman 2004, 109)

Foreign direct investment (FDI) is the direct ownership of facilities in the target country. It involves the transfer of resources including capital, technology, and personnel. Direct foreign investment may be made through the acquisition of an existing entity or the establishment of a new enterprise.

Direct ownership provides a high degree of control in the operations and the ability to better know the consumers and competitive environment. However, it requires a high level of resources and a high degree of commitment. (Foley 1999)

Foreign direct investment (FDI) presumes that the investor has control or significant influence over the investment. The operational definition of direct investment is the ownership of twenty percent or more of the equity of a company. There are several advantages of direct investment which include access to markets and avoidance of tariff or quota barriers. It also provides a company with access to new manufacturing techniques. (Keegan 2002, 250-251)

Joint venture strategy offers many advantages like sharing of risk and the ability to combine different value chain strengths, for example, international marketing capability and manufacturing. One company can have in-depth knowledge of a local market, an extensive distribution system, or access to low-cost labor or raw materials. Such a company can link up with a foreign partner possessing considerable know-how in the area of technology, manufacturing and process application. (Keegan 2002)

Joint ventures are favourable when the partners' strategic goals converge while their competitive goals diverge; the partners' size, market power, and resources are small compared to the industry leaders; and partners' are able to learn from one another while limiting access to their own proprietary skills. The key issues to consider in a joint venture are ownership, control, length of agreement, pricing, technology transfer, local firm capabilities and resources, and government intentions. (Foley 1999)

The main disadvantage of joint venture strategy is that the company incurs very significant costs associated with control and coordination issues that arise when working with a partner. Also, joint venture partner can also emerge as a strong competitor. Lastly, cross-cultural differences in managerial attitudes and behaviour can present formidable challenges. (Keegan 2002)

If a company desires to keep itself away from the partner problems, it should choose the sole venture as the market entry mode. However, sole venture offers possible risks that company has to bear solely by itself. It can produce best profit but requires high investments. (Blythe et al. 2005, 113)

2.1.3 Contract

A contract can take up many forms: licensing, franchising, strategic alliances, management contract and contract manufacturing.

Licensing is that entry mode where one firm allows another firm to use its intellectual property for a fee, usually a royalty on sales. (Blythe & Zimmerman 2005)

A licensing agreement is an arrangement wherein the licensor gives something of value to the licensee in exchange for certain payments from the licensee. The licensor may give the licensee the right to use one or more type of following things: a patent covering a product or process, manufacturing know-how, technical advice and assistance, occasionally including the supply of components, materials or plant essential to the manufacturing process, marketing advice and assistance or use of trademark/ trade name (Hollensen 2004)

Licensing essentially permits a company in the target country to use the property of the licensor. Such property usually is intangible, such as trademarks, patents, and production techniques. The licensee pays a fee in exchange for the rights to use the intangible property and possibly for technical assistance. (Foley 1999)

Licensing can be viewed as a two-way street because a license also allows the original licensor to gain access to the licensee's technology and product. As licensees can build on the information supplied by the licensor, it is possible that they can improve the product. Licensors sometimes lower the royalty rate in exchange for product improvements and profitable new products. (Hollensen 2004, 311)

Because little investment on the part of the licensor is required, licensing has the potential to provide a very large return on investment.

Franchising takes place when a franchiser grants the franchisee the right to do business in a particular way in exchange for a similar fee. (Blythe & Zimmerman 2005)

In other words, franchising is the process of expanding a business whereby a franchisor grants a license to a franchisee to sell its products or render its services in exchange for fees and royalties. (Encyclopedia of Business 2007)

In case of strategic alliances, two firms decide to work together in a particular area setting limited objectives that are mentioned in the memorandum. Contracts for manufacturing or management are also other options. Under management contract, a firm asks another to manage an effort for them. This could be the management of marketing or production and there would be fee paid by the contracting firm to the manager. In contract manufacturing, one firm simply issues a purchase order to another to make products. (Blythe & Zimmerman 2005)

It is observed that indirect exporting is an easy way to explore international business which requires fewer resources, risks are low and returns are also low. In direct exporting, firm gains more experience, risks are minimal and there is possible loss of control of marketing. Licensing can yield excellent results as the investment is small. It requires some human resources to make sure that intellectual property registrations are kept up-to-date and that the licensees are performing properly. The risks for the licensor are that there is a possibility of establishing a competitor and loss of control of quality or marketing. (Blythe & Zimmerman 2005, 112)

Minority joint ventures require less investment than majority joint ventures. Some governments favour minority positions for large multinationals and they have the right to review the license and joint venture agreements and to reject those that they consider unfair. The multinationals, on the other hand, favour majority joint ventures in which they enter into business with a minority partner who has the local knowledge to help develop a particular market. Both the majority joint ventures and sole ventures pose highest possible risk, since the investments are usually the largest and most inflexible. In case of sole ventures, the firm can take com-

plete control of all aspects of the business. This approach provides highest return on investment but the risk factor is very high. (Blythe & Zimmerman 2005, 112)

A study has been conducted regarding the choice of the company towards entering a foreign market and it has shown that the preference of the foreign company and the government regarding the choice of entry mode may vary and the welfare-maximizing government might use FDI restrictions in order to influence the foreign firm's choice between different modes of entry. (Mattoo, Olarreaga & Saggi 2004)

Another study that was conducted recently showed that the industrial firm's selection of the mode of entering foreign markets is also affected by the firm's international strategy where business relatedness and corporate international experience are the key ingredients. (Pehrsson 2008)

2.1.4 Strategic decision rule for choosing the best foreign entry market alternative

Although there is not a single strategy for different companies to enter into a foreign market, the following framework can act as a guide while making decisions about the right market entry strategy.

Blythe & Zimmerman (2005) quotes Root (1994) who developed a strategic decision rule for choosing the most appropriate entry alternative. According to Root, the most important factors to consider while choosing the best market entry are profit, risk, non-profit objectives and control. (1994)

Every company has certain priorities and based on the above mentioned factors, it can determine which entry mode suits it the best. If a company wants high control, it can choose the entry mode which permits it. In the same way, if it focuses on profit or non profit objectives, it can decide the entry mode accordingly.

Each market alternative chosen will determine different levels of profit. If the company is ready for joint venture or sole venture, return on investment can be high. Risk is an important factor to consider. If a company enters into a licensing agreement, risk of establishing competitors is high. Non-profit objectives include market share or reversibility of a decision as well as other corporate considerations. Control is also a key consideration in choosing the correct strategy. If the firm must control information or quality or manufacturing processes or even marketing strategies to be successful, some of the possible entry strategies would be unsuitable which is depicted in the figure below. (Blythe & Zimmerman 2005)

The following figure shows the comparison between the different market entry modes based on the degree of commitment, risk, control and profit potential.

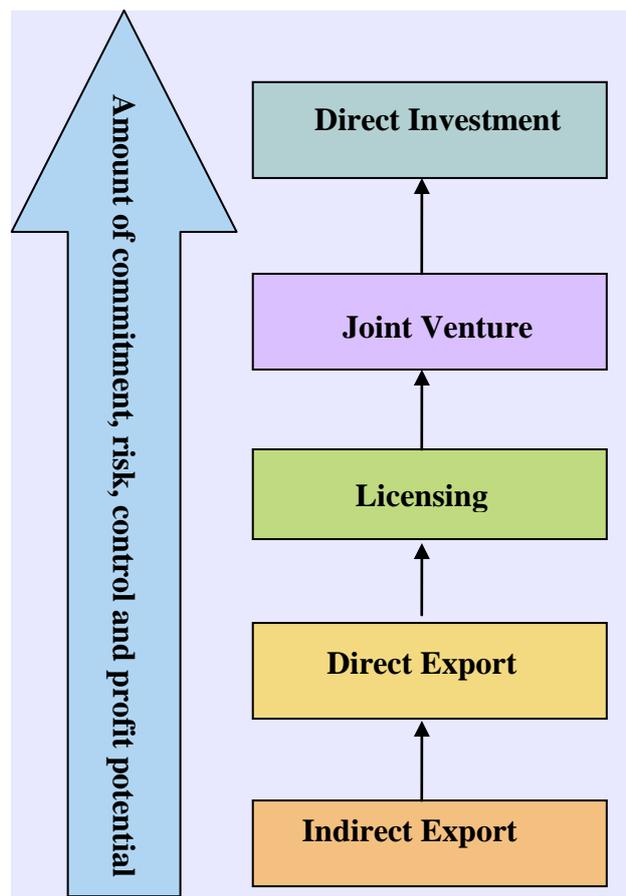


Figure 1: Degree of commitment, risk, control and profit potential in different entry modes
(Blythe & Zimmerman 2005)

Once the foreign entry alternative is determined, finding out the right market strategy is very important. As the world today is full of competitors who possess great marketing plans, there is a need for a company to have a well developed marketing strategy. A marketing strategy is more effective when it is an integral component of corporate strategy. A key component of marketing strategy is to keep marketing in line with a company's mission statement. (Michael 2008)

Regardless of the entry form selected, companies must decide on their marketing strategy for each market. Broadly, the alternatives are to use independent agents and distributors or to establish a company owned marketing subsidiary. (Keegan 2002)

Marketing strategy is an integrated set of choices about how we will create and capture value, over long periods of time (Fifield 2007). In order to devise a marketing strategy, the market has to be analyzed and while analyzing a market, several tools can be used. The important tools that are widely used include PESTLE and SWOT Analysis.

PESTLE analysis is a useful tool for understanding the environment and industry situation as a whole and is often used in conjunction with a SWOT analysis to assess the situation of an individual business. PESTLE stands for political, economic, social, technological, legal and environmental forces. (Brooks et al. 2004) SWOT analysis is a strategic planning tool that is used for understanding an organization and its environment. SWOT stands for strengths, weaknesses, opportunities, and threats. Strengths and weaknesses are internal factors. Opportunities and threats are external factors. (Marketing Teacher 2008-2009) PESTLE often precedes the SWOT analysis which is more strategically oriented. This is due to the interconnectedness of PESTLE and SWOT analysis. (Grafers et.al. 2005, 26)

Further, before formulating the marketing strategy, it is important to explore the market carefully, perform market segmentation process and stakeholder analysis. In addition, the marketing-mix decisions are to be made.

2.2 Market Segmentation

Market segmentation was first conceptualized by Wendell Smith in 1956. Smith emphasized the strategic importance of segmentation. The basic principle of market segmentation is that markets are homogenous and it is important to differentiate marketing offerings for different customer groups. In other words, market segmentation can be defined as the identification of portions of the market that are different from one another. Segmentation allows the firm to better satisfy the needs of its potential customers. (Majurin 2001)

Market segmentation in practice is not a simple concept, which can be seen from the array of attempts at constructing managerially oriented models for pursuing segmentation in practice. The basis for the strategy is rather simple, but not easy. In an increasingly competitive global market a company cannot be everything to every customer. Therefore, a company has to divide its market into segments based on various variables (*segmenting*). It then has to choose which segments it wants to compete in and focus on these customers in the chosen segments (*targeting*). It then has to decide how it wants to *position* itself on the market against its competitors in terms of products, services, image, values, quality etc. (Majurin 2001)

Six criteria have been put forward to determine the effectiveness and profitability of marketing strategies. (Frank, Massy & Wind 1972; Kotler 1994; Wedel & Kamakura 1998). These general requirements of segmentation are explained as under:

- **Identifiability:** the attributes of the market segments should be measurable so that they can be identified. The ability to distinguish between segments, such that each segment has a unique set of characteristics and can be served by an equally unique marketing strategy.
- **Accessibility:** the segments should be reachable through communication and distribution channels.

- **Substantiality:** the segments should be sufficiently large to justify the resources required to target them. Each identified segment should have sufficient potential size to justify the time and effort involved in planning specifically for this business opportunity.
- **Responsiveness:** the segments must respond uniquely to the different marketing mixes. Different marketing mixes will be effective only if each segment is homogenous and unique in its response to them.
- **Stability:** the segments should be relatively stable to minimize the cost of frequent changes.
- **Actionability:** Segments are actionable if their identification provides guidance for decisions on the effective specification of marketing instruments.

The company must be capable of making the necessary changes to its structure, information and decision-making systems so that they become focused on to the new segments. (Mc Donald & Dunbar 1998, 28)

Market segmentation can be conducted in consumer markets and industrial markets. Consumer markets can be segmented on the following consumer characteristics: geographic segmentation, demographic segmentation, psychographic segmentation and behavioralistic segmentation. (Kotler & Keller 2009, 253).

According to Pelsmacker, Geuens & Bergh, consumer market segmentation include general and specific characteristics. These general and specific characteristics can be further classified as objective and inferred. (2004)

Objective segmentation variables are variables that can be measured objectively and straightforwardly. Inferred constructs have to be defined before people can be classified into groups. For instance, the construct 'lifestyle' has to be operationalised before any one consumer can be attributed to a lifestyle group. General factors are segmentation variables that hold in all behavioral circumstances. A person is always male or female, no matter what buying

situation he or she is in. On the basis of specific or behavior-related variables, consumers can belong to different segments depending on the product class or buying situation concerned. For instance, a person can be a loyal buyer or heavy user of chocolate but an infrequent and brand-switching consumer of margarine. (Pelsmacker, Geuens & Bergh 2004, 110)

Geographic segmentation variables include region, size of area, population density, climate etc. Demographic segmentation variables include age, gender, family size, family life-cycle, income, occupation, education, ethnicity, race, religion, nationality etc. Psychographic segmentation groups customers according to their lifestyle like measuring their activities, interests, opinions, attitudes, values and personality. Behavioralistic segmentation is based on actual customer behaviour towards products like usage rate, benefits sought, brand loyalty, user status etc. (Kotler & Armstrong 2004, 240)

Markets can be divided into different geographic segments like continents, climate, nations, regions or neighbourhoods. Consumer behaviour and buying patterns often denote cultural differences and therefore the place consumers live may require other marketing mix approaches. A marketing area is first defined geographically and subsequently other segments within the broad geographic area are identified. Demographic variables are frequently used not only because they correlate with other variables such as consumer needs, but also because they are less difficult to measure than others. Psychographic segmentation came into picture when the demographic segmentation showed limitations in predicting consumer behaviour. Lifestyles describe how people organize their lives and spend their time and money. Behavioral segmentation depicts the basis of the occasion in which the consumers use a product or a brand. (Pelsmacker, Geuens & Bergh 2004, 110-114).

The following table shows the consumer market segmentation variables:

	Objective	Inferred (Psychographic)
General	Geography Demographic (income, gender, age, education, profession, lifecycle)	Social Class Personality Lifestyle
Specific (behavioural)	Occasion Loyalty status User status Usage rate	Benefit Buyer readiness

Table 1: Consumer market segmentation

(Pelsmacker, Geuens & Bergh 2004,110)

Industrial customers, on the other hand, tend to be fewer in number and purchase larger quantities. These characteristics apply to organizations such as manufacturers, resellers, governments and institutions. Industrial markets can be segmented on the characteristics like location, company type and behavioural characteristics. In industrial markets, customer location may be important in some cases. (Brassington & Pettitt 2006)

Brassington and Pettitt (2006) refer to Yoram Wind and Richard Cardozo (1974) who suggested that segmenting industrial markets involves two stages called macro-segmentation and micro-segmentation. This is named as Wind and Cardozo model. Even today after decades, this model still remains as one of the most common methods that are applied in the industrial markets.

2.2.1 Macro-segmentation

Macro-segments are based on the characteristics of the buying organizations. Defining a macro segment assumes that the organizations within it will exhibit similar patterns and needs which will be reflected in similar buying behavior and responses to marketing stimuli. The market can be divided by:

- **Company size:** One of the most practical and easily identifiable criteria, it can also be good indicator of the potential business for a company. However, it needs to be combined with other factors to draw a realistic picture.
- **Geographic location** is an important factor to consider as it tells a company a lot about culture and communication requirements. A company can focus its selling efforts according to the geographic location of the industries that it serves. It can adopt a different bidding strategy with an Asian customer than with an American customer. Geographic location also relates to culture, language and business attitudes.
- **Purchasing situation** is another important criterion to be considered. A purchasing organization defined as heavy user will have different needs than the light user and perhaps demands different treatment in terms of special delivery and prices. A supplier may define a threshold point, so that when a customers' usage rate rises above it, their status changes.
- **Decision-making stage:** In the case of a long-term relationship, which is usually the objective of most industrial businesses, the qualified supplier is normally aware of the purchase requirement, i.e. they get into the bidding process right at the beginning. (Brassington & Pettitt 2006)
- **Benefit segmentation** recognizes the major benefits customers look for in the product. Different industrial segments use the same product for different reasons. (Kotler & Armstrong 2004, 245)

2.2.2 Micro-segmentation

Within a macro segment, a number of micro segments may exist. While macro-segmentation put the business into broad categories, micro-segmentation is essential for the implementation of the concept. "Micro-segments are homogenous groups of buyers within the macro-segments" (Webster 2003). Macro-segmentation without micro-segmentation cannot provide the expected benefits to the organization. Micro-segmentation focuses on factors that matter in the daily

business. The most common criteria include the characteristics of the decision-making units within each macro-segment, (Hutt & Speh 2001) e.g.:

- Buying decision criteria (product quality, delivery, technical support, price, supply continuity). “The marketer might divide the market based on supplier profiles that appear to be preferred by decision-makers, e.g. high quality – prompt delivery – premium price vs. standard quality – less-prompt delivery – low price”. (Hutt & Speh 2001)
- Purchasing strategy, which falls into two categories: First, there are companies who contact familiar suppliers and place the order with the first supplier that fulfils the buying criteria. Second, organizations that consider a larger number of familiar and unfamiliar suppliers, solicit bids, examine all proposals and place the order with the best offer. Experience has shown that considering this criterion as part of the segmentation principles can be highly beneficial, as the supplier can avoid unnecessary costs by, for example not spending time and resources unless officially approved in the buyer’s vendor list. (Hutt & Speh 2001).
- Structure of the decision-making unit can be one of the most effective criteria. Knowing the decision-making process has been shown to make the difference between winning and losing a contract. If this is the case, the supplier can develop a suitable relationship with the people that have real decision-making power. (Hutt & Speh 2001)
- Attitudes towards the supplier: Personal characteristics of buyers (age, education, job title and decision style) play a major role in forming the customers purchasing attitude as a whole. (Hutt & Speh 2001)

In addition to understanding the stages involved in industrial market segmentation, market segmentation methods should also be understood to get a complete picture of market segmentation.

According to Wedel and Kamakura (1999), the segmentation methods can be classified as a-priori and post hoc approaches that were previously discovered by Green in 1977 and Wind in 1978. A segmentation approach is called a-priori when

the type and number of segments are determined in advance by the researcher. The approach is called post hoc when the type and number of segments are determined on the basis of the result of data analyses.

A study conducted by Sollner and Rese shows that many attempts have been made to elaborate reliable segmentation concepts. However, even current articles on market segmentation focus only on customers. Competitors are at best accounted for once the segment formation is completed. And in contrast to customer analysis, the methodological consideration of competitors is rather superficial and unsystematic. In this respect, the current approach of market segmentation in theory and practice generally reflects the one-sidedness of marketing. The authors claim that the results of segmentation could be improved considerably if information on competitors were considered in the process of market segmentation. (Sollner & Rese 2001)

With the internationalization of business activities, international market segmentation has become a very important concept in marketing. An interesting study conducted by Steenkamp and Hofstede (2002) reviewed the international market segmentation literature and identified future prospects and threats in international marketing segmentation. According to their study, certain conceptual and methodological issues deserve more attention if international market segmentation is to fulfill its high potential. The conceptual issues include construct equivalence of the segmentation basis used, level of aggregation in the segmentation process, and choice of the segmentation basis. The methodological issues include measure equivalence and sample equivalence of the segmentation basis, segmentation methods employed, and whether national sample sizes should be proportional to population sizes.

2.3 Stakeholder Management

2.3.1 Definition of Stakeholder

The concept of stakeholder was first used in a 1963 internal memorandum at the Stanford Research Institute. Stakeholders are defined as those groups without whose support the organization would cease to exist. (Freeman & Reed 1983)

Stakeholder is any person or organization who can find a reason to have an interest, however direct or indirect in a project. They have an open or hidden agenda about what they expect from one's business or a project (Young 2006, 68). Stakeholder can cause an impact or be positively or negatively impacted by the actions of a company.

Stakeholders can be classified as direct or primary stakeholders and indirect or secondary stakeholders. Direct stakeholders/ primary are those who are directly associated or involved in the planning, administration or execution of a project. In other words, they are the people or organizations that are directly associated with some of all the various phases of the project. Indirect or secondary stakeholders are those who are indirectly associated in the project but can somehow impact or get impacted by the success or failure of the project. (Lester 2007, 27)

Primary stakeholders are those ultimately affected, either positively or negatively by a corporation's actions while secondary stakeholders are those who are the intermediaries that is those people or organizations who are indirectly affected by the corporation's actions. (Overseas Development Administration 2009)

2.3.2 Stakeholder analysis

Stakeholder analysis is a process of listing, classifying and assessing the influence of the stakeholders (Lester 2007, 27). This process involves systematically gather-

ing and analyzing qualitative information to determine whose interests should be taken into account when developing and/or implementing a policy or program. Stakeholder analysis includes identification of the key actors and to assess their knowledge, interests, positions, alliances, and importance related to one's business or project. (Shemeer 2000)

Stakeholder analysis is conducted for the purpose of identifying all the key stakeholder's including the people, groups or organizations that will be influenced by the corporation's actions positively or negatively. The main goal of stakeholder analysis is to anticipate the level of influence and power that these groups will have on one's business, reduce as many obstacles as possible and get maximum support for one's business activity. The ultimate purpose of the stakeholder analysis is to get one's business to achieve success. (World Health Organization 2009)

In other words, stakeholder analysis is the identification of a project's key stakeholders, an assessment of their interests in the project and the ways in which these interests may affect a project. The reason for doing a stakeholder analysis is to identify which individuals or organizations are important, what roles they should play and at which stage, who to build and nurture relationships with and who to inform and consult about the project.

A study has been conducted recently which investigated the usability of guidelines regarding stakeholder analysis by letting four project managers apply the guidelines to their projects in a Danish hospital. It was found out that the project managers found several challenges in using the guidelines. Therefore, the stakeholder analysis may have been based on superficial rather than deep knowledge. The study recommended that the guidelines should not be considered as instructions on how to do a real work stakeholder analysis instead they should be considered just as a conceptual framework. (Jepsen & Eskerod 2009)

Thus, it is good to use the guidelines for stakeholder analysis but relying too much on them may not be good for the project. Those who manage the projects have to consider all the detailed aspects of stakeholder analysis.

2.3.3 Stakeholder analysis – Process

There are several steps involved in the process of stakeholder analysis. Broadly, these steps can be classified as: identifying the stakeholders, prioritizing the stakeholders, and understanding the stakeholders. (Mind Tools 1995-2009)

Step 1: Identifying the stakeholders

The first step in stakeholder analysis is to identify all the people, groups, associations and organizations that will affect or be affected by your business activities or projects (World Health Organization 2009). The idea is to brainstorm who the stakeholders could be and identify all the people who are affected by the business activity, who have influence or power over it or have an interest in its successful or unsuccessful conclusion (Mind Tools 1995-2009).

Once the stakeholders are identified, it is important to list them down. The list may be written randomly and not in order of importance. The main aim in this step is to recognize as many important stakeholders as possible and pen them down.

Step 2: Prioritizing the stakeholders

Next step is to prioritize the stakeholders. This is often called stakeholder mapping which helps in recognizing the most important stakeholders that the organization may need to address. The stakeholder map sorts out the stakeholders in order of importance thereby making it easier for the organization to identify the key stakeholders.

Power/Interest grid is one way of prioritizing the stakeholders. Various stakeholders are classified in accordance with the power that they possess and the interest

that they have in one's business. The following figure shows the Power/Interest grid for stakeholder prioritization.

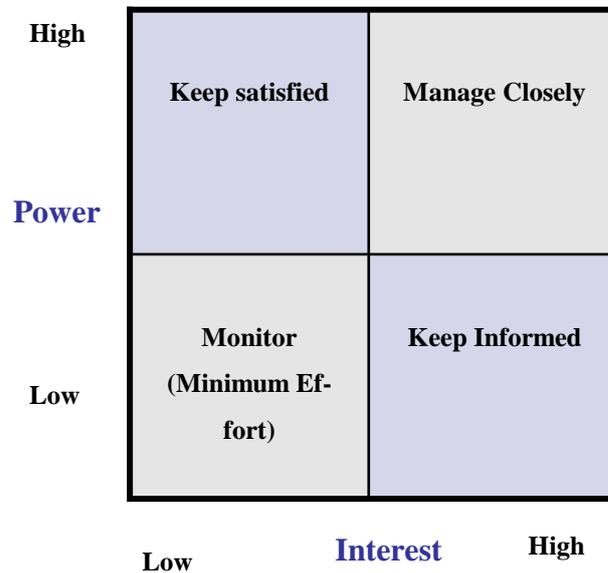


Figure 2: Power/Interest Grid for stakeholder prioritization
(Mind Tools 1995-2009)

This grid shows the actions that should be taken with various stakeholders. First, those stakeholders that fall in the category of high power and high interest are the ones that the corporation should fully focus on and make greatest efforts to satisfy. Next, the stakeholders that fall into the category of high power and less interest are the ones that the corporation should satisfy and also work towards getting their interest. Low power and high interest is another category of stakeholders that the corporation has to adequately inform. Lastly, the stakeholders in low power low interest category should also be monitored but not to provide excessive information to them. (Mind Tools 1995-2009)

Another way to prioritize the stakeholders is the Importance/Influence matrix. Importance means the degree to which a stakeholder gains or loses from the project and influence refers to the relative ability of a stakeholder to affect the project. Following figure represents the stakeholder mapping as per the Importance/Influence matrix. (CPHP 2006)

		Degree of Influence	
		High Influence	Low Influence
Degree of Im- portance	High Im- portance	<p style="text-align: center;">Box A</p> <p>Stakeholders who stand to lose or gain significantly from the project AND whose actions can affect the project's ability to meet its objectives The project needs to ensure that their interests are fully represented in the coalition. Overall impact of the project will require good relationships to be developed with these stakeholders.</p>	<p style="text-align: center;">Box B</p> <p>Stakeholders who stand to lose or gain significantly from the project BUT whose actions cannot affect the project's ability to meet its objectives The project needs to ensure that their interests are fully represented in the coalition.</p>
	Low Im- portance	<p style="text-align: center;">Box C</p> <p>Stakeholders whose actions can affect the project's ability to meet its objectives BUT who do not stand to lose or gain much from the project They may be a source of risk, and you will need to explore means of monitoring and managing that risk.</p>	<p style="text-align: center;">Box D</p> <p>Stakeholders who do not stand to lose or gain much from the project AND whose actions cannot affect the project's ability to meet its objectives They may require limited monitoring or informing of progress but are of low priority. They are unlikely to be the subject of project activities or involved in project management</p>

Figure 3: Importance/Influence Matrix
(CPHP 2006)

Step 3: Understanding the stakeholders

After recognizing the key stakeholders and knowing how to treat them, the next step that comes into play is “understanding the stakeholders”. It means that there is a need to know more about the stakeholders, how they are likely to feel about and react to the organization’s activities /projects. There is also a need to know how best to engage them in your project and how best to communicate with them.

The key questions to understand the stakeholders are: What financial or emotional interest do they have in the outcome of your work? Is it positive or negative?

What information do they want from you? How do they want to receive information from you? What is the best way of communicating your message to them?

What is their current opinion of your work? Who influences their opinions generally, and who influences their opinion of you? Do some of these influencers there-

fore become important stakeholders in their own right? If they are not likely to be positive, what will win them around to support your project? If you do not think you will be able to win them around, how will you manage their opposition? Who else might be influenced by their opinions? Do these people become stakeholders in their own right? (Mind Tools 1995-2009)

As seen above, there are so many unanswered questions that now need to be dealt with. The answers of all these questions may not be readily available. Therefore, interviewing the stakeholders is an option that could be considered in order to gain the accurate information about the stakeholders and build successful relationships with them.

In this research, most of these questions have been dealt with in order to understand the stakeholders involved in setting up a cellulose insulation business in J&K. The interviews were conducted with the stakeholders not only for understanding them better but also for getting other significant information regarding the feasibility of cellulose insulation, demand, legislations and so on.

2.3.4 Importance of Stakeholder Analysis

Stakeholder analysis is important because the stakeholders can have a strong influence on the success or failure of one's business. Whenever, the needs and expectations of the stakeholders get affected, it may be impossible to carry out the business successfully as they may hinder the growth and progress of one's business. Therefore, it is important to constantly manage the stakeholders if one wants his/her business to achieve success. (Young 2006, 69)

Analyzing the stakeholders is important for a variety of reasons. First of all, the powerful stakeholders' opinions can be very useful for the success of one's business. It is possible that by involving the important stakeholders in one's business or project at an early stage, their support could be achieved which can improve the quality of one's business. Next, by gaining the support from the powerful stakeholders, the organization can win more resources that might result

in the successful business. Further, by communicating earlier with the stakeholders and making them realize the benefits of the project/ business, the corporation can get support from the powerful stakeholders that may translate into successful projects. Lastly, the organization can anticipate people's reactions and accommodate them into their plan and act according to people's wishes if possible and through that they can win people's support. (Mind Tools 1995-2009)

Stakeholder analysis yields useful and accurate information about the stakeholders that is important for the success of one's corporation. By analyzing the stakeholders, the corporation can put a check on the likely risks and therefore achieve the quality goals.

When this analysis is conducted before the project or business is implemented, the organization can detect and act to prevent potential misunderstandings or oppositions towards the project. When a stakeholder analysis is implemented, the corporation's actions are more likely to succeed.

2.4 Marketing Mix

Marketing mix is one of the well known terms used in marketing. The marketing mix is a term generally used to denote a particular combination of marketing variables which are controllable by an enterprise and which are used to appeal to a particular market segment (Baker 2001).

The origin of marketing mix started in 1948 when James Culliton described marketing manager as "mixer of ingredients" He believed that marketing decision should be like a recipe. This thought was further developed by Neil Borden in 1953 who coined the term "Marketing Mix". The components of his marketing mix included product, planning, pricing, branding, distribution channels, personal selling, advertising, promotions, packaging, display, servicing, physical handling, and fact finding and analysis. A prominent marketer, E.Jerome McCarthy later

grouped these components into four categories and proposed a 4P classification in 1960. (Schewe & Hiam 1998)

The most commonly used marketing mix consists of four P's (product, price, place (distribution) and promotion). It is possible that the same marketing mix might not work for all the market segments. Therefore, the offer that is made to the customer can be altered by varying the mix elements. For example, for a high profile brand, focus on promotion is more than the price. In the similar fashion, the marketing mix elements can be varied to fulfill the needs of different customers. Nowadays, the marketers have included few more P's to the marketing mix that include packaging, positioning and people increasing the marketing mix to 7 P's. As products, markets, customers and needs change rapidly, these 7P's should be constantly revisited in order to achieve the best results in the marketplace (Entrepreneur 2009)

These 7 P's are described in the following paragraphs.

Product

Product can be defined as anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need. Product includes more than just tangible goods like product objects, services, events, persons, places, organizations, ideas or mixes of these entities. (Kotler & Armstrong 2004, 276)

The product should be suitable and appropriate for the markets and the customers. The company should completely assess its product before offering it to the market. It should view its product as if it is an outsider and judge the quality and credibility of the product. While designing products for global markets, the marketers should consider factors like preferences, costs, regulations and compatibility. Attitudes towards a product's country of origin should also be taken into account. (Keegan 2002)

Price

The second P is the price. In narrow sense, price is the amount of money charged for a product or service. Broadly, price is the sum of all values that consumers exchange for the benefits of having or using the product or service. Historically, price has been a major factor affecting buyer choice. Price is the only element in the marketing mix that produces revenue, all other elements represent costs. Price is the most flexible element of marketing mix and can be changed quickly. (Kotler & Armstrong 2004, 345)

Pricing decisions are a critical element of the marketing mix that must reflect costs and competitive factors. The aim of most marketing strategies is to set a price that corresponds to customer's perceptions of value in the product and at the same time does not set price lower than what consumers are willing to pay. (Keegan 2002, 380)

The marketer has freedom in setting the prices if the product is of greater benefit to the customers and the quality of product is perceived to be higher than the competitors. However, the prices are also influenced by the costs of a product. Therefore, the marketer needs to take care of the costs from the very beginning of the product development process. (Muhlbacher et.al.2006, 496)

Place (Distribution)

Place is another P in the marketing mix that describes where the product or service is actually sold. It is important to make the right choice about the best location or place for the customer to receive essential buying information on the product or service needed to make a buying decision. (Entrepreneur 2009)

By means of distribution, the company manages the process of bringing the product from the production site to the customer. This involves transporting the product, keeping an inventory, selecting wholesalers and retailers, deciding on which types of outlet the product will be distributed in, and the assortment of products to be offered in various outlets. Distribution strategy also implies

maintaining co-operation between the company and the distribution channel, and finding new ways to distribute products. (Patrick et.al. 2004, 3)

In case of global markets, transportation and physical distribution issues are critically important because of the geographical distances involved in sourcing products and servicing customers in different parts of the world (Keegan 2002, 405).

Promotion

Promotion is one of the most visible instruments of marketing mix. It involves all the instruments by means of which the company communicates with its target groups and stakeholders to promote its products or the company. (Patrick et.al. 2004, 3)

Promotion includes different ways of informing the customer about the company's products and services and the way the products are then marketed and sold. It involves advertising, public relations, personal selling, direct marketing, trade shows and sponsorship. (Keegan 2002, 438)

Changes made in the way a company sells its products can lead to dramatic changes in the results. Companies experiment with different ways of advertising, promoting and selling their products and services. (Entrepreneur 2009)

Promotion decisions are those related to communicating and selling to potential consumers. Since these costs can be large in proportion to the product price, a break even analysis should be performed when making promotion decisions. It is useful to know the value of a customer in order to determine whether additional customers are worth the cost of acquiring them. (Schewe & Hiam 1998)

Packaging/ Physical Evidence

Packaging is another important element of marketing mix. Its importance has been realized by the marketers and it is considered as a necessary ingredient of the marketing mix.

Small improvements in the packaging or external appearance of the product or service can often lead to completely different reactions from your customers. With regard to the packaging of the company's product or service, the customer sees everything from the first moment of contact with the company all the way through the purchasing process. Packaging refers to the way the company's product or service appears from the outside. Packaging also refers to the company's people, how they dress and groom. It refers to the offices, waiting rooms, brochures, correspondence and every single visual element about the company. Everything counts. Everything affects the customer's confidence about dealing with the company. (Entrepreneur 2009)

Packaging is recognized as an integral part of modern marketing operation which embraces all phases of activities involved in the transfer of goods and services from the manufacturer to the consumer. Packaging is an important part of the branding process as it plays a role in communicating the image and identity of a company. (Kumar 2006)

Positioning

Another important P among the 7P's is positioning. A product's position is the way the product is defined by consumers on important attributes - the place the product occupies in consumers' minds relative to competing products. The consumers position the products in their minds. Positioning is the complex set of perceptions, impressions and feelings that consumers have for the product compared with the competing products. (Kotler & Armstrong 2004, 259)

It is important for the company to think about how it is positioned in the hearts and minds of the customers. Positioning reflects the way customers think and talk

about the company when they are away from it. It means how the company is positioned in terms of specific words that people use when they describe the attributes of the company to others. It is the critical determinant of the company's success in a competitive marketplace. Attribution theory mentions that most customers think of a company in terms of a single attribute, either positive or negative like "service", "excellence", "quality engineering" as with Mercedes Benz. This attribute present in the minds of the customers and prospective customers determines how readily they will buy the product or service and how much they are willing to pay for it. (Entrepreneur 2009)

A company can use numerous positioning strategies like positioning by product attributes and benefits, positioning by price, positioning by use, positioning by product class, positioning by product user and positioning by competitor (Patrick et.al. 2004, 123).

Positioning by product attributes and benefits is based on unique selling proposition which makes a company's brand special for a target market. Positioning by price means offering the same or better quality at a lower price than the competitors. Positioning by product class is an alternative to positioning against another brand while as positioning by product user is associating a product with a specific group of users. Lastly, in positioning by competitor, comparative advertising is often used. (Patrick et.al 2004, 124)

Therefore, it is important for every company to pay attention towards the positioning and devise appropriate positioning strategy that is best suited for the company's product or service. It should improve its positioning to make its customers value the product more and therefore make the business successful.

People

The final P of the marketing mix is people. People are the most important components of the marketing mix. Whosoever is communicating to anyone, ultimately it is the people who are establishing relationships.

It is important to think about all the people both inside and outside the business who are responsible for different elements of sales, marketing strategy and other activities. Much attention is to be paid on the people involved in the processes rather than the processes alone. It is very important to hire and retain the proper people, with the skills and abilities to do the job, get the right people on and wrong people off and after that get the right people at the right positions. Right people are crucial source of competitive advantage for a company. (Brian et.al. 2001)

The attitudes, skills and appearance of all the staff need to be proper to give every customer an enriched experience. Ultimately, it is the customer experience that really counts. As people buy from those people whom they like, it is important that the right people should be present at the right places.

It is important to consider the market forces that govern the marketing mix. These market forces influence and drive the decisions made by the marketing manager. Baker (2001) in his book “Marketing - Critical Perspectives on Business and Management”, quotes Neil Borden, who mentioned the role of market forces in governing the marketing mix. The forces which govern the mixing of marketing elements include consumers' buying behavior, the trade's behavior, governmental behavior and competitor's position and behavior.

In addition to identifying the important theoretical concepts, it is also important to mention the concept of business model. The theory about the business model will be helpful for understanding what it is and how to develop one for the company.

2.5 Business Model

A business model is a simple representation of a complex reality of a particular organization. Business models are useful for understanding how a business is organized, who interacts with whom, what work the business performs and how it performs that work. They are designed to communicate something about the busi-

ness to other people. Business models are often graphical, making the communication easier and more natural. (Bridgeland & Zahavi 2009, 1)

Business models are representations that explain how enterprises work, who are the customers and what is the underlying economic logic that explains how we can deliver value to the customer at appropriate cost? Business modeling is the managerial equivalent of the scientific method – start with hypothesis, test in action and revise when necessary. (Magretta 2002)

Models can never be right; they are always imperfect and incomplete. Being wrong is the part of the nature of model as the real world is much richer, complex and stranger than the model that we build about it. However, they can be useful for communication and analysis. (Bridgeland & Zahavi 2009, 19)

The researcher attempts to create a business model which can be seen in chapter three of this research. This business model may not be perfect but it describes the researcher's understanding of how the cellulose insulation business will work in Srinagar, India.

2.6 Summary

Chapter two discusses all the concepts that are important for understanding the market analysis process performed by the researcher. It mainly discusses the theories related to stakeholder management process, market segmentation and marketing mix. All these theories have been implemented in the empirical part of this research. Therefore, it is vital for the researcher to understand these concepts.

This chapter also deals with other important concepts like foreign market entry modes, marketing research, international marketing research, marketing strategy, market analysis tools- SWOT / PESTLE and business models. A brief discussion about these concepts is also important to understand the market analysis process in

its totality. All this information is useful to understand the process of analyzing a market before a foreign company plans to enter it.

As this study deals with analyzing the market in Srinagar, India for selling cellulose insulation material, stakeholder management theories help in identifying and managing the important stakeholders involved in setting up cellulose insulation business in Srinagar. Marketing segmentation theories provide researcher with the information about how the market should be segmented in Srinagar for selling cellulose insulation. Marketing mix theories help the researcher in developing different marketing mixes for various target segments in Srinagar. Further, the researcher also uses other theoretical concepts discussed in this chapter and applies them in the empirical part of this study. For instance, the researcher also uses the market analysis tools for analyzing Srinagar as a market area, develops marketing strategies for selling the cellulose insulation in Srinagar and creates business model for starting up cellulose insulation business in Srinagar, India.

3 RESEARCH METHODS AND CONTEXT

In this section, the methodological approach to the thesis is presented. It includes the research approach and data collection strategies. This section also includes method of analyzing and interpreting the data, assessment criteria for qualitative data, research context and the methodology plan.

3.1 Research approach

The research approach chosen for this study is qualitative. The qualitative research involves the studied use and collection of a variety of empirical materials – case study, personal experience, introspection, life story, interview, artifacts, cultural texts and productions, observational, historical, interactional, and visual texts. (Denzin.& Lincoln 2005, 3)

The researcher has chosen the qualitative research method because qualitative research offers more flexible relationship with the respondent and the data gathered has more depth. In case of this research, more in-depth study is needed, it is important to make the respondents see new insights and perspectives of the construction business. By using quantitative or scientific research methods, the level of flexibility would not be the same and the in-depth information would be difficult to convey quantitatively. Quantitative method cannot adequately describe the situation about the construction business in Kashmir. The researcher wants to get the respondent's perspective about the insulation process and if they are willing to accept it and integrate it into the current building systems. This could be perfectly done if the researcher is interviewing the respondents and getting their perspectives. Had this research been done quantitatively, it would not have been possible to capture the respondent's perspectives as in that case researcher would be relying on the remote empirical methods.

Further, in this research, the researcher knows roughly what she is aiming at. New dimensions and concepts may emerge while collecting the data that might be completely different from what the researcher was expecting. It is not similar to the scientific research whereby the researcher already knows clearly what he/she is looking for and tries to test it. This research is data led and governed by the empirical data to be collected. The researcher has to gain the insights that might not be possible to pursue using the scientific research.

3.2 Data Collection -- Process and Technique

Data collection can be divided into two parts- primary data and secondary data. The primary data is gathered by the researcher in the target market. The secondary data is collected before the actual research is done in the target market.

The main source of data that this research depends on is the primary data. This involves the empirical material collected by the researcher in the target market. The technique used to gather this data is individual in-depth interview. There are two basic types of in-depth interviews: nondirective interviews and semi-structured or focused individual interviews (Aaker et.al. 2001, 187)

The nondirective interviews are those where the respondents are given maximum freedom to respond within the boundary set by the interviewer while as in semi-structured interviews, the interviewer attempts to cover a specific list of topics. The timing, exact wording and time allocated to each question area are left to the interviewer's discretion. (Aaker et.al.2001, 187)

In the case of this study, the researcher conducted semi-structured interviews whereby certain topics were covered by the interviewer. The interview questions were sent to the interviewees in advance before the actual interviewing process so that they could get ample time to ponder over the questions before responding. The interviews were recorded and documented.

The respondents were chosen after determining the initial market segments and stakeholder analysis. The researcher divided the stakeholders into four different categories and interviewed representatives from each category. These categories were divided based on the varied roles/responsibilities. Each category was asked different set of questions. These four categories included 1) Architects, civil engineers, structural engineers, contractors, construction companies 2) Government officials 3) Printing houses 4) Housing material wholesalers/retailers.

The first category included those who had the knowledge of the construction industry like construction companies, architects, structural engineers, civil engineers etc. From these people, the researcher got the information about their initial reactions about cellulose insulation business, the possibility of accommodating insulation into the existing type of constructions, pricing strategy etc. The next category consisted of decision makers like government officials. They were selected because they could be authority on giving permissions about starting business in Srinagar. Further, they provided information about ways of doing business with foreign companies, entry barriers, rules and regulations and so on.

The third category consisted of the printing agencies. They were chosen because the raw materials for the cellulose insulation material are mainly newspapers. It is important to see if sufficient quantity of waste newspapers were found in the valley in case of future business. Last category included the housing material wholesalers/retailers. They were selected because they could be the buyers of cellulose insulation material and getting to know their opinions and preferences is important. Different stakeholders were interviewed for different information. Within each category, several interviewees were short-listed for interviews.

The interviewer created the interview guide or list of questions to ensure that same information could be obtained from the similar segments. The interviewer ensured that all the questions were covered within the specified time. The timing of the interviews was one hour. To make this achievable, these questions were sent to the respondents ahead of time.

In addition to the interviews, the researcher also found secondary data like published material and official records from some of the stakeholders regarding the industrial development in Srinagar, governmental policies, rules and regulations etc. Further, the previously documented materials gathered through books, internet, journals and newspapers are also included in the secondary data.

3.3 Analyzing and interpreting qualitative data

Qualitative analysis is a process whereby the researcher places the raw data into logical and meaningful categories and tries to examine them in a holistic fashion; and communicates this interpretation.

Managing qualitative data is quite a challenging job as it is raw data which is not processed or standardized, may take many forms and is voluminous. Before analyzing the qualitative data, it should be put in such a form so that it is easy to work with. The data should be traceable, reliable and complete. (Mayor & Blackmon 2005, 345)

The researcher analyzed the data after making sure that she knew the source of the data, documented notes even before leaving the interviewee's place and placed all the data information together. The researcher analyzed the data by using an unstructured analysis whereby the meanings and themes emerged from the data and a thorough job of analyzing and interpreting the data was done.

The researcher used a model for analyzing the qualitative data called Kolb's learning cycle. There are many stages involved in this model.

1. Concrete experience: it starts with interview transcripts, feelings, memories etc
2. Reflective observation includes three activities which are:
 - Familiarization- getting to know the data

- Spending time with the issues and data
 - Reordering- summarising the data
3. Abstract conceptualisation means to extract concepts which the researcher can recognize.
 4. Active experimentation: Here the researcher looks where the concepts occur, whether there are any patterns in the data, do the patterns emerge from data or the pattern fits the theories or concepts. (Mayor & Blackmon 2005, 348-49)

The following diagram shows the various stages involved in Kolb's learning cycle:

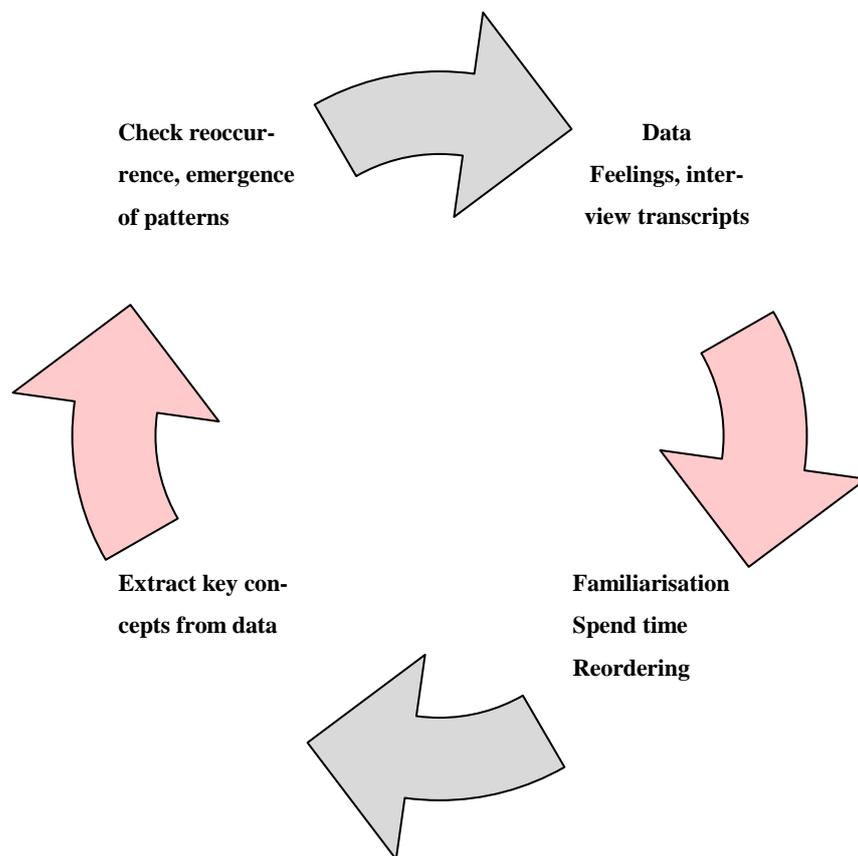


Figure 4: Kolb's Learning Cycle
(Mayor & Blackmon 2005, 345)

The researcher extracted the concepts from the data after identifying the key issues and meaningful information. Identifying the concepts is also called open coding. The idea is to divide the raw data into small chunks. After open coding, the researcher classified the data and grouped the concepts together. Once the data was classified and categories were made, the researcher started to develop a conceptual framework. Then, the next stage involved the re-examination of categories where the researcher combined and compared the categories in new ways and created a conceptual model to acquire a new understanding of the phenomena. This stage is called axial coding. Finally, the researcher translated this conceptual model into a story that made sense. In addition to verbal techniques, the researcher also used graphical techniques, mind maps and logic diagrams to analyze the data.

The researcher also put some boundary as to when she would stop collecting and analyzing the data. When new data did not add any extra information to the already existing concepts, when the researcher did not get any new insights and felt that she got enough information from the experts like engineers and construction companies about the cellulose insulation business, challenges, best pricing, government policies, rules and regulations from the government officials, raw material information from the printing presses etc, she put an end to the analysis.

3.4 Assessment criteria for qualitative data

There are many different ways to evaluate the trustworthiness of one's research. For the purpose of assessing this research, the researcher has selected the following criteria for assessing the quality of the findings: reliability, validity, generalizability and credibility.

Reliability is the tendency towards consistency found in repeated measurements of the same phenomenon. A research is said to be highly reliable if it consistently gives the same results if measured repeatedly and if the results are less consistent, the reliability of the study is low (Carmines & Zeller 1979, 12). Once the data is analyzed, it should be possible to be certain that if the study is conducted again,

same results will be produced. If there is uncertainty in this aspect, then the research will not be considered reliable. (Mayor & Blackmon 2005, 362) A good quality research is where reliability is a concept to evaluate quality in qualitative study that fulfils the purpose of “generating understanding” (Stenbacka 2001, 551).

Validity is not a single, fixed or universal concept, but rather a contingent construct, inescapably grounded in the processes and intentions of particular research methodologies and projects” (Winter 2000, 1). The research is valid if it captures the truth of the situation and is not influenced by outside influences or personal preferences. (Mayor & Blackmon 2005, 362)

Creswell & Miller (2000) suggest that the validity is affected by the researcher’s perception of validity in the study and his/her choice of paradigm assumption. As a result, many researchers have developed their own concepts of validity and have often generated or adopted what they consider to be more appropriate terms, such as, quality, rigor and trustworthiness (Davies & Dodd 2002; Stenbacka 2001).

The researcher should try to avoid any form of generalizability. If the research is not applicable to other settings and situations in which it was not created, it should not be generalized to other areas. (Mayor & Blackmon 2005, 362). For instance, the results of the study conducted in Srinagar cannot be generalized to Ladakh or Jammu.

The research is credible if the findings are supported by the evidence. (Mayor & Blackmon 2005, 362)

3.5 Research Context

The focus of my research is on the capital city of J&K, Srinagar. In the coming paragraphs, some basic facts about J&K and Srinagar are presented. Following is the map of J&K.



Figure 5: Map of J&K

(International Blawg 2006)

J&K is the northernmost state of India. The total area of the state is 222,236 sq. km including 78114 sq km under the occupation of Pakistan and 42,685 sq km under that of China. The State is bounded by Pakistan, Afghanistan and China from the West to the East. J&K ranks 6th in area and 17th in population among the States and Union Territories of India. J&K is divided into three regions: Kashmir, Jammu and Ladakh. The climate of J&K varies greatly owing to its rugged topography. Jammu is a sub-tropical region, Kashmir is temperate and Ladakh is dry and cold. (Government of J&K 2007)

The State consists of 22 districts. Kashmir Valley region encompasses 10 districts namely Anantnag, Kulgam, Pulwama, Shopian, Budgam, Srinagar, Ganderbal, Bandipora, Baramulla and Kupwara. Jammu contains 10 districts namely Kathua, Jammu, Samba, Udhampur, Reasi, Rajouri, Poonch, Doda, Ramban, Kishtwar whereas Ladakh region has 2 districts which are Kargil and Leh. In addition to these 22 districts, there are 59 tehsils, 119 blocks, 3 municipalities, 54 towns and notified area committees, 6477 inhabited villages and 281 uninhabited villages. (Half Yearly Report on J&K, 2009)

The population of J&K is around 10,143,700. The languages spoken are mainly Kashmiri, Urdu and Dogri. Jammu and Kashmir is the only state in India with two capitals: summer capital, Srinagar and winter capital, Jammu. (Government of J&K 2007)

Srinagar

Srinagar, the summer capital of J&K, is situated in the centre of the Kashmir valley. It is located 1585 metres above sea level. The population of Srinagar is more than one million which is spread over an area of 294 sq km. (Census of India, 2001).

Srinagar includes two tehsils/ towns viz Srinagar North and Srinagar South, one block (Srinagar), besides 136 Revenue villages. It is famous for its lakes, houseboats and tourism. It is also known for traditional Kashmiri handicrafts and dried fruit.

The climate of Srinagar may be described as a humid continental climate with very warm summers and cold winters. The highest temperature falls around 37 °C and the lowest -14 °C. The city has warm summers from June through August, and winters from December to February. The city generally gets snowfall from December to February. The average annual rainfall is around 675 mm. (Government of J&K 2007)

Srinagar is the most pivotal centre of the economy of the Kashmir Valley, and it has remained a tourist destination for centuries. It is the most populous part of the Kashmir valley. The crops like wheat and rice are cultivated for local consumption, orchards produce a number of fruits, particularly apples. Another significant segment of the economy includes handicrafts, weaving of woollen shawls, dress materials, and woodcarving. (J&K SIDCO 2004).

The following table shows the basic data about Srinagar. The detailed data sheet is attached as appendix 5.

Srinagar- Basic Data	
Population	1,202,447
Area	294 sq km
Literacy rate	59.18%
Total workers	384,669
No. of households	168,232
Household size (per household)	7
Languages	Kashmiri, Urdu

Table 2: Basic Data about Srinagar

(Government of India Finance Department 2007)

3.6 Methodology Plan

In this section, the graphical representation of the entire methodological plan is presented. This plan of methodology shows the whole research process in a pictorial form which includes the research paradigm, research context/ target area, data collection techniques, documentation method, data analysis techniques and data assessment criteria.

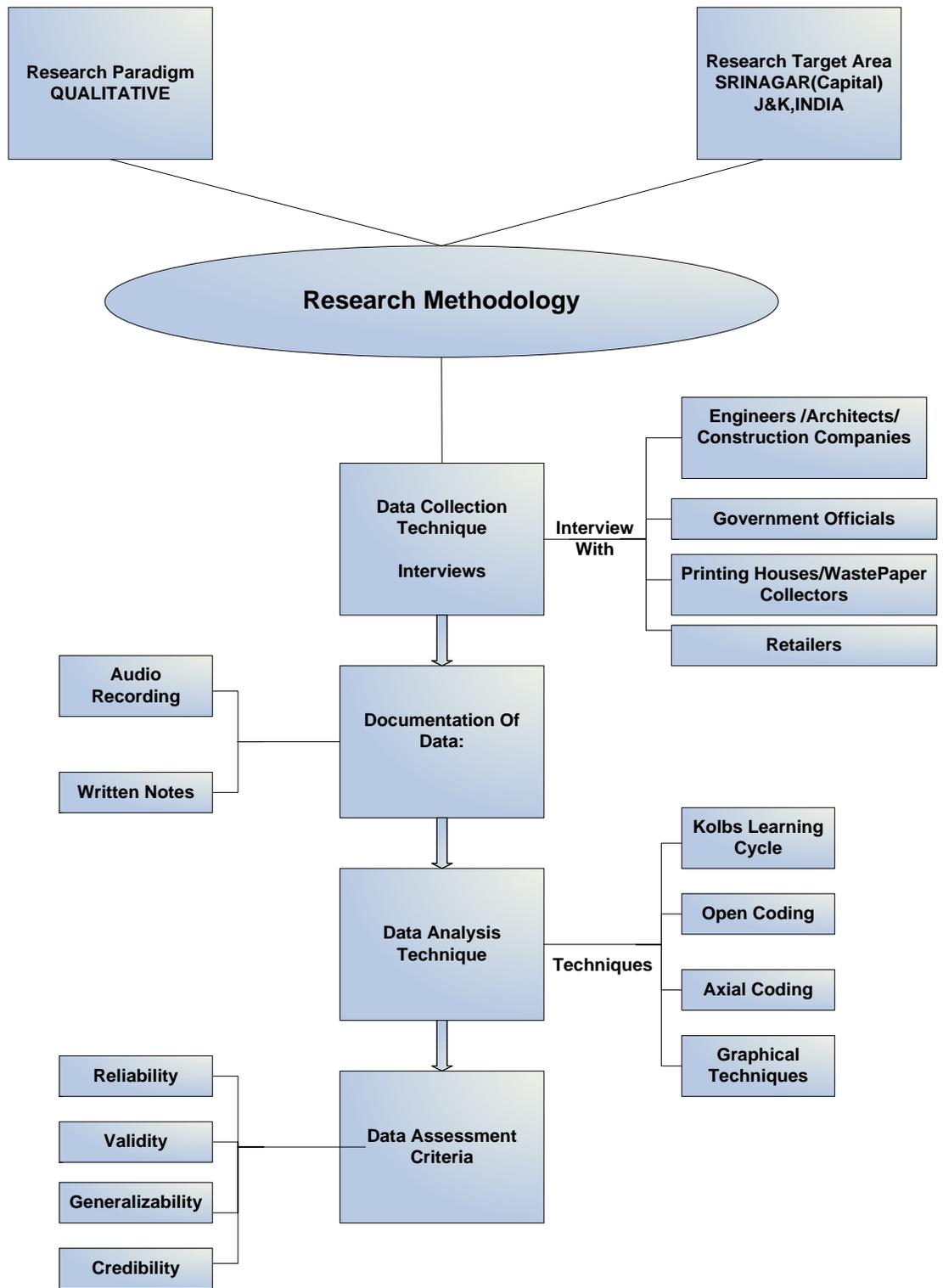


Figure 6: Methodology Plan

3.7 Summary

Chapter three discusses the context and methods that are used in this research. The research context/ target area is Srinagar, capital city of J&K. The research paradigm used in this research is qualitative. The researcher has chosen the qualitative research paradigm in order to gather more in-depth data.

This chapter also deals with the information about the data collection methods. The researcher gathered the data through interviews. The interviewees mainly included government, construction companies, engineers and architects, retailers and representatives from printing houses. Interviews were recorded using audio recorder. Other forms of data were also involved like official records, newspaper articles and other published documents from the respondents. Data was documented by the researcher and written notes were taken. Interviews were recorded using audio recorder.

This chapter also discusses the process by which the qualitative data was analyzed and interpreted. Kolb's learning cycle was used for interpreting the qualitative data. Concepts were extracted through open coding, classification and axial coding. Also graphical techniques like mind maps and diagrams were used.

Lastly, chapter three also deals with the assessment criteria for the qualitative data. The research was assessed through criteria like reliability, validity, generalizability and credibility.

4 EMPIRICAL MARKET ANALYSIS OF CELLULOSE INSULATION IN SRINAGAR

This section analyzes the market for cellulose fiber insulation in Srinagar. It includes the current situation of insulation business in Srinagar as perceived by the researcher during the field research. It also presents recommendations for starting the cellulose insulation business in Srinagar along with the marketing strategies and business model.

4.1 Construction Style in Srinagar

Nowadays, the construction style in Srinagar is different from what it used to be. Things were different in the past when the main building materials included mud, burnt bricks, stones and timber. Firstly, mud houses provided insulating properties and kept the structures warm in winters and cool in summers. Further, the use of mud and timber made the structures light in order to withstand the earthquakes. (Kashmir Forum 2009)

The experience with the modern materials is fairly recent in Kashmir. People started to perceive mud as a poor man's material and thus shunned its use in the new constructions. In Srinagar, the concept of modern architecture is borrowed from New Delhi. This includes the use of cement, steel, aluminium, concrete, etc. (Kashmir Forum 2009).

The constructions in Kashmir are usually made of bricks with very little usage of timber. Normally timber is used on doors, windows, closets and ceilings. The walls of the structures are made of bricks and concrete.

According to Muneer Khan, Chief Architect, J&K, new products introduced in the constructions are gypsum products, acoustic tiles, glass for door and window shutters, glass tiles etc. New styles of using marbles and fancy tiles and huge window

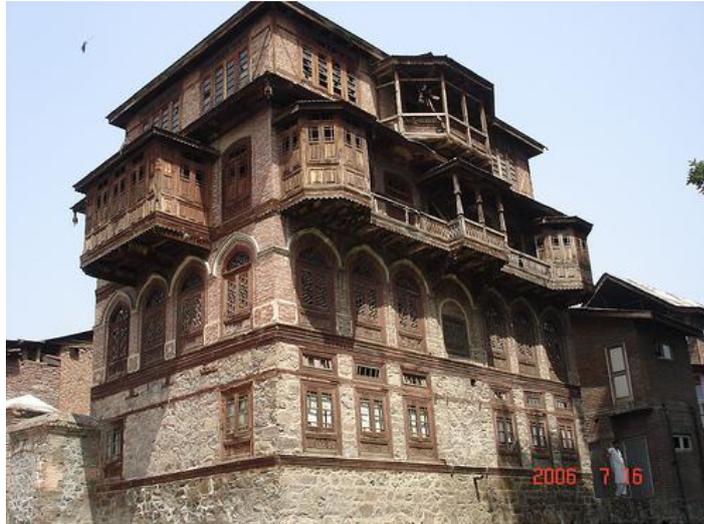
panes are considered superior than the traditional designs. Galvanized iron sheets and color coated roofs which are now produced locally have become commonly used roofing material. These modern concepts and materials are borrowed from hot areas and they do not complement the cold climate of Kashmir. Most of these modern materials and techniques may be readily accepted and accommodated by the construction industry in Kashmir but they do not really fulfill the needs of people living in these extreme climatic conditions. (2009)

With the use of marble, cement and concrete in the houses, the likeliness of acquiring bone problems during winters has increased tremendously. Studies have shown that the most common ailment prevalent in the cold regions of J&K is arthritis which is due to the harsh weather conditions. (Rehman et al. 2000). The extreme weather conditions combined with the use of marble, cement and concrete buildings accentuate this problem.

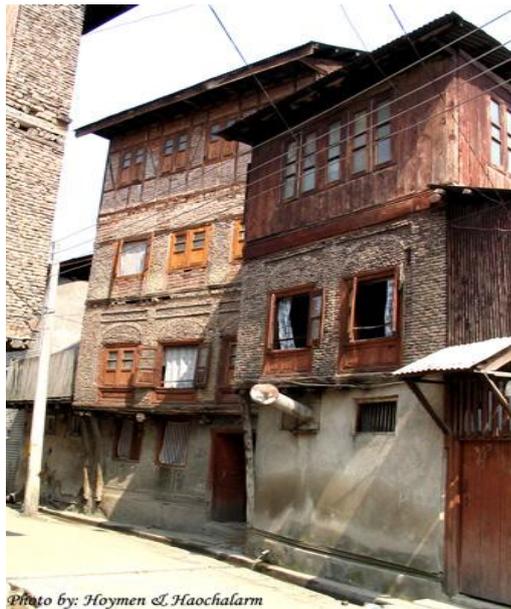
Another interesting finding was that prefabricated doors/ windows are not available in Srinagar. Everything is constructed as per the requirements and resource availability of the customers. In Europe, several factory-built components or units like windows/ doors are ready made and they are adjusted to the houses as per the requirements of the house. However, the concept of prefabricated units in Srinagar is new to people. (Hakim 2009)

It was found out that usually people prefer to build their own houses by hiring the services of masons, carpenters, painters etc separately and buy the materials themselves instead of assigning tasks to the builders or construction companies. The big builders usually work for the government and bid for the assignments that the government offers. (Zargar 2009)

Following are the pictures of old houses in Srinagar:



Picture 1: Old house made mostly from small clay bricks, timber and stones with small windows. (Flicker 2009)



Picture 2: Old houses made from small clay bricks and timber (Hoymen & Haochalarm 2003)

This picture is a modern construction made up of modern construction materials, built in year 2003.



Picture 3: House made from modern construction material like concrete, cement and brick work with huge glass windows

(Khan, Z 2003)

4.2 Insulation materials used in Srinagar

The use of thermal insulation materials in the constructions in Srinagar is rare. Insulation material is used but for other purposes like electrical insulation in pipes and tube fittings, furnaces, valves, safety equipment supplies, containers, boilers and so on.

An average middle class family that has yearly income of € 5500- €8000 spends approximately € 40,000 to € 50,000 on constructing the house. However, hardly any amount is spent on insulation materials for heating/cooling or central heating facilities. (Darvesh 2009)

According to Aftab Darvesh, Structural Engineer, recently hollow bricks have been introduced in the city. Such bricks have two chambers in the interior of the brick. Although hollow bricks cannot be called insulation materials like fiberglass, rockwool, foam, cellulose and so on, these bricks offer insulating properties to some extent by retaining air inside them. The usage of such bricks is slowly gaining momentum in Srinagar city as it not only offers insulating properties but it is

also easy to install and costs less. People are using these hollow bricks mostly for other advantages that they offer instead of the insulating properties. (2009)

Another commonly found material is fiberglass. It is found in the form of sheets. These fiberglass plates are used as roofing materials. These fiberglass plates are considered as better alternatives for traditional roofing materials as they are high strength, light weight and corrosion resistant. Using these sheets in walls is not so common in Srinagar. Only few recently built buildings have them installed. Otherwise, people do not install these fiberglass sheets in their house walls as they could leave gaps and thereby not protect the house from the cold. (Zargar 2009).

According to Muzaffar Jan, Retailer, Jhan Agency, the fiberglass plates are sold per square foot in Srinagar. One square foot costs Rs 42 or € 0.64. These plates are of different sizes like 6 feet, 8 feet and 10 feet. A 6 feet plate is usually 5 kg in weight, 8 feet plate is 6 kg in weight and 10 feet plate is 7 kg in weight. (2009)

In addition to the above mentioned materials, asbestos is another insulating material that was also used in Srinagar. Since asbestos is fire resistant and has good thermal and electrical insulating properties, it was used by some people in the outer walls of their houses for a while. The observation of health risks associated with asbestos has declined its use in the recent times. The researches done by medical doctors have proved that the use of asbestos can cause cancer and thousands of people around the world have died due to its exposure. Thus architects and engineers do not recommend the use of asbestos to their customers. Therefore, people have given up its use. (Darvesh 2009)

In short, nowadays, people in Srinagar do not use any thermal insulation materials for keeping their houses comfortable during the changing seasons. Further, the modern materials that are currently used also prevent the houses from being naturally good insulators unlike old times. Therefore, insulation is definitely needed in the houses for comfortable living and cellulose insulation is a good option to explore.

4.3 Stakeholder Management Process

This section is divided into three sub-sections: stakeholder identification, stakeholder mapping and priority strategies. The first sub-section points out the direct and indirect stakeholders involved in starting the cellulose insulation business in Srinagar. The second sub-section classifies the stakeholders in order of their importance to this project and the last sub-section presents the strategies to best deal with the identified stakeholders.

4.3.1 Stakeholder Identification

The stakeholders are identified and classified as direct and indirect stakeholders. These stakeholders are identified in the following paragraphs.

Direct Stakeholders

Following are the direct stakeholders who are directly associated or involved in the planning, administration or execution of cellulose insulation business in Srinagar.

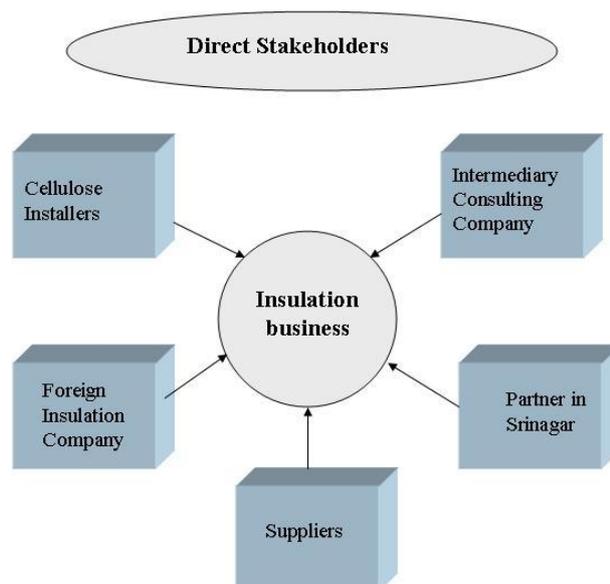


Figure 7: Direct Stakeholders involved in starting cellulose insulation business in Srinagar

During the field research, it was observed that the stakeholders as shown in the figure above are very important in case of setting up cellulose insulation business in Srinagar. Following paragraphs explain their importance.

Foreign Cellulose Insulation Company

This stakeholder analysis is done from the perspective of a foreign cellulose insulation company that has plans of starting its operations in Srinagar, India.

It is a stakeholder as it is interested in starting up cellulose insulation business in Srinagar. This company has to penetrate the market in Srinagar and the best way is to join forces with a local partner. It can establish a joint venture with the partner in Srinagar and therefore enjoy all the governmental benefits like a local company. A foreign cellulose insulation company is a direct stakeholder because it will be directly associated with the planning, administration and execution of the cellulose insulation business in Srinagar.

Partner in Srinagar

The success of the cellulose insulation business in Srinagar depends largely upon the local partner that is chosen by the foreign company. The potential partner needed for cellulose insulation business in Srinagar is the one who belongs to the construction industry, has experience in dealing in the local market and is ready to invest in this business alongside the foreign company. The partner in Srinagar is a direct stakeholder as he will be actively engaged in the planning and implementation phases of this business in Srinagar. He has the power as he has all the local network connections and knows the working ways of the locals.

Intermediary Consulting Company

The foreign cellulose insulation company needs a consulting company in its country that is specialized in the Indian markets. This company acts as a liaison between them and the local partners in Srinagar. This consulting company will provide necessary connections with the officials and partners in Srinagar and also

assists them in the paperwork. It is a direct stakeholder as it will be involved in various phases of the project like finding potential partners, setting up meetings with local partners, participating in the meetings, test marketing and assisting the foreign company in finding other necessary information.

Suppliers

The suppliers are important as they provide the raw materials to manufacture cellulose insulation. There are two types of suppliers: waste paper companies and chemical manufacturers. They are direct stakeholders as without them the cellulose insulation business cannot get started in Srinagar. They are the key stakeholders who can impact the business tremendously by increasing or decreasing the cost of the raw materials.

Cellulose Installers

Starting the production of cellulose insulation is incomplete without the cellulose installation companies. Cellulose insulation installers are of prime importance in this business and their active involvement is necessary. The foreign company will provide training to them as these installers will work side by side with the cellulose insulation company started in Srinagar. It is better for the foreign company to outsource the installation process to these installers as they can focus on their core business of manufacturing cellulose insulation.

Indirect Stakeholders

Indirect stakeholders who are indirectly associated in the project but can somehow impact or get impacted by the success or failure of the project are mentioned below.

Financial Organizations

The financial organizations in the foreign country and the Indian Loan providers like Development Financial Corporation, Yes bank and J&K bank are important

as they will offer loans that will be instrumental in setting up the cellulose insulation business in Srinagar. These financial institutions will be indirect stakeholders as their money will be at stake.

Technocrats

Technocrats like architects, structural engineers, civil engineers, builders and construction companies can hugely impact the success of the cellulose insulation business in Srinagar. They are indirect stakeholders for the cellulose insulation business. Since the insulation product is new to Srinagar, the market needs to know its effectiveness and importance. The technocrats have already established networks with the customers. These customers require their services for designs and usage of materials for their constructions. The technocrats can largely impact the business by educating these customers.

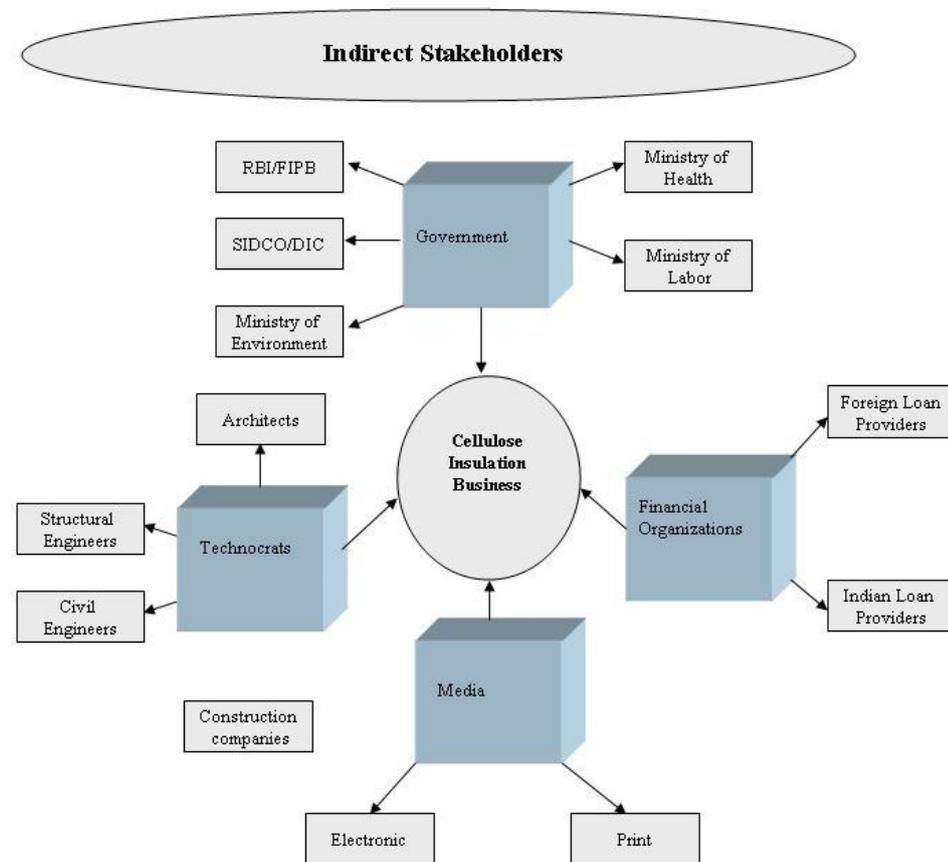


Figure 8: Indirect Stakeholders involved in cellulose insulation business in Srinagar

Governmental Organizations

Government is an external and indirect stakeholder. There are many governmental organizations that can affect the cellulose insulation business in Srinagar by either giving permissions to establish the business or monitoring the effectiveness of the insulation business.

The governmental units like Reserve Bank of India and Foreign Investment Promotion Board offer permissions to foreign companies in order to set up businesses in India. All the foreign companies and foreign nationals are required to obtain permission of Reserve Bank of India to start any activity of trading of commercial or industrial nature or to establish a branch office or other places of business for carrying on such activities in India. The application for permission has to be made to the Central Office of Reserve Bank (Foreign Investment Division) by the Foreign companies. (Madaan 2005)

A foreign company planning to set up business operations in India has the following options: investment under automatic route; and investment through prior approval of government. Foreign direct investment is freely allowed in all sectors including the services sector except some activities that do not permit FDI beyond certain point. Some of the activities for which automatic route for foreign investment is not available, include banking, civil aviation, petroleum, venture capital fund, atomic energy, defense and strategic industries, agriculture, print media, broadcasting, postal services. (Madaan 2005)

The authority for FDI for activities brought in through the automatic route is delegated to the Reserve Bank of India (RBI), and for the remaining activities the authority is delegated to Foreign Investment Promotion Board (FIPB). These governmental units are important as their initial approvals/consents/licenses/permits are mandatory for the foreign company to establish any kind of venture in India. If approvals are not received, the agreements cannot be enforced and joint venture cannot proceed.

After getting approval from the central government, the permission for establishing business in Srinagar is also required from the state authorities. Once the central government gives permission to the company, the application has to be submitted to one of these governmental organizations: J&K State Industrial Development Corporation (SIDCO) or J&K Directorate of Industries and Commerce (DIC). Both offer numerous incentives to the industries that are interested in setting up their enterprises in J&K. These units also offer funds to the deserving industries which can be very significant while setting up the venture in Srinagar. For more information about the incentives offered to the industries, please refer to appendix 6.

According to Bilal Bhat, General Manager, Directorate of Industries and Commerce, Ministry of Environment and Forestry monitors the impact that industries have on the environment. Although, cellulose insulation is a green product, it may also receive some criticism. (2009)

Ministry of labour and employment is another important stakeholder as it has the right to question the way the company deals with the labour and employment issues. Ministry of Health and Family Affairs monitors the safety management of the labourers and the local inhabitants of the area where the industries are located. (Bhat, 2009)

Media

The role of media in bringing awareness to the people is undeniable. Media will play a powerful role in getting the customers conscious about the advantages of cellulose insulation. Common people rely a lot on media to know about the happenings around them. Therefore, media can assist in educating the people about cellulose insulation.

4.3.2 Stakeholder Mapping

Based on the Power Interest grid and Importance/Influence matrix, the stakeholders are prioritized.

Power Interest Grid

Below is the stakeholder classification according to Power Interest Grid from the perspective of a foreign cellulose insulation company. The stakeholders are classified into four groups based on the power interest grid.

- **High Power- High Interest:** This group includes the partners from Srinagar and the suppliers. Looking from the perspective of the foreign company, the partners from Srinagar and the suppliers should be managed closely. They should be fully engaged and greatest efforts should be made to satisfy them. Once they are managed well, the successful implementation of the project is possible.
- **High Power- Low Interest:** This group includes all the technocrats like architects, structural engineers, builders, construction companies and governmental units in charge of giving permissions like Reserve Bank of India, Foreign Investment Promotion Board, government units in charge of providing funds like SIDCO and DIC, Media, Ministry of Environment and Financial Institutions that provide loans. All these groups have high power but they have low interest in the cellulose insulation project. It is important to keep these groups satisfied and get them interested in the project.
- **Low Power- High Interest:** This group includes intermediary consulting company and cellulose installers that are very much interested in this project but they have low power. These people should be adequately informed as they can be very helpful.

- Low Power- Low Interest: This group includes Ministry of Health and Family Welfare and Ministry of Labour and Employment. It is important to monitor them but there is no need to excessively communicate with them.

Following is the pictorial representation of power interest grid:

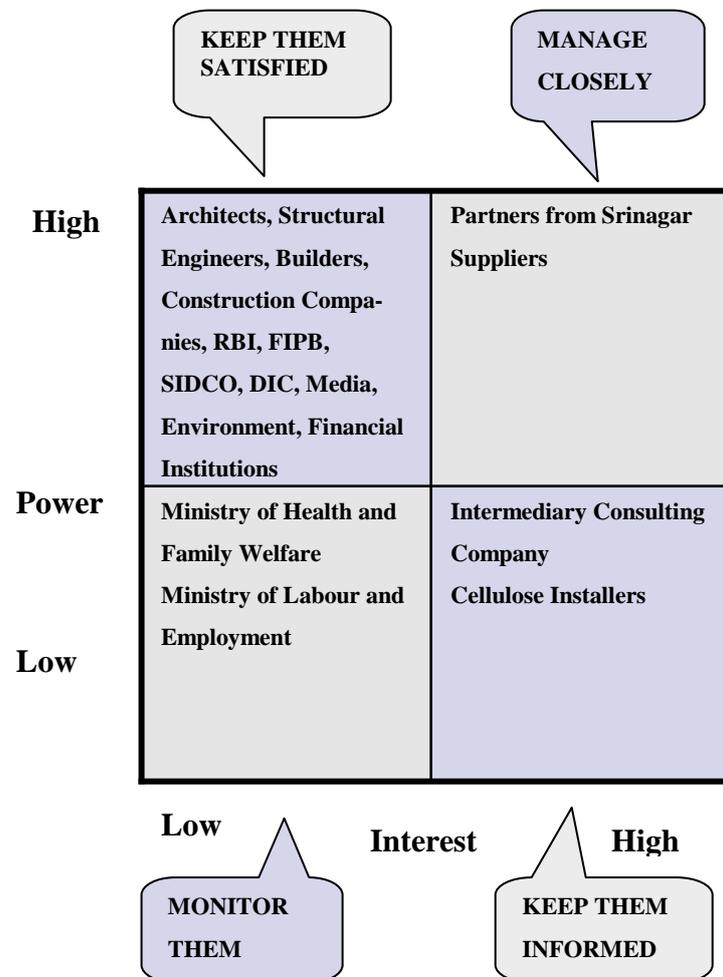


Figure 9: Power/Interest Grid showing stakeholder prioritization

Importance/Influence matrix

Below is the stakeholder classification according to Importance/ Influence Matrix. The figure shown below prioritizes the stakeholders as per their importance and influence. The stakeholders mentioned in Box A are the most important stakeholders. While viewing from the perspective of the foreign cellulose insulation company, the partners from Srinagar and the suppliers are the most important and

their interests need to be taken into consideration. The stakeholders in Box B are also important; therefore their interests should also be met. The stakeholders in Box C are the most influential. Therefore, it is important to build and nurture relationships with them to keep them involved with the project. The stakeholders in Box D are not the key stakeholders and it is possible to pay less attention to this group during the project design and implementation.

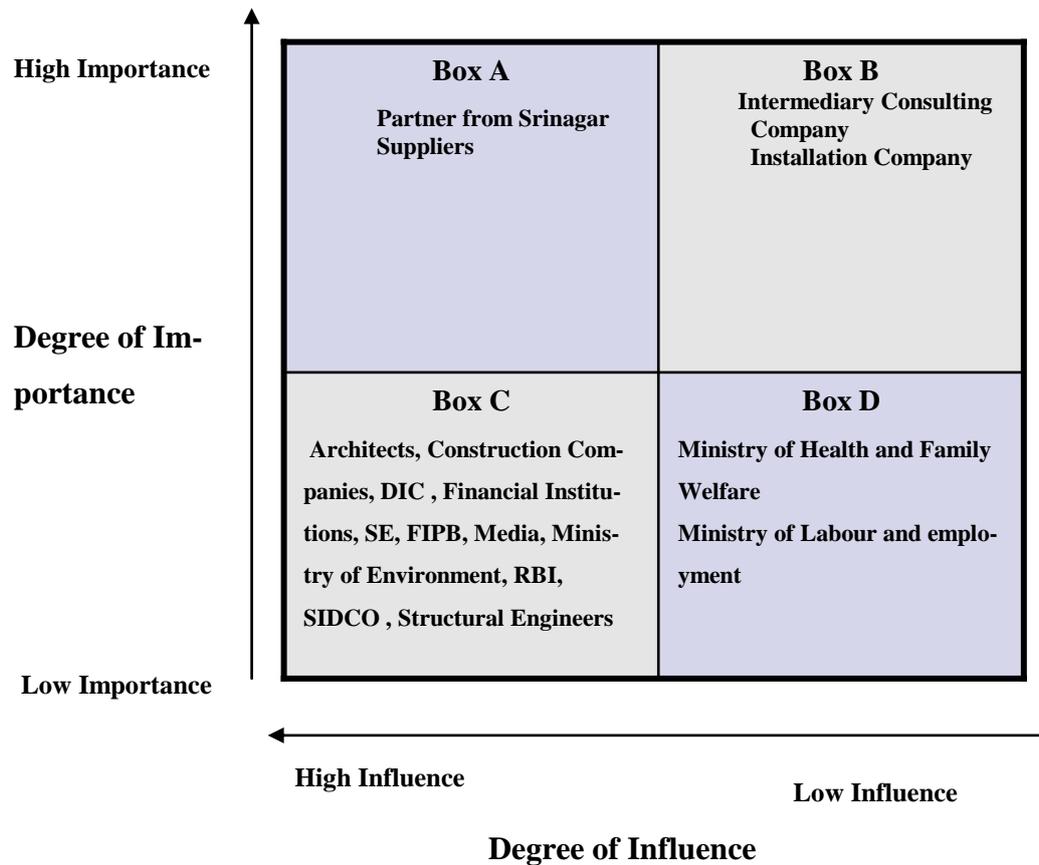


Figure 10: Importance/Influence Matrix showing stakeholder prioritization

4.3.3 Priority Strategies

After prioritizing the stakeholders, the researcher has devised the strategies that may be useful in the successful implementation of the cellulose insulation project. These strategies are based on the importance, interest, influence and power of the stakeholders. Following table presents the stakeholders involved in the project,

their role and the strategies that should be implemented for obtaining their support and keeping them satisfied.

Stakeholder	Importance	Influence	Interest	Power
Foreign Insulation Company	High	High	High	High
Strategy	Establish good will with Indian partners as well as the local government.			
Partner in Srinagar	High	High	High	High
Strategy	Encourage the local partners towards their active participation in planning and implementation of the project.			
Intermediary consulting company	High	Low	High	Low
Strategy	Involve them in the planning phase of the project. Inform them about the progress of the project.			
Cellulose Installers	High	Low	High	Low
Strategy	Consistently inform them of the progress. Address attractive incentive packages.			
Technocrats	Low	High	Low	High
Strategy	Get them interested in the insulation project, invite them to educative seminars, give incentives to promote the product			
Suppliers	Low	High	Low	High
Strategy	Establish healthy relationships with them and maintain close communication.			
Financial Organizations	Low	High	Low	High
Strategy	Acquire their financial support in the beginning and win their trust.			
Media	Low	High	Low	High
Strategy	Use the media for educating the people about the effectiveness of the product. Obtain their services for the active promotion of the product.			
Government Permissions RBI/ FIPB	Low	High	Low	High

Strategy	Convince them about your effective business plan and make them believe in it. Obtain active support from them.			
Government Support SIDCO/ DIC	Low	High	Low	High
Strategy	Involve them from the beginning. Keep them informed and satisfied. Communicate with them about the cellulose insulation business and its benefits to the society.			
Ministry of Environment and Forestry	Low	High	Low	High
Strategy	Encourage relationship with Ministry of Environment. Inform them about the environmentally friendly nature of the product.			
Ministry of Health and Family Welfare	Low	Low	Low	Low
Strategy	Monitor them closely and be informed about their policies. No need to engage them.			
Ministry of Labour and Employment	Low	Low	Low	Low
Strategy	Be informed about the policies of the Ministry of labor and employment. Follow up with their new rules and regulations.			

Table 3: Priority Strategies for stakeholders

4.4 PESTEL and SWOT Analysis for Insulation Market in Srinagar

This section analyzes the insulation market in Srinagar using the market analyzing tools like PESTEL and SWOT. Both the tools are studied together to give a complete picture of the market situation in Srinagar.

PESTEL Analysis

PESTEL analysis is a tool that can assist any foreign company which plans to operate cellulose insulation business in Srinagar in order to understand the environment in Srinagar, J&K as a whole. The information for PESTEL is gathered by using the information about relevant legislations from J&K state departments and the interviews conducted during field research in Srinagar.

PESTEL - Political, Economic, Sociological, Technological, Legal and Environmental factors are discussed in the following paragraphs.

Political factors

There are both pros and cons while doing business in Srinagar. The positive political factors include the following. First, the government encourages the use of green products in Srinagar and other areas of J&K and the fact that cellulose insulation product is made from recycled newsprint and saves energy consumption up to 50% can provide this product with great support from the government. Next, government encourages the construction of small and medium sized industries and offers attractive incentive packages to the local as well as foreign investors. The negative political factors include the political disturbances in the area which lead to demonstrations and strikes that occasionally halt the normal life in J&K. (J&K SIDCO 2004)

Economic factors

While the rest of India witnessed great development during the last twenty years in the wake of economic liberalization, J&K lagged behind as all its resources and time were used to fight separatism. In the process, most institutions of the state suffered and performed much below par. Therefore, compared to the high market growth rate in the rest of India, J&K lost the opportunity for development. However, now it is dealing with the issues of development and doing extra efforts to make up for the lost time and opportunity. In 2008- 09, J&K's overall GDP growth was 6.7% at constant prices.(Government of India Ministry of Finance 2009)

Nowadays, for the development of the industrial sector, government is offering loans at low interest rates that are easy to access. It provides grants and funding, minimal taxes, no VAT on the finished goods, income tax exemption for five years after starting an industry and so on. For more information on taxation policies, please refer to appendix 6. (J&K SIDCO 2004)

In order to insulate the houses in J&K, people need a minimum amount of € 1500. Therefore, only middle and high income groups can afford to use cellulose insulation in Srinagar and other areas of J&K. (Khan 2009). The salaries of the workers or employees are very low and foreign companies would appreciate that.

Social factors

As of 2001, Srinagar city had a population of over one million. The population density in the city is 556 inhabitants per sq km. while the overall population density is 99 /km². The languages spoken are mainly Kashmiri, Urdu and Hindi. Srinagar has a distinctive blend of cultural heritage. Holy places in and around the city depict the historical cultural and religious diversity of the city as well as the Kashmir valley. Muslims make up 95% of the population, Hindus 4% and Sikhs and others 1%. Only 59% of the population is educated. (Government of J&K 2007)

During the field research, it was observed that Kashmiri society at large does not have any awareness about the insulation industry. They are not aware about any insulating materials and need to understand the concept of insulation before discussing the benefits of cellulose insulation. Awareness has to be generated among the masses regarding the insulation.

In Srinagar, it is very important to have good relationships with high officials in order to get any official work done. Also, there is corruption in the society which can be bad experience for the foreign people.

Technological factors

So far, J&K has always been the last recipient of the technologies that thrive in India. For instance, mobile phones have been introduced in J&K in 2003 when they were introduced in 1995 in other parts of India. However, the basic infrastructure amenities required for starting operations in Kashmir are available like telecommunication links, satellite communications, internet, faxes, worldwide web, print and electronic media.

The use of internet among the masses is not so common in Srinagar. Therefore, marketing for insulation product and technologies need to be done using other means like television, radio etc.

Most of the machinery and technology used in industries are imported from foreign countries and other states of India. However, government of J&K has been supporting R&D for technology and manpower development in green business. Any kind of technology used in Srinagar related to insulation industry will require ISO certification in addition to the necessary certifications in the foreign countries.

Legal factors

Article 370 of the Indian Constitution grants special status to the state of J&K. According to this article, only people of J&K are allowed to buy immovable property i.e. land or houses in J&K. The people of J&K are called state subjects. Any non state subject cannot own the property in this state. This article specifies that except for Defense, Foreign Affairs and Communications, the Indian Parliament

needs the State Government's concurrence for applying all other laws. Thus the state's residents live under a separate set of laws, including those related to citizenship, ownership of property, and fundamental rights, as compared to other Indians. (Government of India Ministry of Law and Justice 2008)

Intellectual Property Protection is weaker in J&K like the rest of India. Although many reforms have been made in India's Intellectual Property laws but it is not up to the mark.

Contracts for employment are generally governed by the Indian contracts Act, which is derived from English contract law. The hiring and firing of white collar staff is subject to the terms of contract rather than any employment legislation. Many foreign companies amend their employment contracts to conform with Indian law or cultural norms. Provision of casual leave and benefits in kind rather than cash are normally included in the contracts. Regarding the blue collar workers, more stringent employment laws apply. The governing legislation includes: The Child Labor Act 1986, The Employees Provident Fund and Miscellaneous Provisions Act 1952, Industries Disputes Act 1947, The Maternity Benefit Act 1961, Minimum Wages Act 1948, Payment of Bonus Act 1965, Payment of Gratuity Act 1972, Payment of Wages Act 1936, Payment of Wages Amendment Act 2005, Factories Act 1948 and Employees State Insurance Act, 1948. (Lawda & Shukla 2007)

Environmental factors

Environmental preservation is gaining momentum in J&K. The government is taking firm actions to protect the environment. The use of polythene/ plastic is banned in the state. No industry can use plastic in the state. The consumers do not have much environmental awareness. However, the government is making efforts to increase the awareness among the masses through media.

Every industry that starts in J&K is required to have pollution control equipment to reduce the level of pollution. Government of J&K partially finances this equipment alongside the company.

SWOT Analysis

SWOT analysis regarding the cellulose insulation business in Srinagar is made in order to offer insight about the current situation of insulation business to those foreign companies that are interested in this business. The strengths, weakness, opportunities and threats are explored.

<p><u>Strengths</u></p> <ul style="list-style-type: none"> • Attractive incentives offered by the government • Efficient and eco-friendly cellulose insulation technology • Cheap labor 	<p><u>Weaknesses</u></p> <ul style="list-style-type: none"> • Lack of awareness about the advantages of insulation. • Raw material prices are higher in Srinagar than in Europe • People cannot afford high prices
<p><u>Opportunities</u></p> <ul style="list-style-type: none"> • Great potential for insulation business • Huge market (Kashmir valley + Ladakh) • No real competition in the market • Weather conditions 	<p><u>Threats</u></p> <ul style="list-style-type: none"> • Political situation in Kashmir. • Corruption. • Srinagar is considered as an earthquake zone • Weak IPR protection

Table 4: SWOT Analysis of Insulation business in Srinagar

Strengths

Starting cellulose insulation business in Srinagar has its strengths. The biggest strengths are the attractive incentive packages that the state and the central government are offering, efficient foreign technology that will be well received in Srinagar and the cheap labor. Below is the description of the identified strengths.

Government Incentives

Both state as well as central government encourages the industrial development for increasing the growth rate, employment and overall economic development of the country. Please refer to the attractive incentive package offered by the central and state government in appendix 6.

Efficient and eco-friendly cellulose insulation technology

The cellulose insulation technology is very efficient and eco-friendly. It is suitable for Srinagar as it produces billion kilograms of useful cellulose insulation material from waste paper per year and protects the environment at the same time. This technology can not only produce cellulose insulation but also helps to resolve the waste management problem in Srinagar.

Cellulose insulation is called as the greenest of the green product as it takes less energy to make than any other insulation material. This is known as embodied energy and includes the total energy required to transport raw materials, manufacture and distribute the product. It has the highest level of recycled content in the insulation industry up to 85%. It is made with recycled paper that might otherwise end up in a landfill. It helps prevent the release of the greenhouse gas methane which would result if that same paper were sent to a landfill to decompose. (Cellulose Insulation Manufacturers Association 2009)

Cheap labor

In Srinagar, labor is a lot cheaper than Europe. Blue collar workers work at the rate of € 6 per day while as for the service sector employees the salary does not exceed € 600 per month. (Bhat, 2009). This price is a lot less than labour rate in foreign countries. For example, in Finland labour rate varies between €8- €15 per hour. (Työsuojelupiirit 2009).

The cellulose insulation business has proven to be quite profitable even with high labor costs in Europe and USA. Insulation business in Srinagar is also potential profitable business that can yield good returns.

Weaknesses

Lack of awareness about the advantages of insulation

A layman in Srinagar is not familiar with the insulation industry and the benefits that insulation provides. People spend huge amount for constructing their houses but they do not insulate them due to lack of awareness. Although there is a need for insulating the houses, people do not act accordingly because they do not know that such things exist. There is a need to create awareness among the people regarding the advantages of insulation. This knowledge can be disseminated by the architects, engineers and designers. (Darvesh 2009)

High raw material prices in India

It was shocking to discover that chemicals and waste paper cost more in India than in Europe. For example, in Finland, the waste newspaper tonne costs between € 70 -€100 while in Srinagar the cost of one tonne of paper ranges between €180- €200 depending on the demand of the paper. Usually the demand for paper is more during the occasions of fruit export as the fruit is wrapped in paper first before packing it for export. During this time, the cost can go as high as €200/tonne. In New Delhi, the waste newspaper tonne can cost around € 90-100. (Haroon 2009)

The chemicals also cost more in New Delhi than in Finland. These chemicals are not found in Srinagar. Therefore, the chemicals have to be purchased from the neighboring states of Srinagar. The price per tonne of chemicals ranges in between €700 and €800. In Finland, the chemicals bought from neighboring countries are cheaper which cost around € 400- €600. (Huhtamella 2009)

In spite of the high raw material prices, the cellulose insulation business can still be profitable due to the low costs of labor in Srinagar. Other inputs like electricity are also cheaper in Srinagar. The tariff of power per unit for industrial customers

in J&K is Rs 2.40/ € 0.035 + duty while the tariff of power for industrial customers in Finland is € 0.44/ unit. (EMV 2009).

The following table shows the cost calculation of 1 kg of cellulose insulation as per the prices of raw material found in New Delhi.

Inputs	€	kg	kg price	€/kg cellulose
Paper 85%	93	1000	0.093	0.07905
Borax 7.5%	780	1000	0.78	0.0585
Boric Acid 7.5%	830	1000	0.83	0.06225
Logistics 10%	30	1000	0.03	0.0054
Bag for cellulose	0.17	14.5	0.011724	0.011724138
Labour	60	6000	0.01	0.01
Rent	1000	1400000	0.0008	0.0008
Electricity (100kwh/tonne) @0.06c /unit	6	1000	0.006	0.006
Total				0.2337/kg

Table 5: Cost calculations for manufacturing 1 kg cellulose based on the prices in New Delhi.

It was discovered that even with the high prices of raw materials, 1 kg of cellulose can be manufactured only at € 0.2337.

Low affordability

Economic disparity exists in Srinagar as well like other parts of India. If cellulose insulation is priced higher, common people may not be able to afford it. For those middle income families that may be willing to spend a portion on insulating their houses, the maximum amount that they can spend will not exceed Rs 2 lacs/ € 3000 for a house built on 200 sqm. Therefore, the cellulose insulation product has

to be priced as per the affordability of the people. It is possible for the cellulose insulation manufacturer to sell it around the above mentioned price if the production unit is installed in India.

Opportunities

Great potential for cellulose insulation business

Srinagar offers great potential for cellulose insulation business. During the field research, it was observed that all the experts like architects, builders, structural engineers and other people related to construction industry in Srinagar were willing to do insulate their own houses if cellulose insulation existed there. Further, they said that insulating house is not a luxury instead it is a necessity in Srinagar and the fact that they are not currently installing it is because of the lack of availability of such products in the market. In addition, they also mentioned about the lack of awareness among the common masses. They pointed out that if they recommend people to insulate their houses, people will not question it. Also, once the awareness increases and people see the benefits themselves, this business will be successful.

Huge market

J&K is divided into three broad regions- Kashmir Valley, Jammu and Ladakh which are further classified into 22 districts. Out of these 22 districts, 10 districts belong to Kashmir Valley and Srinagar is one of them.

Srinagar is the prime target for this research but it does not limit there. Once the business is established in this area, it will be extended to other parts of Kashmir valley that possess similar geographical conditions. Further, Ladakh is also identified as a potential market due to the extreme weather conditions with temperature ranging from - 20 to - 40 degree Celsius in winters. For more information about Srinagar as a market area, please refer to research context in chapter 3.

Low competition

In Srinagar, there is hardly any competition for the cellulose insulation technology. There is no real insulation business activity going on in the city. Fiberglass plates are available in the market but they are brought from neighboring states. These fiberglass plates are mostly used as roofing materials rather than insulating agents. The fiberglass plates that are installed in walls and act as insulating agents are hardly used in the constructions. This cellulose insulation technology will be the first such industry in the city.

Weather conditions

The temperature in Srinagar dips to -10 degree Celsius in winter. In spite of such winters, the houses are not insulated. This gives an excellent opportunity for the insulation companies to start this business.

Threats

The threats for cellulose insulation business in India like political situation, corruption, weak IPR protection and earthquake activities are a part of risk management section and have been discussed together in the following pages.

4.5 Risk Management

There are several factors that can affect the cellulose insulation business in Srinagar. In this section, the author will try to identify the risks and provide a solution to mitigate them. Following are the major risks and ways to mitigate them.

Seismic Zone

J&K is considered to be an area with high seismic activity. The areas are divided into zones with Zone 1 being the least influenced by seismic activity to Zone 5

being the strongest. The map of India shown below highlights the areas classified into Zones. As we can see that J&K lies in Zone IV with an area containing Baramulla and Srinagar that lies in Zone V as per the Criteria for earthquake resistant design of structures, IS 1893: 2000. (CESS 2009)

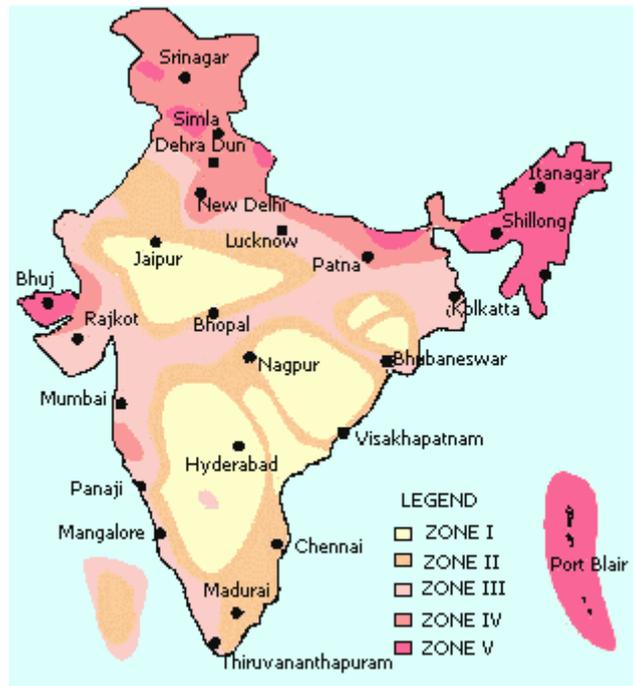


Figure 11: Map of India showing earthquake zones in India (CESS, 2009)

The high seismic activity of the area has to be taken into consideration before establishing any construction in J&K. In case of setting up a production unit in Srinagar, the building has to be built as per certain specific seismic design parameters underlined by IS 1893: 2000. The design of the building has to be earthquake resistant. For instance, the walls of the buildings have to be at least nine inches in thickness. In case of insulating the house, the thickness of the wall cannot be reduced.

Political situation

Kashmir has been a flashpoint between India and Pakistan for more than 60 years. India claims the entire former princely state of J&K and presently administers approximately 43% of the region. Pakistan controls approximately 37% of

Kashmir and China controls 20% of Kashmir. India's official position is that Kashmir is an "integral part" of India. Pakistan's official position is that Kashmir is a disputed territory whose final status must be determined by the people of Kashmir. Certain Kashmiri independence groups believe that Kashmir should be independent of both India and Pakistan. Kashmir has been the cause of three wars between India and Pakistan. Since the 1990s, the Indian administered J&K has been hit by confrontation between Kashmiri separatists, and the Pakistan Armed Forces, and Indian Armed Forces which has resulted in thousands of deaths. (The Washington Post 2009)

The prevailing political disturbances in the city may hinder the smooth operation of the business. Sometimes, the strikes occur in the valley which disrupts the normal working life.

Banks offer export credit guarantees. It covers political risks related to the foreign markets. The common political risks covered are restriction on transfer of credit currency, rescheduling of debts, expropriation and war or insurrection. (Finnvera 2009). The companies that are interested in doing business in India can apply for these guarantees and save their businesses from all kinds of political risks.

Corruption

Corruption can be a major concern while doing business in J&K. J&K is considered to be one of the most corrupt states in India. A few high level ministers had to vacate their chair when their corrupt acts were discovered. In Srinagar, like other parts of India, the relief released by the central government for the welfare or promotion of certain sectors never reaches the people. The research done by the Central Vigilance Commission in India reported that nearly 50% of Indians who use government services pay bribes. The state officials misappropriate the funds. (Central Vigilance Commission 2009)

The foreign company that is interested in doing business in J&K should be diligent about such issues. It should comply with Indian anti-corruption guidelines and be familiar with applicable anti-corruption regulations in India and also form trusted relationships with people in India who are familiar with corruption issues.

Weak IPR Protection

India operates a system of registration for IPR and is a signatory to various international IPR treaties. However, small companies may not follow the regulations about IPR and thus India has become a high-risk area for IPR theft.

In order to avoid IPR theft, foreign investors should contact IPR regulating authorities in India and make sure that their IPR is protected when they are exposed to the Indian market. Foreign investors should also make specific provisions about this in their joint venture agreements. (Lawda & Shukla 2007)

Novel business concept

Since the insulation business is an entirely new concept in the city, it may take time to pick up. People may not be readily convinced to insulate their houses. It will take some time for the people to get aware about the advantages of insulation before they accept it.

The solution lies in the effective marketing. This product is new to people and it is important to get the message across. It is essential to market this product first to the experts like architects and engineers. Once they are convinced, it is easy to convince people through them. In addition, advertising this product through newspaper, radio and television is very important. Besides, once the business gets started and a few people get the product installed and see its benefits, word of mouth will also make it work.

Lack of raw material availability in Srinagar

The raw material may not be sufficiently available within Srinagar city. The minimum newsprint required for cellulose insulation technology is six tonnes per day while the waste newsprint that could be gathered from Srinagar cannot be more than two tonnes. Further, the chemicals needed for cellulose insulation are not found in large quantities in Srinagar. In winters, the roads block for several days at the Srinagar-Jammu highway which can be problematic in the case of transporting raw materials from Delhi to Srinagar.

It is possible to organize waste paper management. The company could look for the ways to collect the waste paper from the households on its own across the Kashmir valley. Srinagar city alone can offer one third of the required newsprint, the waste newsprint if collected properly from the rest of the nine districts would be enough to run this production unit. Further, it is also possible to purchase the waste newsprint from the neighboring states of J&K. In addition, the chemicals needed for making cellulose insulation have to be purchased in bulk from New Delhi. (Qureshi 2009)

Un-insulated windows/ doors

According to Aftab Darvesh, Structural Engineer and Consultant, the un-insulated windows and doors in Srinagar have to be taken care of before insulating the house. The timber used for the constructions is not well seasoned. As a result, after sometime the shape of the timber changes and it leaves gaps. It is easy for the cold or heat to penetrate through these gaps. Insulating the house is not purposeful if heat/cold escapes through the windows and doors.(2009)

The doors and windows need to be well insulated before insulating the rest of the building. Foam insulation could be used to fill the gaps in the windows. Another option is to recommend people to use double glazed windows that trap the air inside and thus act as insulators.

Extra costs

Insulating a house incurs extra costs in addition to the cost of cellulose insulation. This includes the usage of timber, wooden boards, meshes and panels that are not otherwise used in the un-insulated constructions. Since people prefer to lower down the costs, they may be discouraged to insulate their houses keeping in view the extra charges. (Khan 2009)

According to Muneer Khan, Chief Architect, J&K, it is possible to use cheaper materials instead of the costly timber and wood panels. Aluminium and steel meshes can be efficient alternatives to the timber panels. They are cheaper and

may be even stronger than the timber. The customers may be more willing to insulate their houses if the extra costs are reduced. (2009)

Different construction styles

The construction style in Srinagar is different than in most of the countries that deal with cellulose insulation like Europe or USA. The method of installing cellulose insulation in such countries may not work in Srinagar. The cellulose installers may face some challenges in Srinagar.

It is important to check the constructions/ buildings in Srinagar beforehand in order to avoid any problems. Once the constructions are properly studied, the experts can adopt alternative ways for installing the insulation. Changes may need to be made to suit the local architecture. (Darvesh 2009)

4.6 Market segmentation

The market segmentation process has been conducted in two major steps. The first step is forming a market map and the second step is identifying the market segments. The researcher has identified the segments through sequential process which is described in the following paragraphs.

4.6.1 Market Mapping

Market mapping is the first step to identify the market segments. It gives a description of different movement of cellulose insulation product towards the end user that can occur. Various stages of the cellulose insulation business activity are plotted on a map depicted below. The following figure depicts the insulation market activities and its operation in Srinagar.

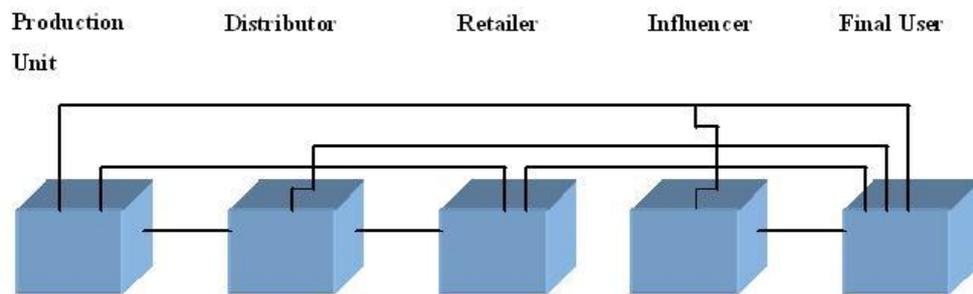


Figure 12: Market Map

Figure 12 is a market map that shows how the cellulose insulation product will move from the production unit to the end user. It shows the various relationships that can exist between the role players.

There are several possibilities about the movement of the cellulose insulation product towards the final user. First, the product can be sold directly from the production plant to the customer (final user) without any distributors or retailers. Second, the production unit can sell it to the retailers throughout Srinagar and the customers would then buy it from the retailers. Third, it is also possible that the distributors get the product from the production unit and sell it directly to the customers without selling it to the retailers. Last, the production unit sells it to the distributor who then distributes it to the retailer and in turn retailers sell it to the end user.

The figure also shows the role of decision influencer which is very crucial and exists in every relationship. The decision influencers who are the architects, structural engineers and civil engineers impact all the relationships as they are closely associated with the end user. The end users or customers hire the services of the decision influencers in case of establishing any structure. The final users always ask for the advice from the decision influencers. Therefore, overlooking the presence of decision influencers can result in the lost sales opportunity.

4.6.2 Identifying market segments

Prior to the commencement of the field research, the researcher had identified the market segments as construction companies, contractors, government, housing material wholesalers, housing material retailers, engineers, architects and the printing houses. After the field research, the researcher has eliminated the housing material wholesalers from the list as it was found out that in Srinagar, there are hardly any housing material wholesalers who sell all the construction materials. (Jan 2009).

It was found that for every construction material there is a separate retail shop. Further, the researcher has merged the construction companies and contractors as a single category. The construction companies act as contractors and take the contracts from the government and private sectors. In addition, most important and largest segment has been added. This segment is the individual households which are further divided as middle income households and high income households. It was found that the residential houses being built in Srinagar form the majority of the construction volume (Ahmad 2009).

Based on the idea from the market mapping, the market segments for cellulose insulation business in Srinagar after the research are classified as the buyers and influencers. Buyers are the people or organizations that purchase the product. Influencers are those who persuade these buyers to buy the product. The buyers are the prime segments while as decision influencers are the secondary segments.

Prime segments / Buyers

The prime segments are classified as business to business and business to customer. Business to Business involves construction companies, government institutions and housing material retailers. Business to Customers involves individual household segments.

Construction companies in Srinagar construct the houses, buildings, hotels or any other type of establishments. These construction companies offer a wide range of construction services from preconstruction planning to post construction services. They buy construction materials from different suppliers and have good connections with them. These construction companies submit their proposals to carry out a residential or commercial construction project for an agreed price. Bids by the construction companies for the total cost of construction are submitted to a project owner who then makes decisions based on price qualification and other factors. In Srinagar, there are four big construction companies that include M&Co, MM Shaws, Rash builders and Talib Hussain. Besides, these companies there are numerous small construction companies like Malhotra Constn Co., Mohd. Usaf & Co., Trison Farms & Constructions Pvt Ltd and many more. (Zargar 2009) These construction companies are one of the chosen market segments as they can be the biggest buyers of cellulose insulation material.

Government is also classified as a prime segment because whenever any governmental unit has to be built, it can act as a buyer and purchase the product in large quantities. This segment is one of the most important target segments for selling cellulose insulation. All those governmental units that will be involved with constructing or renovating their departments can act as the potential buyers for cellulose insulation.

Housing material retailers can also purchase the cellulose insulation product from the cellulose insulation company when the demand for the product increases as they usually tend to sell those items which are in demand. In Srinagar, usually there is a separate retail shop for each housing material. It means that the cellulose insulation company which starts the business in Srinagar needs to have its own retail shops across the city or sell it directly from the production unit. However, if a certain product is very successful in the market, these housing material retail shops also keep the stock of such products in addition to their own products. (Shah 2009)

In addition to the business to business segments, there is also business to customer segment which includes the individual households. Individual households include the people who take the project of building own houses or other constructions. These kinds of people purchase the housing materials on their own and hire the services of different experts. They are chosen as a market segment because they are potential buyers.

Individual households that are the prime segments can be classified based on their income as high income and middle income households. High income households are those who have the capacity of spending € 100,000-150,000 on building their houses. Middle income households are those who spend € 40,000- 50,000 on average on the construction of their houses.

Following is the pictorial representation of the prime segments:

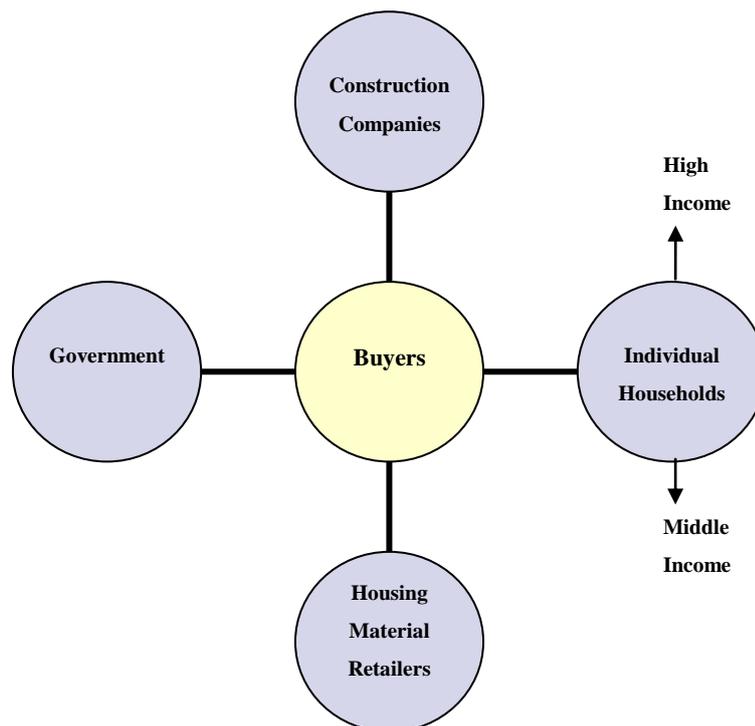


Figure 13: Buyers as prime segments

Decision Influencers/ Secondary Segments

This group includes the architects, structural engineers and civil engineers who have the ability to influence the purchasing behavior of the prime segments.

Architects are hired by people who seek professional help in designing their structures. They can be individual house builders, government or construction companies. These professionals give designs to the buyers and also suggest them the materials to be used. They have the ability to influence these buyers to purchase the cellulose insulation product. (Khan 2009)

In Srinagar, there are many architects who are employed by the government of J&K as well as those who work privately. Most of the architects possess their own consulting companies. These architects also have their association in Srinagar which makes the decisions regarding various issues governing the architects. (Khan 2009)

Structural engineers also design structures like houses, hospitals, office blocks and so on. They develop initial designs, using mathematics to calculate the stress that could arise at each point in the structure, and simulate and model possible situations, such as high winds and earth movements. During construction process, they are often involved in inspecting the work and advising contractors. Structural engineers often work in partnership with architects. They also examine buildings, bridges and other structures to discover whether or not they are structurally sound. (AGCAS 2008). The structural engineers are considered as decision influencers because they are also profoundly involved in designing the structures alongside architects and contractors. Therefore, they have the ability to influence the customers about purchasing the cellulose insulation product.

Civil engineers stay with the clients and guide them through the approval and construction process while offering strategy, advice and their experience and understanding of the requirements of the project approval process. In Srinagar, the consulting work provided by civil engineers is becoming as important as their technical expertise. Therefore, they have the tendency to influence the decisions of the

buyers. (Hakim 2009). Following is the pictorial representation of the decision influencers:

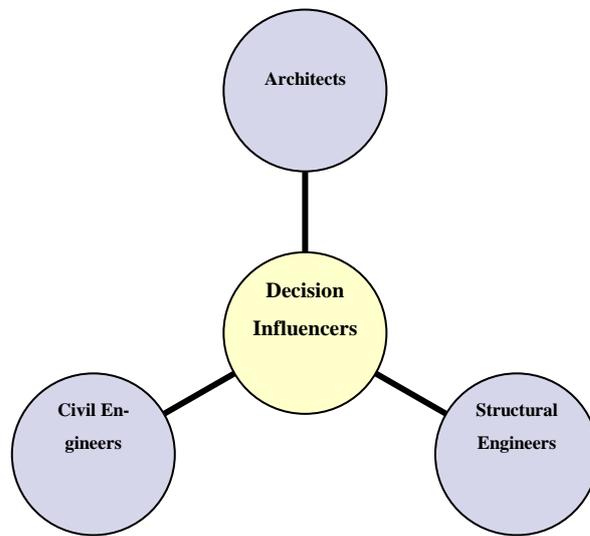


Figure 14: Decision influencers

Based on the market segmentation shown above, it is found out that the prime segments and the decision influencers are both very important segments for any cellulose insulation company that is interested in establishing its business in Srinagar. None of these segments can be ignored. Following figure positions the buyers and decision influencers on the market map.

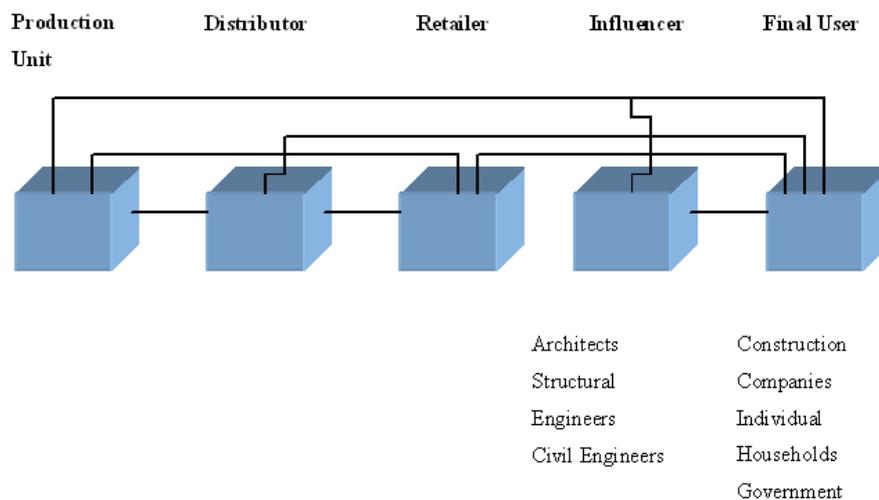


Figure 15: Map showing the buyers and influencers

4.7 Marketing Mix

Product

Cellulose fiber insulation is used in the constructions and it is expected to minimize the transfer of air from inside to outside and vice versa. This material can be used in the buildings, houses and company premises and it is expected to keep the constructions warm during winters and cool during summers.

The product consists of 75% of recycled newsprint. Besides, it also contains boron compounds that make the cellulose fiber fire and insect proof. The cellulose fiber insulation harmonizes with the moisture and temperature of the air and does not require vapour barrier. It is not harmful to humans like some of the insulation products like asbestos.

This cellulose insulation allows greater freedom in the choice of construction framework and better economy compared to conventional sheet or roll insulation. The supporting structure can be materials like wood, concrete, brick or steel. This product is sprayed on the walls and roofs of the constructions. It is light and easily distributed to the spaces that would otherwise be impossible to reach. This method of installation makes it possible to effectively insulate even the cramped spaces and cavities. This product is better compared to sheet or roll insulation products as they leave gaps that allow the transfer of air. (Cellulose Insulation Manufacturers Association 2009)

Cellulose insulation has many benefits. The fact that it is made of recycled paper makes it a green product and therefore helps in the waste management. It is the least polluting and most energy efficient insulation. Cellulose has better resistance to air flow and prevents the upward movement of air caused by temperature differences. The R-value (measure of thermal resistance) of cellulose improves during cold weather. Cellulose is non-corrosive to steel, copper and aluminum. Cellu-

lose does not lose its energy saving abilities over time. It does not rot or decay and does not support fungus or mold growth. It also has great acoustic insulation properties and provides great sound proofing. (Cellulose Insulation Manufacturers Association 2009)

Product Strategies

- Since the cellulose insulation product does not yet exist in Srinagar, it can be classified as an unsought product. Unsought products are those that the customers do not normally think of buying and cellulose insulation is one of them. Therefore, people need to know about this product which can be done by heavily promoting the product.
- In India, people consider foreign products superior in quality than the local products. Therefore, highlighting the product brand as foreign will attract more customers. Foreign brand technology will give more credibility to the product.
- In Srinagar, the windows are not properly insulated and heat loss/gain can happen easily through them. Providing some solution for the insulation of windows or alternatives for currently used windows is very important.
- Services like cellulose installation should be provided to the customers so that they do not have to look for installers themselves. The company can train the individual installers and outsource the installation services to them so that it can focus on its core business.

Pricing

Pricing should be based on perceived benefits provided by the cellulose insulation product. Price has to be established so as to correspond to the customer's perception of value. The cellulose insulation product is a necessity for the customers in Srinagar but they do not yet realize it. Heavy promotion has to be done to achieve that objective. The benefits that this product will bring to the customers are considerable.

Price has to be set in such a way that it suits the customers and at the same time business gets a satisfactory level of profit. Pricing should not be so high that the customers get frightened. The cellulose insulation product is not yet available in J&K market and people are not familiar about the product and its benefits so this product is not on the priority list of the customers when they purchase construction materials. Therefore, price will significantly affect the decisions of the customers to buy this product. (Khan 2009)

Low competition in the market gives the company the discretion to be the price setter. When the company will enter the market in Srinagar, it will monopolize the insulation market. It will be the single producer of cellulose fiber insulation product and will have the complete control of the entire supply of the product. However, there are limits to the extent to which the company can increase the prices. If new competitors enter the market and offer lower prices, the company cannot price the product highly. The company has to take into account the potential competition by alternative sources that may emerge.

Costs can also have a significant impact on the price of the product. Pricing decision can also be affected by the variable costs. By reducing the costs of the raw materials needed for cellulose fiber, the end product will be cheaper which in turn will affect the pricing. Therefore, finding suppliers who will sell the raw materials at comparatively lesser prices than the market is important. The raw material suppliers could be found in the neighbouring states of Kashmir. In Srinagar, the price of the raw materials will be more expensive compared to the neighbouring states. Therefore, it is recommended to find suppliers outside Srinagar. It will increase the logistics costs but still this option is better as the government of India reimburses the transportation costs for first few years.

The product has to be tailored to the requirements of the potential customers and their capacity to pay for it cannot be ignored. This product cannot be priced too high if it is aimed at the common people who cannot afford high prices. At the same time, the product cannot be priced too low which may reflect that the product is of low quality.

Pricing Strategies

As it is a new product for Srinagar, there are many ways to enter the market. The company can either choose to enter the market with high price or low price.

- **High initial price**

The company can position the cellulose insulation product as a luxury item and target only the high income people. In that case, the product can be priced high. As this product is new for the markets, the demand will be low. Therefore, by pricing it high, the company may be able to finance the heavy marketing costs and other costs of introducing this product. It will be a safe policy for the company since the product is new and it is uncertain about the product's acceptance.

This product may give rise to competitors in the market who may take some time to study the product before they can launch their own. This may take one or two years. Therefore, when the competitors enter the market, the company can lower the prices. The company can then attract more customers by gradual reduction in prices.

There are also disadvantages associated with this type of pricing strategy. The target will only be the high income people who constitute only a fraction of the total population of Srinagar. By having high initial prices, the company is limiting its customer base.

- **Low penetration price**

Another strategy is to enter the market with lower price. By entering with low price, the company can expand the market rapidly and obtain large sales volume. Since there is a threat to market competition, acquiring a big share of the market may be a good option. Low prices are only possible if the promotion is done heavily before introducing the product because large sales are important in this case. The sales should respond quickly and strongly to low prices. The

advantage of having low price is that all the targeted customers can afford this product and the customer base will be large. Further, it raises barriers against the entry of the prospective competitors. The disadvantage is that if the sales volume is not large, low prices can prove to be hazardous to the company.

It is possible that the company slowly increases the price of the product over time as the customers get dependent on the product. However, this can only be done if the market demand of the cellulose insulation is strong and the business is having a boom. Low price in the beginning followed by slight increase may be beneficial for the company.

Promotion

Since the insulation industry is not well developed in Srinagar and the fact that cellulose insulation does not yet exist there, it makes the task of promoting the product a little challenging. The target customers have to be informed about the nature of the cellulose insulation, its unique benefits, uses and features. The promotional schemes have to be very persuasive. Cellulose insulation offers great benefits to the customer but the way it will be communicated to the customers will tremendously influence its success or failure in the market. Promotional function plays a role of great importance in making cellulose insulation successful in Srinagar.

Whom to Promote?

- Promoting the cellulose insulation product to the companies dealing with central heating systems can be very influential. It can be very attractive to central heating providers in Srinagar as it is an energy saving product and can lower down the heating bills up to 50%. Currently, people in Srinagar find central heating systems expensive as the costs of petrol/diesel are high and they cannot keep their systems running throughout the day. If they turn the systems off, the houses immediately get cold as the hot air escapes easily from the uninsulated houses. If their houses are insulated, they can switch their systems off

for few hours as cellulose insulation has the ability to retain the heat for many hours. It can act as a complementary product to these central heating systems.

- The company should also promote the product to the private house owners who plan to do paneling or have already established panels in their house walls. These can be the immediate customers as they already have in built framework suitable for the cellulose insulation product. In case of paneling the walls, the spaces inside the panels are left empty and cellulose insulation can be sprayed into those spaces without having to build a frame for the walls.
- This product should also be promoted to the real buyers like private households, construction companies, retailers and government and influential groups/ organizations like architects, structural engineers and civil engineers as discussed earlier.

For more information about how to promote cellulose insulation to customers, please refer to the effective promotion section on pages 104- 105.

Place

Once the production unit is set up and the warehouse is built next to it, the next question is establishing distribution networks. The company has to make decisions about the selection of best routes for moving cellulose insulation from the production unit to the consumer. The channels of distribution could be intermediaries who help in moving the product from the producer to the consumer. There are two options that the company can opt for while selecting their own distribution channels: direct selling and indirect selling. Direct selling includes selling the product directly from the warehouse to the consumer or setting up its own retail shops all across the Srinagar city in the beginning followed by the greater Kashmir area. Indirect selling allows the distributors to distribute the product to the already established housing material retail shops that eventually sell the product to the customers.

Place Strategies

- **Direct selling by the manufacturer**

One option is that the customers directly place the orders for the cellulose insulation material from the warehouse itself in Srinagar. The delivery will be done by the company's own sales force. There will not be any middlemen involved. The advantages of direct selling are as under:

- For cellulose insulation product, quick movement from production unit to the consumer is better as it will save the problems of transportation in case of long distribution channels.
- Direct selling is also advisable if the company can sell the cellulose insulation product in bulk to the construction companies or individual house builders.
- Direct selling will also help the manufacturers of cellulose insulation to keep down the costs. This way they can manage to cut the costs of the middlemen and the customer will get the product at a cheaper price.

Another option that can be ventured later by the company is to establish its own retail shops across Srinagar. This can be done once the demand for the product goes up. It will be much better for the company to establish its own retail shops in different districts in greater Kashmir area as people from each district can directly purchase the cellulose product from the retail shop itself.

- **Indirect selling through the middlemen**

Another option is that the manufacturer takes the help of the middlemen to reach the ultimate customer. These middlemen can be distributors, brokers, agents, retailers etc. Indirect selling also has some advantages which are mentioned below:

- Indirect selling can be helpful as the company will get a ready made distribution channel to follow instead of developing its own.
- If the company has lack of in-house expertise and resource constraints in the beginning, it is advisable to concentrate on production and leave the task of distribution to an outside agency.
- The company can also look for the existing distribution channels for fiberglass products in Srinagar. An established network of channels can make the job of the company easier.
- The company can also use multiple distribution channels to ensure that cellulose insulation product reaches maximum number of people.

In case of using a distribution channel, the company has to make contracts about the roles and responsibilities of each company participating in the distribution channel. They have to review their services at frequent intervals and keep in touch with the developments related to distribution of cellulose insulation and also improve the marketing endeavours constantly.

Packaging

Packaging or physical evidence will also play a very important role in cellulose insulation business in Srinagar. Much attention has to be given to the packaging of the cellulose insulation product. Material cues will make the customers picture the company in their minds. Therefore, the company should make the right packaging decisions in order to market the product effectively. As packaging includes every visual element about the company right from the headquarters, furnishing, paperwork, websites to the actual product, the company should concentrate on everything that sends out a message to the customers.

Packaging Strategies

- The production unit has to be insulated with the cellulose insulation product. This is important because it will definitely help the customers to see the bene-

fits of the cellulose insulation prior to the purchases. Consumers will develop perceptions based on their experience of being in a comfortable insulated structure.

- The cellulose fiber insulation material which is normally wrapped in polythene bags in Europe or USA has to be wrapped in any alternative packaging material because the use of polythene is banned in India. The alternative packaging material includes coconut fiber bags which are available in Srinagar. Another option is to use strong paper bags which may be comparatively expensive. On the packaging itself, the certification label symbols like ISO should be mentioned as it gives credibility to the product.
- The entire service offered by the company should reflect a professional attitude. All the activities involved in the transfer of cellulose insulation product from the production unit to the consumers should be dealt with professionally. The delivery of the product has to be done on time and the bookings for the customers regarding the installation services should be done ahead of time.

Positioning

Positioning the cellulose insulation product in an effective way is important for the success of the insulation business in Srinagar. As it is a new product, the product has to be positioned towards the customers in such a way so as to control their minds. The mindset of the people has to be changed. It is important that the customers view the cellulose insulation product as a necessity rather than a luxury. (Darvesh 2009)

Positioning Strategies

- The cellulose insulation product, being a foreign product offers an added advantage for the company. People in India particularly in Srinagar have a strong tendency to value foreign products and consider them superior in quality compared to the local products. Therefore, cellulose insulation has to

be positioned as a superior quality product manufactured by the latest foreign technology.

- Cellulose insulation offers great advantages to the people. Therefore, these advantages also have to be highlighted while marketing the product. Cellulose insulation has to be positioned as a beneficial product that helps to save the people from cold and prevent them from bone related diseases. This product has to be positioned in such a way that people think of it as a useful product that saves them from harsh winters and diseases.
- Since the cellulose insulation is a green building material, it should be positioned as the environmentally friendly insulation material. It helps in the reduction of energy bills and can save up to 50% of the energy consumption. It is made from recycled paper and can solve the waste management problems. Further, its production uses far less energy than the fiberglass. These advantages should be communicated effectively to the customers and they should see this product as the greenest of the green products. (Cellulose Insulation Manufacturer's Association 2009)

In short, customers should think of the cellulose insulation product in terms of attributes like "superior quality", "beneficial" and "greenest of the green". If the cellulose insulation product is positioned in this way, these attributes present in the minds of the prospective customers can make them value this product more.

People

Having appropriate staff is very important for the company. Recruiting the right staff and training them appropriately is essential if the company wants to obtain competitive advantage. The company needs to hire right people for management positions as well as manual labor. The company has to train the installers who will then install the cellulose insulation product. These installers have to be the right people as the success of the cellulose insulation depends on how well the

product is installed. Therefore, the installation services have to be carried out in the best manner possible. Another service of significance is the delivery of cellulose insulation which also requires efficient people. Customers will make judgments and perceive the services of the company based on the employees of the company. Therefore, they have to be the right people who have the appropriate interpersonal skills and knowledge to provide the service that consumers are paying for.

People Strategies

- Training the staff is a necessity for the company. Firstly, it should train the people about operation of the production plant. Next, it has to train the installation companies or independent installers who will install this cellulose insulation product. Installation process will definitely require rigorous training as they are not acquainted with this kind of business. These installers and the customer service employees have to be trained appropriately in order to maintain high quality services for the customers.
- The image that the staff presents is very important for the company. Since, it is a foreign product and the company is marketing the product as one, the staff has to represent the desired company culture.
- The installers should have a special uniform which includes specific jackets and helmets needed for the installation process. All the employees of the company should dress smartly and give a positive image to the customers.
- The company should also take care of the safety issues of the workers. People with problems like asthma and breathing disorders should not be allowed to work on production sites as the cellulose insulation may accentuate their problems.

4.8 Recommendations for Cellulose Insulation Business in Srinagar

Following are the recommendations that follow from the results of this research:

1. In order to penetrate the Indian market, foreign company should enter into a joint venture with an Indian partner.
2. The recommended area for setting up a production unit is the Industrial Estate in Srinagar.
3. The market segment that the company should target is the middle income group.
4. The company should enter the market with a low penetration price of cellulose insulation product.
5. The raw materials should be obtained from New Delhi rather than Srinagar in order to get cheaper deals. Waste newspaper could also be obtained from Srinagar.
6. The success of the cellulose insulation relies largely upon its effective promotion.
7. The joint venture company will sell the cellulose insulation product directly from the production unit. Later, it can set up its own retail shops all across Kashmir valley once the business starts to boom.

Entry Strategy

Any foreign company that is interested in extending its business to Srinagar for selling cellulose insulation should develop partnership with a company in Srinagar, India and establish a joint venture company there. The partner needed for the cellulose insulation company should be able to finance this project alongside the

foreign company, have expertise in the construction business and already established networks in Srinagar.

After entering into a joint venture with the company in Srinagar, the foreign company can enjoy all the benefits of a local Indian company. Joint venture is considered to be a best entry mode in this case as it will allow both the parties to share the investment costs and risks together. In addition, by working with the local partner, the foreign company can get easier access to the markets in Srinagar. The local partner would have in-depth knowledge of the market and would be acquainted with the culture and language.

The foreign company could also sell the license to the Indian company but it is not a desirable option as the willingness to buy the license has to come from the Indian company. In this case, that will not happen due to low awareness of insulation. Further, it will burden the Indian company as it has to bear all the risks and investment costs alone. Further, setting up its own representative office in India is also ruled out as the foreign company will have to bear all the costs on its own, it will be deprived of local market knowledge and has to establish its own network channels.

Exporting cellulose insulation from Europe to India will be difficult as well due to the high prices that people cannot afford. Therefore, the preferred entry mode for the foreign company to sell cellulose insulation in Srinagar is Joint Venture.

Joint Venture Operations

The joint venture company established in Srinagar, India will receive the technology and know-how from the foreign company. Both the partners will together invest in starting production of cellulose insulation in Srinagar. The foreign company will be responsible for providing the technology and marketing know-how and training to the employees in Srinagar and the partner from Srinagar will be responsible mainly for the management and the marketing in Srinagar.

Production Unit

The foreign company and Indian company together can establish a production unit in Srinagar. As mentioned earlier, article 370 of the Indian constitution allows only the people of J&K to own immovable property there. Therefore, only the local partner from Srinagar can buy the land. It is advisable not to purchase the land but rather lease it from the government. The Industrial Estate in Kashmir division of J&K is a most suitable place for setting up a production unit.

The following table shows the industrial estates and their locations in different districts of Kashmir.

Kashmir Division	
Srinagar	Khonmoh – Industrial Estate
Budgam	Rangreth EPIP Ompora
Pulwama	Lathipora IGC Lassipora - Growth Centre
Baramula	Doabgah - Food Park

Table 6: Locations of Industrial Estates in Kashmir Division
(J&K State Industrial Development Corporation 2009)

In Srinagar, the company can set up the production unit in Khonmoh Industrial Estate. The government provides many incentives to the members of this industrial estate. Firstly, the land costs are minimal compared to other areas. In order to use the land, one time payment of € 3000 - € 4000 for 506 sqm has to be made. In addition, annually the company has to pay about € 50. The company can use this land for a period of 90 years. Secondly, the electricity costs are very low in the industrial estate. € 0.06 / unit price is quite low compared to electricity prices in other areas. The building costs of production unit can vary depending upon the materials used. The approximate costs can be € 14,000- € 16,000.

Target segment

The most potential target segment is the middle income group as it is the largest segment. According to Mr Zahoor Ahmad, Structural engineer, every year nearly 1000 residential houses are built in Srinagar (2009). In 2006, 15,000 houses were built in Srinagar municipality (Khan 2009). The opinions of the experts show that major contributors of the construction volume in Srinagar are the residential houses. Both the existing residential houses and the new ones can be targeted.

The residential houses are made by middle and high income households while the majority of these houses are made by the middle income group. If the company targets this segment, it can automatically reach to the high income group. For more information about how to market the cellulose insulation product to this segment, please refer to the marketing strategy for middle income households.

In case the company wants to target other segments as well, the researcher has devised different marketing strategies for all target segments which can be found in the recommended marketing strategies section.

Pricing Strategy

The company should enter the market with low price. Low price should be set as the income level of the people cannot be ignored. By pricing low, all the targeted customers can manage to pay for this product and the customer base will be large. The affordable price for a two to three storey house that is built on 1500-1800 sq feet is €1500 to € 3000 for common masses. If the cellulose insulation is priced at € 0.50 / kg, it becomes affordable as the total material for the entire house will cost in between €1500 to €3000.

Further, as mentioned earlier, by pricing the product low, the company can also raise barriers against the entry of prospective competitors and increase its market share by entering with low price and obtaining large sales.

Raw material suppliers

Since the raw materials needed for cellulose insulation are newspapers and chemicals, the researcher interviewed the printing agencies, newspaper collectors and chemical providers. From the printing presses in Srinagar, it was found out that daily circulation of newspapers is around 30,000- 40,000 for big newspaper companies. Small ones sell 4,000 to 5,000 daily. There is not much waste paper availability at the printing presses. 20-30 kg daily can be obtained at one press. They sell it to the waste paper collectors who further sell it at INR 12-15 or € 0.18- € 0.22. The total waste newspaper availability in Srinagar city per day will be around 1.5 tonnes. As this quantity is not enough to operate a production unit, there are two options for the company.

Option A: To organize some waste management operation of its own and collect the waste paper from all places across the Kashmir valley.

Option B: To purchase the wastepaper straight from New Delhi. The wastepaper prices in New Delhi are much cheaper than in Srinagar and there is enough availability of the paper. It is possible to get the newspaper from Delhi at € 0.093/kg which is much better than purchasing from Srinagar.

Option A has pros as well as cons. Benefit is that the company may be able to get the wastepaper at only INR 5 /kg or € 0.074 or lower if it collects directly from the people. The disadvantage is that the company has to put a lot of time and effort into this process. Option B also has strengths and weaknesses. The strength is that the company does not have to stress or worry about organizing the wastepaper management in the beginning and can concentrate on its core business of producing the cellulose insulation. The weakness is that there will be logistics costs involved in the case of transporting the paper from New Delhi to Srinagar.

The researcher recommends Option B as the company can focus on its core business. Besides, 90% of the logistics costs will be reimbursed by the government of India for the first five years from the date of registration of the company.

Regarding the chemicals, the only option is to get them from the neighbouring states of Srinagar as they have to be purchased straight from the mines. In Srinagar, these chemicals are found in limited quantities and at very high prices. By purchasing in bulk, the company can get these chemicals at cheaper prices. It is

possible to get these chemicals at INR 56 /kg or 0.82c/kg. However, these are not the standard prices. Prices vary with suppliers. It is possible to bargain prices with the suppliers in India. Therefore, the best suppliers have to be chosen who are willing to sell good quality products at reasonable prices.

Effective Promotion

Effective promotion is the key to the success of the cellulose insulation business in Srinagar. Since cellulose insulation will be in the introduction phase of the product life cycle, the promotional techniques will be mostly motivational and persuasive. The promotional mix will be comprised of publicity, informative advertising, sales promotions etc. Following are a few recommendations about how to promote cellulose insulation to its customers:

1. The company should conduct an educative session in Srinagar and invite the experts (architects, civil engineers, structural engineers, construction companies) and government officials. Refreshment should also be provided to them. The purpose of this seminar is to educate these experts and to create awareness among them about the cellulose insulation product, its benefits, features and uses. Creating awareness among the experts is the first and the most important step in promoting this product and it should be done with conviction. If the experts get convinced, it is easier to convince the common masses.
2. The company should insulate a structure using cellulose insulation and demonstrate its benefits to the customers. For example, it could demonstrate the changes in the room temperature or humidity level outside and inside the structure so that the customers can really see the benefits that the cellulose insulation can bring to their homes or other buildings. This promotion will receive good attention from the people and it will have positive impact on their mindset.(Hakim 2009)
3. The company should create the demand for the cellulose insulation product by generating commercially significant news about it in the biggest newspapers of

Srinagar like Greater Kashmir or Aftab. Getting media publicity by providing press releases to the local media is an excellent way to promote cellulose fiber insulation in a professional and credible manner.

4. The company should also make a favorable presentation of the product and air it on radio as well as local television channels and cable operators. By advertising through radio, television and print media, the company can promote this product. It is important to show these advertisements during the prime time on television and radio.

Since the government of India will reimburse all the costs on the brand promotion for the first three years, the company can spend on the promotion without having to worry about its budget for promotion. Government of India can pay up to Rs 20 Lacs/ € 30,769 in the first year, Rs 15 Lacs/ € 23,076 in the second year and Rs 10 Lacs/ € 15,384 in the third year. (J&K, State Industrial Development Corporation, 2004) (Conversion rate 1€ = Rs 65, Source: Forex: 5.9.2009)

Distribution Strategy

In the beginning, the company should directly sell the cellulose insulation from the production unit. Later, it can set up its own retail shops all across Kashmir valley once the business starts growing. For more information about distribution strategy, please refer to place strategies discussed earlier in marketing mix section.

4.9 Recommended Marketing Strategies

The following section includes the possible marketing strategies for different segments identified by the researcher for selling cellulose insulation product. The main target segments include high income households, middle income households, government, construction companies and decision influencers

Marketing Strategy for High Income Households

Individual households are one of the largest segments for cellulose insulation in Srinagar. The private households that earn high income can be very much willing to buy this product only if it is marketed to them in a desired manner. These high class people spend € 75,000 to € 150,000 on constructing their houses and spending an additional amount on insulating the house may not be a big concern. However, the success of this business lies largely in designing an effective marketing strategy for these high income households. The way this product is marketed to them and the perfect combination of the Ps of the marketing mix will help in receiving positive response from this segment.

Product, Promotion and Positioning

Common people in Srinagar care less about the environmentally friendly nature of the product or its effectiveness in managing waste paper. Therefore, these qualities of the product will not really make the people buy it. The ability of cellulose insulation to keep their houses warm during winters and cold during summers is what would draw them towards this product. Further, by installing cellulose insulation, they will be able to decrease their energy consumption by up to 50%. If these high income people get to see these benefits in this product, they can be convinced to purchase it. Positioning this product as comfortable product for comfortable living can be useful. The focus has to be put on the level of comfort.

In order to promote this product to this segment, it is important to promote it to the experts first who design their houses like the architects and structural engineers. These people tend to rely largely on the experts for advice. If these experts get convinced about this product, they will eventually convince this segment. This product can be promoted to these experts through seminars and by insulating the structure and demonstrating its benefits. Also this product can be promoted to this segment through newspapers, radio and television as a high quality product.

Price and Place

A price set at € 0.55 per kilogram will be an affordable price for this segment. A normal three storey house that is built on 200 square meters requires approximately 150 m³ of cellulose insulation for a thin layer. For such a house, the product price will be € 2500 which is quite affordable for the big income households. The thicker the insulation requirement of the customer, the costlier it will be. They can willingly spend this amount for this purpose only if they are convinced about the benefits of this product.

The product can be sold directly to this segment. In this case, the delivery men of the company can deliver the product straight to the construction site. Installation services could also be arranged through the trained installers.

Packaging and people

High income people usually embrace foreign technologies and products more willingly than the local products. Therefore, they can draw closer to this product after becoming aware of its origin.

In India relationships are placed before business and thus the relationship phase of the business process is considered important. Therefore, the employees of the company have to be friendly and dependable. They have to establish good relationships with the customers and at the same time provide high quality services. Below is the pictorial depiction of this marketing strategy showing the important P's of the marketing mix.

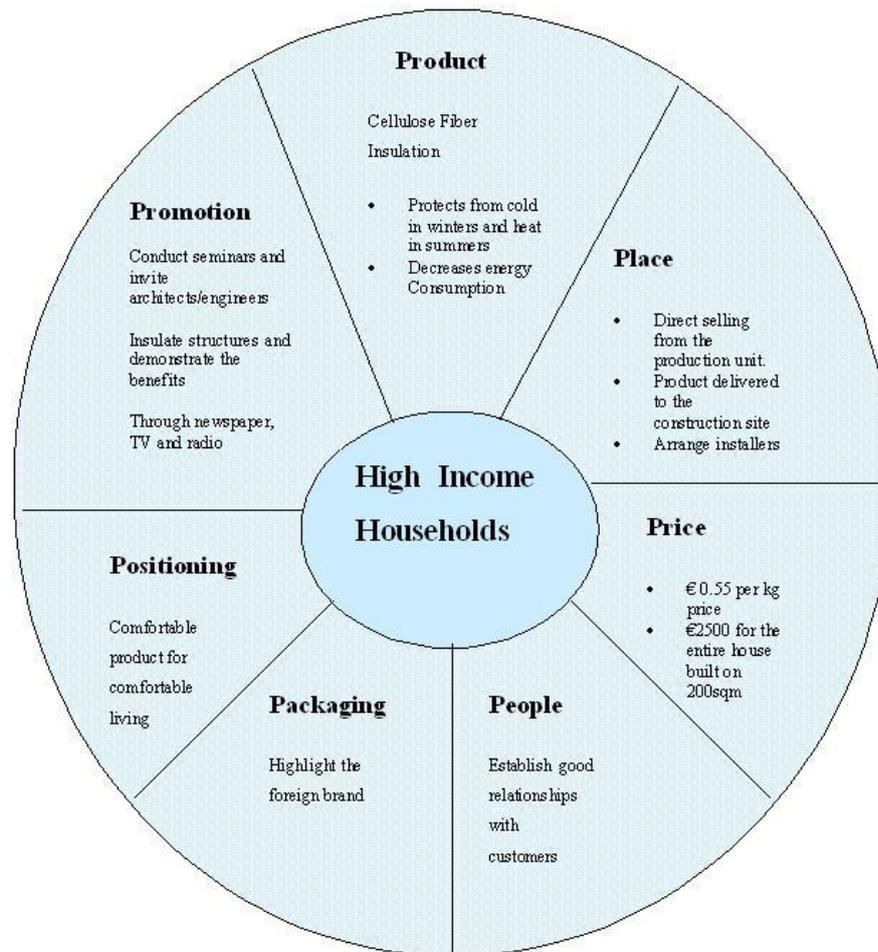


Figure 16: Marketing Mix for High Income Households

Marketing Strategy for Middle Income Households

Individual households having middle income are one of the identified target segments that can purchase cellulose insulation product if they are convinced about its benefits. The middle income group spends € 40,000- 50,000 on the construction of their houses and they can spend some amount on insulation if they believe that it brings benefits. Also, people have the tendency to emulate the design and constructions of other people and it is possible that when people start installing the cellulose insulation, others will follow. However, an effective marketing strategy will ultimately be the most important tool to succeed in convincing this segment.

The blend of the marketing mix that is suitable for the middle income households is described in the following paragraphs.

Product, Positioning and Promotion

The qualities of cellulose insulation that will attract the middle income group are similar to the high income households as described earlier. They also care about the comfort of the house and energy efficiency rather than its eco-friendly nature. Further, the fact that warm houses in winters will protect the people from bone-related diseases will be an added advantage. These benefits have to be highlighted while marketing this product. Positioning cellulose insulation as a comfortable product for comfortable living can prove advantageous.

As middle income groups may find it difficult to spend a huge amount on insulating their whole houses, it is also possible to let them insulate one or two rooms in their houses. By providing this option, the customers can get to insulate one or two rooms and that way expenditure will not be too much. Also, the company can increase its markets. In addition, convincing the experts who eventually convince the common people is important. Every single middle income household owns televisions and radios. Therefore, marketing through the media is very important to make this message reach the masses.

Price and Place

For this segment, price plays a very important role. People may be convinced to purchase this product if they find the price reasonable. If they find the price unaffordable, it is hard to convince them. A price set at € 0.50 per kilogram will be reasonable price. As mentioned earlier they can insulate one or two rooms which may cost around € 200- €300. The price set at € 0.50 per kilogram is not an unaffordable price for this segment even if they want to insulate the entire house. However, if the company wants to convince this segment to insulate their whole houses, it can set the price a little lower than € 0.50. Another option that can be given to this segment is to insulate with a thin layer of cellulose insulation on their walls or attic. The thinner the layer, less cellulose is used and the cheaper it will be. However, that will affect the ability to retain the hot or cold air inside. The

company may also let this segment pay in installments in order to extend its customer base.

The product can be sold directly to this segment. In this case, the delivery men of the company can deliver the product straight to the construction site. Installation services could also be arranged through the trained installers.

Packaging and people

People look for the certifications before any purchases. Therefore, it is better to use the certification labels on the packaging. As mentioned earlier, people are attracted by foreign technologies so it can be advantageous to make the people aware about the foreign brand. Company employees have to establish good relationships with the customers. They should possess etiquettes needed to represent a foreign company.

Here is the blend of marketing mix for the middle income households.

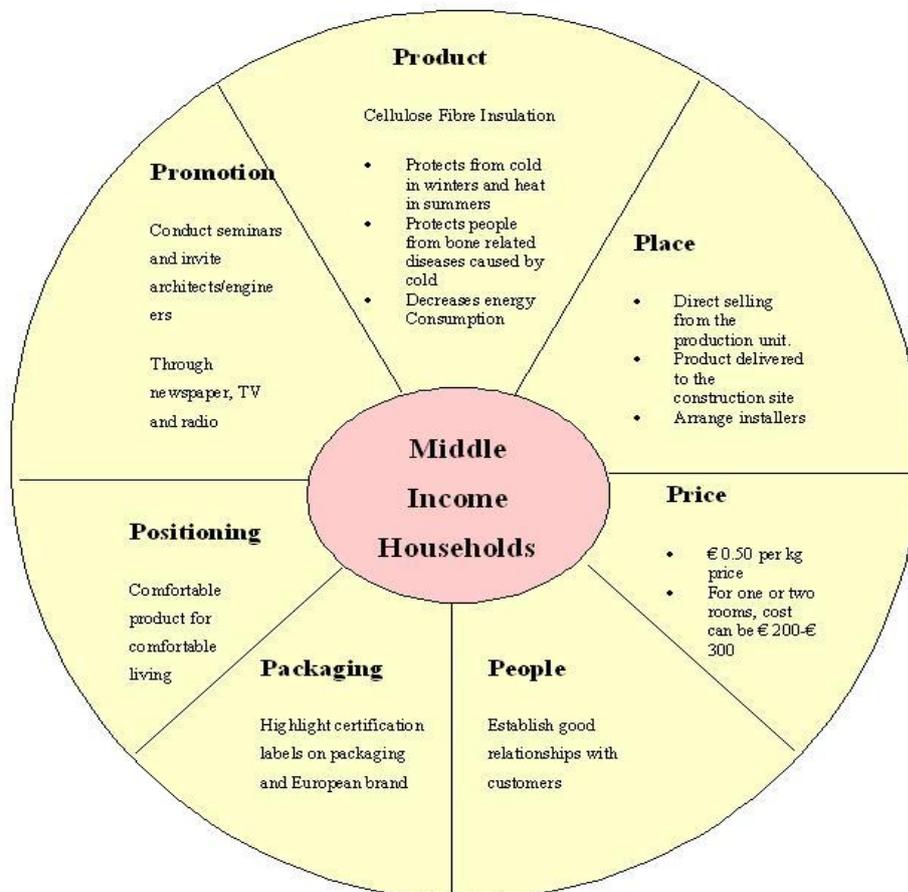


Figure 17: Marketing Mix for Middle Income Households

Marketing Strategy for Government

Cellulose fiber insulation has to be marketed to the government in an effective manner which will yield good response. Governmental offices and units are built from time to time. A good strategy that convinces the government to purchase cellulose insulation has to be devised. Several factors have to be highlighted more than the rest while dealing with government.

Product, Positioning and Promotion

While addressing the government, it is important to market the nature of the product. It is vital to address the eco-friendly nature of the cellulose fiber insulation. Since it is a green product which is made of recycled newsprint, it will receive good support from the government. The government has to see the benefits that this product will bring to the environment. It will not only save energy consumption but it will also solve the problem of waste paper management. These benefits have to be stressed upon in order to get positive response from the government. Positioning the cellulose fiber insulation as a greenest of the green product will be advantageous for getting the support of the government. The best way to promote to the government is to conduct seminar and invite the officials from different departments to attend it. Through this seminar, they can be educated and informed about the benefits of this product. Conducting seminar should be accompanied by sending direct mails to the key officials who make the purchase decisions for their respective governmental units.

Price and Place

As the government could buy cellulose insulation in high volumes, 10% discount could be offered to the government. Normal per kilogram price of the product could be set at € 0.50. The product will be directly sold to the government. The delivery people of the company can deliver the product straight to the construction site. Installation services could also be arranged for the government through the installers.

The company has to consider the issues that may conflict with the government like using plastic, focusing on the safety management of the laborers and considering the convenience of the inhabitants in which the production unit operates.

The following figure depicts the important Ps of the marketing mix that need to be addressed to the government.

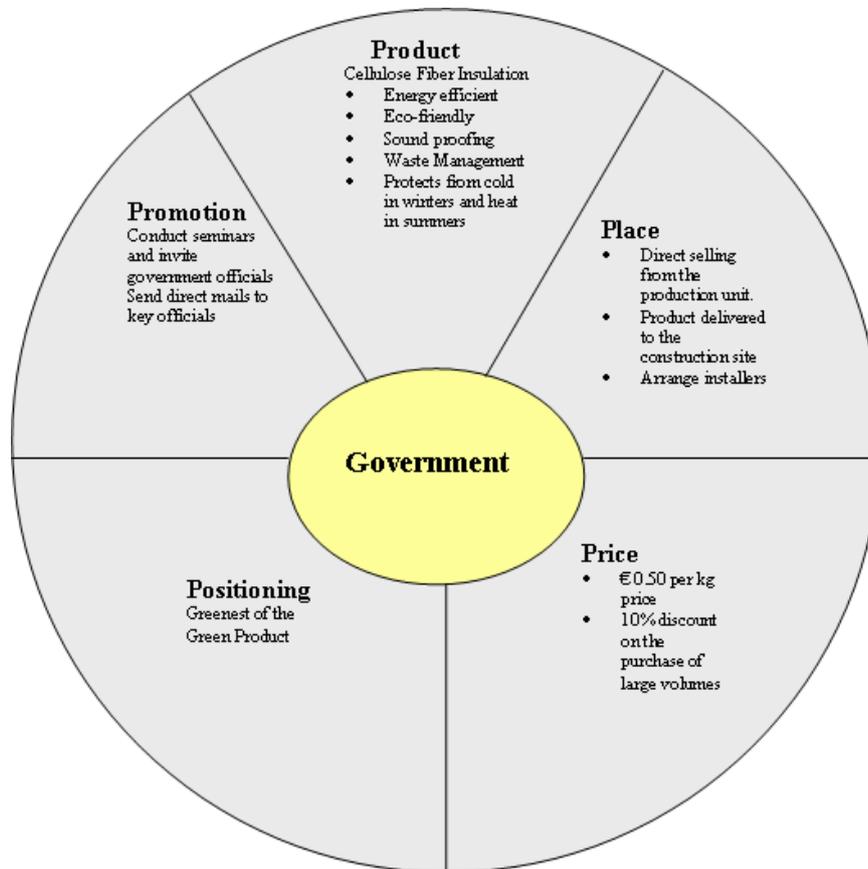


Figure 18: Marketing mix for Government

Marketing Strategy for Decision Influencers

Decision influencers are those experts who can persuade the people to purchase cellulose insulation material in Srinagar. These are the experts who design the houses or buildings in Srinagar like architects or structural engineers. They can advise people to insulate their houses. It is seen in Kashmir that people do not question these experts and tend to follow whatever they advise them. Therefore, it is important to market the cellulose insulation product to them and convince them about its benefits. Once they are convinced, they can be instrumental in further

marketing the product. Following paragraphs present a suitable strategy for the decision influencers.

Product, Positioning and Promotion

These experts should be aware about the eco-friendly nature of the cellulose fiber insulation. For them, the company has to market it as a green product. It is important to mention all the benefits of this product to this segment as they deal both with the government as well as the common people. Therefore, they can persuade both the segments in different ways. For the common masses, level of comfort will be highlighted and for the government green technology and green product will gain extra points in addition to the waste paper management.

Positioning the cellulose fiber insulation to the decision influencers as both greenest of the green product and comfortable product is important. The best way to promote to the architects and engineers is to conduct seminar and invite the architects association and also association of structural engineers to attend it. Through this seminar, they can be educated and informed about the benefits of this product. It is also important to demonstrate the product's benefits to these experts and make them understand the thermal properties of the cellulose insulation and the effects it has on the structure on which it is installed. They can clearly see the differences in temperature inside and outside the structure.

These experts think that there is a great need for insulating the houses in Srinagar due to the harsh winters. They would definitely encourage common people to insulate their houses provided they are convinced about the effectiveness of cellulose insulation. Further, they should also see some benefit in promoting this product.

Price and People

Price and place are not so much important in this case as these decision-influencers will not be the direct customers. They can convince the customers to purchase

this product but not purchase it themselves. However, they should be well informed about the pricing. The per kilogram price at € 0.50 is good as with this price both the high income as well as middle income groups will be targeted.

Establishing good relationships with the technocrats is of tremendous importance as they can get customers for the company. It is advised to involve these experts in the marketing plan and pay some commission to them when they bring customers to the company.

The following figure depicts the important Ps of the marketing mix that need to be addressed to the decision influencers.

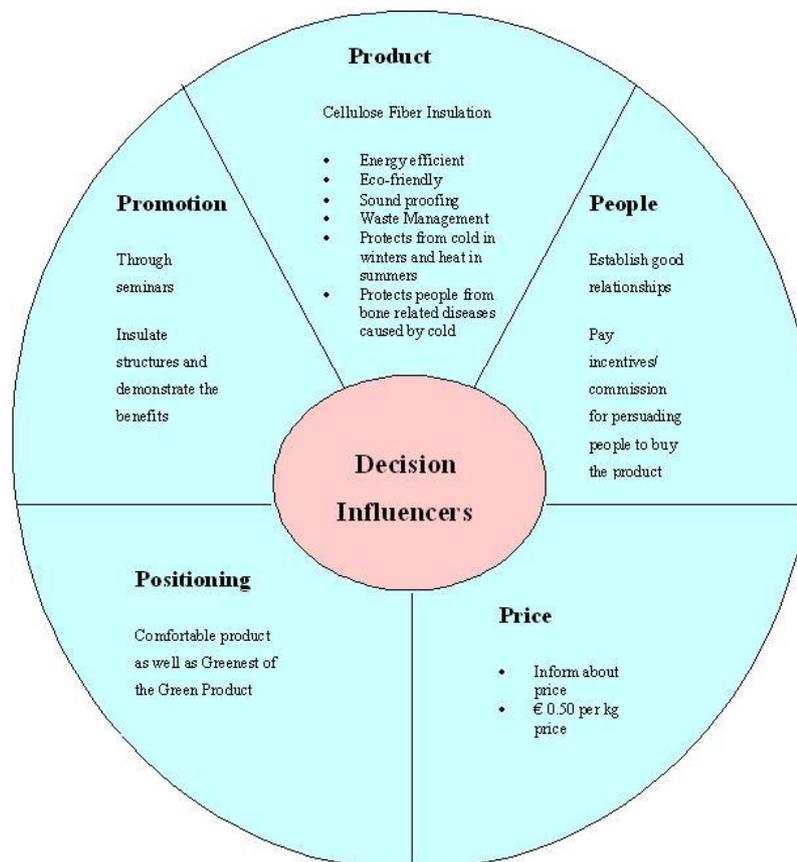


Figure 19: Marketing Mix for Decision Influencers

Marketing Strategy for Construction Companies

Construction companies are one of the target segments that can purchase cellulose insulation from the company. These companies work for both government as well as the private sector. Mostly, they get the contracts from the government to build hotels, shopping malls, apartments and so on. These companies can purchase cellulose insulation if they are asked by the government or decision influencers to do it or if they themselves get convinced about the benefits of the product. In order to effectively get this segment to realize the importance and benefits of cellulose insulation, a suitable marketing strategy has to be implemented which is shown below.

Product, Positioning and Promotion

The construction companies in Srinagar have tough competition among each other to win the contracts from the government. Usually government chooses those companies that have a good track record. Nowadays, awareness about green products is increasing among the government. In the long run, the construction companies with more environmental consciousness will receive good support from the government. Therefore, in order to gain every advantage to increase sales and profits, these companies need to resort to more environmentally friendly solutions.

Cellulose insulation would provide these construction companies proven advantages in product performance and environmental benefits, advantages that they can translate into increased sales and profitability. Therefore, promoting the green facts about the cellulose insulation can be advantageous. The facts like cellulose requires less energy to make than any other insulation product, it is made from recycled paper, prevents the release of greenhouse gases that are released when paper decomposes in landfills and so on. Position this product as the greenest of the green products as well as high value and high performance product that excels in harsh weather conditions and provides excellent fire protection and great acoustic properties. It is better to promote this product to the construction companies by conducting seminars and inviting these companies to attend them. Also,

send brochures or marketing material to them that show the performance and environmental benefits of this product. Personal selling will yield better results in this case. Communicating the technical product information and other advantages of this product to these construction companies can be beneficial.

Price, Place and People

These companies would buy the cellulose insulation product in high volumes. It is advisable to offer them discounts. Normal per kilogram price of the product could be set at € 0.50. The cellulose insulation product will be directly sold from the production unit in the first year. The installation services will also be offered to these companies.

Establishing good long term relationships with these construction companies is very important. The company sales force should engage in personal selling and maintain post sales relationships.

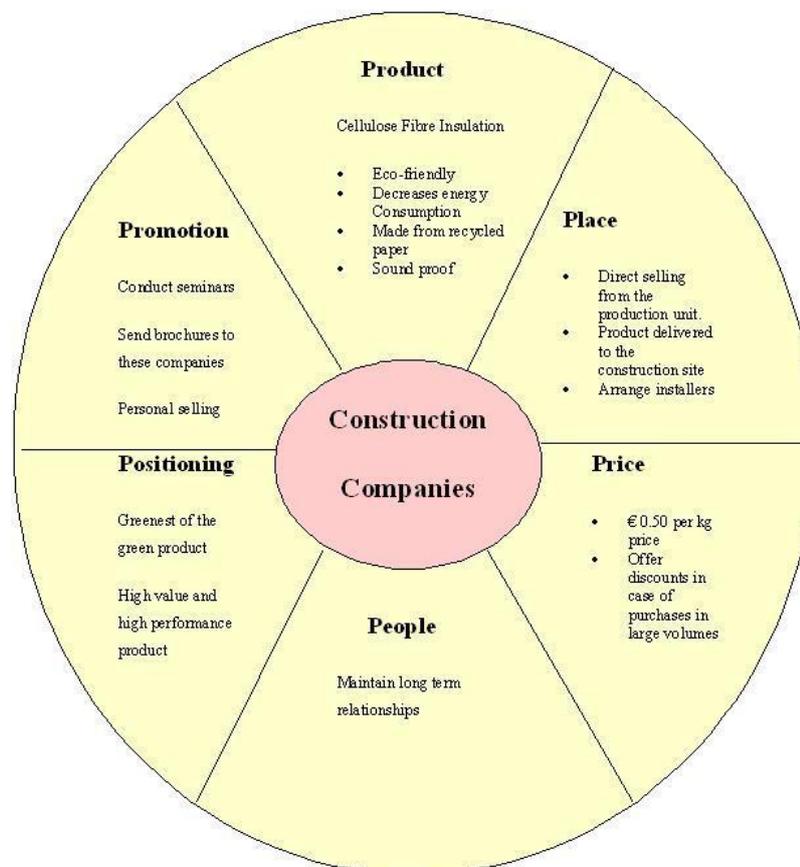


Figure 20: Marketing Mix for Construction Companies

Recommended Business Model

This section contains the recommended business model that the foreign cellulose insulation company should follow in order to achieve success in Srinagar, India.

This business model is based on the recommendations described earlier.

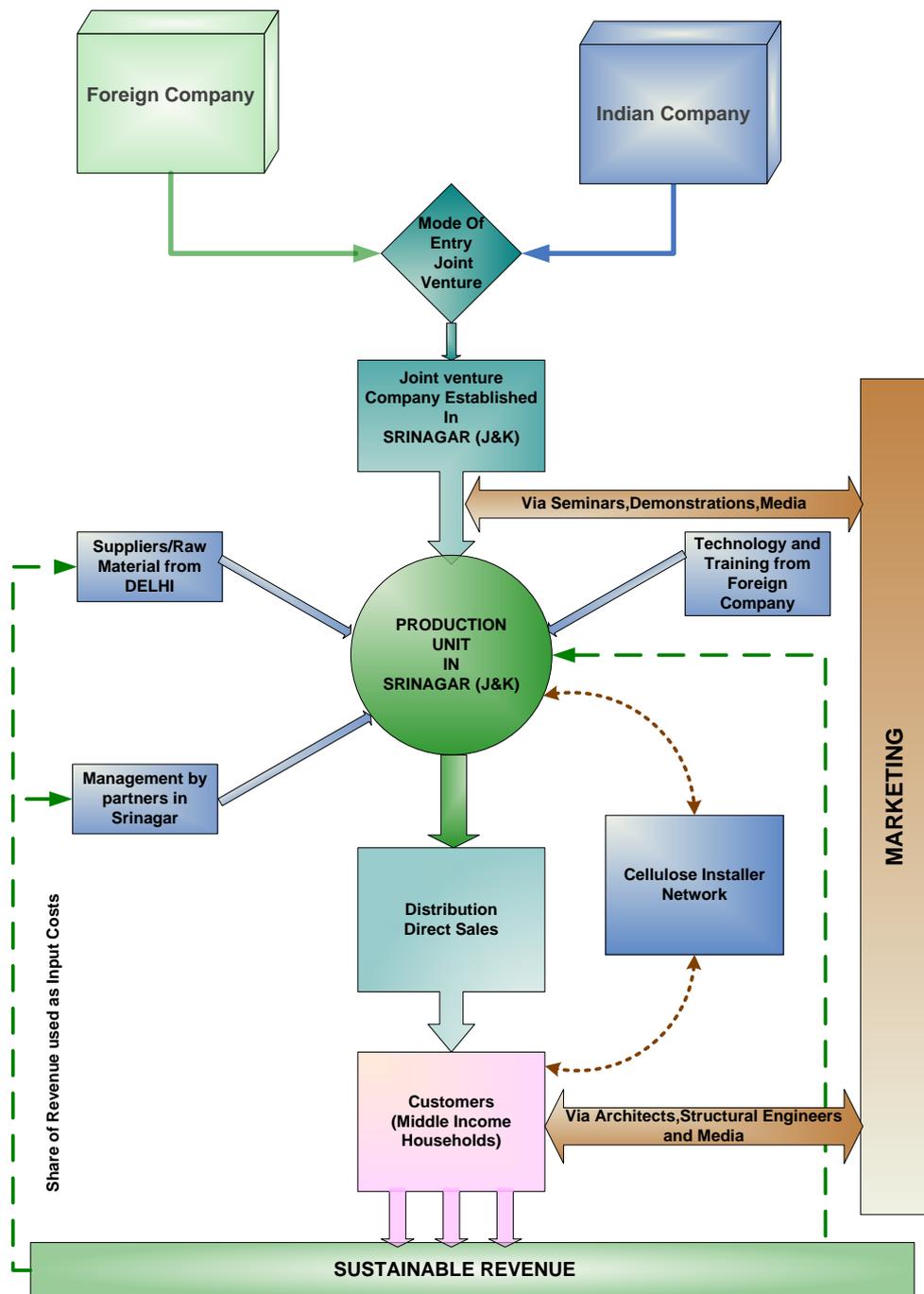


Figure 21: Business Model

5 CONCLUSION

This thesis draws attention to the importance of insulating the structures in the northern regions of India especially the colder regions of J&K. The development of insulated structures will not only protect the Kashmiri people from cold during winters but also give an opportunity to the foreign companies to establish insulation business in cold areas of India.

This research was undertaken to conduct a market analysis in Srinagar to determine the potential of cellulose insulation business and also find out the ways to market this product. The project achieved its objectives and the market analysis was conducted successfully in Srinagar.

This study utilized a qualitative research method whereby the researcher conducted twenty two interviews with the identified market segments that included architects, structural engineers, civil engineers, government, printing houses, retailers and construction companies. These different segments were interviewed for varied reasons. While the experts like architects, structural engineers, civil engineers, retailers and construction companies provided information about the potential of the cellulose insulation in Srinagar and possible challenges that it would face, printing houses gave information about the availability of the raw materials in Srinagar. Government helped significantly in providing the information about the incentives, procedures, rules and regulations about starting an insulation business in Srinagar. All the data collected via the interviews was analyzed and assessed before documenting the findings.

The research found that there is a huge potential for the insulation business in Srinagar even though insulation materials are rarely used by the people. Lack of availability of the insulation materials in the valley was the main cause for its non-use. Today, people do not use insulation materials even though they spend generously on other construction materials. It is possible to say that if insulation prod-

ucts are available in the city and people realize their importance, lot of people will show willingness to insulate their houses as long as the price of the product is affordable.

It was found that there is hardly any competition in the insulation business in Srinagar. The fiberglass which is available there is used as a roofing material rather than insulating agent and its use is not very common among the people as it is priced high.

The governments of India as well as J&K offer attractive incentive packages for the industries that plan to set up ventures in Srinagar. The raw material needed for the cellulose insulation product is not sufficiently found in Srinagar. Therefore, the raw materials have to be obtained from the neighboring states of J&K especially New Delhi.

Many risks were also identified in the case of setting up cellulose insulation business in Srinagar which included the political disturbances in the valley due to tensions between India and Pakistan, corruption, lack of raw material availability, weak IPR protection, different construction style and un-insulated doors/ windows. Further, insulating a house will incur additional costs like using timber, wooden boards, meshes and panels that may add to the costs of cellulose insulation and therefore discourage people to buy this product.

It was found that the best way for any foreign cellulose insulation company to enter the market in India is to start up a joint venture with the company in Srinagar and set up a production unit there. In the case of setting up a business in Srinagar, direct stakeholders will be the foreign cellulose insulation company, partner in Srinagar, cellulose installers, suppliers and intermediary consulting company that would help the foreign company to reach the Indian market. Indirect stakeholders will be technocrats (architects, structural engineers, civil engineers and construction companies), government, media and financial organizations.

The target segments to market the cellulose insulation product are middle income households, high income households, construction companies, government and

decision influencers like architect and structural engineers. The largest target segment is the middle income group as the majority of the construction volume in Srinagar relies on the constructions of residential houses of middle income people.

The researcher has made some recommendations and if the foreign cellulose insulation company uses these recommendations, its chances of succeeding in the Indian market can improve. Firstly, by entering into a joint venture with the Indian partner, it will get all the benefits and incentives offered by the government of India and J&K state to the local Indian company. Further, it can delegate the job of marketing and management completely to the Indian partner in Srinagar without having to be concerned about doing everything on its own. The most important benefit is that there will be resource sharing and both the partners will share the risks and the profits together as both of the partners will invest in the insulation business and therefore share the profits that the business makes. In addition, the local partner will have the knowledge of the market in Srinagar and will be acquainted with the culture, language and the way things work in that market.

Secondly, setting up a production unit in the Industrial Estate in Srinagar instead of any other place is preferred due to the attractive incentives government offers to the members of the industrial estate. Low electricity costs, low land costs, subsidies, tax reductions etc are some of the benefits.

Thirdly, if the company targets the middle income households who construct residential houses, it will tap the biggest segment. By targeting the middle income group, it can also sell the product to high income group with the same pricing. Every year thousands of houses are being built in Srinagar mostly by middle income group. Targeting this group will be quite fruitful. In addition, the company can also target other segments as well.

Fourth, the company should enter the market in Srinagar with a low penetration price of cellulose insulation product. The affordable price would be € 0.50 per kg for the cellulose insulation. Keeping the price of the cellulose insulation product

down is very important in Srinagar as the low income levels of people cannot be ignored.

Fifth, the company should obtain the raw materials from New Delhi instead of Srinagar. It will be better as the company will get the raw materials at cheaper price which will eventually help in keeping the cost of the end product down. The logistics costs are reimbursed by the government of India for the first five years. Therefore, buying the raw material from New Delhi will not be a problem in the beginning. When the product is produced at low cost, it will give the company the ability to sell it at a lower price.

Sixth, effective promotion techniques are mandatory for the company as the cellulose insulation product will be a new and unsought product in Srinagar and if it is not promoted in a desired way; its success may be hindered. The best ways to market the cellulose insulation product include conducting educative seminars directed towards technocrats, government and construction companies, insulating test structures and demonstrating its benefits, getting media publicity by providing press releases to the media and also by advertising this product through radio, television and newspapers.

It is important to promote the product to the decision influencers like architects and engineers as they have the power to convince the common masses. In addition, this product should also be promoted to those who sell central heating systems as cellulose insulation complements the central heating systems. Also, people who plan to do wooden paneling in their houses or have already established panels may be the possible customers.

Lastly, the company in its initial years could sell the product directly from the production unit and later on open its own retail shops instead of selling it to the distributors or retailers. The reason is that as it will save the problems of transportation in case of long distribution channels and can manage to cut the costs of the middlemen and the customer will get the product at a cheaper price.

This research mainly focused on the opinions of the experts like architects, engineers, government and construction companies, how they viewed the cellulose insulation product and what they thought of it. Further, it only focused on a single district of J&K - Srinagar. This research did not tap the interests and opinions of the common masses - people who would be the biggest customers for this product. A future study may be suggested that should be directed towards the middle and high income residents. The future study should be aimed at this group across the whole Kashmir valley and Ladakh area. This research would give a clearer picture of the people's willingness to use this product.

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APPENDICES

1. Interview questions aimed at Construction companies, Architects, Structural engineers and Civil engineers.
2. Interview questions for Government Officials (Directorate of Industries and Commerce, J&K State Industrial Development Corporation, Chief Minister's Office)
3. Interview questions for printing houses
4. Interview questions for housing material wholesalers/ retailers
5. Basic Data Sheet of Srinagar District.
6. Package of Incentives, Industrial Policy 2004

2. Do you know anything about European style of constructing the houses?

- 1. Yes, I am familiar
- 2. No
- 3. May be

3. Do you think it is possible to insulate the new constructions in Kashmir?

- 1. Yes, it is easy
- 2. No, it is impossible
- 3. It is challenging but possible

4. Do you think it is possible to replace the way you build the structures now and adopt different style of constructing?

- 1. Yes, it is easy
- 2. No, it is impossible
- 3. It is challenging but possible

5. How willing are you to change the way you construct the houses/buildings?

- I am willing
- I don't want to change
- I will think

6. What are the major challenges that you will face while insulating the houses?

.....
.....

7. Will insulating the houses incur additional costs or is it possible to find some solution?

.....
.....

8. Do you think that it is possible to insulate the existing constructions?
If yes, how can it be done?

.....
.....

9. What do you think about the pricing level that your end users will be
willing to pay for the insulation product?

.....
.....

10. How do you think your end users will react if asked to insulate their
houses?

.....
.....

11. How do you increase the awareness among your customers about a
new product that you use in the construction?

.....
.....

Rakhshanda Khan
khan.rakhshanda@gmail.com

Mobile: +358-452352901

Appendix 2

Interview questions for Government Officials (Directorate of Industries and Commerce, J&K State Industrial Development Corporation, Chief Minister's Office)

I. Background

- Date:
- Interviewee Name.....
- Government Office: Directorate of Industries and Commerce
J&K State Industrial Development Corporation If Other, please specify.....
- Position :
.....
- Place :.....
- Government Services:
.....

II. Questions

1. How aware are you about the insulation industry?
 1. Don't know what it is
 2. Have some idea
 3. I am getting familiar with it

2. How important do you think it is for the houses/ buildings to be insulated?
 1. Not important
 2. Important
 3. Very important, it saves electricity costs

3. Do you know in Europe, it is necessary to insulate the constructions?

1. Yes

2. No

4. Do you think the government of J&K could make an effort towards legalizing the insulation usage at least in the public sector?

1. Yes

2. No

3. May be

5. What is your opinion about doing business with European companies?

.....
.....

6. Is Kashmir ready for the internationalization especially co-operating with Europe?

.....
.....

7. What entry mode is normally preferred by the foreign companies when they want to enter Kashmir?

.....
.....

8. How long does it take to get the permission from the government?

.....
.....

9. Does the company have to take the permission from state government only or both state and central governments?

.....
.....

10. Are there some additional laws and legislations for doing business in J&K?

.....
.....

11. In case of joint venture, should the company in Kashmir have majority of shares? If not, what are the criteria?

.....
.....

12. What are the entry barriers, if any?

.....
.....

13. What would be the short term/ long term expectations from the foreign partners?

.....
.....

14. How long does it take to complete all the business-related formalities?

.....
.....

15. Can government help in providing land facilities?

.....
.....

16. What incentives does the government offer to the foreign companies?

.....
.....

Rakhshanda Khan

khan.rakhshanda@gmail.com

Mobile: +358-452352901

Appendix 3:

Interview questions for printing houses.

I. Background

- Date:
- Interviewee Name:.....
- Category: English Newspaper Urdu Newspaper
- Position :
.....
- Company Name :
- Place:
- Form of company private enterprise Government owned
- Number of personnel:.....
- Size of business Micro (< Rs 10,00000)
 Small (Rs 10,00000 – 10000000)
 Medium (> Rs 10000000)
- Customers :
- How often do you publish the newspapers? Daily Weekly Monthly

II. Questions

1. What is the daily consumption of newspapers at your printing house?

.....
.....

2. What do you do with the newspapers that get wasted?

.....
.....
3. Where do you get the paper from?

.....
.....
4. Do you use recycled paper for producing the newspapers?

.....
.....
5. What is the cost that your company pays to get one tonne of paper?

.....
.....
6. How many tonnes of waste paper does your printing house produce per day? Can you give me a rough estimate?

.....
.....
7. If a production plant is constructed in the valley for manufacturing insulation material, can your printing house sell its waste paper to it?

Rakhshanda Khan

khan.rakhshanda@gmail.com

Mobile: +358-452352901

3. I am getting familiar with it

2. What is your opinion about using insulation material in constructions?

.....
.....

3. Do you sell any product that acts as an insulating agent?

Yes, please specify.....

No

4. Do you think the cellulose insulation product will be successful in Kashmir?

Yes

No

May be

5. What criteria do you look for in a product before you take the responsibility of selling it?

.....
.....

6. When you get any new product, how do you market that product and create its demand among the customers?

.....
.....

7. What is the purchasing behaviour of the end users?

.....
.....

Rakhshanda Khan

khan.rakhshanda@gmail.com

Mobile: +358-452352901

Appendix 5

Basic Data Sheet, Srinagar District			
Census of India, 2001			
Population			
Persons	1,202,447	Number of households	168,232
Males	649,491	Household size (per household)	7
Females	552,956		
Growth (1991 – 2001)	31.45	Sex ratio (females per 1000 males)	851
Rural	256,281	Sex ratio (06 years)	948
Urban	946,166		
Literacy and Educational level		Educational Level attained	
Persons	641,267	Total	641,267
Males	405,708	Without level	37,075
Females	235,559	Below primary	89,649
Literacy rate		Primary	101,964
Persons	59.75	Middle	115,438
Males	69.57	Matric/Higher Secondary/Diploma	220,417
Females	48.07	Graduate and above	76,539
Workers		Age groups	
Total workers	384,669	0 - 4 years	78,478
Main workers	330,195	5- 14 years	291,156
Marginal workers	54,474	15- 59 years	755,683
Non-workers	817,778	60 years and above	77,130
Religions (Largest three)		Amenities and infrastructure facilities	
1.Muslims	1,138,175	Total inhabited villages	168
2.Hindus	48,853		
3.Sikhs	12,967	Amenities available in villages	No of Villages
		Drinking water facilities	168
		Safe Drinking water	157
Important Towns (Largest three)		Electricity (Power Supply)	168

Population			Electricity (domestic)	10
			Primary school	149
1. Srinagar (MC)	898,440		Middle schools	73
2.Badami Bagh (CB)	18,923		Secondary/Sr Secondary schools	29
3.Ganderbal (NAC)	13,721		Medical facility	74
			Primary Health Centre	14
House Type			Primary Health SubCentre	1
Type of house (% of households occupying)			Post, telegraph and telephone facility	52
Permanent	80.5		Bus services	142
Semi-permanent	16.2		Paved approach road	151
Temporary	3.3		Mud approach road	7

Appendix 6

Package of Incentive – Industrial Policy 2004
Construction of a Captive Tube-well : 75% subsidy allowed, for a prestigious unit in any of the thrust area, max. amt. of Rs. 22.50 lakhs, over CIS.
Modernisation of Existing Units : Subject to a limit of Rs. 30 lakhs.
Brand Promotion : Rs. 20 lakhs-1st Yr., Rs. 15 lakhs-2 nd Yr., Rs. 10 lakhs-3rd Yr.
Pre-Investment Studies/Feasibility Reports : Rs. 2.00 lakhs for preparation of project report from approved consultants.
DG Sets : 100% subsidy on new DG Sets ranging from 10 KW to 100 KW.
Mini/Micro or Captive Power Units : No electricity duty/state excise till 25 Years.
Price / Purchase Preference : Upto 15% on Government Purchase from SSIs
Stamp Duty : Mortgage deeds in f/o Fls. exempted from the payment of stamp duty.
Exemption of Court Fee : For registration of documents relating to lease of land.
Toll Taxes : No additional toll tax on the raw materials, fuels consumable and finished goods.
VAT : Small, medium & large scale industrial units shall be provided relief under VAT till March 2010.
Central Sales Tax : Exempted on sale of finished goods outside the state.
Interest Subsidy : 3% subsidy shall be payable on the working capital facilities.
Testing Equipment : 100% Capital subsidy, max amt. of Rs. 25 lakhs.
Air Freight Subsidy : On finish goods and raw materials for any destination @ 50% subject to a maximum of Rs. 5 lakhs per year per unit.
Pollution Control Equipment : 30% subsidy, max. amt. of Rs. 20 lakhs.
Interest Subsidy for Technocrats : 5% interest subsidy on term loan.
Research and Development (R&D) : 50% subsidy, max. amt. of Rs. 5 lakhs.
Upto Rs. 4.00 Crores subsidy on Agro-based Projects under mini mission-IV .
Human Resource Development : Max. of Rs. 5 lakhs for male & Rs. 7.5 lakhs for women trainees on programs for skill development leading to employment.
Transport Subsidy : This is Govt. of India scheme and shall continue as such.
Difficult Area Subsidy : Govt. of India scheme for grant upto Rs. 75.00 lakhs @ 33.33% for Food Processing Projects.

Incentives Applicable to cellulose insulation industry

(J&K, State Industrial Development Corporation, Industrial Policy, 2004)

Central Government Incentives

- 15% Capital Investment subsidy on plant and machinery subject to a maximum of Rs 30 lacs i.e. ₹ 46,153.

(One lakh or lac is a unit in Indian numbering system equal to one hundred thousand /100,000)

- 100% insurance premium on capital investment for a period of 10 years is reimbursed.
- Income tax exemption for 5 years
- 100% exemption on excise duty for a period of 10 years from the date of commencement of production
- Technocrats can get loan up to 80% and can get 3% interest rate subsidy.
- Tariff of power at Rs 2.40 + duty /unit (₹ 0.037 + duty /unit)
- Transport subsidy: 90% of transport costs are reimbursed by the central government for 5 years from the date of registration.

J&K State Incentives

- Brand Promotion: Rs. 20 lacs (₹ 30,769)-first year, Rs. 15 lacs (23,076)-second year, Rs. 10 lacs (₹ 15,384)- third year.
- 100% subsidy on new Diesel Generator set ranging from 10 KW to 100 KW (up to 25 lacs i.e. (₹ 38,461)
- VAT on the finished goods is exempted and VAT on the raw material is reimbursed by the government.
- Pollution Control Equipment: 30% subsidy, maximum amount of Rs. 20 lacs i.e. (₹ 30,769)
- Testing Equipment : 100% Capital subsidy, max amt. of Rs. 25 lacs i.e. (₹ 38,461)

- Exemption of court fee: For registration of documents relating to lease of land.
- Toll taxes: No additional toll tax on the import of raw materials and export of finished goods.
- Toll tax exemption against procurement of plant and machinery , building material and other equipments required for construction of factory for a period of 5 years from the date of registration
- Human Resource Development: Maximum of Rs. 5 lacs / € 7,692 per unit for male and Rs. 7.5 lacs / € 11,538 for women trainees on programs for skill development leading to employment.
- Capital Investment Subsidy if government recognizes the production unit as prestigious (Rs 30 lacs i.e. € 46,153)
- Government allots land in the industrial estates at minimal rents. One time payment of Rs 2-3 lacs (€ 3076-4615)/ 506 sq ms.

(Conversion rate 1€ = Rs 65, Source: Forex: 5.9.2009)