

# COSMETIC CLUSTERS – A TOOL FOR SURVIVAL & SUCCESS

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Once upon a time a Deer lived near a lake in the forest. Nearby a tree a Woodpecker had a nest and in the lake lived a Turtle. Residential proximity made the three individuals good acquaintances and peaceful neighbours.

One day a hunter saw the footprints of the Deer and set a trap for it. That night when the Deer went down the lake for a drink he was caught in the trap. The Woodpecker and the Turtle came over to see their neighbour's plight. The Woodpecker told the Turtle, "You have sharp teeth; gnaw through the leather trap, and I will keep the hunter away. If we do our best the deer can be saved".

When the hunter set out to catch the Deer, the Woodpecker flew at him and struck at his face. After a brief rest the hunter left by the backdoor; the Woodpecker was ready and flew at him yet again. After resting for some time the hunter set out again. Meanwhile the Turtle had gnawed almost all through the pieces of the leather trap but one. The leather was so hard that it made his teeth feel as if they would fall out. His mouth was all covered red with blood oozing from his gums.

The Deer just then heard the Woodpecker and saw the hunter, knife in hand coming over. With a strong pull, the Deer broke the last piece of the leather trap and fled into the woods. The Woodpecker flew up to her nest in the tree top. The Turtle was weak with exhaustion and could not get away. The hunter picked him up put him in a bag, tying it to a tree.

The Deer saw that the Turtle was captured and made up his mind to save him. The Deer then deliberately let the hunter see him. The hunter seized his knife and started after the Deer. The Deer keeping just out of reach led the hunter deep into the forest. When the Deer saw that they had gone deep into the forest, he slipped away from the hunter and swift as a wind used a shorter route to reach the place where he had left the Turtle behind.

The Deer lifting the bag with his horns threw it on the ground and tore the bag open and let the Turtle out. The Woodpecker flew down from her nest and joined them. The Deer then said, "You two saved my life, but if we stay here talking, the hunter will find us all and we may not get away, so friend Turtle dive into the water, and friend Woodpecker fly back to your nest and I will hide in the forest".

The hunter did come back, but neither the Deer, nor the Turtle nor the Woodpecker was to be seen. He only found his torn bag and the cut leather trap, and picking it all up he went back home. Having learned a lesson the hard way the three became friends and remained so together all the rest of their lives.

Aren't the small and medium scale enterprises in India currently passing through a similar predicament? Industrial development in any country passes through a number of phases. Traditional business expansions, human resource development, people education, tourism and social capital improvements are some aspects that are critical for overall development. Today we believe that effective economic development is possible only by business or industrial clusters. Clusters can not only strengthen existing and new businesses in the marketplace but also enhance overall community competitiveness.

## **Clusters benefit businesses!**

Industrial or business clusters are based on the physical proximity of firms in one area or region. Generally we believe that close proximity will lead to unhealthy competition, jealousy and heartburn. However research and real world experiences with industrial clusters indicate that it is actually beneficial for both firms and the communities they represent. Tirupur, Namakkal and Sivakasi experience in Tamil Nadu clearly proves that 'India's strength is in its industrial business clusters'. The basic reason as to why industrial clusters are beneficial is due to economies of scale, technology transfer and easy availability of human capital. This is possible because as firms physically converge in one region, people, knowledge, and technology spill-over is easy leading to increased productivity and reduced costs for all the firms in the region.

When industrial clusters are formed, access to inputs & infrastructure, labour & human resource pooling, access to information & performance measures and also complementary products will invariably occur benefitting either directly and indirectly to all firms within a regional industrial cluster. Firms in close proximity can closely monitor and gauge performance standards of both potential competitors and suppliers. Cluster-based firms can set high standards, challenge each other, seeking higher productivity solutions and products. They can engage in innovative practices and product ideas outflanking outside competition eventually leading to marked improvements in long-term competitiveness and sustainability.

Clusters can have direct co-operation easily facilitated through common meetings between suppliers and buyers. They can also very well link their firms in using similar technology or work force without being engaged in direct competition. Joint marketing of products can also help expand overall market demand and spread fixed costs of coordination over many firms. Localization of economies and easy availability of specialized inputs in business services in industrial clusters without doubt brings about substantial reduction in costs and savings. If in case the existing labour force is also linked to a technical or vocational training school, it not only raises general worker skill levels but also reduce costs associated with employee search and recruitment.

### Cluster benefits communities!

Industrial clusters also benefits communities as a whole. Cluster linked industrial businesses generally have higher productivity and so are able to pay higher wages to employees and improve the value chain by buying from and selling to each other. However the promise of higher productivity, wages and incomes must be balanced against the risks of economic dependence on linked industries. Although clusters are important for economic development, like all strategies, they are not an answer to all economic problems as its success largely depends on its community characteristics, past industrial development and current economic conditions.

Business clusters can only prosper under right conditions. Government at best can only create an even playing field, allow markets and private participants to undertake investments in clusters, create and maintain public infrastructure, develop human capital through formal education, and reduce obsolete regulations encouraging entrepreneurship. Clearly relative strengths and weaknesses of the whole community will play a major part in its success. Unless individual players in the community forgo their vested selfish interests, bury their hatchets, tame their inflated egos and establish the cluster base, free of pride & prejudice it is very unlikely that they will benefit from such a strategy as success is very difficult in an environment devoid of perfect data, wisdom and clear foresight. The Hitopadeshah shloka puts this all very well.

यस्य नास्ति स्वयं प्रज्ञा शास्त्रं तस्य करोति किम् ।  
लोचनाभ्यं विहीनस्य दर्पणः किं करिष्यति ॥  
- हितोपदेशः

How can scriptures inspire wisdom in one who is completely devoid of it?  
Is the mirror of any use to one who has no sight?  
- The Hitopadeshah

### Wisdom is strength!

Individual players in the community have limited strengths, similar to the Deer, Woodpecker and the Turtle. Some only have the aesthetic look and the marketing ability of the Deer some only have the sharp vision and a confronting winning positive attitude like the Woodpecker while some others only have access to the cutting edge technology like the Turtle. Only when the three join hands together it is possible to defeat the hunter as the story suggests.

The world especially the developed market is passing through recession. Latest reports state that many of the foreign companies that have business in India have only been able to survive the economic slowdown. World economy is set to shrink to levels below 1% where as Indian economy is expected to grow at least by 6% and as such India is in a better position than most other nations of the world to face recession. Business councils of foreign nations are setting up offices in India so that it can help firms in their countries set up business in India and stay afloat without sinking.

Today we have many companies big, medium and small all selling similar stuff and trying to grab the same market pie. The time is now ripe for an industry consolidation so that it evolves to give sufficient size, specialisation and scope to individual players. During boom time everyone appears to be a winner, just like Himesh Reshammiya's songs, that all sound same and are all hits! It is only during hard times of global recession and local slowdown that men are separated from the boys.

Many strategies exist and some may be more suitable for a community as development options and only a strategic planning process will lead a community to either accept or reject clusters as a visible approach for strengthening its economic health. Ultimately communities need to decide on their values, goals and objectives and only when these are agreed upon, regional industrial clusters can be assessed relative to other economic development options.

It is a known fact that the cosmetic industry will require a round of sophisticated reorganisation based on specialisation and size so that efficiency in lowering costs and improving pricing power is achieved. Today there is compelling market logic to create value either by M&A or by hot alliances and current market scenario will only accelerate the situation. In the Micro Small and Medium Enterprises (MSME) sector mergers are difficult to digest and acquisitions tougher to execute. Keeping in mind these constraints, forming cluster groups that can work in unison, without sacrificing individual identity may be in my view a very good bet. Now, whether one wants to be a hunter or be hunted is ones own ultimate choice.....