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Marketing related problems of micro and small scale agro-based industries

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Abstract

The agro-based industries are the industries which depend on agriculture for their raw material. There are various industries such as dairy, poultry, food, textile which we can call agro-based industries. The growth of agro-based industries will create employment opportunities in rural areas and also economical upliftment of farmers.

The major issues of the growth of agro-based industries are the marketing of finished goods. This study focuses on the marketing problems faced by rural entrepreneurs to run economically viable micro and small scale agro-base industries. For the study 100 micro and small scale, agro-based industries are selected. To collect the primary data researcher adopted direct personal interview by preparing a well-structured questionnaire. The study shows that these industries facing high problems of advertising, sales promotion, branding, public relation, and customer relationship management. The study also finds that there is a significant negative correlation between the intensity of marketing problems and profitability of micro and small scale agro-base industries. The researcher suggested marketing mix strategies and the main focus should be given the fourth P that is promotion. The researcher also suggested low priced innovative tools of advertising like social media, E-mail, SMS, Whatsapp advertising.

Key Words: Agro-based industries, micro industries, small industries, Marketing problems, Marketing strategies.

Introduction

The role of the Ministry of Micro, Small and Medium Enterprises and its organizations is to assist the states in their efforts to encourage entrepreneurship, employment, and livelihood opportunities and enhance the competitiveness of MSMEs in the changed economic scenario. The majority of people living in rural areas draw their livelihood from agriculture and allied sectors. However, the growth and balanced development of other sectors such as industry and services are also necessary to sustain the growth of the Indian economy in an inclusive manner. The Government of India is striving to improve the economic and social conditions of the rural population and non-farm sector through a



host of measures including the creation of employment opportunities based on the use of local raw materials and skills. In India, enterprises have been classified broadly into two categories:

Agro-processing includes (a) Manufactured Processes: If any raw product of agriculture, animal husbandry or fishing is transformed through a process [involving employees, power, machines or money] in such a way that its original physical properties undergo a change and if the transformed product is edible and has commercial value, then it comes within the domain of Agro Processing Industries. (b) Other Value-Added Processes: If there is significant value addition (increased shelf life, shelled and ready for consumption, etc.) such produce also comes under agro-processing, even if it does not undergo manufacturing processes. The small scale agro-base industries are growing in India at a slow rate. To improve the economic conditions of the farmer and to increase the agriculture growth in GDP there is a need to accelerate the growth of agro-based industries in India. As per the report of NABARD the average landholding size of a household in India has shrunk marginally to 1.1 hectares (ha) in 2015-16. There is a need to find out the reasons of underdeveloped agro-base industries in India. One of the major problems of all these entrepreneurs is facing problems related to marketing the product.

Review of literature

Marketing strategy requires decisions about the specific customers that the firm aims to target and marketing mix the firm may develop to appeal to that target market by positioning it suitably in a superior way (Kotler, 2005). SMEs should have an integrated business strategy which combines Business and Market insights, Brand Positioning, Processes and Management and Operational Marketing. The company's success is possible only when all these strategies are applied innovatively. These strategies need to be bundled as an integrated strategy to survive, compete and win the game while the continuous up gradation and progress is a must. (Kiran, Majumdar, Kishor 2012), The agro-industry is mainly involved in primary processing. Therefore, the output of village level agro-industries is more constrained by marketing since a smaller proportion of their output gets used as input in other manufacturing activities. This marketing problem has led to the widespread prevalence of business service activities particularly among the smallest size group of own account enterprises which is akin to the putting out system. This phenomenon is leading to a vicious circle of low productivity, low earnings and low level of technology so marketing infrastructure needs to be urgently provided to them. (NABARD, 2005), Agro-processing industries are essential ways for the attainment of national objectives, especially poverty alleviation and economic development in rural areas. However, these industries are facing several problems such as –Infrastructural problem, Lack of proper skills, upgrading technological, support services, etc. Although some of the problems could be dealt with by the industries and also requires government intervention and the cooperation and support of international agencies (Dhiman Rani, 2011).



Objectives

1. To analyze the marketing related problems of micro and small agro-base industries.
2. To study the relationship between marketing problems and the profitability of the micro and small agro-base industries
3. To study effective marketing strategies for micro and small agro-base industries

Hypothesis

H1: The profitability of micro and small scale agro-based industries and the problems faced by these industries are re co-related.

Research methodology

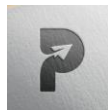
The universe under the present study spread over Ahmednagar district in Maharashtra. It covers all agro-processing MSME's, which are working at the time of the survey and are registered with District Industries Centre (DIC), Ahmednagar. The total population of registered MSME,s in Ahmednagar district is 925 out of 100 industries selected as a sample size with simple random sampling. Primary data collected through structured questionnaire and interviews with directors and managers of agro-processing MSME's. The secondary data collected through various research journals, Books, Government reports, Company reports, Ph.D. thesis and websites. After the collection of primary data, it has fed into the statistical software SPSS-17. The Further analysis was done with the help of simple frequency table, cross tabulation, Bi-variate analysis, and various percentage tables. To check the hypotheses, Spearman's correlation coefficient test is used.

Marketing related problems faced by agro processing msme's

Following Marketing related problems are recorded under five points rating scale that was

1. No Problem
2. Low Problem
3. Moderate Problem,
- 4- High Problem
- 5- Very High Problem

- PR 01 Problems in the availability of Market Potential
- PR 02 Problems of Market Demand
- PR 03 Problems of Marketing Research
- PR 04 Problems of Competition
- PR 05 Problems of Pricing
- PR 06 Problems in Channel Management
- PR 07 Problems in Distribution
- PR 08 Problems in Transportation
- PR 09 Problems in Advertising



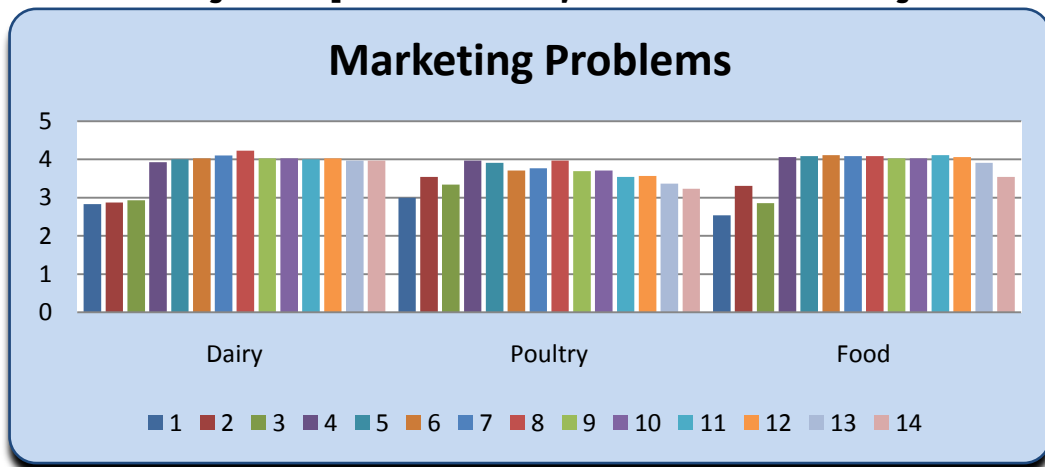
- PR 10 Problems in Sales Promotion
- PR 11 Problems in Branding
- PR 12 Problems in Marketing Communication
- PR 13 Problems in Public Relation
- PR 14 Problems in Customer Relationship Management

Table no.1.1 marketing related problems faced by micro and small scale agro-base industries

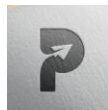
TYPE		01	02	03	04	05	06	07	08	09	10	11	12	13	14	Avge
DAIRY BASED	Mean	2.83	2.87	2.93	3.93	4.00	4.03	4.10	4.23	4.03	4.03	4.00	4.03	3.97	3.97	3.7833
	N	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
	Std. Deviation	.834	.860	.828	1.015	.983	.964	.885	.935	.999	.928	.947	.890	.964	.964	.86805
POULTRY BASED	Mean	3.00	3.54	3.34	3.97	3.91	3.71	3.77	3.97	3.69	3.71	3.54	3.57	3.37	3.23	3.5959
	N	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35
	Std. Deviation	.970	.741	.591	.664	.742	.860	.731	.568	.832	.825	1.094	1.037	1.165	1.239	.71951
AGRO BASED	Mean	2.54	3.31	2.86	4.06	4.09	4.11	4.09	4.09	4.03	4.03	4.11	4.06	3.91	3.54	3.7735
	N	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35
	Std. Deviation	.919	1.132	.733	.802	.781	.676	.702	.818	.568	.618	.530	.639	.658	.780	.55962
Total	Mean	2.79	3.26	3.05	3.99	4.00	3.95	3.98	4.09	3.91	3.92	3.88	3.88	3.74	3.56	3.7143
	N	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
	Std. Deviation	.924	.960	.744	.823	.829	.845	.778	.780	.818	.800	.913	.891	.981	1.048	.71673

(Source: Survey)

Graph no. 1.1 marketing related problems faced by micro and small scale agro-base



industries



With the above data analysis, it is clear that there are moderate problems of Market Potential, Market demand, and Marketing Research. The micro and small scale agro-base industries face High problems of competition, Pricing of Product, Managing a channel of distribution, advertising, Sales promotion, Branding, Marketing Communication, Public relation, and customer relationship management.

Hypothesis testing

H1: The profitability of micro and small scale agro-based industries and the problems faced by these industries are co-related

Ho= There is no relationship between the profitability of micro and small scale agro-based industries and the problems faced by these industries

HA= There is a significant relationship between the profitability of micro and small scale agro-based industries and the problems faced by these industries

Table no. 1.3 relationship between profitability of agro processing msme's and marketing problems faced by these industries

			PL_3yrs
Spearman's rho	PL_3yrs	Correlation Coefficient	1.000
		Sig. (2-tailed)	.
	Q 01	Correlation Coefficient	-.441**
		Sig. (2-tailed)	.000
	Q 02	Correlation Coefficient	-.340**
		Sig. (2-tailed)	.001
	Q 03	Correlation Coefficient	-.352**
		Sig. (2-tailed)	.000
	Q 04	Correlation Coefficient	-.362**
		Sig. (2-tailed)	.000
	Q 05	Correlation Coefficient	-.349**
		Sig. (2-tailed)	.000
	Q 06	Correlation Coefficient	-.353**
		Sig. (2-tailed)	.000
	Q 07	Correlation Coefficient	-.317**
		Sig. (2-tailed)	.001
	Q 08	Correlation Coefficient	-.315**
		Sig. (2-tailed)	.001
	Q 09	Correlation Coefficient	-.304**
		Sig. (2-tailed)	.002
Q 10	Correlation Coefficient	-.331**	



		Sig. (2-tailed)	.001
Q11	Correlation Coefficient		-.346**
	Sig. (2-tailed)		.000
Q12	Correlation Coefficient		-.342**
	Sig. (2-tailed)		.000
Q13	Correlation Coefficient		-.338**
	Sig. (2-tailed)		.001
Q14	Correlation Coefficient		-.324**
	Sig. (2-tailed)		.001
Avg prob_mktg	Correlation Coefficient		-.400**
	Sig. (2-tailed)		.000
	N		100
**. Correlation is significant at the 0.01 level (2-tailed).			

(Source: Survey Data)

The correlation between average Marketing problems faced by micro and small scale agro-based industries and average profits of last three years was measured through Spearman's co-relation coefficient method at 0.01% level of significance and found **significant negative relationship. Spearman's correlation coefficient (-0.4)**

Results & discussion

1. It was found that micro and small scale agro-base industries face moderate problems of Market Potential, Market demand, and Marketing Research.
2. The micro and small scale agro-base industries face high problems of competition, Pricing of Product, Managing a channel of distribution, advertising, Sales promotion, Branding, Marketing Communication, Public relation, and customer relationship management.
3. It was found that many micro and small scale agro-based industries do not use any kind of paid advertising.
4. Most of the micro and small scale agro-based industries do not think about the branding of their products.
5. It was found that micro and small scale agro-base industries are not aware of simple techniques of branding like creating a slogan, a symbol for brand identity.
6. Most of the micro and small scale agro-base industries not making planned communication program to communicate their product to the target customer.
7. It was observed that the industries have very less market to sell their products in the nearby areas and have to remain dependent upon supply to government agencies like agro Supply Corporation of India and other agencies, In addition to it industries are also facing stiff competition, changing conditions of market and lack of appropriate and viable market for the product.



Marketing strategies

Product strategies

The product includes Name, symbol, slogan, quality, specifications, Unique Selling Proposition (USP), Packaging, Labeling, Branding, etc. Every entrepreneur should think about each aspect of product design and development. Make products more strong USP, so that the product can stand in the competition. Name the product which is easy to remember, pronounce, unique and not hurt to any religion. The quality and specification of the products should be competitive. The packaging is playing the role of silent salesmen, so the packaging should be attractive. For food, the packaging uses mostly tetra pack to increase the shelf life of the product.

Pricing

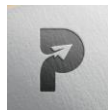
Price is money you pay for the product. It is the only element that brings revenue to the organization. and can be changed in the shortest duration of time. It is the most flexible element of the marketing mix. Pricing of the product is one of the major decision of the firm. If the product has strong benefits use the market skimming strategies and if there is huge completion in the market then use Penetration strategies. Consider the factors such as demand of the product in the market, competition in the market, cost of raw material, fixed cost, working capital before selecting the final price of the product.

Place

Establishing an effective channel of distribution is one of the expensive and time-consuming tasks for new entrepreneurs. In this situation try to find out some channel partners to increase the sale immediate way. Study the competitor's channel of distribution, find their problems and fulfill these by offering your product. The product should be available conveniently to the customer. Establish such a channel of distribution which covers the maximum market area.

Promotion

Advertising is the way through which company makes the customer aware of the brand, products, and services. Advertisements can be in the form of traditional mediums such as billboards, TV, radio or the internet mediums such as website banner ads, Facebook ads or email advertising. Advertising is a good way to create an image in the minds of the users and influence their buying decision. For the advertising to be successful, the micro and small scale agro-based industries need to have a clear understanding and clarity as to what message they would like to communicate through the advertising. Also, it needs to maintain a consistent message and image of the product. Along with the message and the theme of advert, another important aspect which needs to be looked at is the right medium for advertising. The company needs to carefully evaluate as to where exactly the target market is available and do the advertising according to that. The third most important aspect is the budget. The micro and small scale agro-based industries should work with very tight budgets. So it is important that the micro and small scale agro-base industries select the right medium and right



frequency of advertising. With the internet, a lot of new and very cheap mediums such as social media marketing, email marketing, search engine marketing have become available for effective advertising. It is high time that the micro and small scale agro-base industries explore these options and utilize them to the fullest to expand their business and strengthen the brand image of their company, products, and services. The micro and small scale agro-based industries should concentrate cheap tools of advertising like Mobile SMS, What's an app, Facebook, Twitter, LinkedIn, Email, company website, Search engines, Pamphlets, Flex boards, Wall paintings, etc.

Public Relations (PR) is an effective way of generating consumer loyalty and awareness. Advertisements can be ignored so they need to be supported through public relations. PRs are very useful while launching new products. In the internet age, PR options have become cheaper and widely available. Effective PR can get tremendous exposure to the company and can get more people talking about your products and services. The micro and small scale agro-based industries do not usually pay much attention to the marketing aspect. However, in the 21st century, when people have more and more options available to gather information, companies need to start paying keen attention to all the aspects of marketing while planning their strategy. Only then, the company can expect a strong brand and a successful business.

Conclusion

The micro and small scale agro-based industries do not usually pay much attention to the marketing aspect. However, in the 21st century, when people have more and more options available to gather information, companies need to start paying keen attention to all the aspects of marketing while planning their strategy. Only then, the company can expect a strong brand and a successful business. The micro and small scale agro-base entrepreneur should concentrate on all four Ps strategies to run the business profitably.

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