

A study on developing marketing strategies for SME's in food processing sector

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Abstract

In developing countries like India SME's play a substantial role in the economic development. This economic development contributes to the GDP and provides employment. SMEs works in almost all-major industrial sectors out of which food and Agro-processing is one of the key area Since last few decades our diet pattern is shifting with change in our life style, this may be due to dual family income, nuclear family, modern kitchen, time constraints and many more. The cuisine and food habits in India vary from place to place. Due to everyday life pressure, these days' people have a preference to smart, easy and short way of cooking in place of spending much time on cooking. Non-availability, poor availability or seasonal availability of raw materials to prepare spices and tiresome process, has influenced people to choose processed food products. There is no precise marketing strategy for these products. The product portfolio is very wide. This paper focuses on various marketing strategies of food industries, which help in identification of marketing attributes and developing of marketing strategies for food processing enterprises to encounter the challenges of competition from both the other units and big business houses.

Keywords: food, food processing, processed food marketing strategy

Introduction

From 1951 onwards beginning of industrial policies and economic planning framed by Government of India has earmarked distinguish role for Small Scale Industries and Medium Scale Industries. Socio economic policies model framed by government of India has always represented by SME's. SME's always emphasized on sensible use of foreign exchange for import, labour oriented mode of production, discouragement of monopolistic competition, generation of more and more employment and making contribution in nation's foreign earning with less import.

SME's meet Government expectation with that regards Government has established SME's in almost all-major sectors among them food processing and agriculture sector are also there.

The Food processing industry has remarkable growth prospect but presently it is at its novice stage. Although agriculture sector is very strong in India but all the agricultural products are not processed, agriculture wastage is very high in India. As compared to other countries food processing is very low in India around 2% of vegetables and food is processed, only dairy industries percentage is reasonable it is up to 35%, meat and fisheries industries is 21% which is comparatively low but in a growing phase when it is compared with other countries like China, Malaysia, Philippines and Brazil ^[1].

[Source:

<http://www.dnb.co.in/Food%20Processing/overview.asp>

Convenience or Processed food is basically prepared for convenience and ease of consumption ^[2]. These types of food are generally sold hot, ready to eat, frozen food items, items consumed at room temperature, with more shelf life ^[3]. Make them more appealing and convenient is the basic reason of

creation of processed or convenience foods ^[4]. Processed or convenience food are similar to fast food as both are developed to save cooking time as compare to home cooking and both cost more. Processed food is basically conversion of raw ingredients into food item and makes them alluring and marketable with more shelf life. Processing of food means any value addition in agricultural produce which can increase the shelf life by grading, sorting and packaging ^[5].

The food is processed for -Health, Hygiene &Efficiency

As stated in Wikipedia "Food processing is the transformation of raw ingredients into food, or food into other forms and make these products attractive, marketable with longers shelf-life" ^[6]. As mentioned at niir report for Chhattisgarh explained Food processing as "Food processing involves any type of value addition to agricultural or horticultural produce and also includes processes such as grading, sorting and packaging which enhance shelf life of food products ^[7]."

As per American Marketing Association (AMA) "Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational goals ^[8]."

"The aim of marketing is to make selling superfluous. The aim of marketing is to know and understand the customer so well that the product or service fits him and sells itself. Ideally, marketing should result in a customer who is ready to buy ^[9]." Marketing is a process by which individuals and groups obtain what they need and want through creating, offering, and exchanging products and services of value freely with others. After going through the above definitions we can say that marketing is the process of developing strategies to select

target markets and acquire, retain, and develop customers through crafting, providing, and collaborating greater customer value.

Changing trends in customers taste and preferences—India is witnessing rapid urbanisation and this has led to growth in nuclear families numbers, increment in women work force and this has led to do less time for household activities. Increased in literacy rates along with increase in double household income, have forced customers to search avenues for food with more nutritional value, need-less cooking time with more shelf life. This has led to change in cooking, eating pattern and shows the change in customers taste and preferences for food which is basic physiological requirements.

Literature review

After China, India holds second position in world for largest food producer. Food processing industry in India is growing at faster pace and has great role in India's development. India's Government also has lots of expectation from this sector^[10]. Food processing industry and agriculture will go hand in hand and both the sector will prosper together. In India, food processing sector has lots of growth prospect, in terms of production, consumption and export. Government has taken lots of step for prosperous future of this industry by providing fiscal reliefs and incentives. Encouraging commercialisation adding more value to agricultural produce, reduction in harvest wastage is also major steps taken by Government. Food processing sector include processing of fruit & vegetables, meat, dairy products (like butter, cheese, cottage cheese), beverages, fisheries, grain processing and many other food products like cocoa products, chocolates, soya products, high protein products etc^[7].

This promising industry in India is also facing lots of challenges for prosperous growth. The major hurdles in its growth prospect are customer awareness, penetration or low pricing competition, distribution channel development. To tap the full potential of this industry, Government of India has to take extra measure to cope up with these obstacles^[11]. Food processing creates linkage between the farmer and consumer via the organized industry^[12].

There has been a remarkably rapid diversification of agriculture in only a half-decade in the Beijing region toward fruits, nuts, and vegetables. At the same time there has been nearly as quick modernization of market channels and production technology. Contemporary channel is growing substantially where still traditional channel domination can be traced^[13].

Problems affecting SMEs ranged from organization to management, the rapid development of small scale industries solely depended upon their readiness to accept modern technology and adaptation of professional management^[14].

Food culture of different countries differs. Food culture distance plays a vital role in growth of this industry. This create a major problem in the food export, standardization of food products is not possible globally. Food culture is major research objective of current international business^[15].

Marketing strategies framed by the companies always affects the profit maximization objectives. Fast food companies now a day are not interested in customer health rather interested in

their own wealth. Companies always wanted to safeguard themselves legally. Their promotional strategy is to attract customers towards their products lawfully. But law alone cannot safeguard public health. As companies are working within legal frame but targeting children those who cannot take right decision for themselves. For making this world better place it is not only the responsibility of Government but also of companies to work jointly for betterment of society. To create healthy society it is very important for companies to provide products which are safe for society not only for profit maximisation. Following law will always make companies safe but following ethics will help them in flourishing in future by winning customers heart^[16].

World is moving at a faster pace and India is also following the same pace. Taste and preferences of Indian customers are changing more rapidly, they love traditional Indian food but they also welcome whole heartedly varieties in their menu bought from different places. This changing trend in food habit has opened new avenues for food industries to bring new varieties for Indian customer. It is a great opportunity for the marketer to grab market with new, interesting, healthy, easy and ready to cook food as now a day customers are open for variety and face problem of cooking time^[17].

The process for developing marketing strategies for food processing units encircles:

- Assessment of the Market
- Segmentation of the Market
- Targeting the Market
- Product Positioning

Market assessment is required to assess the demand for the product. It will help in identifying not only the significant variables but also the potential of the market. Marketers are proficient in encouraging their product's demand and obtaining companies objectives. They have to manage –

- Negative demand (when a customer avoid a product)
- No demand (when customers are not aware of products)
- Hidden demand (when customers requires something new as existing products cannot satisfy their need)
- Decreasing demand (when the demand in falling)
- Uneven demand (when the demand is fluctuating by season, day, hour or any other reason)
- Complete demand (an adequate level of demand).

Marketing people has to work on various marketing strategies for handling these demands and marketing tasks.

It is hardly ever possible to satisfy one and all in a marketplace. Everyone is different in their liking and disliking, all will like same beverages, same automobile, not possible. This led to segment the whole market as per different customer's requirement. Market segmentation is done by identification of different demographic, psychographic and behavioural variables among potential and prospect buyers. It is an important step in framing marketing strategy as differences among customer group can be identified.

Firm identifies most promising segments with greatest prospect. Firm prepares market offering for each and every target market. Offerings are positioned in buyers mind in such a way that products will fulfil customer's complete requirements. It is not possible for a marketer to fulfil each

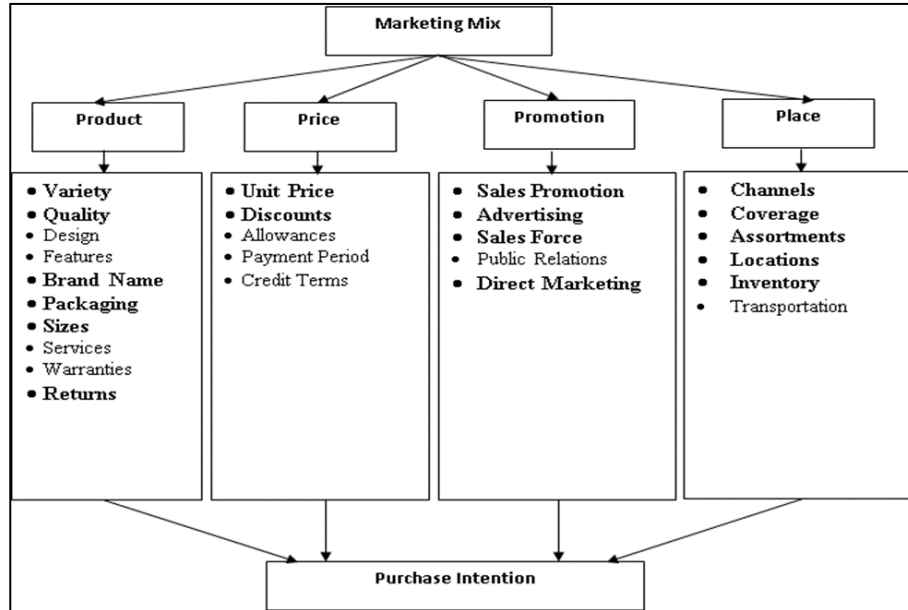
and every customer's expectations so it is important for marketer to identify their target market for profit maximisation. When marketer try to cater all the customer segments there is major risk of failure. So it is good to focus on selected segment with some unique and distinguish features for positioning product in market and in customers mind.

Marketing Mix Variables for Food Processing Enterprises

When we are concern about Identification of Various Marketing Mix Attributes for Developing Marketing Strategies for Food Processing Enterprises, we have to work

on selected Marketing Mix Attributes.

- The Product variables identified for developing strategies are Product Variety, Quality, Quantity, Sizes, Brand Name, Packaging and Returns.
- The Price variables identified for developing strategies are List Price, Discounts and Allowances.
- Sales Promotion, Advertising, Sales force and Direct Marketing are different promotional variables identified for developing strategies.
- The Place variables identified for developing strategies are Channels, Coverage, Assortments, Locations, Inventory and Transportation.



Source: Kotler. P. Marketing Management, PHI, 2000 pp. 10

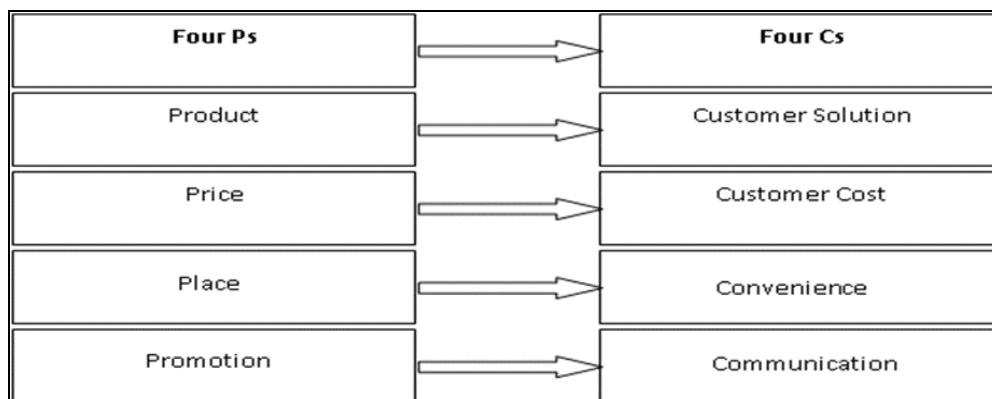
Fig 2

Four P's and Four C's for Food Processing Enterprises

- Food product if the solution for the customers'
- Price is the customers' cost for the food product
- Place is convenience (availability) of the product for the

customers'

- And finally the Promotion is the communication of the food product to the customers'



Source: The Four Ps of Marketing Mix, Marketing Management. Philip Kotler, 2000.PP 10.

Fig 2

The food processing enterprises has to work on the above mentioned four major issues i.e. product; price; promotion;

place parallel to Assessment, Segmentation and Targeting the Market, Product Positioning. The food processing

entrepreneurs are not only the sellers or retailers but often the manufacturers of the products. They are responsible for product development and manufacture. Strategic position of product in the market is done by marketing mix. Products position in customers mind always depends how creatively and differentially it is promoted. It may include the various aspects of marketing mix are Product, Price, Place and Promotion. The studies are planned to conduct through a survey based multivariate analysis in order to provide a suitable strategy based on marketing mix for small entrepreneurs in food processing industry. There are some other issues also – response to the customers; competition; Customization; Business growth ; Brand building; Customer Acquisition and Loyalty; marketing communications. Companies who meet customers ‘requirements economically, conveniently and with appropriate communication can become winner of the market^[18].

Conclusion

The food processing industry has gained importance in recent years for accelerating economic development of India. For the processed food industry it has become challenges to identify the marketing attributes and develop strategy for these industries.

The literatures of the study shows that the process for developing marketing strategies for food processing units encircles: Assessment of the food processing market; Segmentation of the food processing market; Targeting the segmented processed food market; Positioning the processed food in the targeted market.

Further literature shows that the four marketing mix attributes Product, Price, Promotion & Place which are to be considered in developing marketing strategy for the food processing enterprises. In each of the mix considering selected sub-attributes. The first marketing mix (attribute) is Product its sub attributes are Variety, Quality, Quantity, Sizes, Brand Name, Packaging and Returns. From this it can be conclude that this all sub-attributes help entrepreneurs of food processing industry in designing product, consider the taste consumer through the quality of product parallel to this other sub-attributes can be used in developing marketing strategy. The second marketing mix (attribute) is Price its sub-attributes List Price, Discounts and Allowances. This attribute can be used in setting the price for product of processed food. The third is Promotion, such as Sales Promotion, Advertising, Sales force and Direct Marketing. This sub- attributes design communication strategy for food processing enterprises. The fourth attributes is Place, its sub-attributes are Channels, Coverage, Assortments, Locations, Inventory and Transportation. This help in designing strategy for consumer who lives in various geographical regions.

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