Integrated Marketing Management Prof. R. Srinivasan Department of Management Studies Indian Institute of Science, Bengaluru

Lecture – 35 Oilseeds Growers Cooperative Society OGCS

Welcome to this class. Today we will discuss a case study in the one of the primary sectors of the economy with respect to agriculture.

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You can look at economy as a primary sector, a secondary sector and then a tertiary sector. The primary sector of the economy agriculture, power, then transportation, infrastructure; all these come under the primary sectors of the economy. In the secondary sector of the economy comes manufacturing and all other allied sec, allied industries. Then in the tertiary sector comes the services industry.

In the present day set up what is happening with respect to India is that services is contributing more to the GDP. According to rough indications it is contributing nearly to 60 percent of the GDP of the country; which is very substantial. The services industry mainly the IT enabled services contributing the maximum chunk to the gross domestic product of the country. In that tertiary sector contribution, again Bangalore is the highest contributing to more than nearly 45 percent of this whole thing which is extremely substantial. This is a small prelude before taking up this particular case study.

The case study that I am taking up is with respect to this oil seeds growers cooperative society. This is also there in my case studies book. I would strongly suggest to you to kindly go through this case study. I am sure, you will find it to be interesting. This now with this background, let us analyze this case study on oil seeds growers.

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If you look at the origin, history and growth of the company, Government of India in mid 1980s started that Technology Mission on Oil Seeds and Pulses, TMOP for short. Tis TMOP for short was the one which the Government of India started. The reason for this or the objective was to enhance productivity in oil seeds and make India self sufficient in edible oil. This was a very laudable objective. All these missions had very laudable objectives. Similarly, whether it was the white revolution, that is a milk industry which helped in getting Amul into the marketplace.

Amul is has is contributing very heavily to this white revolution in the country. From Amul started branches of the states in the sense that offshoots of the states. These are called spin offs. So, you have in Karnataka, the Karnataka Milk Federation, KMF; again contributing substantially to this white revolution, similarly in other states. On 22.8.1984, the government of Karnataka approved the implementation of National Dairy Development Boards project, Restructuring Edible Oil and Oil Seeds Production and Marketing in Karnataka keeping in mind the objectives laid down in the TMOP.

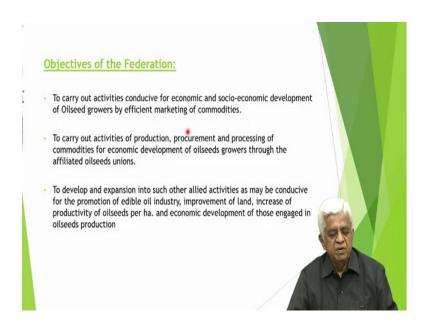
This is again an offshoot of this TMOP; like KMF was an offshoot of the white revolution. This Restructuring Edible Oil and Oil Seeds Production and Marketing in Karnataka: again an offshoot of this TMOP in Karnataka. The result of this was the birth of this Karnataka Cooperative Oil Seeds Growers Federation Limited, KOF. The agency entrusted with the implementation of the project. It was registered on 26th of October 1984 under the Karnataka Cooperative Society's Act.

What is the main this thing? A cooperatives society, under the Cooperative Society's Act, this company was started or this federation was started KOF. And, again this project was inspired by the Anand Model of Milk Co-operatives that is the white revolution designed to create an integrated Co-partite System of production, procurement, processing of oil seeds and marketing of edible oil and its byproducts.

Mainly created out of to market edible oil and it is byproducts basically an offshoot of the TMOP. This if you look at the KMF also it is basically an offshoot of the white revolution that is the Anand Model of Milk Co-operatives. Each cooperative which is operating, it has its own board of directors running this. There has to be elections for this.

The KMF election witnesses, lot of competition, political interference; all those types of things, similar might be the case with other state marketing federations as well. This is the origin, this is the history of this company that is the Karnataka Oils Co-operative Oil Seeds Growers federation Limited, KOF for short.

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Now, what are the objectives of this federation? The objectives are to carry out activities conducive for economic and socio-economic development of oil seed growers by efficient marketing of commodities. The trustees efficient marketing of commodities. This is where you are trying to ensure that the producer gets a fair price for fair price for his products.

If you look at the birth of this HOPCOMS, it was also very similar to prevent harassment of the growers by the middlemen HOPCOMS came into being. You supply all your vegetables fruits and all this to HOPCOMS, there is no middlemen involved in the process and the grower gets the money directly from the buyer that is a HOPCOMS.

Now, the same model is being adopted by others also in the field. Several wholesale organizations, you can call them wholesaler as well as a retailer because he is selling it to you directly to the consumer whether it is a Big Bazaar or the Reliance Fresh or the Walmart or any other name it, any other company, what are they trying to do? They are also trying to procure many of these vegetables, fruits etcetera directly from the growers. They are compensating them directly for their products.

What is the basic essential? This thing is they want to cut the middleman in the whole process. Suppose you cut the middleman, what is the advantage that you are going to get? The advantage that you are going to get is the end product pricing can be substantially lower. Once the middleman is there in the chain, then the middle man's costs also have to be taken into account before pricing the end product.

This stage and this will be this middle mans share is also very substantial. This chain you are cutting in the whole process so, that the end consumer can get this product at a lower price. When all these other competitors are also adopting the same model what is going to happen like, you get your commodities from Big Bazaar, you get your commodities from the Reliance Fresh, then it can be from this Big Basket or whatever. What is going to happen? There is again a competition between this wholesaler retailer type of business.

Big bazaar is a wholesaler, he also operates like a retailer. He wants to cut the other retailers similarly with respect to Walmart. Suppose he is able to give a product at a lower price than the retailer, then it is very natural for the consumer to patronize Big Bazaar; they may not be patronizing the usual retailer. What is likely to happen? The

small retail vendors like your push cart people or other types of sellers/growers, they may find it difficult to match the prices which is being offered by these types of wholesalers like this Reliance Fresh or this Big Bazar's etcetera.

Just to give you an example, on the 21st of November, 2019, the price of onions in Big Bazaar was at rupees 76 whereas, if you take the HOPCOM the price of onions was at rupees 88. Due to the costing of HOPCOMS, he is not able to provide these onions at rupees 76. There is a 12 rupee difference and that 12 rupee difference is substantial to attract the consumer to Big Bazaar, not to mention that onion prizes have got jacked up very heavily recently.

Onions which were available at 20 rupees per kilo has registered a four-time price hike in the market. Very recently, it was seated touched nearing 100, now come down to this hovering around this range. The second objective of this type of federation is to carry out activities of production, procurement and processing of commodities for economic development of oil seeds growers through the affiliated oil seeds unions.

This is operating for the state as a whole. For each part of the state there will be affiliated oil seeds unions which help these oil seeds growers to get a fare price. Then to develop and expansion into such other allied activities as may be conducive for the production of edible oil industry improvement of land, increase of productivity of oil seeds per hectare and economic development of those engaged in oil seeds production.

This is the trust of this KOF. One is to carry out activities conducive for economic and socio-economic development of oil seed growers by giving them efficient marketing. And second is to carry out activities of production procurement and processing of commodities for economic development of oil seeds growers through the affiliated oil seeds unions.

What are you trying what are you getting out of these types of objectives? You are able to create substantial jobs, kindly note that. Then to develop and expansion into such other allied activities as may be conducive for the promotion of edible oil industry. Again, it can be whether it is improvement of land, improvement of productivity all those types of things. Whoever is in the oil seeds growers segment likely to get benefited by these actions by these objectives.

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If you look at this Oil Seeds Growers Co-operative Society which is the one which we are considering now that is the OGCS, this KOF itself is a collection of this Oil Seeds Growers Co-operative Society at the village level. You keep on taking these OGCS at the village level, you are aggregate it; you are going to get being KOF.

What are the objectives of this OGCS? Its objectives are again more or less broadly stemming out from the mother group that is to encourage production and productivity of oil seed by giving guidance and technical assistance to members. You are having competent people in this. They can advise the growers what type of methods, they should adopt to increase productivity.

Then the next most important thing to procure oil seeds from the oil seed growers at their doorstep. This grower does not have to go anywhere to market his product. This OGCS is to come to his place collect from his house only all these oil seeds that is procurement at the doorstep of the producer to undertake necessary agricultural extension for the benefit of member growers.

Many times, many of these agricultural universities also do these extension programs. These extension programs are helpful to these oil seeds growers as well. They can provide very important inputs can be technical or otherwise. That is also one of the objectives of the OGCS that is to provide technical input to members. Then the last one

equally important to market edible oil and other products manufactured by the regional unions.

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	Training Received		Training Not	Received	
No of Farmers	8		8		
Mean Yield (Kg/ha)	1567.5		1530.8		
Influence of Recomme				it	
Influence of Recomme		used optimal Valu		Sulfur	Calcium
Influence of Recomme	who have u	used optimal Valu	ues of nutrients		Calcium
Influence of Recommon Percentage of farmers Package Followed %	who have u	phosphorous	Potassium		Calcium
technologies. Influence of Recommon Percentage of farmers Package Followed % Average Yield (Kg/ha) Package Not Followed %	Who have u Nitrogen 25	Phosphorous	Potassium 31.25		Calcium 100

This is the air into this marketing activity. Now what are these types of technical inputs? If you look at it, they provide them with inputs from training programs to increase yields. Some indications typical results are given here. So, when 8 farmers received a training and 8 farmers not received training, there was a comparison. What is the type of yield they got per hectare that is kg per hectare?

After training the farmer could produce 1567.5 whereas, without training he could produce 1530.8. So, there was an increase of more than 36 kg's per hectare which was fairly substantial. What does it indicate? It indicates that though farmers have undergone training; many times' they still have not adopted new technology. This 37, 38 should have improved it further. They have received the training, but they have not adopted the new technologies fully.

Influence of recommendations regarding fertilizer requirement if you look at it, the percentage of farmers who have used optimal values of nutrients. They are looking at 5; nitrogen, phosphorus, potassium, sulfur, calcium. When the packages followed was nitrogen percentage 25, the average yield was 1755 kgs per hectare.

Suppose you did not follow the package, then the percentage then were not followed; 75 percent of them did not follow this percentage. The result was the average yield kg per hectare came down to 1479.5. When they followed the package, they got nearly 270 kg per hectare more than the average yield.

This is fairly substantial. Similarly, you can look at phosphorous. The analogous figures are 1789 when they followed the package. Package not followed by 75 percent, the average yield came down to 1493. Go to potassium: package followed the average yield was 2000 kg per hectare, 75 percent did not follow this, the result was your 68.75 percent here did not follow this with respect to phosphorus, 81.25 percent did not follow.

The result was the average yield kg per hectare came down to 1600. This in other words it shows that when they used fertilizers correctly that is the nutrients, they could get better yields.

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	Nitrogen	Phosphorous	Potassium	Sulfur	Calcium
Nitrogen	1				
Phosphorous	1	1			
Potassium	0.870	0.870	1		
Calcium	0.647	0.647	0.560	1	
Sulfur	0.673	0.673	0.593	0.957	1
Yield	0.166	0.166	0.511	0.267	0.310
R ² = 0.649, R = 0.8 F = 3.698 - F _{5,10} P-value = 0.04 Data indicates that yield.		nificant relations	hip between ap	plication of nut	rients and

Then using this data, a multiple linear regression was carried out with yield as dependent variable and these nutrients: nitrogen, phosphorus, potassium, calcium and sulfur as independent variables. What did we get? We got an R squared of 0.649 that is 65 which is fairly good. If you really look at it being an agricultural industry, you should have got even a higher R squared.

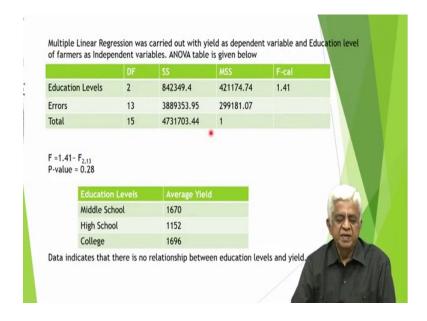
We were not able to conclude that this application of nutrients resulted in highly significant yields, those 0.65 is considered to be reasonable enough. The result was, we tried to get this type of conclusion, no significant relationship. Suppose, it had crossed 0.80, then we could have said it is there is a significant relationship between this application of nutrients and the yield.

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	Training	Technical Advice	Plant Protection	Seeds	Yield
Training	1				
Technical Advice	0.258	1 .			
Plant Protection	0.258	0.333	1		
Seeds	0	0	0.276	1	
Yield	0	0.169	0.056	0.467	1
R ² = 0.267, R = 0.517 F = 1.002 - F _{4,11} P-value = 0.45 Data indicates that t		lationship betwee	n various progra	immes and yield	-

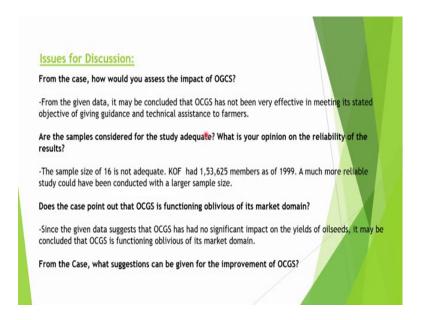
Now, then we try to come to this training, technical advice and this plant protection seeds etcetera. What we got again through this multiple linear regression? You got an, we got an R squared of 0.267, that is just 0.27. Again, indicating that there is no great relationship between the various programs done and the yield. If you look at what is the type of implications it has for this KOF means it has to relook into its all these activities which they are doing; so, because it is not able to get substantial results.

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Then when we looked at yield as dependent variable and the education level of farmers, again we did not get a great R squared; we did not get a very great encouraging result as well; again showing that no relationship between educational levels and yields. What is it? There is what it showed was you have to delve inwards to make this oil seeds program more effective.

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This is a background of this case. Having this background, this case listed several issues; the issues that were listed are given here. Of course, here I am giving you points; in the

following class, I will expand on these points through this word document which will be presented to you.

The first question that was asked in this was how would you assess the impact of OGCS? How would you assess the impact of OGCS? The type of conclusion that you are likely to arrive by all the results that was shown was OGCS has not been very effective in meeting its stated objective of giving guidance and technical assistance to farmers that is where I said it has to delve inwards. Then the second question that is asked is are the samples considered for the study adequate? What is your opinion on the reliability of the results?

Taking a sample size of just 16 is not adequate. Considering that in 1999 itself, KOF had 1,53,625 members. Now, it might have doubled. A much more reliable study could have been conducted with a larger sample size. What is the main thrust which is coming in here? If you look at it, the main thrust that comes in here is your sample size should be a good representative of the population. Considering this population of KOF, this (16) sample size is not a good representative figure.

Then the next question that was asked in this is, does the case point out that OGCS is functioning oblivious of its market domain. Is it having its size on marketing or not having its size on marketing? If you really look at it, the given data suggests that OGCS had no significant impact on the yields of oil seeds. It is that makes it come to the conclusion it is not functioning keeping in mind its market domain. It is oblivious of its market domain. Then the next question that is asked is what suggestions can be given for the improvement of this OGCS?

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SWOT Analysis of the organization:

Strengths:

Good Human Resources:

The Karnataka Co-operative Oilseeds Growers Federation has 356 Oil Seeds growers Cooperative Societies and 114343 individuals as members covering 2263 villages.

Manufacturing Competence:

The project has got a processing plant at Hospet in Bellary district with a capacity of 250 tones per day Groundnut Crushing, a 50 TPD sunflower crushing capacity, a 100 TDP solvent extraction plant and a 50 TDP continuous refinery.

The Raichur Regional Union has an Oil Processing plant at Raichur with facilities of 140 TDP oilseeds crushing, 70 TDP solvent Extraction, 20 TDP refinery and 100 TDP cottonseed preparatory section.

Cost Advantage:

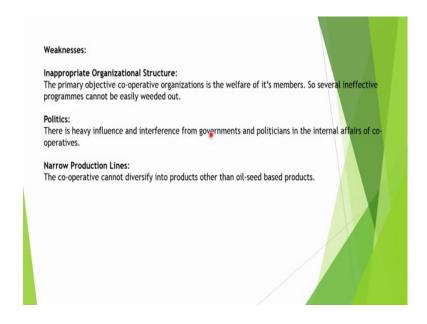
KOF and its Regional Unions have reduced its administrative overheads to the tune of 35% and also reduced the man power strength by implementing Voluntary Retirement Scheme (VRS) and almost 25% of the manpower is reduced.

If you look at the types of suggestions, again we do what is called a SWOT analysis. When we look at SWOT analysis: good human resources; there are 356 oil seeds growers cooperative societies. There are so many individuals as members covering 2263 villages, has a manufacturing competence, has a processing plant at Hospet in Bellary, has a plant has a capacity of 250 tones per day of ground nut crushing. A 50 TPD sunflower crushing capacity and another 100 TPD solvent extraction and solvent extraction plant and a 50 TPD of continuous refinery.

The Raichur Regional Union has an oil processing unit or oil processing plant at Raichur with facilities of 140 oil seeds crushing, 70 solvent extraction, then 20 refinery and 100 cottonized preparatory section. What is the type of cost advantage that this OGCS has? KOF and its regional unions have reduced its administrative overheads to the tune of 35 percent and also reduced the manpower strength by implementing VRS and almost 25 percent of the manpower is reduced.

These are data which was made available towards 2014 nearly end of 2014; the situation might have improved further now.

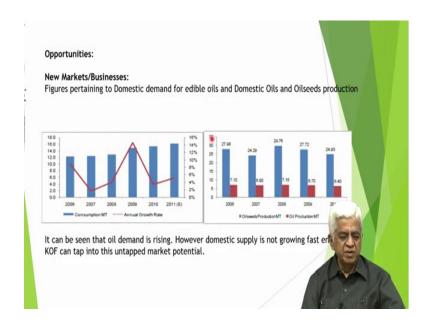
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What is the type of weaknesses that you can look at? The type of weaknesses is the primary objective of these cooperative organizations is the welfare of its members. Several ineffective programs can be easily weeded out. This is though it can be easily weeded out, what will happen? Some of its members still want that program, there will be administrative blockades.

Though you know a program is not very effective, you cannot easily weed out this program. Then there is politics, heavy influence and interference from governments and politicians in the internal affairs. Then it is a narrow production line; you are looking at only oil seed based products, you are not looking at any other products.

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What are the types of opportunities that you can think of for this? As can be seen through the stood diagrams, oil seed demand is increasing; however, domestic supply is not growing fast enough. There is a substantial increase to which means there is an untapped market potential which this KOF can tap into.

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Then what is the type of threats? KOF is a cooperative society operating on a cooperative model, you can expect competition. For HOPCOMS you are having competition from

Big Bazar, Reliance Fresh and all these players. Similarly, you can have competition for these KOFs as well.

Now what is happening you are having competition from several private players. It is Marico, Agro Tech products that is a Sundrop. All these types of players are also giving this OGCS very tough competition. Then, the other threat is increased in foreign competition. Now, you are getting so many other brands. So, this Cargill entered Indian markets with brands like Gemini. That is also available in the marketplace. It also poses a very serious competition threat to this OGCS.

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These are type of typical analysis, which on this corporate analysis for this OGCS. And what is the type of corporate strategy this KOF is presently adopting? If you look at it, the brand of this KOF is what is called Safal. They market this brand as Safal and they say it is a double filtered groundnut oil, double filtered groundnut oil. Many times when people consume groundnut oil especially in the middle plus age group, they are more worried about the type of heart problems it might create; in addition to the weight and all that.

For this Safal says is it is about their product is a double filtered groundnut oil, not to greatly worry about that. Similarly, it is also catering into edible oils to major factory canteens, both private and public sectors in and around Bangalore. You find this Safal used in most of the public sector kitchens, then has strong distribution network all over

Karnataka. When you have this type of network, they contribute to the what you call; they are the real backbone of this FMCG marketing.

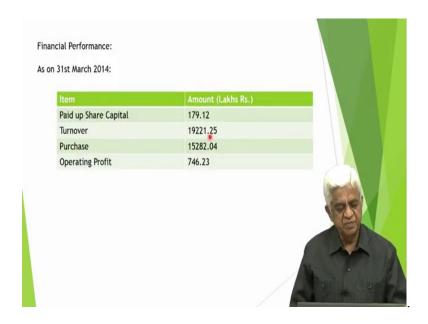
Some more information is given. KOF markets edible oils under the corporate brand name of Safal in consumer packs, Safal is refined stroke filtered groundnut oil, then Safal Sungold is on sunflower oil, Safal Premium is on refined sunflower oil, Simply Safal stands for pure coconut oil. There is also one more Safal which is be which is on pure forum fresh peanuts. So, this is the in other words this is the whole objective is to what do you call establish a brand equity through this Safal.

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Explanations are given in this slide on each of the ones which are mentioned earlier whether it is the Double Filtered Groundnut oil or the Sungold Refined Sunflower Oil or the Safal Pure Coconut Oil and it also gives some of their characteristics, reason why the consumer can have a better deal though the ultimate choice is left to the consumer/end consumer. The company is trying its best to market its products so that the consumer can appreciate these products.

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If you look at the performance of this OGCS as of 31st March 2014, its paid-up capital was 179.12. All these figures are in rupees lakhs the as of 31st March 2014, the paid-up share capital amounted to 179.12 lakhs. The turnover was something like 19221.35, again in lakh rupees. The purchase was 15282, giving this OGCS a profit of 746 lakh rupees. Basically operating at about 7.5 crores profit as of 31st March 2014 might have improved further.

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RECOMMENDATIONS

- Estimated potential demand for oil by the industrial consumers is 5,17,676 Kgs per month it constitutes 37.4 % of the net oil consumption Hubli-Dharwad cities. Hotel customers, sweet marts and retailers are the major buyers constituting 55.85%, 17.83% and 15.50 % respectively. KOF should focus on industrial
- Palm and groundnut oil are the most consumed oil among the 5 common types of edible oil. Except for groundnut oil all other types of oil used by customers were branded. KOF can focus on other oil producing plants like palm.
- 3. Most customers who are aware of Safal or Sungold brands are under the impression that these brands are meant for domestic consumption and not for commercial consumption. Bulk quantity should be posed with greater efforts to market, which would yield greater and instant sales.
- 4. Regarding promotions
 - Credit facility- It should be extended to some needy customers depending on their credit worthiness.
 In order to encourage cash sales, the union should extend cash rebate to institutions who prefer to buy oil on cash basis.
 - Door-to-door Sales- An approach, which would give some competitive edge by serving them at their
 places by knowing their need, requirement and suggesting them some purchase tactics as well because
 very few competitors have this tactic in market.

With all this what is the type of recommendation you can think of? There is a good demand for oil represented by these figures. If you really see 37.4 percent of net oil consumption is coming from Hubli-Dharwad in the state. Hotel customers, sweet marts and retailers are the major buyers constituting 55.85 percent, 17.83 percent and 15.5 percent respectively that is the type of figures that you are getting with respect to hotel customers, sweet marts and retailers.

When you look at the palm and groundnut oil, again most consumed among the 5 types of edible oil and except for groundnut oil all other types of oil used by customers were branded. KOF can focus on other oil producing plants like palm, this is the type of recommendation that comes in. Then most customers who are aware of Safal or Sungold are under the impression that these brands meant for domestic consumption, not commercial.

What is this, what is the type of implication it can have? You are not able to transfer bulk quantities. The bulk quantities should be posed with greater efforts to markets. They will yield greater and instant sales. Some promotional aspects are mentioned here, you can give a credit facility to these different consumer's; door to door sales.

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Survey still speaks out the unawareness of the products of KOF, it largely mentions that company has to take necessary steps regarding basic ground level communication by the aid of;

Economic medias like newspapers insertions viz. pamphlets

Endorsing some economic programs around Hubli-Dharwad twin cities where large women population gathers ex children associated competitions

Road shows and acquiring customers during social gathering

6. Shelf-spacing should be well planned and should be maintained in the outlets, since it influences the buying behavior of consumers to a reasonable extent, and similarly attracting the customer by making use of these shelf's in a proper way.

7. As the competitors have come with strategies that are affecting the market of KOF, therefore the company should come with strategies that can counter react to these strategies with respect to pricing, effective promotion and ease-of-availability of the products.

8. Better incentive or margin can be provided to the retailers or dealers as they act as a main connectivity to the customers (intermediaries).

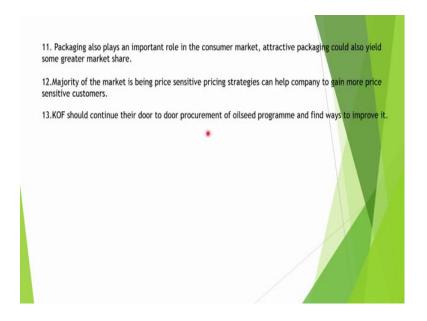
At most stress should be given to promotions of KOF products with the aid of media like TV
advertisements, road shows, celebrity endorsements which are the effective tools to leave a strong
impression in the minds of customers.

Then look at unawareness of the products of KOF is what the survey brings out. What is required is you should have that is a consumer should be given a good exposure to all these types of products of KOF. It can be through newspaper insertions or pamphlet or

whatever or it can be through road-shows. Similarly, their self spacing should be well planned and should be maintained for the outlet us, since it is since it influences the buying behavior of customers. The next one is as the competitors have come with strategies the; in a competition always competitor comes out with strategies.

What is required is the company should be proactive first. If not proactive at least, it can counter react to these strategies. These retailers can be their margins can be increased because they are, they can be trusted upon to give you a good market share. At more stress should be given to promotions and KOF of KOF products with the aid of media like TV, advertisements, road shows etc.

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Give a good promotion to this and make the packaging also more attractive. When we are discussing the candy marketing, I mentioned this candy packages are very attractive in the outlets. It is pointing, it is giving you the picture of a child and on that, on the top of this, it is telling the child I am waiting for you all those types of things.

Then they mentioned three for the price of two or four for the price of three; which generally the elders will give in to the demands of the child. Majority of the market is being price sensitive pricing strategies can be effective. KOF should continue door to door procurement and find ways to improve it. So, just read it is not just enough to if you go door to door, send a large number of KOF people door to door; this oil seeds grow the

growers places should find out a better method by which the speed or the time taken for this whole process can be curtailed.

These are some points which are mentioned in response to the questions that have been asked in the case. In the next class I will give you a word presentation where this present, these points are expanded further.

I will stop here.

Thank you.