CHAPTER III

PROBLEMS OF MARKETING OF BAKERY PRODUCTS

In the preceding Chapter a detailed discussion regarding various factors that contribute to the development and future prospects of bakery industry in India were thoroughly analysed. Bakery industry as one of the Food Processing Industries is manufacturing wheat-based products which are not only nutritive but also like wholesome foods. These products are consumed by high, middle and low income group consumers on a daily basis. Thus its future development is related to its ability to manufacture and market quality products amongst masses. Although the industry, as discussed earlier, has enough potential to develop on sound lines, a number of problems concerning supply of quality inputs, increasing cost, power crisis, high tax burden and restriction on import of technology and equipments, etc. have adversely affected the performance of the factors in marketing mix viz.-products, price, distribution and promotion. These constraints need to be removed on a priority basis, if the industry is expected to market nutritive products at a reasonable price to masses and more particularly to vulnerable groups of the population. This Chapter highlights the dimensions of problems inhibiting the marketing efforts.
This chapter starts with a discussion of market segmentation and target marketing and moves on to the exposition of problems in marketing of bakery products. This discussion is done for the four factors in the marketing mix.

3.1 MARKET SEGMENTATION AND TARGET MARKETING

Bakery units operating in the industry are bringing out a variety of products. For instance, in case of bread, Modern, Britannia and others manufacturing bread both for general consumption of households, hotels and canteens and special breads for nutritional programmes. Similarly flat bread as substitute for chapati is accepted very well in many cosmopolitan cities. Biscuits such as Thriptin and Digestive are like food meant for young and old. Eggless cake of Modern is for exclusive consumption of vegetarians belonging of a substantially large section of the population. In addition a variety of brands and packs of biscuits having low and high unit value are marketed for masses as well as for selective consumption. For instance, high-priced fancy biscuits account for less than 10% of consumption while 90% consumption is of low priced varieties. In terms of income 37% of biscuits are consumed by income groups below Rs. 750 P.M. and another 37% by groups between Rs. 750 and Rs. 1500 P.M. These examples clearly describe the fact that bakery units of the industry
are covering their markets under undifferentiated, differentiated and concentrated target marketing strategies based predominantly on demographic behavioural and psychographic segmentation.

3.2 PRODUCT

This section on the first marketing mix factors deals with the product concept, product policy.

3.2.1 Product Concept

Product signifies a thing which a buyer gets in exchange for its money. Broadly speaking a product is a bunch of utilities which signifies various characteristics and features besides the services which a marketer offers to the consumers.

This approach has three essential aspects of product viz- Core, Tangible and Augumented. The Core concept of baked product emphasises the utility of benefit function such as energy, vitamins, nutrients tastes for health. For instance, a mother buying "Threptin" biscuit pack is not only buying biscuit but also the hope for energy and health of her baby. Similar is the case of other baked products. In other words the core aspect of bakery products is the hidden benefit being provided.
The bakery products will have physical entity when the benefit is offered to the target market in a tangible form. Bread, buns, pastries, etc. illustrate the tangible products having certain characteristics such as loaf volume and shapes with healthy shining crumb, soft velvety texture, better sliceability, small uniform cells, eating quality, crispness, better keeping quality etc. besides brand name and packaging.

The augmented aspect of bakery products signify the benefit of services associated with tangible product by way of additional facilities to buyers i.e. personal attention, money back guarantees, credit facilities etc. It requires a thorough analysis of the consumption system in the target market for the formulation of an appropriate product pan. Bakers have, therefore, opportunities to augment their product offers competitively by means of developing products with various food groups to enhance nutritive value and improving packaging for longer shelf life, delivery arrangements, warehousing and all other things of value to buyers. In sum, it can be said that bakery products are consumer products classified as convenience food items. They are perishable in nature having low unit value, purchased frequently day after day in small quantities.
3.2.2 Product Policy

No specific information with regard to Product policy of any bakery unit of the industry is available explicitly. However, some guidelines towards product policy measures to be followed by the members of organised and unorganised sector bakery enterprise have been highlighted in the Policy Framework of the bakery industry where-in emphasis has been given to hygiene and maintaining the balance between nutrition, taste, price etc. in order to provide maximum satisfaction to the consumers at large. As a consequence a large number of bakeries have taken initiatives to concentrate in developing new products through R & D efforts and reviewing existing ones for modification or elimination alongwith proper packaging and branding. In other words as a follow up measures a number of products traditionally manufactured have been substituted with new products of numerous varieties either due to non-acceptability of consumers or due to availability of superior recipes and technology. For instance, cream rolls are not seen in abundance now adays. Their place has been taken up by cream-filled biscuits. equally well is the fruity-a-cake like bread.

In the same way Packaging of the Product as compared to Past, has been improvised by a majority of bakery units in view of longer shelf life and convenience in
handling. For the sake of identification unbranded products of small scale sector bakeries are sold under some local brands.

In the wake of product concept leading to marketing myopia, Production of speciality biscuits to meet the challenges in export market and of other improved and nutritious breads and biscuits are also on the planning map of Private and Public Sector bakeries.  

However, inspite of all their efforts, bakers are still lacking in implementing the product policy in its true spirit owing to a number of constraints that come across in their marketing operations. An attempt is made in the following section to develop an understanding of the product mix as relevant to bakery products.

3.2.3 Product Mix

Product mix is made up of product lines. Each Product Line contains product items which is a physical product plus branding and packaging.

A Product mix of a particular bakery unit is a set of all product lines and items offered for sale to buyers. In other words, the range of product lines of a bakery unit (Large, medium and small) may comprise of bread, biscuit and other allied products such as buns, Pastries, cakes, etc.
Each of these lines may consist of product items which may be distinct by weight, shape, size, flavour, nutritional value, etc. For instance, in case of white bread, packs of 800 gm., 400 gms., & 200 gms. are the product items and likewise Package weight ranging from 25 to 300 gms are the product items of Particular variety of biscuit.

A product mix has three dimensions viz., width, depth and consistency. The width of product mix of a baker unit signifies the different product lines. The depth of product mix refers to number of items in each product lines offered as mentioned above. The consistency of product mix implies relationship between various products on the basis of production requirement or distribution and promotion. The product lines of bakery units can be said to have consistency as these are convenience food items require flour as raw material for their manufacturing and further marketed through the same distribution system such as food store. These lines will be less consistent if they provide quite different taste and benefits (viz. nutrition) to the consumers.

Product Line Strategy: Bakery industry is handicapped by inadequate product Line Stretching. It is true of large, medium and small scale bakery units. The weight and measures (Packaged Commodities) Act 1977 is applied to the bakery products. There are certain provisions of restrictive
nature which are counter productive of promotional efforts and product stretching. The range of product line of bakery units of the industry comprise bread, biscuits and other allied complementary products such as buns, pastries, cakes. Each of them is having numerous product items of different weights and measures as well as variety of flavours and shapes etc.

Different size of packs of breads and biscuits are governed by the weight and measurement (packaged commodities) Act 1977. According to the Act the biscuit industry was permitted to use the new packs of 25, 50.75, 100, 150, 200, 250, 300 gms and multiples of 100 gms. upto one kg. Likewise the pack size of bread have been specified as 200 gms., 400 gms., 800 gms and 1200 gms. Bakery units had contemplated to undertake stretching in the form of low and high unit value packs to suit various strata of the society. The Federation of Biscuits Manufacturers of India have proposed the following packs as given in table 3.1.
Table No. 3.1
DIFFERENT SIZE OF PACKS OF BISCUITS PROPOSED TO BE MARKETED

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Size of Packs</th>
<th>S.No.</th>
<th>Size of Packs</th>
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<tbody>
<tr>
<td>1.</td>
<td>25 g</td>
<td>11.</td>
<td>150 g</td>
</tr>
<tr>
<td>2.</td>
<td>30 g</td>
<td>12.</td>
<td>160 g</td>
</tr>
<tr>
<td>3.</td>
<td>60 g</td>
<td>13.</td>
<td>170 g</td>
</tr>
<tr>
<td>4.</td>
<td>80 g</td>
<td>14.</td>
<td>180 g</td>
</tr>
<tr>
<td>5.</td>
<td>90 g</td>
<td>15.</td>
<td>190 g</td>
</tr>
<tr>
<td>6.</td>
<td>100 g</td>
<td>16.</td>
<td>200 g</td>
</tr>
<tr>
<td>7.</td>
<td>110 g</td>
<td>17.</td>
<td>230 g</td>
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<tr>
<td>8.</td>
<td>120 g</td>
<td>18.</td>
<td>300 g</td>
</tr>
<tr>
<td>9.</td>
<td>130 g</td>
<td>19.</td>
<td>350 g</td>
</tr>
<tr>
<td>10.</td>
<td>140 g</td>
<td>20.</td>
<td>400 g</td>
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<td></td>
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<td>and multiples</td>
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<td></td>
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<td>of 100 g there-</td>
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The Government has taken a contrary view regardless of the importance of stretching for both the industry and the consumers. The importance of stretching lies in catering to the demand on the one hand and cultivating the habits of fast food for the sake of nutrition on the other. In this context according to a spokesman of the industry, there is large number of allowable pack weights in which biscuits could be packed but in practice is a given class of varieties say glucose, the standard pack weight followed by the industry are very few viz.- 25 gms., 80 gms., 160 gms. of fancy packs. This is inadequate to protect the interest of the consumers.
However, the members of the association in order to adhere to the policy of the Government restrict the number of unit packs in a given class of biscuits such as Salted, Semi Salted, Sweet and cream filled biscuits. Modern Food Industrial (India) Ltd. had also abandoned the production of low and high weight of loaf.

Branding: Branding is both an aid in the selection of right product with convenience and an advertisement to build up the image in the minds of consumers. In fact, a brand is sought to be patronised by the consumers as an expression of their full satisfaction with the product. This realisation has brought home the need for improvisation in branding. The larger bakery units particularly market their products under some specific brand name. For instance, the products of organised sector bakeries such as Britannia, Modern Parle, Dalmia, etc. are well received as they sell their products under Family and Individual brands. Most of the bakeries operating under Medium and Small Sectors have also now started differentiating their products under numerous local and regional brands.

Packaging: Packaging has been defined "as the activities of designing and producing the container or wrapper for a product." Packaging plays an important role in marketing of baked products like bread, buns, biscuits, etc. These
products, by nature, are not only perishable but also susceptible to hot or cold climate and dampness. They may spoil, get discoloured, lose flavour leading to physical deterioration of the product. The biscuits, for instance, are quite fragile and can easily be damaged in transportation and storage. Therefore, they need to be packed or wrapped in such packaging material which fulfills the need for promotion of sales and yields maximum satisfaction to consumers by ensuring freshness, crispness, flavour and taste of the product.

Packaging material is considered as optional raw material. However, its use is considered as essential for improving quality of commercial products. Special papers and containers like small packets, boxes, aluminium foil, etc., according to the requirements of products, are considered as suitable packaging material for ensuring hygienic conditions, preventing moisture, seepage and increasing the shelf life of bakery products. Although the bakery units of the industry have improved the packaging aspect to an appreciable extent but still they are finding it difficult to procure adequate quantities of good quality wax paper because of its short supply. Further the cost of wax paper is too high to afford specially for the small units. Therefore, dull wax paper which gets dry after a short period is used by them.
3.2.4 Raw Materials

Several of the problems in marketing of bakery products can be ascribed to the difficulties related to the raw materials. Since bakery products are made up primarily of agricultural commodities and chemicals maintaining the uniformity of quality in the end product is an arduous task.

In a technical sense product is a wider concept which includes raw materials that goes into the product for ultimate consumption. In other words flour, sugar, salt, yeast shortening, glucose and improvers after having been processed are one product. Therefore, product as a first component of marketing mix requires proper planning and selection of right type of raw materials to produce a given quality of product.

Raw materials with which different recipes of bakery products are prepared are classified into essential and optional ones as follows:\textsuperscript{14}

<table>
<thead>
<tr>
<th>Essential</th>
<th>Optional</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>Sugar</td>
</tr>
<tr>
<td>Yeast</td>
<td>Shortening</td>
</tr>
<tr>
<td>Salt</td>
<td>Improvers</td>
</tr>
<tr>
<td>Water</td>
<td>Preservers</td>
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</tbody>
</table>
Because of the importance of raw materials to marketing of bakery products, each of the raw materials are described further.

**Essential Raw materials**: The raw materials which are essential for the manufacture of bakery product are wheat, yeast, salt and water.

1. Wheat: The quality of bread and biscuit is affected by the quality of flour. Flour quality can be assessed by measuring the various parameters such as moisture, granularity, ash protein/gluten, enzymes, damaged starch, dough rheology etc. The bakery industry needs flour of specific strength. The term strength implies the quality of flour which can be converted into large loaf with smooth silky texture. The gluten in the right amount, water absorption, power (WAP) quality of flour the starch size of the particles, enzymes, colour, ash contents, acid insoluble ash etc. determine the strength of the flour. The gluten is one of the main and important wheat protein. The function of gluten in dough is to form the structure of the loaf and to give power of cohesion and elasticity to the dough. Its excess or deficiency will damage the shape. The water absorption quality is important from the economic point of view. It also has a favourable effect on the shelf life of the bread. Starch plays an important role in proper fermentation of dough. It acts as a water sink and 'set' the
system. Starch acts as a temperature triggered water sink in baked cereal products. It contributes to the textural attributes of the baked products. The normal starch that is damaged when milled is known as damaged starch or 'ghosts'. Moderate amount of damage is desirable while excess damage is quite harmful. Damaged starch influences the water absorption capacity of the flour. The strength of flour and particles size are inter-connected. Flour of uniform quality is useful in manufacturing biscuits because it adds crispness of the product. Enzymes affect the volume of the loaf. Enzymes are organic substance possessing the peculiar and wonderful power to convert one chemical substance into another without becoming part of that change. There is a general deficiency of enzymes in Indian wheat flour. It can be made up by means of external source of Alpha Amylase and fungal amylases in order to get good volume and crust colour in loaf. The excess of these enzymes is found in the flour of the rain affected wheat which gives sticky dough.

The wheat of the right quality makes bread attractive. It should be bright creamy white in colour. The colour of bread is affected by its ash content. Higher ash contents impart brown colour to maaid and results in darker colour of bread with poor loaf volume. The Acid insoluble ash indicate quantity of silica matter present. This is due to improper cleaning of wheat prior to milling. The acid
insoluble ash determines the affects of bakery products on health. excess of acid insoluble ash is harmful to health. In order to manufacture quality of product many varieties of wheats such as Soona, Lika, Larma, Roja, Sharbati Sooners for biscuits and HD 2122 for bread have been recommended by the researchers. Besides, wheat flour of bread and biscuit industry has also been specified under PFA Act 1954 and Rules thereof, as shown in Annexure. In spite of all these provisions the bakers are unable to have appropriate quality of wheat flours from flour mills for manufacturing different varieties of bakery products.

In fact the problem of quality of wheat flour suitable for baking purposes is generic in nature because of different agronomic, soil and environment conditions of the place where the grains are grown. As a result, the quality of wheat grains varies from farm to farm and region to region. Nevertheless, the problem of desired quality of flour required by the bakery industry can be managed to an appreciable extent through sincere participation of FCI and Roller Flour Mills.

Most of the stock of wheat is supplied to the millers by FCI which is a mixture of many wheat varieties.
grown under different environmental conditions. The stock so supplied is not properly segregated or graded. In some cases it is rain affected. Millers on the other hand have to accept the wheat which is supplied to them.²⁷ Therefore the quality of flour entirely depends upon the stock available with FCI. In this context Dr. D.D. Hill remarks "until such time the mills can obtain wheat of specific quality and conditions, it is unlikely that they will be able to supply the range of flour qualities that will be required."²⁸

In spite of all these drawbacks millers are ready to make up the nutritional deficiencies of flour to a reasonable extent through various processes and techniques like air-separation, extraction, blending, colouring and enriching flours by making use of additives to provide protein, vitamin and mineral contents to exact specifications with regard to strength and stability. However, the operations of roller flour mills are regulated by the preventive and Food Adulteration Act.

2. Yeast: Yeast is the second most important ingredient used as an agent for fermentation of dough. It also plays an important role in product modification and adding to the dough a sweet aroma to enrich bakery products.

Yeast is a unicellular micro-organism of plant origin which is freely present in the atmosphere, fruit and
other food particles containing sugar. It is a living organism. It is sensitive to external conditions such as temperature and media in which it is preserved. The activity of yeast is influenced by the temperature. Both high and low temperature will have an adverse effect on the quality of yeast.

In our country yeast is used to make bread and biscuits as compared to a wide range of usage in advanced countries to prepare soup, roast, steaks, sausage, meat, fish pastries, sand-witches etc. It has industrial use specially in confectionary. It has nutritional value and contributes good quality of protein and vitamin B-complex. It promises to boost the sale of the bakery products since it gives clear flavour.

In the market yeast is available in two forms viz. active dried yeast and compressed yeast. Active Dried Yeast is light brown to creamish colour. It is normally in the form of small round pellets, noodles of 2 to 3 diameters and 3 to 6 mm in length. It is also available in the form of small specks and powder which has an advantage over the pellet so far as dispersibility and dehydration is concerned.

Dry yeast does not require refrigeration but a reasonably cool place for storage. When properly stored, dry
yeast will remain for many months. Compressed yeast is in the form of rectangular blocks wrapped in waxed paper. It should be stored in a refrigerator and should not be exposed to extreme heat or cold for even a short time. It can remain intact for 14 days in the refrigerator. Therefore, in order to maintain quality of yeast extra precaution in respect of storage of the yeast are needed because this requires a standard temperature for moisture in case of compressed yeast. It does not spoil in frozen conditions. Since it is not possible for small bakers particularly to have ideal storage conditions it would be better to use fresh yeast as far as possible for daily use.

However, yeast both fresh and dried are reported to be in short supply because of inadequate production. The units producing yeast in the North of Dhampur, Mohan Meakins and Bakewell are not able to cope with demand of Northern India. As a result the required amount of yeast is not available to the bakers. Consequently a large variety of fermenting agents other than yeast are in use. There are known by different names such as hops, gul, khamirah, desi-masala, bombs, kali darakh, variali darakh, etc. besides other leavening agents like ammonia-carbide, albumen, ammonium chloride and baking powder. In this way there is a limited use of yeast in bakery industry of our country. This indicates that bakers are not able to diversify their
products to a desirable extent

The bakery industry has yet to attain the sophistication level to produce a large varieties of bakery products. The dominance of traditional bakers is difficult to abate as there is a growing competition in the market from the organised bakery units which are capable of producing good quality of breads and biscuits and other bakery product. The demand of yeast will increase further due to increased mechanisation in the industry.

The above description reveals that the problems of yeast are four: shortage, provision of storage, lack of technical knowledge on the part of bakers to handle it during production process and high prices.

3. Salt: Salt is also an important ingredient in bread making. It performs the function as flavouring agent, dough stabiliser and controller of fermentation and is antiseptic. The bakery industry does not prefer the common salt. The vacuum or refined salt is preferable because of uniformity in crystals, solubility in water and ease in sprinkling operations. The bread can not be produced without mixing salt with dough. The baker should not allow the salt to come into direct contact with yeast. It is therefore necessary to dissolve it in water before mixing it with the dough.
4. Water: Water is equally important in making bread and biscuits. The gluten formulation does not take place without water.

Less moisture in the flour is made up by water which makes more bread. The dough becomes slack and fermentation faster if there is excessive water in the dough. The quantity of water to be used in flour depends upon its quality. Water also acts as an agent to the consistency of the dough. There is no prescribed percentage of water in the dough. Its quantity is decided by the baker. Variation in water content of the dough affects the finished products. The water is also used for dissolving salt to make the bread palatable and longer. The soft water is found good for baking because of its capability to retain gas.

Water with chlorine is used to eliminate bacteria which spoils the dough. Besides the fermentation, time is shortened and bread quality improves as a result of bacteria killed by chlorine water.

Optional raw materials: Sugar, shortening, improving agents and preservatives are classified as optional ingredients which are considered unavoidable for the manufacture of quality of commercial products.
Sugar: Though sugar is used in the production of bakery products, it is not required in large amount. It is used only to help the yeast to grow and multiply. It is helpful in gas production. In other bakery products sugar adds taste. The excessive quantity of sugar is harmful from the point of view of fermentation. To make a good quality of bread, sugar from 2 to 3% is recommended. However, in buns sugar upto 20% may be used in dough as sweetening agent. The primary purpose of sugar is to sweeten the product. Extra doses of sugar make the biscuit hard and brittle. The volume of biscuit increases. However, there does not take place any change in the flavour of the biscuit as a result of white sugar. The syrups and the lower grade sugar change the flavour considerably. The quality of biscuit deteriorate if the sugar of dark colour is used.41

Various grades of sugar can produce different effects on the biscuits if it sprinkled on the dough. The fine or medium granular sugar is normally used for attractive finish and for influencing the creaming power of fats.42

2. Shortening: Fat used in bakery industry are known as shortening. The quality of products is largely affected by the quality of fat used in its production. Besides its nutritive value the main function of shortening is to develop tenderness, good texture, uniform granula structure,
volume expansion and improved shelf life of the products. Manufacturers are facing difficulties to incorporate such quality feature in the end product as the appropriate quality of fat that has plasticity with specific melting point, dilation and stability is not available to them.43

The existing conditions are not conducive to the production of fats of good quality. The operation of manufacturers of shortening are regulated by VOP control order and PFA Rules. Under these rules only certain oils like soya bean oil, cotton seed oil, sunflower oil, etc. are permitted to be incorporated in the manufacture of shortening after hydrogenation. The Vanaspati prepared from ground nut oil is an ideal shortening with high stability is excluded from the list.44

Shortening prepared with permitted oils is not very suitable for bakery products as they contain large proportion of unsaturated Acids which are difficult to be removed completely while keeping the melting point of the product within the range as specified.45

3. Improvers: The bakery industry is able to control the quality of bread by using improvers. These are the chemicals used in baking industry as oxidising agents for maturing the dough. The improvers comprise Potassium Bromate and Potassium Iodite. The bakery industry is supplied with
instant dough improvers, viz. Ascorbic Acid. The improver makes the gluten soft and retain the gas. It increases the volume of the bread. The bread improver should be used in correct amount because it influences the fermentation period. Ammonium chloride is the improver of the yeast. The non-chemical improvers, viz., malted barley flour and soya bean flour can be used during the processing of baked foods.48

4. Preservatives: The bakery industry makes the use of preservatives for stable life of the bakery products. Calcium proplonate is usually used as preservative in the country.

Bakers inspite of their sincere efforts have not been able to market quality products as the right quality and quantity of raw-materials and other infrastructural facilities like quality control devices, modernisation, R & D practices are beyond their control.47 These aspects are briefly discussed in the foregoing sections.

3.2.5 Quality Control

The role of quality control in bakery industry is of great significance. It ensures the production at economic level consistent with consumer satisfaction and capturing the market in the face of keen competition. The word quality of bakery products, in general, refers to such features of
the products as its nutritive value, storage and edibility quality, finish, appearance, etc. The term quality control connotes the systematic control of those variables which affect the excellence of the attributes of the product. In other words it encompasses every state of production viz. right from the quality control of raw material to various stages of process and distribution of finished products.\textsuperscript{48}

It is a general complaint of consumers that the bakery products are not of better quality. This situation has not been helped much even with the introduction of bakery technology. Although the organised Sector bakeries have been able to achieve the objective of quality control but still much has to be done to compete in International markets.\textsuperscript{49} However, no perceptible change in the methods of production for quality improvement has taken place in medium and small sector bakery units of the industry. As such due to lack of quality control practices these units are generally uncompetitive.

3.2.6 Modernisation

Modernisation emphasizes the adoption of most modern techniques of production in place of conventional methods. In fact the term modernisation is a wider concept. It includes not only the introduction of machines and tools, but also new combinations of dozens of inputs for preparing
recipes, right amount of heating and cooling, proper packaging and quality control from the point the material is purchased till it is converted into the finished products. With the advent of Food and Baking Technology both modernisation and R & d aspects of bakery industry have become vital issues. The application of bakery technology implies the use of most modern machines and new techniques of process operations for improving and manufacturing larger and better output at a minimum production cost.

Modernisation in bakery industry technology is long over due. Most of the existing plants and machines in small, medium and large units are either old or outdated involving high costs of maintenance. Obsolete and unscientific process of production further results into inefficient operations. As a result it has been telling upon the competitiveness of the industry in the world markets. The excessive cost of Indian bakery products and inferior quality are the root causes for the declining in export earning from bakery products by amount 50% in a few years. However, there has been a marginal increase of 3% in 1987-88 on the export front.

Old machines and rising cost are thus the dual problems before the bakery units who have to face stiff competition in the export market. Bakers have therefore,
suggested that the import of new Speciality Biscuit Plant and other essential equipment would enable them to reduce the manufacturing cost of replacing obsolete equipments.\textsuperscript{53}

However, these equipments are subject to stiff custom duties.\textsuperscript{54} The total cost of equipment becomes prohibitive for any unit planning for modernisation and expansion.

In this context it may be pointed out that both export and domestic markets are obviously closely associated. To launch any new product the domestic market initially becomes any experimental trial and readies that product for export. In this way production with imported machines will cater both to the domestic and international markets economically.

3.2.7 Research and Development

Food is vital for human nutrition and in order to feed himself, man has been searching new formulation and combinations to develop new varieties of food through the application of Food and Baking technology. The R & D efforts in bakery industry in recent years have therefore, assumed new dimensions with growing awareness among the consumers about the quality, quantity and price.

Large bakeries like Dalmia, Modern, Britannia, Parle and others, through their R & D techniques, have made significant contribution to various areas including product
development, standardisation of existing formulations, processing conditions, raw materials specification to improve quality and reduce cost. In addition to this, in-house research led to the development and successful launching of new product varieties.

However, still much has not been done in the field of R & D. In this context it has been pointed out that the range of consumer preferences is infinite as also ephemeral. A delicate balance has to be struck between taste, nutrition, health and price. The R & D activity in our country has virtually reached a plateau where the exercise is reduced to making to marginal variations and the existing products. Besides the well-meant criticism of the consumers has to be accepted that the rate of new launches is rapidly declining. Despite the technical talent of India being second to none in the world, the apathy of the industry, its technicians and consumers is compounding. R & D for that matter product development are not carried out in a vacuum. Each exercise of this nature entails sizeable investment and this goes down the drain if avenues for commercial utilisation are not available.55

3.2.8 Legal Constraints

A number of State governments have subjected the bakery industry to rigid regulations with regard to sugar,
maida under Essential Commodities Act 1955. These ingredients are considered important components of recipes prepared for numerous bakery products. Bakers are not able to develop attributes like taste, smooth texture/crispness and palatability of the product if these are not made available in sufficient quantities. For instance sugar is needed not only to help the yeast to grow and multiply but it also acts as a sweetening agent. The bakery industry in U.P., Bihar and Haryana are facing difficulties in procuring adequate amount of sugar specially after the announcement of sugar policy since 1989. Similarly the biscuit and bakery product manufacturers can not hold stock of maida without storage licence in U.P., Bihar, Haryana, Punjab and Andhra Pradesh.

Under these regulations the industry is considered trading industry not entitles to store commodities beyond a limited amount. The maximum limit of the stock does not conform to the total requirements of the manufacturers. Therefore the units have to purchase most of the quantities from open market which makes it difficult to maintain quality economically. On the other hand the states of Maharashtra, Gujarat, Rajasthan, M.P., Karnataka, Tamil Nadu and West Bengal etc. have taken liberal and progressive view of biscuit units. In these states the bakery units are considered as bulk consumers. They are not subjected to any
limitation on the storage of the commodities. They have to further comply with restrictive provisions of the Act in respect of storage and maintenance of books of stocks as applicable to dealers. It is a matter of inconvenience specially to small scale bakers which have neither expertise nor experience to faithfully abide by the Act.59

It is worth considering that inadequate stocks of these commodities can lead to under utilisation of capacity, escalation of cost and ultimate industrial sickness. The workers may also be laid off when the units become sick. The industry will have to absorb losses due to speculation in flour, vanaspati and sugar. It may result in the erosion of capital due to cumulative losses.

Prevention of Food Adultration Act requires the biscuit and bread manufacturers to print on the pack essential information for the benefit of the consumers. The Statutes make it compulsory to print on biscuit packets of 25 gms, 50 gms. and others the date of manufacturing, the expiry date, the ingredients, the price amongst other things. It has been contended by the industry that complete information under the provision of the Act can not be supplied on small packets. The industry also points out that the quality of the product may not conform to specifications due to variation in quality of flour, yeast, etc. It will add to the cost of printing the information on packages.
Although the declaration of information under the rules is difficult and expensive, however it is in the interest of consumer to know the date of manufacturing, ingredients used, weight, retail price, taxes etc. It also serves as an aid to control the quality of food products. However, the government may think to subsidize the industry for the extra cost of printing the specific information on the packages. The cost of production should not be allowed to rise as a result of cost of Statutory declaration.

The industry has also resisted the plan of the government to restrict from the use of colours because appearance of product is an integral part of marketing plan. It may led to the crippling blow to the industry if food colours are banned or restricted. It is, however, desirable to list the hazardous food colours which the industry should avoid using.

3.3 PRICING

In the earlier part of this chapter a detailed discussion concerning various problems of raw-materials which affect the quality of product has been made. In this part of the chapter it is proposed to study the prevailing system of price setting for branded and unbranded bread and biscuit products of the industry. In addition various constraints that have a stifling effect on pricing of
bakery products have also been taken up for analytical study next. A major consideration in pricing is the existing tax structure applicable to bakery products. The next two parts of this section on pricing are devoted to a discussion of the tax elements and the various components of taxes. The discussion has been rounded up in the last section which is on administered pricing.

3.3.1 Price Setting

Bread and biscuits are the two main product lines manufactured under organised and unorganised sectors of the industry. Organised sector bakeries market them under some specific brand name, whereas some of the bakeries under unorganised sector sell unbranded and poorly packed products.

The price setting of these products is not an easy task. Price and demand for these products are both influenced by a number of factors such as cost, quality of the product, competition as well as income and location of the consumers. A delicate adjustment between them has to be maintained by the bakers in setting the prices of these convenience food items.

Bread is a perishable product which has to be sold within 24 hours. Its market is mostly urban based which is highly competitive. By and large, the price of bread is determined on the basis of cost. In order to avoid over- and
under-pricing, manufacturers marketing branded breads normally follow a price to be charged from the consumers as set either by the market or by price leaders who are expected to hold price line by fixing the maximum retail price. However, the retail price paid by the consumers varies from area to area but does not exceed the upper limit as stipulated by the manufacturers as may be seen from table 3.2.

**Table 3.2**

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Name of Enterprise</th>
<th>Brand Name</th>
<th>Package Net Wt.</th>
<th>Max. Retail Price (Inclusive of all Taxes) Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bread- Branded</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Modern Food Industries (I) Ltd.</td>
<td>Modern</td>
<td>400 Gms. 800 &quot;</td>
<td>4.00 7.50</td>
</tr>
<tr>
<td>2.</td>
<td>Britaannia Industries</td>
<td>Britannia</td>
<td>400 Gms.</td>
<td>4.00</td>
</tr>
<tr>
<td>3.</td>
<td>Malrose, Aligarh</td>
<td>Malrose (Oven fresh sliced bread)</td>
<td>400 &quot;</td>
<td>4.00</td>
</tr>
<tr>
<td>4.</td>
<td>A.F. Products, Aligarh</td>
<td>Melody</td>
<td>400 &quot;</td>
<td>3.50</td>
</tr>
<tr>
<td><strong>Bread- Unbranded</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufactured by various local Tiny Units at Aligarh</td>
<td>Unbranded</td>
<td>Ex-factory 18.00 Per Doz. to Dealers 20.00 &quot; &quot; to Consumers 24.00 &quot; &quot;</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Market survey conducted by the Research Scholar in Aligarh City (1992)
It is noted from the Table that maximum retail price of Rs. 4 as fixed by MFIL for its bread loaf (sliced white bread) of 400 gms weight is followed by other bakeries operation in the area. Modern and local branded breads e.g. Melody, Merry, etc. are being sold at a price between Rs. 3.50 to Rs 4 in various localities of Aligarh city. In other words the retail price of these branded breads vary between ex-factory and market retail price. Again in case of bread, price setting below the competitive level has also been practiced by Public Sector Bakery units at Bombay in 1982 where the price of a bread loaf of 400 gms was set 5 paisa less than the market price. This practice has however, been given up as it was non-ethical and unfair in the face of healthy competition. Bread prices are also regulated in the Union Territory of Delhi by the Delhi Administration.

In case of biscuits, manufacturers of branded products have adopted different strategies in price setting depending on whether the brand is of national repute. For brands of national repute different prices are set for different States or groups of states after considering the regional tax elements including freight cost. Apart from this single or uniform delivery price is fixed regardless of location by some of the mechanical bakeries operating in various regions.
Thus customers within a zone or region pay the same price. Consumers are also further protected from overpayment to the dealers. The prices set for biscuit for organised sector bakeries has been shown in the Table 3.3

Table No. 3.3

RETAIL PRICES OF BRANDED/UNBRANDED PRODUCTS OF BAKERY INDUSTRY- BISCUITS & COOKIES ETC.

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Name of Enterprise</th>
<th>Brand Name</th>
<th>Package Name</th>
<th>Max. Retail Price (Inclusive of all Taxes) Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Britannia Industries (Ltd.)</td>
<td>Pure Magee - (Vanilla Cream)</td>
<td>-</td>
<td>6.60</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pure Magee -</td>
<td>-</td>
<td>6.70</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Circus 75 Gms.</td>
<td>-</td>
<td>2.25</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Nice 100 &quot; (Elaichi Flavoured)</td>
<td>-</td>
<td>4.75</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Any Time Glucose-D 300 &quot; Delhi, Chandi-garh, U.P.</td>
<td>9.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Punjab, Rajasthan, H.P., Haryana &amp; J &amp; K</td>
<td>9.00</td>
</tr>
<tr>
<td></td>
<td>Britannia Cake 200 &quot; Delhi</td>
<td>U.P./West Bengal (Except Calcutta city)</td>
<td>13.25</td>
<td></td>
</tr>
<tr>
<td>Brand/Producer</td>
<td>Product</td>
<td>Price</td>
<td>States/Regions</td>
<td></td>
</tr>
<tr>
<td>---------------</td>
<td>---------</td>
<td>-------</td>
<td>----------------</td>
<td></td>
</tr>
<tr>
<td>Sawaran Product Ltd., Delhi</td>
<td>Rinkle-Swagat Cake</td>
<td>180 &quot; - 12.00</td>
<td>Calcutta/Other States &amp; Union Territories 14.00</td>
<td></td>
</tr>
<tr>
<td>Parle Biscuits, Bombay</td>
<td>Manaco (The perfect salted biscuit)</td>
<td>75 &quot; Bombay 5.15, Maharashtra 5.20 (except Bombay), Goa 5.20, West Bengal 5.30, All other states &amp; Union Territories 5.25</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>KrackJacks, (Sweet 'N' Salty Temptation)</td>
<td>75 &quot; Bombay 4.90, Maharashtra 4.95 (except Bombay), Goa 4.95, West Bengal 5.05, All other states &amp; Union Territories 5.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bakeman's Home Product (Ltd.), Patiala</td>
<td>Cream Crunch (Elaichi Cream Biscuits)</td>
<td>100 &quot; - 5.50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shiraj Food Pvt. Ltd., Moradabad</td>
<td>Shiraj Milk Bite</td>
<td>100 &quot; - 3.50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bakewell Milk Product Pvt. Ltd., Saharanpur</td>
<td>Baker (Pineapple cream Biscuits)</td>
<td>100 &quot; - 5.50</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
7. **Indana Food Ltd.**
   Dutch Maid
   Muradabad (U.P.) (All Elaichi Thick Cream)
   100 " 5.50

8. **Asoka Biscuit Works**
   Craspo Crack
   Hyderabad
   Coconut 100 " 5.50

9. **D.C.B. Food Product**
   Delicious Vikram
   Panipat
   Embassy 300 " 12.00
   Coconut Cookies 300 " 11.00

10. **Swastic Biscuits (P) Ltd.**
    Sweet Home
    Barabanki
    250 " 10.00

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**Bread** - Unbranded

Manufactured by various local Tiny Units at Aligarh

Source: Market survey conducted by the Research Scholar in Aligarh City (1992)

From the Table it may be seen that the retail price of biscuit 'pure Magee' (Vanilla Cream) of Britannia Industries (I) Ltd. will not exceed the maximum retail price of Rs. 6.60 paise. Similarly the maximum retail price of Britannia's cake has been fixed for Delhi as Rs. 12.50, for U.P./West Bengal (Except Calcutta City) as Rs. 13.25 and for Calcutta/other States and Union Territory as Rs.14.00. Likewise various other organised sector bakeries viz.,
Bakeman’s, Bakewell, Shiraj Food, Indana Food, Ashoka Biscuit works have also fixed the maximum price beyond which their brands cannot be resold to the consumers.

However the approach towards price setting of unbranded bakery product under small scale sector is quite different. It is not as appropriate as that of branded products in organised sectors. One of the main drawback in this behalf is that the markets for these products are normally local cities and peripheral towns and villages etc. Further both dealers as well as retailers may be the last link in the channel.

Prices set for unbranded products e.g. bread and biscuits is obviously cost based which also includes certain percentage of profit, but no upper limit for retail price payable by the consumers is fixed. Thus consumer’s purchase price for these unbranded products goes on rising which is directly linked to the margin being charged by the number of intermediaries. High or low rate of dealers/retailers margin is based on the term of sales (cost/credit), pace of turnover and product handling charges as well as the dealers/retailers location in cities and towns etc.

The analysis of the existing system of Price Setting in two Sectors of the industry highlights the fact that organised Sector bakeries are following the course of
playing safe and conform to the policy of their competition so that they as well as consumers at large may avoid the hazards of price rivalries. However, system of Price Setting in unorganised Sector bakeries ignores the extent to which a reasonable amount of price of the product ought to pay by the consumers.

However, the prices of bakery products and the economic viability of the bakery units have become incompatible as the industry is caught in the vortex of spiralling cost and high tax burden. In addition sticky and administrative prices of bread in Delhi is another compulsion detrimental to profitability. Consequently the prices of bakery products are neither remunerative to the bakers not easily affordable by the consumers.

3.3.2 Inflationary Impact on Raw materials

In the first instance the impact of cost push inflation have been highlighted in Table 3.4. It is obvious from Table that average price of almost all the materials that go into manufacture have registered a steep increase during 1986 to 1991 respectively. The price differential ranged from 2.6% to 34% in 1990-92 over 1989-90. The All India Bread Manufacturing Association have also recorded the all-round increase in their cost components including wages and transportation.87
## Table 3.4

### COMPARATIVE PURCHASE PRICES OF RAW MATERIALS USED IN BISCUITS INDUSTRY DURING 1986-87, 1988-89, 1989-90 AND 1990-91 (BOMBAY/CALCUTTA)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Flour</td>
<td>Kg.</td>
<td>2.78</td>
<td>3.92</td>
<td>3.47</td>
<td>3.82</td>
<td>+ 10.1</td>
</tr>
<tr>
<td>2.</td>
<td>HVO</td>
<td>Kg.</td>
<td>21.36</td>
<td>23.68</td>
<td>25.72</td>
<td>34.47</td>
<td>+ 34.0</td>
</tr>
<tr>
<td>3.</td>
<td>RCD</td>
<td>Kg.</td>
<td>36.46</td>
<td>41.61</td>
<td>33.52</td>
<td>37.57</td>
<td>+ 12.1</td>
</tr>
<tr>
<td>4.</td>
<td>SNP</td>
<td>Kg.</td>
<td>22.82</td>
<td>34.78</td>
<td>37.36</td>
<td>34.39</td>
<td>- 7.9</td>
</tr>
<tr>
<td>5.</td>
<td>Sugar</td>
<td>Kg.</td>
<td>5.70</td>
<td>6.87</td>
<td>8.56</td>
<td>9.17</td>
<td>+ 7.1</td>
</tr>
<tr>
<td>6.</td>
<td>Liquid Glucose</td>
<td>Kg.</td>
<td>8.03</td>
<td>8.95</td>
<td>10.20</td>
<td>10.47</td>
<td>+ 2.6</td>
</tr>
<tr>
<td>8.</td>
<td>S.P.Paper</td>
<td>Kg.</td>
<td>NA</td>
<td>NA</td>
<td>-</td>
<td>NA</td>
<td>-</td>
</tr>
<tr>
<td>9.</td>
<td>S.P.Paper</td>
<td>Kg.</td>
<td>24.90</td>
<td>27.31</td>
<td>38.72</td>
<td>42.82</td>
<td>+ 10.6</td>
</tr>
<tr>
<td>10.</td>
<td>Salmine</td>
<td>Kg.</td>
<td>29.24</td>
<td>34.03</td>
<td>42.25</td>
<td>43.97</td>
<td>+ 4.1</td>
</tr>
<tr>
<td>12.</td>
<td>Tin Plate</td>
<td>Ton</td>
<td>17.32</td>
<td>22.41</td>
<td>25.23</td>
<td>29.53</td>
<td>+ 17.2</td>
</tr>
<tr>
<td>14.</td>
<td>L.D.C.</td>
<td>Lit.</td>
<td>3.20</td>
<td>3.50</td>
<td>3.50</td>
<td>3.98</td>
<td>+ 13.7</td>
</tr>
<tr>
<td>15.</td>
<td>H.S.D.</td>
<td>Lit.</td>
<td>3.65</td>
<td>3.75</td>
<td>3.75</td>
<td>4.08</td>
<td>+ 30.1</td>
</tr>
<tr>
<td>16.</td>
<td>L.F.G. (14.2 Kg Nett)</td>
<td>Cyl.</td>
<td>8.06</td>
<td>5.91</td>
<td>5.91</td>
<td>6.50</td>
<td>+ 10.2</td>
</tr>
<tr>
<td>17.</td>
<td>Petrol</td>
<td>Lit.</td>
<td>7.99</td>
<td>7.17</td>
<td>9.30</td>
<td>11.60</td>
<td>+ 24.7</td>
</tr>
<tr>
<td>18.</td>
<td>Furnace Cell</td>
<td>Lit.</td>
<td>3.00</td>
<td>3.04</td>
<td>3.04</td>
<td>3.80</td>
<td>+ 25.0</td>
</tr>
</tbody>
</table>

Source: (1) 37th Report, Federation Biscuit Manufacturers of India, New Delhi, 1986, P.25.
In order to keep prices within control, associations of both bread and biscuit manufacturers have been urging the Government to take measures over the unprecedented increase in the cost of inputs but no concrete steps is reported to have been taken. In the larger interest, of consumers and producers it is highly desirable that all the necessary inputs needed by the industry be provided at a subsidised rate under Essential Commodities Act as these inputs are meant for ultimate consumption in the processed forms. These measures would lessen the burden of cost push inflation on the cost structure of the bakery products and would go a long way in managing the economic viability of the units of the industry. In this context as an association spokesman puts it "Human Psychology leads a man into trying something new, but quality and cost is the decision factor if he is to stay with it." is a statement which merits consideration.

3.3.3 Impact of Taxation on Pricing

Besides increase in prices of raw materials the industry is further burdened with excessive central state and local taxes in various forms which culminate into substantial tax elements in the computation of prices of finished products. In case of biscuits, for example, the total tax element was 8% in 1986 which has since kept rising till it reached to more than 40% in 1988. However, according to
current estimates it is about 34% since 1990 as shown in Table 3.5

Table 3.5

INCIDENCE OF TOTAL TAXES ON BAKERY PRODUCTS
(Central, State and Local)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Tax Elements</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) 1986</td>
<td>8%</td>
</tr>
<tr>
<td>(ii) 1978</td>
<td>35%</td>
</tr>
<tr>
<td>(iii) 1987-1988</td>
<td>40%</td>
</tr>
<tr>
<td>(iv) 1990</td>
<td>34%</td>
</tr>
</tbody>
</table>


(iv) (a) 40th Report and Statement of Accounts, FBMI, New Delhi, 1989-90, p.10.

(iv) (b) 41st Report and Statement of Accounts, FBMI, New Delhi, 1990-91, p.10.

Components of Taxes: Both inputs and output of the industry are heavily taxed which has become a matter of great concern to the bakers. Various components of taxes which enter into
total tax structure are described in the following paragraphs.69

Excise Duty and Turnover Tax: The industry has to pay excise duty and turnover tax which vary with product. According to current estimates it is about 10.5% on biscuits.70 This is imposed by the Central government right across the country.

Local Taxes: Local taxes are levied by the state governments in the form of sales tax and additional sales tax. Bakery products and their raw materials are not only subject to sales tax but the rate of sales tax varies from State to State. Table 3.6 illustrates the sales tax imposed at different rates on biscuits, cakes, pastries, etc. at different rates.
### Table 3.6

**VARIATIONS IN RATE OF SALES TAX FROM STATE TO STATE ON BAKERY PRODUCTS (FINISHED)**

<table>
<thead>
<tr>
<th>Name of State</th>
<th>Rate of sales Tax</th>
<th>Type of States Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Punjab</td>
<td>3%</td>
<td>General ST</td>
</tr>
<tr>
<td>Jammu &amp; Kashmir</td>
<td>6%</td>
<td>Special ST</td>
</tr>
<tr>
<td>Orissa</td>
<td>6%</td>
<td>Purchase ST</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>3%</td>
<td>General ST</td>
</tr>
<tr>
<td>Biscuits</td>
<td>6%</td>
<td>Special ST</td>
</tr>
<tr>
<td>Cakes</td>
<td>6%</td>
<td>Purchase ST</td>
</tr>
<tr>
<td>Pastries</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>10%</td>
<td>ST</td>
</tr>
<tr>
<td>Biscuits</td>
<td>10%</td>
<td>Special ST</td>
</tr>
<tr>
<td>Cakes</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>West Bengal &amp; Kerala</td>
<td>9%</td>
<td>ST</td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>8%</td>
<td>ST</td>
</tr>
<tr>
<td>Bihar &amp; Madhya Pradesh</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Note:** In some states biscuits produced without power are exempted from Sales Tax (i.e. No ST)

**Source:** *A Ten Year Perspective Plan for Bakery Industry in India* - 1981-90. The Institute of economic and Market Research, New Delhi, p.64. (Figures have been computed by the Research Scholar)

From the Table it is revealed that sales tax at 3% is imposed on biscuit in Maharashtra as against 10% in Rajasthan. However, the General sales tax constitute around 10% of consumer price as per the national average.

The variation in the rate of sales tax on various important ingredients required for the manufacture of bakery products is highlighted in Table 3.7.
Table No. 3.7

VARIATIONS IN RATE OF SALES TAX ON RAW MATERIALS USED IN BAKERY INDUSTRY

<table>
<thead>
<tr>
<th>Name of State</th>
<th>Wheat flour</th>
<th>Fire wood</th>
<th>Packing paper</th>
<th>Milk powder &amp; milk product</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maharashtra</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>West Bengal</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Andhra Pradesh</td>
<td>5%</td>
<td>M.P.</td>
<td>Rajasthan 7%</td>
<td>A.P.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>A.P. 2%</td>
<td>Bihar 4%</td>
<td>Assam</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Orissa</td>
<td>Maharashtra 6%</td>
<td>Tamil Nadu</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>West Bengal 8%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Tamil Nadu</td>
</tr>
<tr>
<td>Haryana</td>
<td></td>
<td>Bihar 15%</td>
<td>Gujarat</td>
<td></td>
</tr>
<tr>
<td>Punjab</td>
<td></td>
<td></td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Kerala</td>
<td>4%</td>
<td>Orissa</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Orissa</td>
<td></td>
<td>Gujarat</td>
<td>Rajasthan 3%</td>
<td></td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>2%</td>
<td>Bihar 5%</td>
<td>U.P.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>M.P.</td>
<td>West Bengal 6%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Maharashtra 4%</td>
<td>Haryana 6%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rajasthan 4%</td>
<td>Assam 17%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Orissa</td>
<td>Kerala 9%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>U.P.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: A Ten Year Perspective Plan for Bakery Industry in India—ibid. pp. 64-65. (Figures have been computed by the Research Scholar)
A.P. and U.P. are the only states which imposed the Sales tax of 5% only on packaging paper. All the other materials are exempt from Sales Tax in Assam, Gujarat, J & K, Maharashtra and West Bengal. As against this, in Haryana, Punjab, Karnataka, Madhya Pradesh and Kerala, there is no exception for Sales Tax for any inputs. For instance, on wheat flour the industry pays Sales Tax at 4%. In Bihar, the firewood is subjected to Sales Tax at 5%. In Gujarat and Orissa the Packaging paper is taxed at 10%. There is no uniform sales tax on the milk products. Kerala imposes Sales Tax on milk powder and milk products at 9%. In Rajasthan the Sales Tax on milk powder and products is imposed at 3%.

Taxes on Packaging Materials: Taxes on packaging materials for bakery products is also subject to excise duty which vary from materials to materials depending upon whether it is imported or produced domestically.72

Taxes on Raw-materials: Taxes on raw materials include excise duty, purchase tax, import duty, octroi etc. These are levied at different rates depending on the nature and quality of raw materials. Moreover, there are a number of agencies engaged in the collection of these taxes.73

Consignment Tax: It is worth noting that the Government introduced a bill in the 1989 Monsoon Session of Parliament to impose consignment tax at 4%. The industry protested
against the imposition of tax. It expressed its fears of high cost of bakery products for the consumers. It was also felt that a number of new factories would not be able to afford the tax. The consignment tax was intended to make the products of small units less competitive in other states. The consignment tax may lead the industry to operate only in larger States in order to avoid the incidence of consignment tax. The small industries are largely the biscuit manufacturers. Their markets are small and fragmented. The consignment tax would deal a crippling blow to them. The Government conceded to the demand of the industry and did not present the bill in the Parliament. 74

The effect of all these taxes altogether makes an appreciable impact on the prices of the product as estimated by FBMI. The incidence of tax on consumer averaged about 34.76% on the price of biscuits. It is exhibited in table 3.8.
This clearly shows that the bakery industry stands in a precarious position because various types of taxes are levelled recurrently at every point right from the time the material is purchased till the time the finished products are sold.

Though the taxes are responsible for high prices of the processed food but the Government is averse to the loss of revenue through tax reduction or abolition. In this context the incidence of tax has also been examined by FBMI on the basis of volume of sales, price elasticity and
revenue from the taxes to the States. The study in respect of tax revenue vs. the tax reduction revealed that reduction in the tax rate would obviously result in the loss of revenue to the State. But on the contrary, the State would stand to gain with the expansion in the volume of sales, if the prices are reduced to the full amount of tax reduction. The lower the prices, the greater will be the demand of the processed food. The observation is based on the survey of income effect in large cities. It was discovered that increase in income by Rs. 10 p.m. led to greater demand by 15 grams of sweet biscuit per month. Similarly, there was increase in the demand of Instant Coffee of 50 grams after reduction in the price by 15%. Though it is difficult to provide an analysis of the absolute impact but it may be visualised that a minimum reduction in the tax element is likely to boost the sales volume of bakery products which are essential for common men than any other processed food.

On these grounds the FBMI has been urging the Government for eliminating the Excise Duty of 10.5% against the total element of taxes of 34% levied on inputs as well as on biscuits. According to Federation's estimates the reduction of 10.5 per cent in excise duty, will lead to 34 per cent increase in production within a period of two years which, in turn, would make the excise abolition revenue
neutral as the aggregate revenue from raw materials, sales tax, octroi etc, would cumulatively increase following an increase in the production of biscuits. Alternatively, the federation put forward a view to slash the excise Duty by 50 per cent. In that case only 20% increase in production would neutralise the excise relief revenue.75

The Government favourably considered the plight of the industry and introduced in 1986-87 budget the benefit of the scheme of MODVAT. The liberal policy towards the biscuit industry under 'Modvat Scheme' yielded benefit of less than 2 per cent.76

The bread industry is placed on a different footings by the Government in respect of taxation. The excise duties are not imposed on bread. However, the Sales and turnover tax and additional Sales taxes are imposed. A summary of these taxes on bread is given in Table 3.9.
### Table No. 3.9

SALES TAX RATES ON BREAD IN DIFFERENT STATES

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Name of State</th>
<th>Rate of Sales Tax</th>
<th>Surcharge</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Himachal Pradesh</td>
<td>8% + 2%</td>
<td>Surcharge</td>
</tr>
<tr>
<td>2.</td>
<td>Andhra Pradesh</td>
<td>5% + 10% + 10%</td>
<td>Surcharge</td>
</tr>
<tr>
<td>3.</td>
<td>Punjab</td>
<td>7% + 2%</td>
<td>Surcharge</td>
</tr>
<tr>
<td>4.</td>
<td>Haryana</td>
<td>8% + 2%</td>
<td>Surcharge</td>
</tr>
<tr>
<td>5.</td>
<td>Bihar</td>
<td>4% +10%</td>
<td>Surcharge +1% TOT</td>
</tr>
<tr>
<td>6.</td>
<td>Uttar Pradesh</td>
<td>5% +10%</td>
<td>Surcharge +1% TOT</td>
</tr>
<tr>
<td>7.</td>
<td>Tamil Nadu</td>
<td>10% +10%</td>
<td>Surcharge +1% TOT</td>
</tr>
<tr>
<td>8.</td>
<td>Rajasthan</td>
<td>2% +10%</td>
<td>Surcharge +1% TOT</td>
</tr>
<tr>
<td>9.</td>
<td>Madhya Pradesh</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.</td>
<td>Karnataka</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.</td>
<td>Gujarat</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12.</td>
<td>Maharashtra</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13.</td>
<td>Orissa</td>
<td>No Sales tax on Bread</td>
<td></td>
</tr>
<tr>
<td>14.</td>
<td>Assam</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15.</td>
<td>West Bengal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16.</td>
<td>J &amp; K</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17.</td>
<td>Sikkim</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18.</td>
<td>All Union Territories</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: (i) Report of the Committee & State of Accounts for the year 1985 and 1986 and 1989-90. All India Bread Manufacturers Association, New Delhi, pp. 4-5 respectively.

In Tamil Nadu the bread is subject to 10% of Sales tax in addition to 10% surcharge and 10% of TOT. It is not comparable with Rajasthan which charges 2% of Sales Tax and 10% of surcharge. Likewise in Himachal Pradesh the bakery industry has to pay Sales Tax at 8% and surcharge at 2%. In Punjab the Sales tax at 7% and Surcharge at 2% is imposed on breads. There are a number of States where the bread is
totally exempt from sales tax. For instance, there is no sales tax on bread in Madhya Pradesh, Karnataka, Gujarat, Maharashtra, Orissa, Assam, West Bengal, J & K, Sikkim and Union Territories.

AIBMA has also pleaded with the government that a loaf of bread of 400 gms. carries a sales tax element around 10 paise which is substantial for the consumers. Whereas the revenue accrued to the State governments is negligible vis-a-vis the total revenue of the States. Withdrawal of the sales tax will go a long way in lowering the price of breads for consumers. The breads bear a special characteristic of being a common man's food inspite of high cost. The consumption of bread at lower income level is price elastic and the sales tax which adds to price is naturally a disincentive. However, States have not provided any relief in this respect to the industry.

As such both biscuit and bread manufacturers have to face difficulties in respect of sales tax. The Sales tax is imposed at multiple points and the dealers find it difficult to maintain proper books of accounts for assessment of Sales Tax by authorities. For the manufacturers, it is cumbersome to compute the exact price of their product for their consumers as per the consumer protection rules in the absence of uniform Sales Tax rates.
Over and above, the rate of local Sales Tax varies from one State to another and Central Sales Tax also varies depending on whether the consumer lives in the State where the factory is situated, the market price on consumer Package are really meaningless as the consumer cannot be expected to know the level of local taxes on several commodities that he purchases. Consumer Protection is thus vitiated by the existence of Central and State Sales Taxes.

3.3.5 Administered Prices of Bread

Another problem faced by bread manufacturing units is that the bread prices are subject to Government control in the Union Territory of Delhi. There is a growing demand for the upward revision of prices in Delhi as most of the inputs are outside the government control since 1988.

The Union Minister of Food and Civil Supplies and the high officials of the Ministry have been sounded by the AIBMA in regard to fast erosion of economic viability due to high cost and low prices of the bread. The association emphasized that more units will be sick and likely to close down if Delhi administration does not allow increase in the current price. The increase is warranted to neutralise in the cost of maida and other inputs such as power, fuel, packaging etc. Further the price revision is linked to consumer price index.
The industry further pleaded that bread is under priced and upward revision will improve the supply in the long run. The units likely to fall sick in the absence of the price revision would only add to deterioration in the supply of bread in Delhi city. Alternatively it was suggested by the industry to decontrol the price of bread. According to the industry the price would be determined by market forces at a level reasonable to both consumers and manufacturers. But the Delhi Administration did not agree to decontrol the prices.  

The All India Bread Manufacturers Association vigorously followed up its demand. It is further pointed out that since 1985 there has not been any expansion in the capacity of small units despite increase in the size of the city. It speaks volumes for the realistic pricing policy of Delhi Administration. The Modern Food Industries (India) Ltd. and Britannia Industries Ltd. also suggested for the increase in the prices of the bread.

In 1988 the Government appreciated the problem of bread industry and pressed upon Delhi Administration to raise the price of bread from Rs. 1.55 to Rs. 1.80 paise for 400 gms. of loaf and from Rs 3. to Rs. 3.50 for 800 gms of loaf. The Price of bread have further been increased in September 1990 to Rs. 1.90 from Rs. 1.80 and again w.e.f.
8.2.91 to Rs. 2.10 together with the wheat allocation to the bread industry in Delhi which was made in January 1990.83

Based on the analysis done in this section, it can be said that with the high incidence of taxes, the difficulty in comprehending the complexity of the taxation system, the variety of taxes imposed, and the variation in the different taxes levied by different State Governments make it quite difficult for the bakery manufacturers to maintain a low price for these mass-consumed items. Moreover, administered prices as seen in the special case of the Union territories of Delhi create a dilemma for the manufacturers as they cannot offer a reasonably priced, good quality product for the consumers.

3.4 DISTRIBUTION

After having discussed the pricing aspect of marketing mix of bakery products, the next issue concerning distribution system and their related problems with particular reference to bread and biscuit trade of organised and unorganised sectors of the industry is being analysed in this part of the Chapter. However inquiry into the matter is completely based on information collected through investigations from Journals etc.

Consumption is the ultimate purpose of production. Channels of distribution provides the medium through which
products move from the producers to the ultimate consumers. Although a host of intermediary institutions such as distributors, wholesalers, independent retailers and company's own retail outlets are available to large, medium and small scale bakeries in bridging the gap between the manufacturers and consumers of their products, the selection of channels is based upon the nature of product, geographical location of potential customers, their purchase frequency and average quantity bought, unit value of the product, order to sell and financial strength of the enterprise.

The main products that are marketed by organised and unorganised sector bakeries comprise bread, buns, cakes, biscuit, papas, rusks etc. Apart from being perishable in nature, these products are consumed frequently and carry a low unit value.

3.4.1 Distribution System adopted in organised sector bakeries

Bread and biscuits are the two major products lines of organised sector bakeries. Their distribution practices and the associated problems are discussed in the following paragraphs.

Practices and Problems of Bread distribution Channel: Bread and buns as mentioned above, are perishable in nature.
These are generally distributed through shorter channel i.e. direct to the retailers to the ultimate consumers at company's own retail outlets. Sales are also affected at factory gates to salesmen. If these convenience food items are sold in large quantities for sponsored programmes, super bazars, hotels, military canteens, hospitals, etc. channels having one or few dealers are considered economically feasible.

A case of MFIL in the context of selection of channels for its bread is worth mentioning. MFIL is one of the leading enterprise dealing in bakery trade under public sector. It had initially chosen retailers for the distribution of bread for its Ahmedabad unit in 1967. The decision was taken after evaluating the market characteristics of the city, and the potential demand and existing system of distribution of organised and unorganised sector bakeries. The survey conducted to study market characteristics of Ahmedabad city included the study of such factors as distribution of population in the city and suburbs, religion, occupation, income, and social class. Major trading areas, shopping centres and few stores in residential localities to locate the retail outlets of all types and warehouses and leading stockists which provide household needs of the customers were identified. The management of the company also made estimates of the
potential demand existed for the entire city population. The distribution system of existing bakeries operating in Ahmedabad city was also studied thoroughly. The information collected in this context revealed that almost all the existing bakeries, with the exception of few, sold only through the retail stores. About five large bakeries, in addition to counter sales at the store, employed a few delivery boys who did house-to-house delivery, but only in selected areas. A few bakeries and peddlers, who either did door-to-door delivery or stationed themselves, particularly in the evening, at busy street corners or in smaller shopping areas in different parts of the city on a regular basis. These itinerant hawkers usually used a cycle (with a box at the back) or a cart (hand driven) for the purpose and worked either on commission basis or bought the goods at a wholesale price, added their margin and sold to the ultimate consumer. Only one bakery in Ahmadabad, which had the largest operation in the city had, in addition to its main store in the Teen Dharwaja area, two other retail outlets for its products. This was the only bakery using wax paper for wrapping, but that too on a restricted scale, for only two sizes of variety. It reveals that bread was distributed in Ahmedabad through restricted outlets or through vendors. No bakery had attempted to achieve an intensive distribution of the product either by using various types of retailers
available in the market or by developing its own mass distribution organisation. As all these bakeries did their own distribution, there were other distributors or wholesalers in the trade.

While considering the various distribution plans, the management of the Company was of the view that any plan of distribution to be decided upon should satisfy certain basic objectives. The major objectives of the channels as laid down are:

1. being a convenience, good bread should reach the final consumer with least possible efforts on his/her parts;

2. the time lag between production and consumer purchase should be as little as possible to ensure the freshness of the product;

3. there should be as little handling as possible;

4. distribution should be achieved at an economical cost to ensure a competitive position for the company; and

5. the distribution system should effectively meet the long term objectives of the company.

After setting the channels objectives, the following four alternative plans for distribution were considered:

1. Sole distributor selling to retailers;

2. direct distribution to the consumers;

3. direct distribution to the retailers; and

4. appointment of wholesalers to distribute retailers
1. **Sole Distributor selling to retailers:** Under this plan the management was not sure to get a such distributors who may be prepared to work on the terms acceptable to MB and achieve the expected intensive distribution to make the bread popular among the masses. This arrangement was, therefore, not found practicable as it put out the distributors in a strong position to dictate terms to the manufacturers.

2. **Direct Distribution to the Consumers:** The plan to sell bread direct to the consumer was also not found gainful as it required a huge amount for establishment of a number of depot in various localities. Besides, with this arrangement the basic objective i.e. efficient distribution at a reasonable cost was also not being fulfilled.

3. **Direct Distribution to the Retailers:** The feasibility of the third plan i.e. direct distribution of bread to the retailers was also viewed from many angles. The management was of the opinion that distribution direct to the retailers would not only bring the company nearer to the consumers but would also provide a means to exercise a better control on retail distribution system. The company in this system can easily distribute enough quantity of breads to the retailers through its own fast moving vehicles in two shifts to cover the entire market of Ahmedabad city. The drivers of the vehicles can also function as salesman on commission.
4. **Appointment of Wholesalers to distribute retailers:** The company could engage wholesalers to distribute breads to the retailers in their respective areas of operations. Under this arrangement wholesalers had to maintain certain physical distribution facilities in the form of various modes of transports. The management of the company wondered whether the wholesalers in the initial stages would be able to break even by achieving sufficient volume. In case they find it unprofitable and decide to give up this arrangement with MB, the company would be in a mess. Besides, wholesalers might not be able to develop the type of mass distribution retail organisation expected by MB.

However, the management after viewing the four alternative plans decided to choose retailers as under whatever distribution arrangement it made (except the one where direct distribution to the consumer was envisaged and hence no retailers were required) its purpose was not being served. The decision was based on the fact that retailers were the last link in the distribution chain and on their right selection would depend the reputation and image of the company and its subsequent success. Finally the decision were also taken in respect of type of retail outlets to be used, their number in different localities and facilities to be offered to them.
However this situation has undergone a vast change due to Socio-economic factors. Physical distribution of bread is not merely undertaken by one single agency but a combination of all possible channels are considered to meet the demand. However, retailer as the last link in the channel is still preferred.

Physical Distribution: The physical distribution of bread under organised sector is generally done through various modes of transport which include trucks, vans, auto-rickshaws with attached carriers. Distribution is also effected at factory gate to retailers or salesman who undertake door to door selling. Sometimes drivers of the vehicles are also motivated to act as commission agents.

Market coverage: The coverage of target market depends on the selection of the number of middlemen. Market coverage strategy involves intensive, selective and franchising system of distribution.

Under intensive distribution these large scale bakeries try to sell their breads through as many outlets as possible to create brand loyalty. Selective distribution is also undertaken in case of feeding and sponsored programmes where special nutritive breads are required to be supplied. This is done either by the company itself or through existing dealers. Selective distribution involves the use of
more than one but less than all the intermediaries who are willing to sell a particular product. Selective distribution lends itself especially well to consumer shopping and especially products for which consumers have a brand loyalty.

Franchising system is also a part of distribution system in bakery trade. Here a dealer is appointed to sell in a geographical region. The basic and main aspect of franchising is a contract between a parent organisation and a set of independent dealers specifying clearly how the two will do business with each other. For instance, because of restriction on capacity expansion in large scale bakeries, the MFIL have been providing technical consultancy to entrepreneurs for setting up bakeries on franchising basis in various parts of the country and thus granting territorial franchise to independent dealers who sell to distributors, retailers and institutional outlets in their regional areas. Franchising units pay royalty to MFIL on the basis of sales of bread loaves. MFIL uptil now have entered into contract with about 55 entrepreneurs on franchised basis. Similar steps are also reported to have been taken by Britannia.85

Problems: Bread distribution of large scale bakeries as described above is, no doubt, scientifically managed, yet these bakeries have to face a number of difficulties because
keeping the cost of selling and distribution to the minimum is a great problem. These problems, in the area of distribution of bread, are concerned with shortage and exorbitant rates of fuel, high transportation cost, dealers incentives and competition with local bakers.

Transport bottlenecks: Large scale bakeries are unable to cover a large proportion of the population due to transport bottlenecks. As a result bread consumption is limited to the peripheral areas of the city where the factory is located. In case of outstation delivery, trucks are not easily available even on payment of exorbitant freight. In this way the very objective of intensive distribution for mass consumption is not fully achieved.

High cost of Transportation: In marketing bread manufacturers face another problem in respect of high cost of transportation. This is due to the fact that in the process of distribution freight and local taxes go on increasing where distances covered becomes excessively long. Sometimes it becomes disproportionate to the cost of bread and forms a major part of distribution overhead. The transportation cost has been rising continuously since 1978. It was between 20-30% in 1978 in various states of the country which has since gone up to an unbearable extent. The same is true of other local taxes. Besides exorbitant
rates of fuel are other components of transport cost. This state of affairs entirely weaken the competitive strength and hurt the objective of economical cost of distribution.

Shortage and erratic supply of fuel: Shortage and erratic supply of diesel/oil/petrol sometimes make it difficult for bakers to distribute their products at peak times for sale. As a result, a substantial stock of bread loaves remains unsold and results into losses in the form of market returns. This normally disturb the time lag between production and fresh supply of bread to the consumers.

Unfair Trade Practices of dealer/retailers: Profitability of the units entirely depends upon the amount of sales. In this area too large scale bakeries depend upon dealers/retailers to a large extent more particularly if the products are to be sold in outstation markets. These dealers are known for unfair trade practices as they simultaneously sell the products of competitors as well. All this render the marketing planning more difficult.88

Dealers/retailers incentives: In the course of distribution, large scale bakeries have also to face tough competition from local medium and small scale bakeries which not only adopt malpractices like selling bread of poor quality, underweighting, distributing stale bread etc. at a bit lower rate but also offer attractive incentives to the dealers and
retailers in the form of cash and quantity discounts, extension of credit facilities, etc. Such practices are not adopted by large scale bakeries. Dealer incentives for distribution tasks are centrally administered which cannot be changed easily. This ultimately affects the sales of bread loaves.

Practices and Problems in biscuit distribution

Biscuits and cakes are also non-durable in nature. However, as compared to bread, they carry a longer shelf life and can be transported to distant areas without an appreciable loss of quality and quantity.

Channel: A lengthy channel is usually considered feasible and economical which include distributors, wholesalers and retailers. In other words, a multiple channel system according to suitability is adopted by the organised sector bakeries in the process of distribution of biscuits and cakes.

Physical distribution: Bakeries like Britannia, Dalmia, Parle, Bakewell and others under the organised sector generally have strong financial base. They largely maintain a set of motor vehicles, warehouses, and their own retail outlets through which physical distribution of convenience food items is undertaken. Rail/road transport for outstation regions is also sometime a means of distribution.
Market coverage: In the distribution of biscuits market if covered through the intensive, selective and exclusive system of distribution. For example the range of biscuits of Britannia comprising sweet, semi-sweet, savoury and of Parle Krackjack, Parle-G biscuits having the sweet and salty temptation and cheeselings etc. are for every home and every occasion. The market for these products is intensively covered through such channel arrangements which operate to distribute products to as many retail shops as possible located in different localities. Selective distribution is intended in the case of occasional and special purpose biscuits and cakes such as celebration cakes, fruit cakes, rice biscuits, easter biscuits, Small vine biscuits, threptin biscuits, etc. Price cutting is less likely since fewer middlemen are competing for the consumers' money. Exclusive distribution is also preferred to cover institutional supplies like infant feeding programmes, hotels, military and airlines, canteens, Victims of natural calamities etc.

Problem: Biscuit manufacturing firms are also facing problems of various nature in marketing their products as highlighted hereunder:

Customers' Attitude: Customer attitude affects the distribution planning. Customers are in fact sensitive
towards both price as well as quality of the biscuits. As locally manufactured biscuits are obviously cheaper, therefore, a large part of the population prefer to purchase them. This result in looking up the stock of biscuits with retailers for a very long time. The retailers, in turn, hesitate to take fresh stock unless the previous stocks are exhausted fully. Moreover, in some case, the unsold old stock of biscuits has to be taken back by the firm's staff as a policy matter which involves a substantial loss of personal investment.

Old Wine-New Bottle Aproach: Branded products of large scale bakeries further get a blow in the market by Old Wine-New Bottle approach adopted by locally established medium sized bakeries. under this techniques they are marketing multiple varieties of biscuits merely by affecting change in shape, flavour, and appealing package designs of the same type of biscuits economically. This creates a genuine confusion in the minds of the customers as to right quality of the products. It results in delay in the process of selling.

High Cost of Transportation: In case of biscuit distribution cost is exceptionally typical. It varies directly with the level of customers services. Faster and more reliable delivery covering distant markets in various
regions usually means more warehousing, more inventory and more expansive transportation.

Incentive participation of Dealers: The markets in town areas for the distribution of even lower grade varieties of biscuits have not sufficiently been covered by the large scale bakeries due to inactive participation of dealers. These products therefore are rarely available with retailers in those markets. Although the dealers of the company have been assigned territorial/regional distribution but they normally concentrate to get their stock delivered to retailers who are easily approachable. Retailers from remote areas have to collect these products themselves on casual visit to city or town areas. Consequently a large variety of biscuits is neither accessible nor known to the consumers in such areas. This situation is due to non-cooperation of dealers and causes inequitable distribution within the region.

Unfair Trade practices: Dealers in the trade of convenience food items simultaneously deal with products of local bakeries as well, which are more liberal in granting cash and quantity discounts. This motivates the dealers/retailers to prefer early disposal of their stocks. In case of large scale bakeries all distribution process is planned centrally and any change to be brought in its is viewed in a wider perspective.
3.4.2 Distribution System adopted in Unorganised Sector bakeries

As in case of distribution of bakery products by any organised sector bakeries, the practice and problems in distribution by un-organised sector bakeries are also typical. This sub-section is developed to a description of the practices and discussion of the problems generally experienced by unorganised sector bakeries in distribution of the two major bakery products viz. bread and biscuits.

Practices and Problems of Bread Distribution

Channel: Under unorganised sector bread is sold through a shorter channel as compared to that for organised sector comprising direct sale to retailers or to consumers by the bakers themselves.

Physical Distribution: Small scale bakers under unorganised sector have their own methods and means of distribution. They normally have their own sales counter and also engage cycle boys to distribute their outputs. In few cases, they either own or hire tempos or autorickshaws for distribution within their operational areas. They as such perform both production and distribution functions themselves with the objectives of economising on their business.
Market Coverage: Although a sizeable market and large proportion of production capacity is available with the unorganised sector bakeries but still the coverage of market is quite limited. Distribution across the region i.e. at national or state level is not possible due to the high cost of distribution and tough competition with organised sector bakeries. Thus their target markets are only those inhabitants and vicinities of the regions where these small bakers operate. To sell bread they make intensive efforts to cover the target markets. For various occasions like 'Ramadhan' they also market on selective basis bread having special tastes or loomy and velvy texture or breads of special texture for making 'Shahi Tukras' etc.

Problems: Small scale bakeries are also free from problems. They face problems in many areas. In the course of distribution they have to face tough competition with the well-known branded breads of large scale bakeries. Retailers also exploit them as they generally deal with number of brands of breads. In order to get their stocks exhausted daily they have to offer attractive amount of cash and quantity discounts. Besides the jobs of transportation of bread upto retailers shops in various localities before peak time of sales is also the responsibility of bakers. This involves cost as well as time.
Practice and problems in biscuit distribution

Channel: Small scale bakeries under unorganised sector manufacture various types of branded and unbranded biscuits. As they carry a little longer shelf life therefore they are sold through channels comprising more than one intermediary i.e. Wholesalers, retailers or direct sales to the customers or consumers.

Physical distribution: Physical distribution in case of biscuit is undertaken through various means of transport such as tempos, auto-rickshaw. Salesman with cycle carriers, cycle boys and bakers ownshops or outlets are other modes of physical distribution.

Market Coverage: Small scale bakeries dealing in biscuit trade also make efforts for intensive distribution. Market is intensively covered by distributing many types of branded and unbranded biscuits packs of low and high unit value. Retailers in various localities, small and medium standard hotels, road side tea stalls, itinerant hawkers etc. are widely covered intensively in the process of distribution. Selective distribution is undertaken for biscuits, cakes and pastries as already discussed in the case of bread.

Problems: High cost of transportation, competition with organised sector bakeries, dealers and retailers'
exploitation are some of the major problems faced by the small scale bakers in the trade of biscuits.

The analysis of distribution systems and its related problems with regard to bakeries under organised and unorganised sectors of the bakery industry reveals that large scale bakeries have better managed system of distribution than bakeries under Small Scale Sector. However, both bakeries in both the sectors are facing a number of problems in the process of distribution due to which they have not been able to deliver their products to masses economically. The major problems in the field of distribution, dealers exploitation, unfair trade practices, lack of transportation facilities etc.

3.5 PROMOTION

Promotion and marketing communication are probably the weakest link in the chain of marketing mix of bakery products in India. Though it is fact that a wide range of processed food items are manufactured and marketed in India but on a closer analysis one finds that these food items could be divided into two broad categories. The first category consists of traditional products such as processed fruits and vegetables, processed seafoods, fruit juices and squashes, sauces, ketchups, and jams, and biscuits and bakery products. The second category is made up of novelty
items, which are relatively newer to the Indian markets, such as extruded foods, instant tea and soups, breakfast foods, snacks items, etc. By the very nature of their novelty it is the products in the later category that attract more advertising budgets and the attention of marketers. Consequently, it is these products which are in the limelight as far as promotion and marketing communication is concerned. The products in the first category, of which biscuits and bakery products form a major chunk, do not attract much attention except, of course, some items like jams, sauces, and ketchups. This is despite the fact that products like biscuits and breads are items of widespread, mass communication that are purchased on a regular basis with a buying frequency not in weeks or months but in days. Another major reason for the low profile status of bakery products in terms of promotion and marketing communication is due to predominance of distribution as a major aspect of the marketing mix. Owing to the importance attached to distribution it is quite likely that other factors in the marketing mix tend to get ignored and at least less highlighted. Despite these impediments there is some evidence to show that a certain amount of promotional and advertising activities are undertaken by the bakery units.
Small and medium-sized bakery units usually operate in a restricted, localised area. In line with their area of operations, advertising is limited to low cost options as far as agency selection, copy design, and media selection are concerned. Sales promotion is also done mainly through merchandising to provide support to distribution activities. The small and medium-sized units are also handicapped due to the inadequate funds available, low scale volume realised, and lesser sales margins. A few medium-sized units undertake promotion on a limited basis through participation in local fairs and exhibitions, sponsoring gift schemes, point-of-purchase (POP) and display materials, etc.

Large scale units do undertake advertising and sales promotion measures but here too the scale of activities is not in proportion to the size of the industry and market and their satisfaction. Companies such as Modern Foods Industries Ltd., and Britannia are the bigger and better known firms that are involved in some amount of promotional measures. Generally these measures are participation in trade fairs and exhibitions, POP and display materials, demonstrations, offering of schemes such as coupons, price reduction, gifts, and sponsoring of conferences and seminars. Advertising is done mainly through the TV (mostly restricted to the private sector companies
selling biscuits and allied products), radio, cinema slides, and outdoor media, such as hoardings, posters, neon signs, advertisements on buses and other transport vehicles.

There is as yet no avenue for institutional advertising on an industry-wide basis for the promotion of biscuits and bakery products in India. The trade and industry associations in the bakery industry have not made any worthwhile efforts at increasing public awareness about the taste and nutritive value of such products.

There are adequate signals in the business environment that the present bleak scenario as far as the promotion and advertising of biscuits and bakery products is concerned might change for the better. Increasingly competitive markets, efforts at improvement in technology, modernisation of plant and equipment, availability of better packaging materials are some of the major factors that may lead the industry and its constituent units to plan for laying a greater emphasis on branding and creating product differentiation. These can be accomplished by opting for more vigorous promotional and advertising measures.
Annexure 3.1

Standard Requirements for Wheat Flour - Bread/Bread Industry

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Characteristics</th>
<th>PFA Rate</th>
<th>IS: 7464-1974</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Definition</td>
<td>No</td>
<td>Product obtained by melting wheat in a rolling flour mill and bolting shall have characteristics taste and smell. Free from insect and fungus infestation, rodent contamination, dirt and extraneous matter. Free from musty and rancidaste.</td>
</tr>
<tr>
<td>2.</td>
<td>Moisture % by net max.</td>
<td>13.0</td>
<td>13.0</td>
</tr>
<tr>
<td>3.</td>
<td>Protein (N x 5.7) % by wt. (dry basis) min.</td>
<td>9.0</td>
<td>11.0</td>
</tr>
<tr>
<td>4.</td>
<td>Gluten % by wt. (dry basis) min.</td>
<td>7.5</td>
<td>8.0</td>
</tr>
<tr>
<td>5.</td>
<td>Total ash (dry basis) % by wt. (dry basis) max.</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>6.</td>
<td>Acid insoluble ash % by wt. (dry basis) max.</td>
<td>0.05</td>
<td>0.05</td>
</tr>
<tr>
<td>7.</td>
<td>Alcoholic acidity % by wt. (dry basis) max.</td>
<td>0.10</td>
<td>0.10</td>
</tr>
<tr>
<td>8.</td>
<td>Water absorption % by wt.</td>
<td>55.0</td>
<td>60.0</td>
</tr>
<tr>
<td>9.</td>
<td>Maltose % by wt.</td>
<td>-</td>
<td>2-3.5</td>
</tr>
<tr>
<td>10.</td>
<td>Sedimentation value, min.</td>
<td>22.00</td>
<td>30.0</td>
</tr>
<tr>
<td>11.</td>
<td>Granularity</td>
<td>To satisfy the IS test</td>
<td>to satisfy the IS test</td>
</tr>
<tr>
<td>12.</td>
<td>Uric acid mg/100 gm max.</td>
<td>10.0</td>
<td>10.0</td>
</tr>
</tbody>
</table>

Source: Short courses on Baking Science and Technology, Sponsored by U.S. Wheat Associates, New Delhi, (May 25th to June 5th, 1992)
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