ABSTRACT

A STUDY OF MARKETING PROBLEMS AND PROSPECTS OF BAKERY PRODUCTS WITH SPECIAL REFERENCE TO MODERN BAKERIES (INDIA) LTD.

Food is a basic necessity of life. The primary concern of man, throughout the history of mankind, has been to look for alternate and better sources for food items. Among the different segments of human population, dispersed all over the world, food habits vary depending on climatic, cultural, social, and personal factors. Food is considered as the basic source of nutrition. Depending on their nutritional value, various food items provide the means for maintenance and sustenance of good health and energy necessary to carry out the activities of life. Bakery products such as bread, biscuit, etc. are the processed food items that are today considered as a major source of nutrition. Besides they are also inexpensive, convenient, and easily accessible ready-to-eat food items. Bakery industry is, therefore, a significant industry in any country. The bakery industry in India is taken to be a major instrument in State policy to provide nutrition to the large population and to counter the problems of malnutrition. The subject matter of the thesis is marketing in bakery industry in India and the focus is on its problems and prospects.
RESEARCH STUDY

Malnutrition, implying deficiency, excess or imbalance of nutrients has a deterrent effect on mental and physical wellbeing of human beings. Amongst all food groups, wheat, as a cereal, is a staple food in tropical regions and is one of the lowest in cost. It contains highest nutritional value. However, the concept of balanced diet amongst people in different parts of world is lacking due to prevalence of customs, taboos, traditions and usages resulting into malnutrition. With the advent of modern food and baking technology together with improved and effective means of promotion the bakery industry can play an important role in bringing a change in the behaviour of food consumption if wheat based bakery products, in combination with other food groups, are developed having new tastes and flavours. The mass production will bring down the average cost and would create nutritional culture amongst population at large. In pursuance of these objectives it has been considered essential to study the problems and prospects of marketing of bakery products with special reference to Modern Food Industries (India) Ltd.

The scope of the study is limited only to the problems and prospects of marketing function as it operates in the bakery industry in India. The major products
considered are breads and biscuits. With respect to defining the contours of the industry, the study is limited to the bakery industry and does not consider allied, complementary, or supplementary industries. For defining the sectors in the bakery industry the focus is on large, medium, and small bakery units of the organised and unorganised sectors. The main emphasis, however, is on the special case of a large scale, organised, public sector bakery unit i.e. the Modern Food Industries Ltd.

The objectives, stated below, have been set for the present study.

1. To make a descriptive presentation of food habits and nutrition to provide the background for the study of bakery industry.

2. To prepare a profile of bakery industry to highlight its development and prospects with a view to provide the context for the study of the problems and prospects of the marketing function.

3. To examine, discuss and analyse the problems and prospects of marketing of bakery products in India.

4. To prepare, analyse and derive conclusions from a specific case study of Modern Food Industries Ltd.

5. To highlight the need and importance of the marketing functions in bakery industry in India and to suggest the ways and means to make it effective.

A review of literature was made for the research study with a view to find the references of an academic nature. Various publications of the industry associations and federations, proceedings of seminars and conferences and
the only journal "The Indian Baker" were looked into. These mainly highlighted the problems in the area of production technology, material requirements and R & D activities etc. However, very little attention and work of worthwhile academic value has been attempted with regard to the marketing aspect of the bakery industry in India.

The review of literature established the need for a study of the problems and prospects of the marketing function in the Indian bakery industry. This industry, being a low-profile one, data collection proved to be a daunting task. The initial approach of mailing a detailed questionnaire on different aspects of the marketing functions turned out to be unsuccessful and so was modified to include the technique of personal interviews being on a semi-structured schedule. In conjunction, several secondary data sources, mainly documentary were tapped. Among these were the various industry and trade associations, their publications, statutory reference source and other library and data sources. For preparing the case study of Modern Food Industries Ltd. extensive investigation was carried out based on personal interviews, company documents, and annual reports.

The data and information so collected was logically arranged with a view to stress upon the problems and prospects of marketing of the bakery industry in India.
as well as of Modern Food Industries (India) Ltd. A full chapter has been devoted to summarising the main findings of the study. However, the present research study has a few limitations mainly related to data collection, inadequacy of time, money and facilities, and due to personal reasons.

CONTENTS OF THE THESIS

The thesis has been divided into Five chapters. The First Chapter "Food Habits and Nutritional Values" traces a brief history of the food habits of man in various stages of development of civilisation. The study deals with natural factors influencing the food habits in various climatic regions. Examples of various countries have been cited to substantiate the findings. The chapter also elaborates the influence of cultural, social and personal factors on the behaviour of individuals. The study also highlights the importance of nutritional values of food and various food groups which provide vital nutrients necessary to promote physical growth and maintain good health. The distinctive value of wheat-based bakery products has been validated with examples in the study. Besides, the study is also an attempt to visualise the possibility of combining wheat-based products with other food groups from the viewpoint of balanced diet.
In the Second Chapter "Development and Prospects of Bakery Industry in India" several vital aspects of socio-economic significance have been analytically studies. At the outset of the chapter the details of various nutritional programmes launched by the Government during plan period have been provided.

The establishment of Modern Bakeries has been cited as an example for providing nutrition through bakery industry. The chapter further examines in detail the development of bakery industry through a discussion of production capacity and its trend, amount invested and the employment potential available with the industry. Concurrently, a comprehensive description about opportunities and constraints that may affect the prospects of the bakery industry have been specified in the chapter. In addition to highlighting the prospective growth of bakery industry in India factors such as consumption pattern of bakery products, its projected demand and the scope for establishing bakery units in different population centres have logically been alluded to in the chapter.

Chapter Three is concerned with "Problems of Marketing of Bakery Products". At the outset, the discussion of market segmentation and target marketing has been done to identify the extent of coverage of market. The chapter then discusses the problem being encountered by bakers in
managing the components of marketing mix—viz., product price, distribution and promotion. These facets of marketing mix have been discussed consecutively. The chapter continues with a vivid description of product and the factors influencing its quality, quantity etc. Price, as the second variable of marketing mix, is taken to study the existing price setting practices being pursued in the bakery industry for branded and unbranded products. In addition, the inflationary impact and tax structure applicable to bakery products has been analysed with a view to study cost burden. Problems of diversified nature affecting the efficiency of distribution system in organised and unorganised sector bakeries have also been viewed in the chapter comprehensively. Promotional aspect of marketing mix has been taken up in the last to highlight its significance in marketing of bakery products.

Chapter Four "Problems and Prospects of Marketing of Bakery Products - A Case Study of Modern Food Industries (India) Ltd." is taken up to corroborate the findings of the preceding chapters. The subject matter relating to this chapter has been covered in seven sections. The first section concerning general information of the company includes its establishment, objectives, management, organisation set-up, capacity utilisation, and financial position. Section two on Policy aspects of marketing"
deals with target market coverage strategies, company's sales performance and its market share. Product, as third party, is exclusively devoted to discuss product policy, product mix strategy and product development aspects. Fourth part of the chapter is on pricing which encompasses the objectives of pricing and price determination together with the factors affecting the cost and revenue. The details adopt channels objectives and factors affecting distribution system are the part of the fifth section. Sixth and Seventh sections of the chapter cover the details with regard to advertisement and problem and prospects of marketing respectively.

Last Chapter, the Fifth summarises the whole discussion of research exercise along with conclusions and suggestions. The major findings and conclusions are briefly discussed in the final section of this last chapter.

SUMMARISED FINDINGS

The major findings of the research study are outlined below:

1. Food habits and concern for nutritional value have a significant impact on the choice of food items. Cultural, social, climatic, economic, and such other factors determine the preference and consumption of
food items. Balanced diet is the outcome of a careful selection of food items providing the basic nutrients for good health. Bakery Products are a major source of inexpensive, convenient, and readily available nutritive processed food items.

2. The growth and development of bakery industry in India has been impressive in terms of production, employment, capital investments and efficiency, foreign exchange earnings and the number of units established in the organised & unorganised sectors in the form of large, medium and small bakery units.

3. The prospects of bakery industry in India could be rated as encouraging. Several opportunities exist, such as governmental feeding and nutritional programmes, a large base of unsaturated demand, extremely low level of consumption vis a vis world consumption level, large population in urban and rural areas and a growing awareness of the nutritive value of bakery products. The prospects are, however, constrained by factors such as problems of raw material, low technology, inadequate governmental support, and wasteful competition in the bakery industry.

4. The problems identified in the study, pertaining to the marketing of bakery products, could be summarised as
under:

a. Bakery units adopt undifferentiated, differentiated, as well as concentrated target market strategies. The market coverage is wide encompassing high, middle, and low-level income groups of consumers. The attempt of the units is to maintain a delicate balance between nutrition, taste, and price—an effort which is difficult to sustain over a period of time.

b. The range of products offered includes a variety of products such as bread, biscuits, pastries, etc. These products are sold as branded and unbranded and in different weight, volume, and sizes. The wide range and the nature of product offered often leads to unfocussed marketing.

c. Probably the single most important problem in marketing could be traced to the nature of raw material. Since the basic raw material is wheat—an agricultural produce—it leads to problems of quality due to inconsistency, erratic supply, wide variation in grades etc. Likewise, most marketing problems have their genesis in production area owing to improper and quantity of inputs, low technology, low emphasis in R & D, equipments, etc.
d. Pricing of bakery products is a ticklish issue as it is either administered or overly competitive. With the current pricing policies it is practically impossible for bakery units to absorb the high cost of procurement, production and distribution, and of the incidence of taxes and excise duties.

e. Distribution of bakery products, though well-managed and extensive, is plagued with problems of inefficiency in sales, high transportation costs, dominance of marketing intermediaries, and conservativeness of consumers with respect to quality and price. Overall, both organised as well as unorganised sector bakery units face more or less similar problems though with varying intensity.

f. Promotion is the most neglected area in the marketing mix for bakery products. Barring a few large units in organised sector, in most cases, promotional activities are low key and ineffective. The causes are low awareness of the value of promotion, unwillingness to allocate funds, selling of unbranded, undifferentiated products, and lack of sophistication.

5. The salient features of the marketing function as it operates in Modern Food Industries Ltd (MFIL) that
highlight the problems, and are a pointer to the prospects of marketing of bakery products, are given below.

a. An overall assessment of the performance of MFIL reveals that the Company faces problems of underutilisation of installed capacity, high cost of inputs, low technological base, and low profitability. Though the geographical coverage of the Company in terms of the number of units and distribution network is wide but several of these units have proved to be economically unviable. These factors, as seen later, have a negative impact on the marketing function.

b. In terms of its stated objectives, so far as they relate to the marketing function, the Company could be rated as marginally successful. This is so because MFIL has been able to serve barely 10 per cent of the country's population. Its sales performance, over the years, is fluctuating and is below standards. Its market presence is limited to the Union territory of Delhi and the Southern States; in other parts of the country MFIL has either a low market share or a negligible share. This discouraging picture, however, has a silver
lining owing to the fact that the Company has a large untapped market to serve in future.

c. As far as the product mix of MFIL is concerned it is wide and includes several items such as bread, buns, cakes, extruded food, oils, fruit juice and drinks, etc. Branding and packaging are satisfactory. The support provided by R & D is adequate to sustain efforts at new product development, product and process standardisation, quality improvement, and cost reduction. But these activities lack a clear focus and leave much to be desired. There is scope for rationalisation, deletion of unviable product lines, further improvements in R & D efforts and technology application, and elevation of quality standards.

d. The pricing policies adopted by MFIL are based on the premises of maintaining parity with market prices, preventing competition, and creating barriers to entry of new competitors. On an assessment it is seen that the overall tenor of the pricing policies is conservative in nature. Though the Company, as a public sector unit, has been largely successful in imparting stability to market price it has suffered on this account.
Further, the imposition of administered prices in Delhi and the Company's own policy of holding the price line renders the operations economically unviable adversely affecting the overall profitability. This creates a vascous circle where the Company does not find investible surplus for developmental activities in other areas of its operations such as product development, technology upgradation, better distribution, and effective promotion.

e. The distribution system of MFIL is working satisfactorily and it is moderately successful in achieving its objectives of timely delivery of its perishable products. But high transportation cost and dominance of dealers are problems which are not amendable to short-term solutions. Operating in an industry which is distribution intensive, MFIL can probably do little unless it creates a certain level of bargaining power through an increase in competitive ability and a closer relationship with the ultimate consumer.

f. Advertising and sales promotion, despite their obvious importance, are low priority areas at MFIL. Inadequate funds, limited efforts at promotion, inability to use a larger variety of
media, and a low-profile market presence are the problem areas that need the Company's attention. There is adequate scope for applying more effective promotional strategies and create a stronger linkage through marketing communication with the ultimate consumer.

OVERALL CONCLUSIONS AND SUGGESTIONS

The present research study has adopted an approach of studying the problems and prospects of marketing of bakery products by means of a three-step process. After building the background by the study of food habits and nutritional value the development and prospects of bakery industry have been analysed; a linkage has sought to be created by relating the overall industry level problems and prospects with those of the marketing function; and a specific case of Modern Food Industries Ltd. (MFIL) has been prepared to explore in-depth and validate the observations made at the industry level. Certain overall conclusions can be derived and suggestions made on the basis of the study. These are briefly mentioned below.

1. Despite the fact that bakery products are an acknowledged source of nutritive food, the bakery industry in India is a low-profile industry and needs greater attention and support of the Government.
2. The quality and supply of the critical raw materials—most of which are agricultural produce—is of paramount importance. Conditions need to be created where the flour mills and agencies such as Food Corporation of India can ensure a regular supply of good and consistent quality raw materials. Besides a system of directed cooperative farming could be a feasible alternative to develop reliable sources of supply.

3. Government support is necessary specially for the smaller units in unorganised sector, for provision of the necessary capital goods and equipments.

4. Steps need to be initiated for setting up a consortium at the industry level to oversee R & D and marketing research related problems.

5. Outdated provisions in the relevant legal structure within which the bakery industry operates need to be removed or amended suitably so that they do not hinder the development of the bakery industry.

6. The bakery industry has a genuine need of getting tax concessions that can ease its profitability position and enable it to provide better quality and service to consumers. The pricing controls need to be relaxed and
a freer play of market forces allowed to let the industry evolve a realistic pricing policy.

7. The distribution system in bakery industry is in need of a change so that manufacturers are not dictated terms by the marketing intermediaries. Smaller units in the unorganised sector specially may benefit through the formation of a centralised marketing agency that can perform the task of economical and effective distribution.

8. Promotion of bakery products is a task that should be undertaken by a variety of industry participants. Generic advertising to popularise the nutritive value and other desirable characteristics of bakery products is necessary and should be supported by the Government and the industry as a whole. At the firm level, there is a greater need to adopt an approach of promotion through focussed, brand-based, and differentiating strategies.

Concluding, it can be stated that there are good prospects for the marketing function in bakery industry in India provided it is given proper support by the Government and sincere and sustained efforts are made by the industry and its constituent units to constantly improve itself.