CHAPTER II
METHODOLOGY
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DESIGN OF THE STUDY

Statement of the problem:

The importance of the agricultural sector in the Indian economy is paramount. The contribution of various agricultural commodities and the products therefrom are adding to the country's export earnings. The Indian strength in the production of grains and pulses, marine products, cashew, silk, coffee, tea etc has been quite strong. In the case of spices and spices products also the country wields a strong influence in the international market. Though, the share of spices is small in the total basket of agricultural products exports from the country, it is an important ingredient in the international food industry and this sector cannot be ignored.

The monopolistic position Indian spices had in the world market got eroded on account of new production sources and higher productivity levels that are being recorded in different producing countries. The sellers’ market turned out to be a buyers’ market and the market place started witnessing stiff competition. This has made it imperative for the producers to undertake newer ways of selling their merchandise. Value addition and perfection in the cultural and post harvest operations though are the important areas where constant attention had been given, at the end of the road there emerged the need for market promotion efforts. India as a biggest single source / producer of whole lot of spices continued to remain as the supermarket for shopping a wide range of
spices for the discerning buyer. The statutory authority, the Spices Board and the ambitious companies have been wanting to increase their share of products in the market, for which a sequence of promotional programmes have been considered.

Many resources, money and time are required to be spent for the promotion. Allotment of funds for the market promotion became an important budgetary head in accounts. The diverse markets and the changing consumer trends called for frequent programmes to register the presence of the country's products in the different markets. At the head end, the generic promotion programmes of the Spices Board, the apex organisation of the Government of India for export promotion of spices, took the lead in creating a general awareness of Indian spices. But to transfer these awareness and to create and sustain a market pull for the commodities, lot of other supporting actions are required. Among others, the more important factor is the presence of the product in the market, prices and quality. The credibility and consistency in supplies are usually the unseen factors.

The promotional strategies have been worked out taking into consideration these aspects. The Spices Board has been allotted the funds for the various promotional programmes from the Consolidated Fund of the Government of India. Ever since its formation in 1987, the Board had undertaken lot of programmes for promotion. To supplement these, spices exporting companies specialised in different production lines also took up promotional programmes for their products.

Whether these efforts are giving any positive results? This is what is being looked into in this study. The Spices Board has been spending a lot of re-
sources in the generic promotion and individual companies also have been incurring expenditure in promoting their individual products. Competition in the world market is not only from the producing countries but also from countries who have been importing and re-exporting various spices. Other than this many of the developed economies have well placed corporate entities who import spices, does processing in terms of grinding, mixing or extractions and cater to their own domestic markets besides re-exporting to profitable markets. The issue is quite complex and calls for an analytical study for policy formulations.

Scope of the Study

A culture of commercialisation has crept into the international trade and commerce in spices. The rush to sell spices and spice products from different origins has created stiff competition between sellers. In order to woo and retain the consumers whose preferences are subject to constant changes, the sellers are forced to consider selling strategies. Competition between sellers, competition to reach new market regions and consumers, competition to get more market share and shelf space in the supermarkets and competition to stay in the market place in sizeable share have become the rule of the day.

Like the producing countries, the competing companies of different countries also have started developing their package of promotional practices (PPP).

Simultaneously, many of the developed countries importing spices have started sourcing only spices and spice products of highest quality to protect their local population from the hazards of infestations and toxic residues. Strict quality norms and specifications imposed by buying blocks especially European Union [EU] and the United States Food and Drug Admi
[USFDA] and the resultant stiffness in trade have necessitated upgradation of quality at all levels. Many of the prevailing cultural and post harvest operations and processing practices are subject to drastic changes to suit the customer’s standards of the buying countries.

In spices, standards have come to stay and organisations like the American Spice Trade Association [ASTA] and European Spice Association [ESA] have started reviewing the standards for imports of spices year after year. This has made the selling of spices and spice products more difficult than ever. This is more true in the case of almost all the spice producing countries.

While the new specifications of buying nations warranted huge investments for upgradation of quality, the Spices Board of India has designed new schemes to equip the processing exporters. Not many producing countries have seemingly given this much of attention and care to upgrade the quality of their spices and spice products and some of the spice producing countries have been facing the problem of detentions of their exported cargo in the leading markets on grounds of contamination and infestation which could be related to the poor crop care practices and post harvest operations.

India has different agro-climatic zones and different spices are grown in different parts of the country. Over 52 varieties of spices are grown and many of them are in good demand in world markets. The multitudes of varieties of spices and their different grades are bought for different applications. Different grades and varieties fetch different market prices.

India is the only country where research and development are organised
right from the farm level. Again India is the only country where organised market promotion programme is on for overseas markets from the Government level.

The present study is directed towards identifying the strengths and weaknesses of promotional activities and to offer operable solutions based on past experience, for further developments. This study is also to project the multidimensional challenges in a globalised market.

Gaps in literature

No published document is available with regard to the promotional efforts for Indian spices undertaken either by the Indian companies or by any international spice companies. However some departmental studies are available with regard to the various strategies but the spice exporting companies however are not willing to share the secrets of their strategies.

The "studies" that are available are mainly the "reports" of delegations which had visited different markets for various export oriented spices. While the imminent scope and the immediate steps that are required to be taken up are discussed, an ultimate analysis on the impact of the delegations and the results that had accrued are not considered in detail.

No detailed study had been attempted so far to analyse the results of promotional programmes and the benefit that accrue out of it. Also not much of recorded information is available with regard to the expenditure being incurred by exporting companies for promoting their products.
OBJECTIVES

The study has the following general and specific objectives:

The general objective of the study is to assess the volume and direction of international trade in spices in the emerging markets and to examine the place, position, production, and export potential of selected Indian spices.

The Indian share in the world market both in volume and value terms and the scope for different spices with specific importance for market preferred varieties and their attributes will also be analysed.

The specific objectives are the following:

a. To identify the nature and extent of different promotional strategies including the efforts taken for undertaking programmes to promote exports of spices and spices products by the Spices Board and the certified Indian spices exporting companies.

b. To understand the benefits that have come in terms of rise in exports both in value and volume terms - with specific reference to select individual spices and

c. To offer suggestions based on the study for further effective steps in the area of promotional activities.

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The study is focused on sales promotion strategies and the pay offs in spices. This encompasses all the promotional programmes for spices by the Spices Board India (Ministry of Commerce, Govt, of India) and the Spice House Certificate and Indian Spices Logo holding companies.
Since the list of spices is very large this study is focusing on four selected major spices viz. pepper, chillies, ginger and turmeric which individually contribute to ten and more than 10% share in the total volume of spice exports during the ten year period from 1988-89 to 1997-98. These four spices also contribute to over 55% share in the total value realised from exports. It was in 1987 that the Spices Board started its full scale market promotion operations. Spices and spice products with a share of less than 10% in the volume of exports has not been included. Pepper, chillies, ginger and turmeric on an average contribute to 65 per cent of the total spice exports in volume. Hence they are taken for critical analysis for the present study. Even though the potential areas like spice oils and oleoresins, mixtures are dropped from the purview of this study they are discussed in Chapter 4.

The Spice House certification programme and the Indian Spices Logo were introduced by the Spices Board in the late 80s to develop a culture of quality and in-house processing by exporting companies. The Spices Board after taking into account general requirements of the major markets and the standards fixed by many of the international quality control organisations, took the initiative for fixing the Indian quality control standards. Parameters for export houses who are required to maintain certain minimum standards for scientific quality maintenance of their production lines got established.

This has segregated the very serious manufacturer-exporter from the pretty long list of merchant exporters who are registered with the Board. The Spices Board has over 4000 exporters registered with it. Of this, about 300 entities do real business on long term basis and they were in the export business for more than a decade. Out of this some of the companies got certified under Spice
SHARE OF SPICES IN TOTAL INDIAN EXPORT OF SPICES DURING 1988-89 TO 1997-98
House Certificate and the Indian Spice Logo schemes and they are units with in house processing facilities. They have the capabilities for processing and quality testing also. Other these, there are the merchant exporters, who do not have in-house processing facilities and any quality improvement system at hand. They make use of the facilities of contractors, who with their common facility cater to the requirements of many of the merchant exporters.

In the year 1998, forty four manufacturing exporters of spices and spices products got certified under the Spice House Certification programme and 12 Companies were given the Indian Spice House Logo.

The companies holding the Spice House Certificates and the Indian Spice Logo form the core group of the Indian spice exports business since they stand out from the rest because of their standardised processing and quality testing facilities. It is these companies who are now eligible for many of the market promotion schemes of the Spices Board.

With the help of the Spices Board, the companies under both the schemes have been identified. In line with the topic of the study, these companies formed the universe for collection of primary data. Since the validity of these certification programmes are for a block of three years and that the units under these will have to qualify again for renewal at the end of each term, some of the companies come out of this net. Besides, the companies coming under the purview of both these schemes contribute to over 50 per cent of the total exports of spices and spice products from the country. In order to ensure that the data collected are consistent and the samples selected have a actor, companies holding these certifications for a period of
were selected as samples. Accordingly 22 Spice House holding companies and six Indian Spice Logo Holding companies were selected for the purpose of collection of primary data pertaining to the market promotion programmes and their impact. They formed exactly 50% of the universe (Table 8). Data relating to export promotion expenditure incurred by these companies have been collected.

Table 8

Table showing sample size

(Spice House certificate holding & Spice Logo holding companies as on Aug. 98.)

<table>
<thead>
<tr>
<th>Total companies</th>
<th>Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spice Houses</td>
<td>44</td>
</tr>
<tr>
<td>Spices Logo</td>
<td>12</td>
</tr>
</tbody>
</table>

This is an analytical and explorative study based on secondary and primary data, collected from 28 selected spice exporting companies, official documents and reports of international organisations.

(Facilities that are required to be maintained by the Spice House Certificate holding companies and Spices Logo holding companies in Appendix IV).

Definitions, Concepts and Operationalisation

Spices

The term spices used in the study pertains to the spices under the purview of the Spices Board as per the Spices Board Act of Parliament. However, four major spices viz; pepper, chillies, ginger and turmeric are subject to detailed study.
Sales promotion strategies

Sales promotion strategies means the concerted and organised efforts taken at the Governmental and Spices Board levels to maximise the export of Indian Spices in different overseas markets.

Pay offs

The term pay offs engulfs the entire gamut of positive results as a result of the promotion efforts. It takes into account the exports both in terms of quantity and value, the awareness that has generated in different overseas market territories and the goodwill that got built up on account of the promotional efforts.

Promotional programmes

This refers to the various programmes for market promotion like participation in international food ingredients exhibitions in different countries, deputation of delegations, inviting trade delegations, appointment of market consultants, special market studies abroad, efforts to set up new standards for quality testing as required by the different overseas markets, production of promotional literature for different products for different markets etc.

Producing and competing countries

The term producing countries implies the various spices producing countries. Competing countries are the countries who are selling various spices in the different global markets. This includes re exporting countries also.

Statutory authority

Organisations set up by the Government to operate market promotion exercises are referred to as statutory authority, the Spices Board.
Promotional Expenditure

Promotional Expenditure is the quantum of money allotted by the Government of India to the Spices Board to undertake various market / sales promotion programmes in different overseas markets.

Sources of data

Data has been collected from both secondary and primary sources. Secondary data collected from annual reports of the Spices Board, erstwhile Spices Export Promotion Council, Ministry of Commerce [Government of India], Audited accounts of the Spices Board, Spices statistics compiled by the Spices Board, erstwhile Spices Export Promotion Council, International Pepper Community, International Trade Centre (UNCTAD/GATT), Geneva, Indian Institute of Spices Research, Calicut, Regional Research Station, AG Ranga Agricultural University, Lam, Guntur, American Spice Trade Association, New York, European Spice Association etc. pertains to export and import figures, international and national prices, productivity and productivity gap levels etc.

Besides this, lot of information has been obtained through personal interactions with exporters, scientists, bureaucrats and officials and staff of the Spices Board [for getting information relating to processing, quality, advertising and other promotional tools to assess the expenditure of the efforts taken for marketing of spices]. Special promotional programmes undertaken with regard to specific areas for marketing drives has also been generated through discussions and interviews.

Primary data has been collected from sample exporters holding Spice House Certificate and Indian Spice Logo through structured questionnaire.
Tools for data collection

Based on the objectives of the study a questionnaire was prepared and ad­ministered to the sample exporters - sample spice exporters holding Spice House Certificate and Indian Spice Logo. (Appendix I).

Informal interviews with exporters, scientists and officials were held to get information on production trends, productivity levels, quality parameters, pro­motional expenditure etc.

Reference period

The study covers the performance in exports of spices in the last 10 years beginning 1988-89. The data relating to market promotion expenditure for the last 10 years beginning 1988-89 have also been compiled.

Tools for Data Analysis

Simple statistical tools have been used for analysing data. Trend analysis and curves have been generated besides attempting to arrive at a correlation analysis.

Graphs, pie charts and bar diagrams have been used to depict yield gaps, product exports and expenditure.

Limitations

Though the trade and commerce in spices is centuries old, not all vital informa­tions in terms of facts and figures relating to exports is available. The figures relating to consumption, demand pattern, processing and exports in other producing countries is available only from the international trade centre
(UNCTAD/GATT) Geneva. However, this information does not include production and the figures do not cover areas like West Asia, East Asia and Africa.

Many of the producing countries like Brazil, Malaysia, Vietnam, Thailand, People’s Republic of China prefer to keep information on production and exports as guarded secrets on account of business reasons. This does not in any way affect the objective realisation of the present study.

Figures relating to area, production and exports from credible sources are available only from the 60s onwards. Besides some of the data relating to spot market prices, C & F prices available from creditable sources are found to have differences. But this has not in any way hampered the study.

Figures relating to promotional expenditure incurred for individual spices are not available. Since 65 per cent of the total exports of spices are taken for the study, the entire promotional expenditure incurred is taken into account.