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SUMMARY

MARKETING STRATEGIES OF RICE-EXPORTERS

Rice is a staple as well as political food item due to its substantial role in employment in agriculture sector as well as in industrial sector for processing of rice, world's per capita rice consumption of 63 kg per annum (IRRI, 2012), most of the developing countries' population depending on rice for half of the daily nutrition. In case of India, there is cultural importance of rice directly associated with using rice in Yegs and throwing rice at newlyweds for prosperity and fertility. In this way, the relevant of this study regarding Indian exporters' point of view has analyzed.

Rice is second largest produced food grain in the world. China, India, Vietnam, Thailand, Myanmar, Brazil, Japan, USA and Pakistan are the top producer. About 96 percent of world rice is produced by developing countries. Moreover, the exports of rice take place due to supply surplus and export competitiveness in terms of comparative and competitive advantages. The production and exports of world rice has been increasing from the year 1999-2000 to 2011-12 with significant CAGR of 1.9 percent to 2.3 percent.

Thailand, Vietnam, Pakistan, India, USA, China, Italy and Myanmar are the major exporters of rice in the world. Pakistan has more export competitiveness of rice followed by Thailand, Vietnam, India, China and USA. The export competitiveness of Indian rice has an enormous positive impact of WTO while Pakistan and Vietnam has also improved their export competitiveness after the implementation of WTO. As the prices of competing countries are low due to low cost of production, Indian basmati rice is facing a hard-hitting competition from other exporting countries (Chapter-I).

The exports of Indian non-basmati rice have a fluctuating trend during the periods from 1990-91 to 2011-12. Its exports decreased due to decreased import of Bangladesh, Nigeria and Nepal from India due high prices. The export price of

Indian non-basmati rice has been increasing enormously with significant CAGR of 5.30 percent in comparison to basmati rice (4.9%). On the other hand, the quantity exported of Indian basmati rice has been increasing with significant CAGR of 10.90 percent while Indian non-basmati rice increased slowly (4.2%) during the periods from 1990-91 to 2011-12.

Research Problem

In the context of developing countries, like India characterized by wide-spread unemployment and under-employment, lack of entrepreneurial skills and unbalanced growth, it would be needless to stress the fact that the promotion and development of agriculture industry especially rice must be accorded a high priority status. Indian rice industry has comparative advantages in the form of cheap labour and variety of rice. However, this study is emphasized to cope with the marketing strategic problem with special reference to existence to WTO having problem of quality orientation and price competitiveness for rice exporters.

Research Design and Data Collection

Basic research design of the study is descriptive and analytical. The non-basmati rice exports are negligible after October 9, 2007 due to ban. So the classification of exporters as basmati and non-basmati has been ignored and all the exporters assume as rice exporters. From India, large quantity of basmati rice has been exported (97.94 % of total rice has exported in the year 2010-11). Haryana, that is rich in exports quality and technology, is the target area for primary survey because 80 percent of the total basmati rice production of Haryana has been exported during the year 2009-10 (Haryana Economic Survey, 2010-11 and Nalini, 2011)). Hence, a list of 229 rice exporters of Haryana was prepared on the basis of APEDA directory. This constitutes 'Target Population'. The primary data collected from 50 rice exporting units (21.86%) in Kurukshetra, Kaithal and Karnal districts. Out of 50 rice exporting units, the data of 6 units was not

complete or appropriate and 3 units were merchant exporters. To analyze the product development and quality related strategies, the data of merchant exporters. Hence, the data of 41 rice exporters (18% of population) is being analyzed in the present study. Out of total 41 sample units, the analysis of the study is based on 17 (41.46%) small scale units, 13 (31.71%) medium scale units and 11 (26.83%) large scale units.

The secondary information has been collected from known published sources for a period of 13 years from 1990-91 to 2011-12 from government departments & agencies and websites but the data of world rice from the year 1990-91 to 1998-1999 are not available or incomplete (production, consumption, residual supply, exports and imports of world rice). For analyzing the export competitiveness of world rice, the secondary data has been collected from WTO, FAO and World Bank websites for the period 1961/62-2009/10. Because, in 1960's, the Indian agriculture was growing and try to adopt the measures of Green Revolution. In 1991, the Indian Economy has adopted LPG policies and after that, WTO has come into existence in 1995. Hence, the study has made an effort to analyze the impact of these three big revolutionary moments on export competitiveness of Indian rice.

Moreover, for primary data collection, a structured questionnaire has constructed. To collect data by means of questionnaires, personal interviews have been conducted with respondents belonging to the exporting units.

The statistical techniques are applied to analyze the secondary and primary data are as under:

- a) CAGR (Compound Annual Growth Rate) is used to analyze the different trends of rice.
- b) Blassa's revealed comparative advantage and White's revealed competitive advantage indices have been used to analyze the competitiveness of major rice exporting nations.

- c) t-test has been applied to compare the export competitiveness of major rice exporting countries.
- d) ANOVA has been applied to compare variances among small, medium and large scale units.
- e) Regression model is used to analyze the effect of quality orientation and impact of WTO on price competitiveness of Indian rice exports.

Objectives of the Study

- a) To analyze the different competitive advantages adopted by the Indian rice exporters.
- b) To ascertain different the product strategies for the efficacy of rice exporters.
- c) To explore the export pricing strategies in the context of competitors' price and cost –based strategies by the Indian rice exporters.
- d) To evaluate the measures adopted by the Indian rice exporters to cope with the competition in the international markets.
- e) To analyze the major competing countries, level and areas of competition; and also analyze the comparison of quality of Indian rice with the quality of foreign competitors' rice.
- f) To explore major areas in which the competitors have superiority in case of tough competition.
- g) To analyze impact of cost based factors and market based factors on price competitiveness; and also the impact of WTO and quality orientation on price competitiveness of Indian rice exporters.

Summary and Conclusions

The main points of analysis have been compiled and major conclusions have been listed.

- a) One of the findings of this study is that the Indian rice exporters have a dominant competitive advantage of *timely delivery* in comparison to

quality product. But, on the basis of scaled analysis, the position of competitive advantage of *quality product* and *timely delivery* changed. In case of large scale rice exporting units, the *quality of product* has emerged as competitive advantage. The medium-scale rice exporting units assigned the equal importance to *timely delivery* and *quality product* as competitive advantage.

- b) An analysis of different product strategies adopted by the Indian rice exporters for market penetration brings out that the product strategy of *high quality product* is most favorable among them. The product strategies of *selling high margin product*, *updating the product* and *combination sale* are also practiced by them. The small and medium scale units are using *high quality product* strategy due to the pressure of domestic competitors. Along with this, they are doing *product updating* and following a strategy of *combination sale* in strategic manner.
- c) The large scale units give second place to *high margin* product strategy due scale benefits and unique quality of their product with using high technology. The majority of rice exporting units has been pursuing *mixed brand strategy* (branded as well as unbranded sales). They follow this strategy for the purpose of proper utilization of resources. Also, these exporters sell their products without brand name to merchant exporters or importers. But, in case of small scale rice exporting units, *without brand name strategy* has enormous popularity. A few of these exporters follow a *mixed brand* and *more than one brand* strategy. On the other hand, all the large scale units prefer the *mixed brand strategy* for the export of rice for using their scale benefits and proper utilization of their resources. Similarly, the medium scale rice exporting units are using *mixed brand strategy* and *without brand name strategy* in significant proportion. They also use *more than one brand* strategy.
- d) Further, the study finds that the Indian rice exporters are generally fixing their prices *at par with competitors' price*. The pricing *below the competitors' price* and *above the competitors' price* are also used to some

extent or occasionally. In terms of scale classification, small scale units also use the price strategy of *average cost plus margin* generally. But due to scale limitation, they have also compelled by the increased cost of production to charge the price *above the competitors' price*. At times, they have to charge the prices *below the competitors' price* in case of quality defects. On the other hand, in terms of the ranking of pricing strategies, the large and medium scale units are *at par with competitors* at first place, *below the competitors' price* at second and *above the competitors' price* at third place.

- e) Similarly, in the context of cost, generally, they are charging the price on the basis of *average cost plus margin*. The *variable cost plus margin* and *price based on demand & supply* are also used. In the scale-classification, small scale units are enormously using *average plus margin* pricing strategy. They also use *variable cost plus margin* and *pricing on the basis of demand and supply* in some cases. But large and medium scale units use more frequently the *average cost plus margin* and *variable cost plus margin* in comparison to the *pricing on the basis of demand and supply*.
- f) In the context of measures to improve export performance, the Indian rice exporters have been adopting the *improved quality* and *cost-cutting* as a measure to alleviate the effect of competition. In some cases, they also use the measure of *innovative packaging* and *innovative marketing* to meet the competition. The small scale units concentrate on *improved quality* and *cost cutting measure* equally while medium scale units state that they generally use the measures for quality improvement and *cost cutting*. But large scale units reported that cost cutting is the most useful for them to improve the export performance in comparison to *quality improvement*. Many of them concentrate on *innovative packaging* and *innovative marketing methods too*.
- g) To improve the export performance, the Indian rice exporters organize the training programs frequently for *quality improvement* and sometimes, they also conduct the training programs for *marketing development* and

packaging. The small scale units arrange training for the employees for quality improvement and participate in the marketing development through providing training for product development & quality control, pricing, promotion and distribution. On the other hand, the large and medium scale units are providing much greater and better training to their workers for quality improvement and market development.

- h) Further, the study analyzed the competition faced by Indian rice exporters in terms of main areas, quality comparison with competitors, level of competition etc. The Indian rice exporters have bellowed on massive competition in *price*. They have also recognized *quality* as an area in which they face competition to some extent but they think that *design pattern of packaging* is not important for competition. In terms of the scale, small, medium as well as large scale units perceive the price and quality as main areas of competition.
- i) In the context of quality dynamism, the majority of Indian rice exporting units notifies that the quality of their rice is *superior* to competitors and some exporters assert that their quality is comparable. No one says that their quality is inferior. A majority of large and medium scale units assert that their product quality is *superior* to competitors. More than two-third of the units in case of small scale units, report that they are exporting *comparable* quality products and the remaining exporters claim that their product is superior.
- j) About level of competition, most of the Indian exporting units are facing low and medium level of competition. A few numbers of units confess that the competition is high. But, some small scale rice exporting units note and are concerned about the high level of competition. An equal number of units accept that competition is high and medium level of competition. On the other hand, majority of large and medium scale units state that they are facing low level of competition.
- k) An analysis in terms of competing countries reveals that India is facing a tough competition from USA and Pakistan. For large number of small and

large scale units, USA is a sole competitor due to high technology. Medium scale units state that Pakistan and USA are two main competitors. Thailand is believed to be an unimportant competitor for medium-scale units only.

- l) While studying the comparative advantages of competitors, it is found that Indian quality of rice is superior to the competitors. It may be due to suitable climate and rich-soil resulting in the production of long-grain seeds with aroma. Similarly, reputation of exporting units is also a found better than competitors. It may be a factor of timely delivery and assured quality of Indian rice. But Indian exporters are unable to compete at price and cost front. As price is a factor of cost and profit. High minimum support price (MSP), high cost of inputs and less subsidies are reflected in higher aggregate cost. Similarly, high rate of taxes and interest rates leads to demand for high profits. In terms of cost, it is reported by Indian exporters that foreign rice exporters have comparative advantage of *cost* whereas Indian rice exporter have an advantage in terms of *the quality*.
- m) Finally, it is concluded that the rice exporters are concentrating their strength on exporting the quality oriented products to meet the price competition under the shadow of WTO. The quality product is itself a price competitive product. The unique quality of rice is itself a cost competitive characteristic because there is no need of marketing development activities for quality product. Thus the quality of Indian rice is heavy on competitors' low prices. The exporters are also trying to reduce the cost for price competitiveness with applying measures of cost-cutting.
- n) Quality orientation and price competitiveness are the two opposite sides of a coin (i.e. competition). With this, WTO is playing an important role in the determination of quality orientation and price competitiveness. Its provisions have stressed the quality orientation with a long list of quality standards. On the other hand, due to open its flood gates for free trade the

increased competition has generated price competitiveness in the world market.

- o) Further, the study also analyzes the effect of quality orientation and impact of WTO on price competitiveness using the regression analysis. It has found out that there is significant effect of quality orientation and impact of WTO measures on price competitiveness jointly and individually. The main contributors of quality orientation are high quality product strategy, quality tests, training and measures for export performance, competitive advantage in terms of product quality, superior quality in comparison to competitors etc. These factors affect the price competitiveness of Indian rice exports. The WTO measures too affects the price competitiveness significantly. After introducing the cost-based factors in the Model as explanatory variable, the effect of quality orientation and impact of WTO measures has been found to be insignificant. Similarly, after introducing the market related factors in the Model as explanatory variable, the impact of WTO has become insignificant while the effect of quality orientation is significant.
- p) In case of small scale units, the impact of WTO is insignificant due to the lack of awareness and implementation of WTO provisions. But the quality orientation is significant because of tough competition. In addition, after introducing the cost based factors of price competitiveness in the Model, the effect of WTO and quality orientation on price competitiveness has also become insignificant. Therefore, the cost based factors are more effective than the impact of WTO and quality orientation. Similarly, after introducing the market related factors in the Model as explanatory variable, the impact of WTO and quality orientation on price competitiveness has become insignificant.
- q) In case of medium scale units, the impact of WTO and quality orientation on price competitiveness has been found to be insignificant. After introducing the cost based factors of price competitiveness in the Model, the effect of WTO and quality orientation is insignificant. Similarly, after

introducing the market related factors in the Model as explanatory variable, the impact of WTO and quality orientation on price competitiveness has also become insignificant because pricing strategies vis-à-vis competitors, product-mix, market-mix, perception regarding competitors' superiority in cost and price etc. are more effective than impact of WTO and quality orientation of medium scale units.

- r) In case of large scale units, the study has analyzed that the effect of quality orientation on price competitiveness has been found to be insignificant while the impact of WTO is significant. Therefore, it is concluded that the large scale units are implementing the provisions of WTO which affect the price competitiveness of large scale units. After introducing the cost based factors in the Model as explanatory variable, the effect of quality orientation and impact of WTO has been found to be insignificant. Therefore, the cost based factors of price competitiveness are more efficient than quality orientation and impact of WTO to contend the price competition in the export market. Similarly, after introducing the market related factors in the Model as explanatory variable, the impact of WTO and quality orientation on price competitiveness has become insignificant. Because pricing strategies vis-à-vis competitors, product-mix, market-mix, perception regarding competitors' superiority in cost and price etc are more effective than impact of WTO and quality orientation.
- s) Apart from the regression analysis, this study analyzed the effect of cost based factors and market related factors on price competitiveness by using average mean of indices. The cost based factors includes pricing strategies vis-à-vis cost, export assistance, MSP, MEP, cost cutting measures etc. and market related factors includes pricing strategies vis-à-vis competitors, product-mix, market-mix, perception regarding competitors' superiority in cost and price etc. The study concludes market-related factors are generating more price competitiveness in comparison to cost based factors. Because pricing strategies vis-à-vis competitors, product-mix, market-mix, perception regarding competitors' superiority in cost and

price etc are more effective than impact of WTO to meet/beat the price competition. Therefore market related factors are more effective than the cost based factors in the determination of price competitiveness because the market related factors make the quality orientation significant while cost based factors has made insignificant both quality orientation and impact of WTO.