



Research Paper

A study on sales management of edible oil by Karnataka co-operative oilseeds grower's federation limited (KOF)

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ABSTRACT : Edible oils and fats are essential ingredients for a wholesome and balanced diet and are vital items of mass consumption. There are two sources of oils – primary source and secondary source. The primary sources are nine principal oilseeds viz., groundnut, rapeseed / mustard, soybean, sunflower, sesame, niger, safflower, castor and linseed. Edible oils obtained through secondary source include coconut, cottonseed, rice bran and oilseed cakes. The KOF registered on 26th October 1984 which was inspired by the Anand Model of Milk Co-operatives, is designed to create an integrated Co-operative System of production, procurement, processing of oilseeds and marketing of edible oil and its by-products. KOF adopted various sales promotion strategies to attract the attention of ultimate customers. KOF is providing discount sales, price offers, festival offers, coupons, gift voucher and scratch cards to distributors, wholesalers, retailers and to the consumers. This has helped to improve the sales of edible oil by the KOF. Sales promotion measures / strategies are necessary to motivate distributors, wholesalers and retailers to maintain the stock and push their brand to ultimate customers. Sales promotion measures undertaken by the federation were advertising in the television (ETV, Z Kannada and Suvarna channels), radio, magazines (Sudha, Taranga and Gruhashobha), boards (Hoarding) at busy roads, exhibitions, pamphlets, leaflets and wall painting. Sales promotion expenses incurred through different media were found to be maximum on television which accounted for 41.32 per cent (Rs. 10 lakhs). The compound growth rate of net sales of edible oil of the KOF was statistically significant at 1 per cent level (8.3 %) during the period 2001-02 to 2010-11. Monthly seasonal indices of sales of edible oil of KOF found to be maximum in the month of January and minimum in the month of April.

KEY WORDS : Edible oils, KOF, SAFAL, AGMARK, Sales promotion

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INTRODUCTION

Edible oils and fats are essential ingredients for a wholesome and balanced diet and are vital items of mass consumption. There are two sources of oils – primary source and secondary source. The primary sources are nine principal oilseeds viz., groundnut, rapeseed / mustard, soybean, sunflower, sesame, niger, safflower, castor and linseed. Edible oils obtained through secondary source include coconut,

cottonseed, rice bran and oilseed cakes. The demand for edible oil during 2008-09 was 167.81 lakh tonnes. The production / net availability of edible oils was 85.98 lakh tonnes. The gap between demand and supply of indigenous edible oils is being bridged by imports. The imports of edible oils during 2008-09 were 81.83 lakh tonnes. The demand for edible oil is expected to be 183 lakh tonnes by 2009-10. Per capita consumption of edible oils in India increased from 11.1 kg/annum during 2003-04 to 13.4 during 2008-09.

A profile of Karnataka Co-Operative Oilseeds Grower's Federation Limited (KOF) :

Government of India in mid 1980's started the "Technology Mission on Oilseeds and Pulses" (TMOP) in order to enhance the productivity in oilseeds and make India self - sufficient in edible oil. On 22.8.1984 Government of Karnataka approved the implementation of National Dairy Development Board's (NDDDB) project "Restructuring Edible Oil and Oilseeds Production and Marketing" in Karnataka keeping in view the objectives laid down in the TMOP.

The Karnataka Co-operative Oilseeds Grower's Federation Limited (KOF), the agency is entrusted with implementation of the Project. The KOF was registered on 26th October 1984, under the Karnataka Co-operative Societies Act. The project, which was inspired by the Anand Model of Milk Co-operatives, is designed to create an integrated Co-operative System of production, procurement, processing of oilseeds and marketing of edible oil and its by-products. KOF is marketing its edible oils under the flagship brand "SAFAL". The edible oil in the refined form under consumer marketing activities, even under stiff competition from MNCs and local players; KOF is the brand leader for AGMARK quality edible oil and SAFAL is the household name in the State of Karnataka. This is possible because of its professional management, marketing intelligence and strong marketing distribution network. Advertisement played a vital role in influencing the purchase decision of a particular brand (Ravichandran and Narayanarajan,2004).

KOF and its regional unions have sold 23075 metric tonnes of edible oil during the year 2008-09 with an average of 1923 metric tonnes per month. KOF is aiming to double the volume of sales and margins in the next 5 years by adding range of products and increased market penetration. KOF markets the edible oils under the corporate brand name of "Safal" in consumer packs. Therefore, an attempt was made to assess the sales promotion measures followed by the KOF.

MATERIALS AND METHODS

The study was carried out in Karnataka Co-Operative Oilseeds Grower's Federation Limited (KOF), Bengaluru. The necessary details were collected from primary sources by discussion and personal interviews with personnel of the KOF who are working in the field of marketing and secondary data were obtained from the audit reports of the KOF. The data were analysed using various analytical techniques viz., time series and compound growth rate analysis.

RESULTS AND DATA ANALYSIS

The overall objective of the study was to assess the sales promotion measures followed by Karnataka Co-Operative Oilseeds Grower's Federation Limited (KOF). The results of

the study are presented under the following heads :

Sales promotion measures followed by the KOF :

KOF undertakes sales promotion strategies to attract the attention of ultimate customers. The sales promotional strategies motivate distributors, wholesalers and retailers to maintain the stock and push their brand to ultimate customers.

Sales promotional measures / strategies of KOF :

Discount sales :

KOF gives discount to the distributors. It provides one rupee discount per litre of edible oil. It varies from one rupee to 5 rupee depending upon the sales. If the target is not reached then they will go for discount sales.

Quantity based discounts :

If distributor of KOF achieves 10 per cent increase in the volume of sales over a period, it may be 1 month, 2 months or 3 months then KOF gives 25 paise per litre as discount. If the distributors achieve 20 per cent, KOF gives Rs. 0.50 per litre. Likewise, it provides depending upon the volume of sales by the distributor.

Scratch card scheme :

This scheme is for both wholesalers and retailers. For every one case of edible oil, there will be an offer of either Rs.10 or Rs.50 in each box. One case means ten pouches / sachets of edible oil in one box.

Product wise offers :

If retailer buys Rs.1000 worth of edible oil then KOF will give plastic boxes, glasses, filters and hot boxes etc.

Festival offers :

If customer buys 5 litre sachets then they will get 500 ml coconut oil free. If he buys 2 litre of edible oil, one shampoo or 5 rupees masala powder will be given.

Gift vouchers :

KOF is giving some amount as gifts for retailers for the participation in the "Festival Bonanza from the House of the Safal" scheme during 2010-11.

Sales promotion expenses through different media :

Sales promotion expenses incurred through different media in 2009-10 are presented in Table 1. The sales promotion expenses which were incurred through different media were found to be maximum on television which accounted for 41.32 per cent (Rs. 10.0 lakhs). This was because of high advertisement costs on television. Cost of the advertisements in the TV depend upon the time/period which may be seconds or minutes. Costs of advertisements also depend upon the channels. This is followed by the boards which accounted for

20.66 per cent (Rs.5.0 lakhs). This is because, the boards are permanent one, the frequencies of displaying the products are more than any other media. This was followed by wall painting (16.52 %), exhibitions (10.33 %), radio (4.13 %) and magazines (4.13 %), respectively. The products of the KOF were advertised in the magazines at the time of the festivals.

Table 1 : Sales promotion expenses incurred through different media in 2009-10

Sr. No.	Particulars	Sales promotion expenses (Rs. in lakhs)
1.	Television	10.0 (41.32)
2.	Radio	1.0 (4.13)
3.	Boards	5.0 (20.66)
4.	Leaflets	0.2 (0.82)
5.	Pamphlets	0.5 (2.06)
6.	Exhibitions	2.5 (10.33)
7.	Magazines	1.0 (4.13)
8.	Wall painting	4.0 (16.52)
	Total	24.20 (100.00)

Source: Audit Reports of KOF Ltd. (2009-10)

Note: Figures in parenthesis indicate the percentage to the total sales promotion expenses

The minimum sales promotion expenses were found to be on leaflets, pamphlets and magazines. It was because these promotional measures / strategies incurred low cost and also reached fewer consumers. It is implied that the federation is now needed to concentrate on plan to advertise their products in all film talkies and in television during the interval times of serials. Advertising on bus panel is very useful, cheaper and ideal way to convey the message.

Growth rate of net sales of edible oil :

The compound growth rate of net sales of edible oil of Karnataka Oilseed Federation (KOF) is presented in Table 2. The growth rates were computed for the period 2001-02 to 2010-11.

Table 2: Net sales of edible oil of KOF

Sr. No.	Year	Net sales (metric tonnes)
1.	2001-02	8237
2.	2002-03	9292
3.	2003-04	10072
4.	2004-05	10606
5.	2005-06	11953
6.	2006-07	13051
7.	2007-08	13654
8.	2008-09	14062
9.	2009-10	16174
10.	2010-11	17464
	Compound growth rate (%)	8.30*

Source: Audit Reports of KOF Ltd. (2001-02 to 2010-11)

Note: * Statistically significant at 1 per cent level

The results indicated that compound growth rate was positive and statistically significant at 1 per cent level. The compound growth rate of net sales of edible oil of the KOF was 8.30 per cent. It may be due to increased demand for edible oil of the KOF from the consumers, increased awareness about the quality and brands etc.

Seasonal indices of sales of edible oil of KOF :

The sales of KOF have shown pronounced seasonal variations with regard to the edible oil which has been presented in Table 3 and Fig. 1. The sales of KOF shown pronounced seasonal variations with regard to the sales of edible oil. The results indicated that, monthly seasonal indices of sales of edible oil of KOF was found to be maximum in the month of January which was worked out to 106.49 metric tonnes, followed by 104.56 metric tonnes in the month of October. It was due to more demand from the consumers due to festivals, more discounts and offers from the KOF and lesser price for the products of the KOF when compared to others. The seasonal indices of sales of edible oil of KOF were found to be minimum

Table 3: Month wise sales of edible oil of KOF

Month / year	Jan.	Feb.	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.
2001-02	722	714	768	588	687	568	718	712	743	683	717	617
2002-03	791	750	725	769	797	731	786	804	691	852	779	817
2003-04	849	787	826	682	807	868	895	892	859	909	834	864
2004-05	918	912	890	797	826	867	865	818	904	914	957	938
2005-06	986	996	1076	928	932	943	938	1042	1012	1145	965	990
2006-07	1135	1003	1076	985	1034	1016	1006	1140	1199	1178	1131	1088
2007-08	1165	1080	1135	1090	1138	1214	1049	1212	1151	1189	1201	1030
2008-09	1257	1188	1277	966	1212	1216	1064	1162	1214	1188	1180	1139
2009-10	1377	1384	1446	1315	1284	1268	1321	1347	1220	1496	1408	1309
2010-11	1447	1294	1415	1367	1469	1476	1497	1565	1481	1650	1377	1426
Seasonal index	106.49	100.29	104.00	93.36	98.86	99.28	97.27	101.35	99.43	104.56	99.78	95.27

Source: Audit reports of KOF Ltd. (2001-02 to 2010-11)

in the month of April which was worked to 93.36 metric tonnes. This was because of less demand for edible oil of the KOF from the consumers, less discounts by the KOF and higher prices.



Fig. 1 : Seasonal indices of sales of edible oil of KOF

Peak season for sales of edible oil of the KOF was January, March, August and October. The lean seasons for sales of edible oil of the KOF were April, May, July and December. This was because of the same reasons discussed above. Jennings (1970) and Atkins (1975) have made some investigation related to the present aspects of study.

Summary and policy implications :

The important findings of the study are summarized and suitable policy implication is drawn and presented below.

Findings of the study :

- Sales promotion expenses which were incurred through different media were found to be maximum on television which accounted for 41.32 per cent (Rs. 10 lakhs) followed by boards (20.66 %).
- Sales promotion expenses which were incurred were found to be minimum on leaflets and pamphlets which accounted for 0.82 and 2.06 per cent, respectively.
- KOF is giving discount sales, scratch card scheme, offers and gifts to distributors, retailers and consumers in order to increase the sales of edible oil.
- The compound growth rate of net sales of edible oil

of the KOF was statistically significant at 1 per cent level (8.3 %) during the period 2001-02 to 2010-11.

- Monthly seasonal indices of sales of edible oil of KOF was found to be maximum in the month of January. It was due to more demand from the consumers due to festivals, more discounts and offers from the KOF.
- The seasonal indices of sales of edible oil of KOF were found to be minimum in the month of April.

Policy implications :

- Create awareness about the products of KOF by using effective sales promotion techniques like advertising the products of KOF on bus panel, film talkies, hoarding at nearby railway and bus stations and advertising during the intervals of popular serials in the television.
- The Federation may provide high promotion strategies/measures like discounts, gift vouchers and offers to distributors, stockiest/wholesaler, retailers and to the consumers in order to increase the sales of edible oil.

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