

**A STUDY ON PROCUREMENT PRACTICES OF COCONUT BY
MARICO LTD, KANJIKODE, PALAKKAD.**

by

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MAJOR PROJECT REPORT

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COLLEGE OF CO-OPERATION, BANKING AND MANAGEMENT

VELLANIKKARA, THRISSUR-680 656

KERALA, INDIA

2018

DECLARATION

DECLARATION

I, hereby declare that this project report entitled “**A STUDY ON PROCUREMENT PRACTICES OF COCONUT BY MARICO LTD, KANJIKODE, PALAKKAD**” is a bonafide record of research work done by me during the course of project work and that it has not previously formed the basis for the award to me for any degree, diploma, associateship, fellowship or other similar title, of any other University or society.

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CERTIFICATE

CERTIFICATE

Certified that this project report entitled “**A STUDY ON PROCUREMENT PRACTICES OF COCONUT BY MARICO LTD, KANJIKODE, PALAKKAD**” is a record of project work done independently by Ms. Pramudha N M under my guidance and supervision and that it has not previously formed the basis for the award of any degree, fellowship or associateship or other similar title to her.

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TO WHOMSOEVER IT MAY CONCERN

This is to certify that **Ms. Pramudha N M with regn number 2016-31-015** is doing her MBA In Agri Management from College of Co-Operation Banking and Management has done her project in our factory in the Topic "A Study on Procurement Practice of Coconut" for a period of 4 Months from 1st August 2018 to 30th November 2018.

During the project period the trainee has displayed keen interest in learning and adds value to her learning's.

We found her to be sincere and hardworking and the conducts are good during this period of time.

We wish all success in all her future endeavors.



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Chapter I
DESIGN OF STUDY

DESIGN OF THE STUDY

1.1 Introduction

Indian food and food processing industry has seen significant growth and changes over the past few years, driven by changing trend in markets, consumer segment and regulations. These trends, as well as changing demographics, growing population and rapid urbanization are expected to continue in the future and therefore will shape the demand for value added products in the food processing industry. The food-processing sector in India is hence an attractive sector for investment and offers significant growth potential to investors. The food processing industry provides vital linkages and synergies between industry and agriculture. The Food Processing Industry sector in India is one of the largest in terms of production, consumption, export and growth prospects. The government has accorded it a high priority, with a number of fiscal reliefs and incentives, to encourage commercialization and value addition to agricultural produce, for minimizing pre/post-harvest wastage, generating employment and export growth. India's food processing sector covers items like grains, sugar, edible oils, beverages, dairy products and a wide range of fruits and vegetables. Indian food processing industry is widely recognized as a 'sunrise industry' having huge potential for uplifting agricultural economy, creation of large-scale processed food manufacturing and food chain facilities, and the resultant generation of employment and export earnings. Food processing industry in India has two major sub-segments namely food and grocery retail and the foodservice market. Of these, food and grocery retail have a whopping 92 percent share.

In today's competitive business environment, procurement is seen as one of the most important and critical subsets of supply chain management. Procurement Management means many things to many people this is because of origination fragmentation and compartmentalization of some of the basic management function concern with material in corporate activity. Procurement encompasses all activities involved in obtaining material and services and managing their inflow into an organization toward the end user. Procurement is one of the most important functions of supply chain management that is positioned between an organization's internal customers in need of material to fulfil their tasks and external suppliers providing goods and services. The main purpose of this function is to bridge multiple gaps in order to simultaneously manage external and internal relationships, and to balance participants' different goals and objectives. Procurement provides a chance for organizations to exercise the best control over the cost and quality of purchased goods through operating integrated systems of procurement.

Marico is a leading company with coconut oil brands Parachute and Nihar Naturals is empowering suppliers through its massive procurement and outreach programmes. The company procures 10 percent of total coconut produced in India and buys it directly from farmers through its collection centres. Though India is the third largest coconut producer in the world, most of the farmers are marginal and farm holdings are relatively smaller. More than one million farmers are directly involved in coconut cultivation. Coconut procurement enables such marginal farmers and suppliers to access fair and transparent prices at their doorstep.

1.2 Statement of problem

Successful business management rely mostly on well-co-ordinated function of activities, these include finance, personnel, production, marketing and procurement. Procurement which is one of the business activities is as old as the birth of business enterprise itself and it is considered to be the basic function of activity in an organisation. As Marico's product and service requirements are varied, sustainable procurement becomes critical for their business. Currently Marico follows two procurement models that is 'Direct procurement model' and 'Vendor procurement model'. The procurement of coconut directly from farmers is known as direct procurement model and through vendors is known as vendor procurement model. Procurement activities are done daily through its collection centres set up nearer to the manufacturing factory and coconut farms. The various factors influencing procurement by Marico include market influence, model of procurement, spatial variation, pricing according to the cost of Coconut oil production, effect of quality, mode of transportation etc. The changes are impacting pressure on how the procurement of coconut performs by Marico in its internal and external processes and procedures in order to achieve the company objectives.

For a company that is the largest buyer of copra in India is striving to meet steadily growing demand for its popular range of Parachute coconut oil. Taking a wider look at firm's different procurement strategies, one can see that many going concerns do not reach with Effective procurement and profitability level of Marico. In this context, the present study aims to evaluate the procurement practices and also to find out whether the procurement practices of Marico for the production of parachute oil are carried out in an effective way or not.

1.3 Objectives of the study

- To study the procurement practices adopted in coconut procurement by Marico Ltd.
- To analyse the factors influencing the procurement practices of coconut.
- To evaluate the effectiveness of the procurement models of the Marico Ltd.

1.4 Methodology of the study

1.4.1 Location of the study

The location of the study was in Palakkad district because the manufacturing plant is situated there. The respondents are scattered in Kanjikode, Chittoor, Walayar and Muthalamada.

1.4.2 Period of study

Data were collected through survey during the time period of 20 days in October 2018.

1.4.3 Data Source

The data used for this study is descriptive and analytic in nature. The study was based on primary and secondary data. Primary data were collected through pre-structured interview questionnaire. The secondary data were collected from company annual reports, magazines, websites, journals, and e-books.

Discussions have been conducted with the head of the procurement and RM department of the company, in order to understand the current scenario of procurement practices and its compliance.

1.4.4 Sample design

1.4.4.1 Sampling Technique

Purposive Sampling Technique were used for the selection of both the farmers and vendors.

1.4.4.2 Sampling Size

Farmers	40
Vendors	20
Total	60

1.4.5 Parameters of the study

- Different procurement models.
- Material flow and processes of the procurement
- Quality standards for procurement of coconut.
- Various pricing and payment policies.
- Cost of procurement in both models
- Attributes of Marico procurement programme
- Value chain under different procurement models
- Satisfaction of beneficiaries of the direct procurement model.
- Benefits and constraints faced by the farmers in the direct coconut procurement (if any)

1.4.6 Statistical tools of the study

The collected data were classified, tabulated and analysed to make meaningful inferences.

- **5-Point Likert Scale Analysis**

A Likert scale is a psychometric scale commonly involved in research that employs questionnaires. It is the most widely used approach to scaling responses in survey research, such that the term is often used interchangeably with rating scale, although there are other types of rating scales.

Responses	Score
Strongly Agree (SA)	5
Agree(A)	4
Agree to Some extent (AS)	3
Disagree (DA)	2
Strongly Disagree (SD)	1

The level of satisfaction of the farmers and vendors was analyzed on the basis of 15 parameters. These parameters include various statements, which are graded in 5-point continuum allotted for the responses are in the following manner.

Based on these scores, index of each parameter and statements will be calculated. The formula for calculating index is:

$$\text{Index for the statement} = \frac{\text{Total score obtained for the statement} * 100}{\text{maximum obtainable score for the statement}}$$

$$\begin{aligned} \text{Maximum obtainable score for the statement} = \\ \text{Maximum score obtainable for the opinion} * \text{total number of respondents} \end{aligned}$$

When the individual index was calculated, the next step is to find out the overall index of the parameters. The formula for calculating overall index for a parameter is:

$$\begin{aligned} \text{Overall index for a parameter} = \\ = \frac{(\text{Total score obtained for the statement} * 100)}{\text{maximum score} * \text{number of respondents} * \text{number of statements}} \end{aligned}$$

The level of satisfaction was categorized as High, Good, Moderate, Poor and Very Poor based on the index obtained.

Index	Level of Satisfaction
>80	High
60-79	Good
40-59	Moderate
20-39	Poor
<20	Very Poor

- **SWOC (Strengths, Weaknesses, Opportunities and Challenges) Analysis**

Strength, weakness, opportunity and challenge analysis is a technique used to identify the external and internal factors that play a part in whether a business venture or project can reach its objectives. Strengths and weaknesses are internal factors, while opportunities and challenges are external. The analysis is carried out on a four- square or four-cell matrix.

SWOC Matrix

	Factors likely to lead to positive change and further improvement in the quality of the program	Factors which may compromise further improvement in the quality of the program
(Internal Attributes)	Strengths	Weaknesses
(External Attributes)	Opportunities	Challenges

- **Value chain mapping**

A value chain map illustrates graphically all of the components, and relationships between them, of the selected value chain; it is a visual tool that helps us understand how a particular industry works. The map highlights the range of activities that occur within the value chain. The map will also outline transformation steps or functions, actors, relationships and support services.

- **Simple percentage analysis method**

Percentage analysis is the method to represent raw streams of data as a percentage (a part in 100 - percent) for better understanding of collected data.

1.5 Scope of study

The study focused on the different activities and strategies of procurement program of Marico Ltd. The study also provides information regarding factors that influence suppliers in supply of coconut to the company. The study has allowed to identifying the Benefits and Constraints of the procurement models of Marico. Thus, the findings will be of great utility to procurement and production department, farmers, vendors to adopt new strategies related to procurement.

1.6 Limitations

The study has been limited to only major vendors and coconut farmers. The minor vendors and farmers could not be investigated due to paucity of time. However, considerable care and thought will be giving in making the study as systematic as possible.

1.7 Chapterization

The project report was divided into six main chapters:

- Chapter 1 Design of the Study
- Chapter 2 Review of Literature
- Chapter 3 Theoretical Framework
- Chapter 4 Organisational Profile-Marico Ltd
- Chapter 5 Data analysis and Interpretation
- Chapter 6 Summary of Findings, Suggestions and Conclusion

Chapter II
REVIEW OF LITERATURE

Chapter II

REVIEW OF LITERATURE

Review of literature is a strong pillar to support the present study in order to make the study more reliable, the foundation should be built on the previous literature of the topic. A review of the past studies is useful to understand the various aspects of the problem taken up for research to plan the current study, to define concepts, hypotheses and scope, to select tools of analysis and to analyze the research problem effectively. Hence, the empirical works relating to the procurement of coconut of Marico Ltd are reviewed and a brief account of the review is presented in this chapter.

Even Though coconut have much economic, medicinal and cultural significance, the academic community seems to be neglecting the sector. This may be the reason why the researches on the topic, particularly about the marketing, purchasing and promotion aspects of coconut, are very limited in number. Another important point is that majority of the published research works do not have much significance now due to the rapidly changing cultivation practices and trading environments and due to technology upgradation. However, the researcher went through the available published works as far as possible to obtain a clear theoretical background for the present study.

2.1 Findings of the literature review

2.1.1 Findings on studies based of Procurement

Bell and Stukhart (1987) in his studies define the procurement as an integrated co-ordination, the material management system or MMS, which includes materials' take off, purchasing, expediting, receiving, warehousing and distribution and even contract administration. Procurement activities are an inseparable part of any organization. Procurement in general is an activity to get or bring about something by some efforts. Since procurement was used to be called as "Purchasing", the researchers and corporations pay little attention to this process. In fact, Purchasing just refers to the actual activities of buying materials.

Kalakota and Robinson (1999), his study on Procurement indicates, procurement which has a broader meaning, encompasses all activities involved from obtaining materials and services to managing their inflow into an organisation toward the end user. It includes purchasing, transportation, warehousing, and moving goods towards the production process. Procurement has already transformed into a concept combine with technologies, marketing, and business strategies.

Segev et al., (2001) specified in his studies that in general, there are two types of operating procurement: production-related goods and non-production-related goods. Production goods include

raw materials, components, assemblies, and other items needed to produce a finished good. Non-production goods are items that businesses need to run day-to-day business operations: capital equipment; MRO (Maintenance, Repair and Operating) products; office capitals, stationeries, scientific or industrial supplies; travel and entertainment.

Murat and Huang (2009) his studies have added a new dimension to the purchase portfolio with respect to long-term and short-term contracting approach. They concluded that when price variability increases the long-term contract will be beneficial and when demand variability increases the short-term contracts are better. He has recommended that sometimes it may be better to leave some contract parameter undefined and agree to negotiate afterwards.

Turban et Al., (2005) in his study indicates that by automating processes and workflows associated with purchasing, the firm expects to increase the productivity of its purchasing agents, lower purchase prices of different types of goods and services, streamline the information flow, business processes, and workflows involved in purchasing, eliminate maverick buying (i.e., buying from unauthorized vendors), reduce order fulfillment and processing times, reduce the number of suppliers the firm is dealing with, streamline invoice reconciliation and dispute resolution, reduce the administrative processing cost per purchase order, integrate budgetary controls into the procurement process, minimize human errors in the buying and shipping processes, and monitoring and regulating buying behavior.

Sabiti, Basheka and Muhumuza (2011:23) study conducted in Uganda on developing public procurement performance measurement systems in developing countries: the Uganda experience, the authors note how proper planning may influence procurement performance. The key to accountability is the capacity to select the best contractors within the public sector. The internal contractor selection process of government, procurement and personnel have long received sustained attention as the centerpiece of reforms to promote accountability (World Bank, 2000:44). The researcher notes that the problems of accountability arise when government ignore or transgress social ethics and constitutional and legal provisions in conducting public affairs, administrative systems are fragmented, tasks to be performed are so many.

Oluka's study on the challenges of procurement, she posits that restricted tendering is a procurement method that limits the request for tenders to a select number of contractors (Oluka, 2013:23). According to the PPDA Regulation 2014, the restricted procurement method is a two-stage process. The first stage the employer advertises his project and invites contractors to express interest to be placed on a selected list of contractors who will be invited to bid for the project (Oluka, 2013:42). In

creating a nexus between the earlier study and the proposed study, it is imperative that when contractors applying should be given a list of information, and information got about them in order to 'pre-qualify. Stage two the shortlisted contractors who meet the selection criteria should be invited to submit a more detailed tender submission.

Ocharo (2013) in his study on the factors affecting procurement performance: a case of ministry of Energy in Kenya notes that planning is the process of choosing the most appropriate contractor to deliver a specified project so that the achievement of best value for money. Procurement methods are one of the critical steps in planning and bid evaluation methods are the key procedures through which a contractor is selected. Procurement methods as the procedures used by the procuring entity to acquire goods, services and works. The data by Ocharo (2013) was analyzed using qualitative data that falls short of what is expected in the proposed study whose analysis will be based on a mixed approach. Using a mixed approach, data will be cross-validated and captured using different dimensions of the same phenomenon.

Sylvia (2015) study focused on the specific objectives of analyzing three main methods of public procurement, which are: effects of information technology on performance of procurement function in public technical training institutions, establishment of extent in which competency of staff influence performance of procurement functions and to enumerate the ethical issues affecting decision making in performance of procurement functions in public technical training institutions.

2.1.2 Findings on studies based of Coconut

Geoffery.Bastin (1986) conducted a study on "Coconut marketing: issues for a threatened industry". He reviewed market conditions in the laurie subsector, describes the marketing channels for copra and coconut oil and sets out detail of significant issues for the future. It concluded that the industry must take urgent steps to improve the flow of market information, develop cost saving means of production which lead to a range of items and investigate new markets for non-traditional products.

Raveendran. P (1989) conducted a study on Marketing of coconuts and its products in Andaman and Nichobar Islands with the main objectives of trends in coconut production, to educate the farmers for adopting modern agricultural practices, and developing a good market for coconuts. The study concluded that the cooperative marketing societies at all levels need to be further strengthened. The state and central governments may extend all financial and other helps such as provision for soft loan to apex societies for outright purchase and provision for providing transport facilities at concessional rates.

Ratha Krishnan. L (1989) made an investigation to analyze the “Price spread in coconut marketing” in the village M. Vadipatty, Anna District, Tamil Nadu. The prime objective was to study the price spread of coconut among small coconut growers. He analyzed the present position of marketing, market functionaries and price spread of coconuts among the existing channels. He found that coconut is transferred from the producer to the final consumer through four channels they are i) primary producer to final consumer, ii) Primary producer to wholesaler to retailer to final consumer iii) primary producer to retailer to final consumer iv) Primary producer to middlemen to wholesaler to retailer to final consumer. No price spread is found in channel one. Gross and net prices spread are greater in channel three. Price spread could be reduced either through farmers’ cooperative marketing pattern or through the government intervention.

Hameed Khan. H (1990) in their study on “Improving the coconut production” in Kerala expressed that 4500 to 5000 nuts are required to produce one ton of copra at the international scenario, corresponding figure for India would be 6800 nuts. The per capita availability of coconut in the country is as low as 10 nuts/ year where as it is high as 53 nuts in Indonesia and 124 nuts in Sri Lanka.

Punchihewa. P.G (1990) conducted a study on, “Coconut industry current situation and prospects” in Jakarta, Indonesia. He found that coconut is the most extensively grown nut in the world and the most important of palms. It is also found that in nearly ninety countries the annual production ranging of 12 billion nuts in Philippines to 2.5 million nuts in Nauru. On the basis of the average production for the period 1984-1988 the present acreage is estimated to nearly 41 billion nuts a year.

George M.V.(1991) conducted a study on “Trend in area production and productivity of coconut in India” with prime objective of understanding trend in area, production and productivity of coconut. The main findings of this study were the area under coconut in Kerala and Karnataka recorded a steady growth. In Tamil Nadu though there was a reduction in the area under coconut during fifties whereas steep increase in the area was seen especially during earlier sixties and during the second half of eighties. The total production of coconut during 1950-51 was only 3582 million nuts which rose to 9283 million nuts during 1989-90 recorded an increase of 157 percent over a period of 40 years. The average productivity in 1950-51 was 5259 million nuts that rose to 6150 million nuts in 1989-90. India ranks third among the coconut growing countries. The state of Kerala which accounts for about one percent of the total land area of India, contributes to about 56.4 percent of the area and 47 percent of the production of coconut.

Ron Harris (1991) in his paper “The coconut industry utilization and marketing” concentrates on examination of the international market for desiccated coconut. He reveals that Philippines stands out

as the major supplying nation, and accounts for well over half of total world exports. The second largest producer is Sri Lanka, which currently supplies approximately one third of the world export market. Large-scale production in the Philippines has lent itself to easy bulk handling, via containerization. The channel of desiccated coconut trade is further simplified by historical links between manufacturers in Philippines and importing companies in USA.

Prafulla K. Das (1992) conducted a study on Coconut marketing problems, prospects and challenges in Kerala with the objectives to identify specific problems in coconut marketing and processing sectors, to find out various issues in connection with those problems and to suggest appropriate measures for solving those problems. The study revealed that 81 percent of marketed surplus nuts in Kerala are sold to the middlemen by the farmers at their farm gates, only 17.5 percent of marketed surplus find through market outlets and remaining 1.5 percent are disposed of through the cooperative network.

Narasimhappa (1995) conducted a study on "Processing and marketing of coconut and its products" in Kerala with the aim of studying present arrangements in processing of coconuts, present system of marketing and problems encountered. The study revealed that although coconut is one of the most priced and essential commodities in India, its marketing is jeopardized by many artificial reasons and fault overnmental policies and efforts are also needed to revamp the present unscientific marketing system in favour of a grower-consumer linked system. By involving growers in processing -marketing activities vertical integration could be achieved.

Venkattakumar. R (1997) conducted a study on Socio-economic analysis of commercial coconut growers with the aim to find out the motivational factors influencing coconut cultivation, the knowledge level and extent of adoption commercial coconut growers and the relationship of their characteristics with the knowledge level and extent of adoption, the socio-economic changes as a result of coconut cultivation, constraints in coconut cultivation and suggestion to overcome these constraints. The study revealed that most of the commercial coconut growers were motivated by the influencing factors viz., coconut is perennial crop, no need for intensive supervision, easy to do intercultural operation, less labour intensiveness, less cost of cultivation, more price for the produce in the market.

Nair M.K. (2001) conducted a study on coconut production and productivity with the objective to study the present status of coconut production in the world, production and productivity in different states of India and factors responsible for increasing production and productivity. The study reveals that the world coconut production (1999) is estimated at 54.129 million nuts from an area of about 12 million hectares. Nearly three-fourth of the production (73%) is contributed by India, Indonesia and

Philippines. Sri Lanka with about 5.22 percent of the production occupies fourth position. Kerala, Tamil Nadu, Andhra Pradesh and Karnataka are the major coconut producing states in India and together accounts for more than 80 percent of area and production in the country.

Rethinam P. and Thampan P.K. (2001) conducted a study on Reviving coconut-based economy of Kerala state with the objective to create opportunities for enhanced on-farm income and employment, to promote efficient product and bye-product utilization both at the on-farm and community levels, to strengthen marketing infrastructure for domestic and export marketing and to direct research on varietal improvement for higher output of primary products from coconut and technology development. He suggested the following recommendation for the improvement of coconut-based economy Kerala. Coconut farmers in the state should be encouraged to organize themselves into self-help groups or cooperatives for practicing intensive integrated farming to create multiple sources of income, food and employment.

Subburaj B. (2004) conducted a research study on coconuts in Regulated Markets with an aim of to know the role Regulated Markets in marketing of coconut and coconut products in the state. The study reveals that the user and non-user farmers have high perception of the contributions of regulated markets in regulating and systematizing the agricultural marketing system.

2.1.3 Findings on studies based of Coconut oil

Jhala M. L. (1978) in his unpublished Ph.D. thesis on "Supply and Demand Aspects of Edible Oilseeds and Oils in India 1951-71", submitted to Gujarat University in 1978, has attempted to explore quantitatively the supply and demand relations pertaining to edible oilseeds and the oils economy of India in a classical supply demand framework. The analysis was done for groundnut, rape/mustard, sesame, coconut oils and vanaspati on the basis of time series data covering the period from 1951 to 1971. The study used both single equation approach and simultaneous recursive type model at a specific edible oil level.

Paul (1982) pointed out that the impact of coconut oil import on the oil milling industry in Kerala is very significant. The unexpected import of coconut oil in sizable quantities caused a steep decrease in price of coconut oil in local markets that has given a severe jolt to the entire economy of Kerala state. With the setting up of a solvent extraction unit at Trichur, there was a steady market for copra cake produced by oil mills which gave a fillip to oil milling industry in the state. In order to keep the industry on an even keel, he remarked that it is absolutely necessary to restrain the Central government from pursuing the import of coconut oil in large quantities.

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Chapter III
THEORETICAL FRAMEWORK

Chapter III

THEORETICAL FRAMEWORK

3.1 Industry profile- FMCG

The Fast-Moving Consumer Goods (FMCG) sector is the key contributor of the Indian economy. This fourth largest sector of Indian economy provides employment to around 3 million people which accounts for approximately 5% of the total factory employment in the country. These products are daily consumed by each and every strata of the society irrespective of social class, income group, age group etc. FMCG sector is more lucrative because of low penetration levels, well established distribution network, low operating cost, lower per capita consumption, large consumer base and simple manufacturing processes for most of products resulting in fairly low capital investments.

The Indian Fast-Moving Consumer Goods (FMCG) industry began to shape during the last fifty odd years. The growth of FMCG industry was not significant between 1950's to the 80's. The FMCG industry previously was not attractive from investor's point of view due to low purchasing power and the government's favoring of the small-scale sector.

The industry is highly competitive due to presence of multi-national companies, domestic companies and unorganized sector. A major portion of the market is captured by unorganized players selling unbranded and unpackaged products. More than 50 per cent of the total revenues of FMCG companies come from products worth Rs 10 or less¹. This has made the proliferation of localized brands which are offered in loose form in small towns and rural part where brand awareness is low. In last 10 years domestic players are giving tough competition to multinationals; in fact, they have outstripped many MNCs in growth and market cap. Between 2005- 2014 the profit of domestic companies increased by 24% against 14% increase of multinational companies.

Urban India accounts for 66% of total FMCG consumption, while rural India accounts for the remaining 34%. However, rural India accounts for more than 40% of the consumption in major FMCG categories such as personal care, fabric care and hot beverages. As per the analysis by ASSOCHAM, companies like Hindustan Unilever Ltd and Dabur India generate half of their sales from rural India while Colgate Palmolive India and Marico constitute nearly 37% respectively.

FMCG's growth story further continued following the deregulation of Indian economy in early 1990s. With relatively lesser capital and technological requirements, a number of new brands emerged

domestically as well, while the relaxed FDI conditions led to entry of many global players in this segment.

These factors made FMCG market in India highly competitive and one of the important contributors in the Indian economy. In the mid - nineties, the growth of the sector was very fast where as it declined rapidly at the end of the decade. The initial growth was due to increase in product penetration and consumption levels. Riding on a rapidly growing economy, increasing per-capita incomes, and rising trend of urbanization, the FMCG market in India is expected to further expand to \$100 billion by 2025.

3.2 Coconut Oil Industry- An Overview

For thousands of years tropical countries have used coconut from the tree *Cocos nucifera*, Family Aracaceae (palm family) as an integral part of their diet and livelihood. Known as “kalpa vriksha”, in Sanskrit, this interprets as the palm which supplies all the necessities of life. The coconut is known as “pokok seribu guna” in Malaysia, translating as a tree of a thousand uses. In Philippines, it is commonly known as the "Tree of Life".

All parts of the coconut palm are useful, with significant economic value. Coconut oil or Copra oil is an edible oil extracted from the kernel of mature coconuts of the coconut palm. In recent years this oil has attained superstardom in the health food world. Celebrities are adopting its use, nutritionists advocating it, and patients acclaiming its many virtues. Yet, despite the growing popularity, some people are skeptical. Its many health benefits sound too good to be true.

Health care professionals and physicians have exhibited reluctance to use coconut oil as a health food. Saturated fats have been condemned for so many years, that they find it hard to change their opinions even when faced with evidence to the contrary. The newest high-value product, which is becoming a by-word in coconut producing countries is Virgin Coconut Oil (VCO). There is no industry standard definition for "virgin coconut oil" as there in the olive oil industry for "virgin" and "extra virgin" olive oil. Natural or mechanical means are used to obtain the oil.

However, for several years, coconut oil was demonized and consumers were made to believe that coconut oil is deleterious to health as it would block the arteries and cause heart disease. The tide has turned and in recent times recognition of the positive health effects of coconut oils have emerged stronger. The use of coconut oil, especially virgin coconut oil is in vogue, though some people still remain skeptical.

In India, coconut is cultivated mainly in the coastal tracts of Kerala, Tamil Nadu, Karnataka and Andhra Pradesh - these four southern states together account for 91 per cent of the total production in the country as evident from Figure 3.1

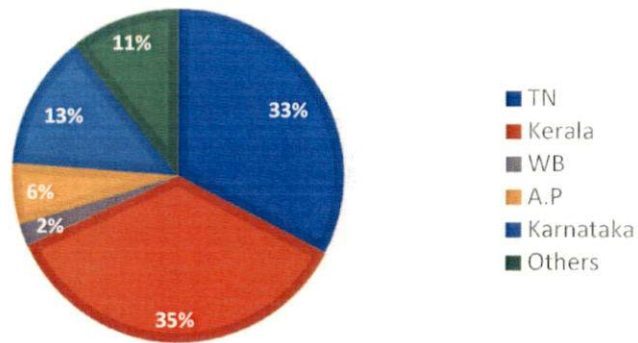


Figure 3.1: Total production coconut in India
Source : Coconut Development Board of India

Coconut contributed Rs. 10781 crores (1.9 percent) in the value of output from agriculture during 2010-11 (at 2004-05 prices) as per CSO. The exports of coconut products crossed Rs 1200 crore during April-December, 2011-12, mainly through exports of coir and coir goods.

Of the total production of coconuts, about 42 percent is used as mature nuts, 35 percent is used for milling copra, 8 percent for ball copra and 15 percent is consumed in the tender form for drinking purposes (Chart 1.2). Copra, the dried kernel is the chief commercial product from coconut, which is mainly used for oil extraction. Milling copra is used to extract oil while edible grade of copra is consumed as a dry fruit and used for religious purposes.

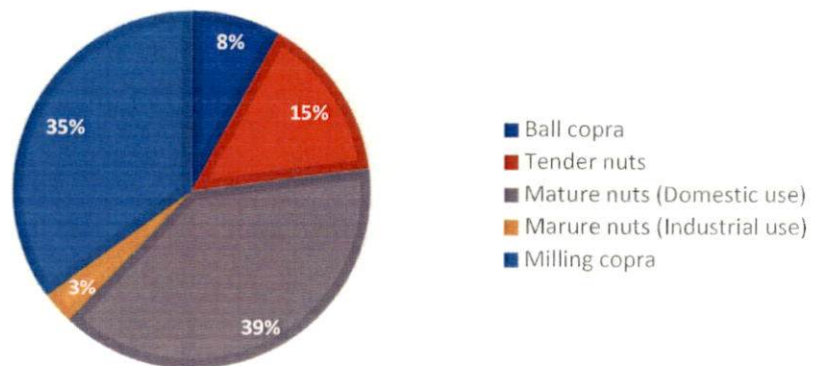


Figure 3.2: utilisation pattern of coconut in India
Source 3.1: Coconut Development Board of India

As per CDB, coconut oil production in the country was 4.9 lakh tonnes in TE 2011-12. Of this 40 percent is consumed for edible purposes, 46 percent for toiletry uses and 14 percent for industrial uses.

The coconut oil market has seen a moderate rise in the past decade as people's preference for coconut oil has increased due to its many health benefits. Its applications in the personal care and cosmetics like hair care and skincare has paved the way for the growth of coconut oil market. The coconut oil market has seen rise due to its ready availability and cheap prices, especially for the consumers dwelling in the tropical regions. The macro-economic factors like the ban on the export of coconut in countries such as Indonesia is affecting the growth of the coconut oil market globally. While many regions remain dependent on the exports from tropical countries for the production of coconut related products, such moratoriums may hamper the growth of the coconut oil market.

The coconut oil is the basis of coconut snacks and its usage as a substitute for various oils has further fueled the growth of the coconut oil market. The dependency of the consumers on oil-based cuisines and their willingness to opt for a better health related substitutes has boosted the growth of the coconut oil market in India. So, the coconut oil market sees high growth due to its entrant as a new breakfast spread in the India. The coconut oil market is expected to grow in tropical regions where there is more production of coconuts.

3.2.1 Major Coconut Oil Manufacturers in India

3.2.1.1 Parachute Coconut Oil

Parachute which is a market leader in its category and a heritage brand symbolizes purity and quality. 100% Pure coconut Oil made from the best hand-picked coconuts available in India

3.2.1.2 Dabur Anmol Gold Pure Coconut Oil

Dabur Anmol Gold Coconut oil is a brand of edible oil used to cook food or used for cosmetic purposes. The product claims to contain pure coconut oil which is great but it also contains an antioxidant IN 319 which is a chemical also known as TBHQ (tert-Butylhydroquinone) used to prevent rancidity.

3.2.1.3 Patanjali Coconut Oil

Patanjali Virgin coconut oil is a product from the Patanjali Ayurveda ltd. It is known for its nice fragrance, taste, antioxidants, medium chain fatty acids (MCFA), and vitamins.

3.2.1.4 Organic India Coconut Oil

Organic India is known to provide the high-quality organic products from herbal teas, super foods to oils like Coconut oil and Mustard oil. The Virgin Coconut oil from Organic India is centrifuged, that is it is made from fresh coconuts that are shelled, chopped and then gently expeller pressed. This process extracts purest Coconut oil.

3.2.1.5 Pure & Sure Organic Coconut Oil

Pure and sure is India organic Certified Organic Coconut oil brand of Phalada Agro Research Foundation, Karnataka. The Coconut oil from Pure and Sure is extracted from fresh coconuts that are grown without any use of chemicals, insecticides, and pesticides. They use controlled organic farming practices.

3.2.2 Major Coconut Oil Manufacturers in Kerala

3.2.2.1 KERA

KERA Brand of coconut oil is produced by KERAFED (A Govt. of Kerala Enterprise) from copra of the finest quality, directly procured from coconut growers in Kerala. The copra thus procured is processed using the most modern technology. KERA have only two production facility. One in Kollam and other in Kozhikode.

3.2.2.2 KLF Coconad

KLF Coconad is a 100% pure premium coconut oil made with the finest copra extracts of Kerala. Produced by KLF Nirmal Industries (P) ltd, Irinjalakkuda, Thrissur.

3.2.2.3 KPL Shudhi

KPL Shudhi is simply the premium grade coconut oil available in the market from the house of KPL Oil Mills (P) Ltd, Irinjalakuda, Thrissur. Handpicked dried coconut (Copra) goes into production with at most care to factory and final product reaches the stores only after a series of quality tests.

3.2.3 Coconut oil Industry in India- Market Size

From FY'2012 to FY'2013 market declined for the coconut oil.it again increase in FY" 2014. Drastic fall in coconut oil prices was the major reason for decline in revenue generated from sale of coconut oil. In FY'2017, revenue jumped to climb a new high. Production of coconut oil increased from 22 thousand tons in FY'2012 to 26 thousand tons in FY'2017.

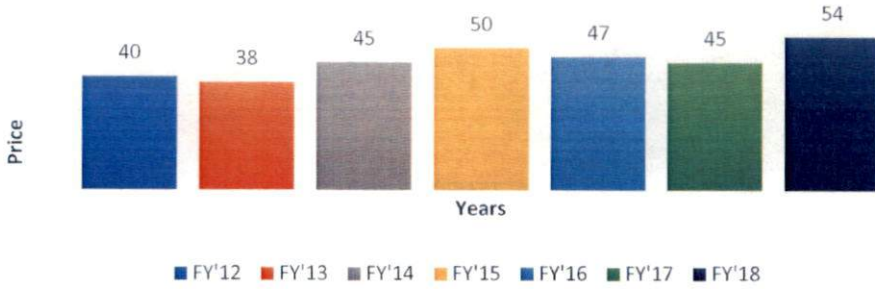


Figure 3.3: Indian Coconut Oil market size

Chapter IV
ORGANIZATIONAL PROFILE

Chapter IV

MARICO INDUSTRIES LTD, KANJIKODE, PALAKKAD - A PROFILE

Marico Limited is one of India's leading consumer products companies operating in the beauty and wellness space. Empowered with freedom and opportunity, they work to make a difference to the lives of all our stakeholders - members, associates, consumers, investors and the society at large. Currently present in 25 countries across emerging markets of Asia and Africa, Marico has nurtured multiple brands in the categories of hair care, skin care, health foods, male grooming, and fabric care. Marico's India business markets household brands such as Parachute Advanced, Saffola, Hair and Care, Nihar, Mediker, Revive, Manjal, Setwet, Zatak and Livon among others that add value to the life of 1 in every 3 Indians. The International business offers unique brands such as Parachute, Hair Code, Fiancee, Caivil, Hercules, Black Chic, Code 10, Ingwe, X-Men, L'Ovite and Thuan Phat that are localized to fulfill the lifestyle needs of the international consumers. Charting an annual turnover of Rs. 47 billion (Financial Year 2013 - 2014) across the portfolio, Marico's sustainable growth story rests on an empowering work culture that encourages the members to take complete ownership and make a difference to the entire business ecosystem. From its foundations, Marico has worked outside the box, to bring innovation to its customers through the careful creation of continuous and sustainable change.

Today, 1 out of 3 Indians uses a Marico product. From cooking oil with 'LoSorb Technology', to rice that keeps active, personalized inscription services and hair oil that comes with a battery-powered head massager, Marico believes that it pays to think differently. At the offices, everyone is a member, not an employee. The company has a flat organizational structure, with just five levels between the Managing Director and the shop floor operator. It believes in transforming the lives of all stakeholders be it the suppliers, farmers, distributors or shareholders by helping the stakeholders in maximize the true potential and it truly articulates the true Mariconian spirit – to be more. Marico is present in more than 25 countries across Asia and the African continent. The company recorded a turnover of Rs. 40.0 billion (~USD 729 Million) in 2011-12. The company's vast portfolio of enduring brands such as Parachute Advanced, Saffola, Hair and Care, Nihar, Mediker, Revive and Manjal are leading household names today. In addition, the company has recently acquired the erstwhile personal care business from Reckitt Benckiser. Marico now owns popular brands like Set Wet, Livon, Zatak, and other personal care brands thereby strengthening its portfolio for the youth and creating a significant presence in the male grooming and post hair wash segments. Marico's international portfolio includes brands like Fiancée, Haircode, Camelia, Aromatic, Caivil, Hercules, BlackChic,

Code 10 and Ingwe. The company is also present in the Skin Care Solutions segment through Kaya Skin Clinics in India, Middle East and Bangladesh and Derma Rx in Singapore. The consumers transcend countries and customs. Marico is a company that believes in challenging the status quo, to create growth and continuity in change.

- The company was founded in 1857 by Kanji Morarji and is headquartered in Mumbai, India.
- Marico Limited, together with its various consumer goods and services in India, the Middle East, Asian countries, Egypt, and the United States.
- The company provides coconut oils, edible oils, hair oils and other hair care products, fabric care products, processed foods, soaps, and baby care products, as well as skin care and ayurvedic products.

3.3 Vision & mission

Transform in a sustainable manner, the lives of all those they touch, by nurturing and empowering them to maximize their true potential. Being a company of immense promise and possibilities, they are guided by an underlying dedication to help their stakeholders realize their true potential as well. This shared vision gives them a unified sense of purpose and destination, and makes them committed to being the best in everything we do.

'COME WIN' their vision and mission are captured in this acronym, which when bifurcated means the following: -

▪ **Consumers:**

The primary focus of their efforts is not only understanding what adds greatest value to the consumer but also change and reinvent themselves if need be. Also translating the consumer's needs and desires into marketable products and an ever-expanding base of loyal consumers, with speed and a quality of response that surpasses the competition.

▪ **Membership:**

Wholesome membership is when a person brings his/her entire being into the organization. It also gives each member a role in articulating and shaping the destiny of the organization, which in turn, builds commitment and ownership

▪ **Excellence:**

Focus on policies and practices where people produce consistently superior performances and where people are encouraged to discover their untapped potential.

- **Wealth:**

Efforts must culminate in the creation of wealth. This can be done by continuously adding value in everything the company does through a variety of methods. Using sources productively, eliminating waste, reducing cycle times and costs and enhancing the consumer base.

- **Innovation:**

The future of the organization rests on their willingness to experiment, push in new and untested directions, think in uncommon ways and take calculated risks. Continuous improvement should be a part of everyday work. Acknowledging that failure is inherent in any new initiative. Company will commit resources for experimentation and invest in processes for reviewing and sharing of learning.

3.4 Company Core Values

- **Boundarylessness**

Seeking support and influencing others beyond the function and organization to achieve a better outcome/decision without diluting one's accountability.

- **Opportunity Seeking**

Identifying early opportunity signals in the environment to generate growth options

- **Innovation**

Experimentation and calculated risk-taking to increase success probability of radical/pioneering ideas to get quantum results

- **Consumer Centric**

Keeping consumer as the focus and a partner in creating and delivering solutions

- **Transparency and Openness**

Allowing diversity of opinion by listening without bias and giving and receiving critique with mutual respect and trust for the other

- **Bias for Action**

Preference for quick thoughtful action as opposed to delayed action through analysis

- **Excellence**

Continuous improvement of performance standards and capability building for sustained long-term success

- **Global Outlook**

Sensitivity and adaptability to cultural diversity and learning from different cultures

3.5 Goals and Objectives

By 2020, Marico aspires to be among the Top 3 MNCs with leadership in their core categories. They plan to achieve this aspiration by taking greater strides in implementing Marico's vision to be the very best in how they nurture and empower all the lives they touch. They have crystalized roadmap to ensure a winning journey of transformation. Towards their Business aspirations, the Company has identified areas of transformation where it will develop top quartile capability, processes and execution excellence. They are Innovation, Go to Market Transformation, Talent Value Proposition, IT & Analytics and Cost Management. As Marico expands, they will be equally focused on facilitating their growth platforms while continuing to strengthen governance and processes. The Company's focus is aligned with that of, which is on creating winning brands, winning culture and a winning talent pool to create a virtuous cycle of great talent and an enabling culture of driving innovation driven growth.

3.6 Company history - Marico ltd

Marico is a leading Indian company with business interests in manufacturing and retailing personal consumer products as well as providing services in the beauty space. The company's history can be traced back to 1948 when the Mumbai-based Mariwala family having a presence in the trading business set up Bombay Oil Industries Ltd (BOIL). The manufacturing facilities of BOIL comprised of a coconut oil extraction plant, vegetable oil refinery and a chemical plant. Over the years, BOI expanded and diversified into branded consumer products. The promoter family then went on to incorporate a company called Marico Foods Limited (subsequently called Marico Industries Limited and later Marico Limited) in 1988 and transferred BOIL's consumer products division to this company.

In 1990 Marico entered into an agreement with BOIL for the use of its coconut oil brand Parachute and vegetable oil brand Saffola. It also purchased a unit at Jalgaon, Maharashtra, for using it as a manufacturing base. Thereafter, to add to its product portfolio, the company made several acquisitions. The prominent amongst these is the acquisition of Procter & Gamble's anti-lice treatment business branded under the name Mediker in 1999, followed by acquisition of the facilities of Kanmoor Foods at Saswad, Maharashtra for manufacture of jams, sauces and other fruit and vegetable products in the 2000. In 2001, Marico acquired the Parachute and Saffola brands from BOIL. Marico ventured into skin care products in 2003 through the acquisition of Sundari LLC in the USA, a manufacturer of luxury ayurvedic products and having a turnover of approximately US\$ 1.1 million. This entry in the skin care products market represents Marico's first acquisition in a developed country. In 2004, Marico commenced operations under the banner of Kaya Skin Clinics; offering scientific, unisex dermatological procedures as well as skin care products. In January 2006, Marico made a direct

entry into the soap market in India through the acquisition of the herbal bath soap brand Manjal from Kerala-based Oriental Extractions. Manjal had an annual turnover of US\$ 2 million through sales primarily in Kerala.

3.7 Organization Structure

3.7.1 A Flat Structure:

At Marico, they are an organization, which is flat with only five levels of reporting between the Managing Director and an operator on the shop floor. Marico believe that a flat structure helps them in being more responsive to the environment while providing enriched roles for their members. Their structure defines clear roles and supporting relationships but is by no means rigid. Keeping in mind the fast and ever-changing business environs, Marico's structure is dynamic and constantly evolving.

3.7.2 Business Model and Organization

Marico's business model is based on focused growth across all its brands and territories driven by continuously improving value propositions to consumers, market expansion and widening of retail reach. Marico aims to be the leader in each of the businesses; by heightened sensitivity to consumer needs, setting new standards in the delivery and quality of products and services through processes of continuous learning and improvement. The model ensures that Marico is present in unique / ethnic Indian Product or Services categories where typical MNCs would not be strong. Therefore, Marico does not, unlike many other Indian FMCG Companies, get caught in MNC crossfires.

Marico is a professionally managed Company that has built for itself a stimulating work culture that empowers people, promotes team building and encourages new ideas. This has, over the years, enabled Marico to grow its stature as one of the few successful Indian FMCG Companies. Marico was awarded the National Award for outstanding work in HRD by National HRD Network in 1994 as also the award for Top Performing Global Growth Company from India at the World Economic Forum in 1997. Marico aims to be the leader in each of the businesses; by heightened sensitivity to consumer needs, setting new standards in the delivery and quality of products and services through processes of continuous learning and improvement.

3.7.3 Industry structure and Development

In accordance with its business direction, Marico is committed to improving the quality of people's lives through its offerings of branded products and services. Company thus operates in two industries: Branded products the Fast-Moving Consumer Goods (FMCG) and Branded Services (Skin

Care Services Industry). The FMCG industry thus comprises segments such as Personal Care, Soap, Detergents, Skin Care, Oral Care, Health and Hygiene Products, Hair care, Coconut oil, Refined Edible oils, Foods and Beverages, Dairy Products, etc. The FMCG industry in India is one of the largest in India, with an annual estimated turnover of Rs.480,000 million.

Table 3.1: Volume and Value growth of Marico different product segments

Categories	Q4 FY18		FY18		% of FY18 India Business Turnover
	Value Growth	Volume Growth	Value Growth	Volume Growth	
Parachute Coconut Oil	24%	-5%	22%	2%	36%
Value Added Hair Oils portfolio	9%	11%	4%	4%	26%
Saffola (Refined Edible Oil)	-3%	-1%	-4%	-1%	18%

3.8 Marico's Growth Philosophy

Over the medium term, Marico aspires to be an admired emerging market MNC with leadership in two core categories of nourishment and male styling in following regions – South Asia, South East Asia, Middle East and North Africa and South Africa. Marico plans to meet this aspiration by seeking to win amongst consumers, trade and talent. Towards this goal, the Company has identified 5 areas of Transformation where it will develop top quartile capability, processes and execution excellence ahead of growth - Innovation, Go to Market transformation, Talent Value Proposition, IT & Analytics and Cost Management.

This strategy will be executed synergistically under the 'One Marico' umbrella. As the Company scales up, it has to maintain a delicate balance between entrepreneurial way of working while continuing to strengthen governance and processes. The Company's focus will be on creating winning brands, winning culture and a winning talent pool to create a virtuous cycle of great talent and an enabling culture driving innovation driven growth.

3.9 Performance of Marico India and Marico International

In accordance with the revised Ind-AS, the Company has organized the business into two categories viz, India & International. Accordingly, the Company has reported its segmental results for these categories. The Segment Result as a % of Segment Revenue of the India business decreased in Q4FY18 and FY18 due to significant increase in the input costs. The increase in capital employed in

India business is due to higher inventory on account of inflation in copra and other key input prices as well as position build up in key commodities. PBIT pertains to Profit before Interest and Tax directly attributable to both the segments. Corporate taxes, interest income and interest expense are kept unallocated for the purpose of segment reporting. Accordingly, the segment capital employed does not reflect the assets and liabilities corresponding to above income and expenses. Goodwill has been allocated to respective businesses.

Table 3.2: Performance of Marico

Particulars	Q4FY18	Q4FY17	FY18	FY17
Segment Revenue				
India	1,157	1,035	4,969	4,579
International	323	287	1,364	1,356
Segment Result (Profit before interest and tax and exceptional item)				
India	240	251	1004	1059
International	34	22	210	199
Segment result as % of segment revenue (PBIT)				
India	20.7%	24.2%	20.2%	23.1%
International	10.5%	7.5%	15.4%	14.6%
Capital Employed (Segment assets – Segment liabilities)				
India			1343	993
International			700	627

3.10 Reach

With a presence in chosen markets across emerging countries of Asia and Africa, Marico is further expanding in adjacent markets of South Asia, the Indo-China region as well as new export markets. Marico now touches the lives of 1 out of every 3 Indians. Marico sells over 15.2 crore packs every month through about 4.7 million retail outlets services by its nationwide distribution network comprising 4 Regional Offices, 31 carrying & forwarding agents (CFAs) and



about 5,600 distributors and stockists. Marico's distribution network covers almost every Indian town with population over 10,000.

The table below provides an indicative summary of Marico's Distribution Network in India.

Table 3.3: Marico distribution network

	Urban	Rural
Sales Territories	253	52
Town's covered	600	53,000
Distributor	740	-
Super Distributor	-	140
Stuckists	-	4,694

3.11 Brand Profile

Over the past 20 years, Marico has been continually improvising and building new brands. Marico's Consumer Products Business houses well-known brands such as Parachute, Saffola, Hair and Care, Nihar, Mediker, Revive, among others, which occupy leadership positions in most categories- Coconut Oil, Hair Oils, Post wash hair care, Anti-lice Treatment, Premium Refined Edible Oils, niche Fabric Care etc. With the acquisition of the erstwhile personal care business from Reckitt Benckiser Marico now owns popular brands like Set Wet, Livon, and other personal care brands thereby strengthening its portfolio for the youth and creating a significant presence in the male grooming and post hair wash segments. Every month, over 70 Million consumer packs from Marico reach

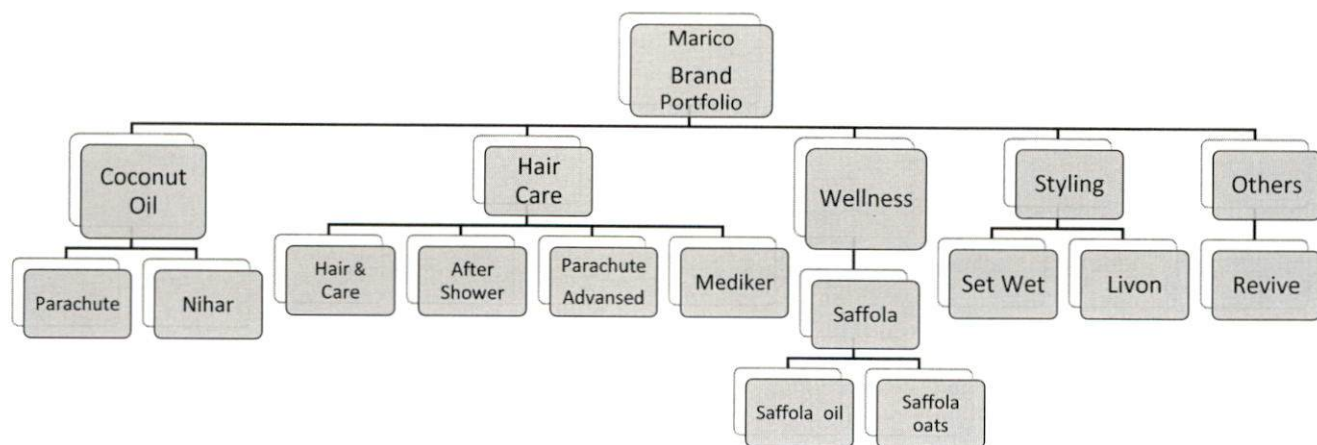


Figure 3.4: Marico Brand portfolio

approximately 130 Million consumers in about 23 Million households, through a widespread distribution network of more than 2.5 Million outlets in India and overseas.

Marico serves their customers through their well-established 12 brands. They are;

3.11.1 Parachute Coconut Oil

Parachute is premium edible grade oil, a market leader in its category. Synonymous with pure coconut oil in the market, Parachute is positioned on the platform of Vital Nourishment today. From a loosely available commodity to a path-breaking brand, Parachute pioneered the switch from coconut oil sold in tins to plastic. Parachute is also available in pouch packs, to service the rural sectors, increasing penetration.



The positioning of Parachute has evolved over time. From the initial stand of purity to that of clarity to the 'Coconut Dream' theme, with a new look and logo, to today's positioning of vital nourishment. Over the years, the brand has seen a lot of innovations in packaging, sizing and tamper-proofing. Parachute enjoys enormous loyalty in urban, semi-urban and rural market.

3.11.2 Parachute Advanced

Parachute Advanced stands for care, nurturance and beauty, and tries to fulfil the needs of its myriad consumers through various offerings in the portfolio spanning hair care. Major products under Parachute Advanced brand are;

- Parachute Advanced Scalp Therapie
- Parachute Advanced Men
- Parachute Advanced Jasmine Hair Oil
- Parachute Advanced Deep Conditioning Hot Oil
- Parachute Advanced Coconut Hair Oil
- Parachute Advanced Ayurvedic Hair Oil
- Aloe Vera Enriched Coconut Hair Oil



3.11.3 Parachute Advanced Body Lotion



Parachute Advanced Body Lotion has been crafted with a breakthrough formulation having 100% natural moisturizers working with a unique product action of penetrating the skin and strengthening the skin barrier from within. At the same time, its light, non-sticky formulation is quickly absorbed by your skin - keeping it soft, smooth and irresistible to touch. The Parachute Advanced Body Lotion is available in market in following variants;

- Parachute Advanced Soft Touch
- Parachute Advanced Deep Nourish
- Parachute Advanced Refresh
- Parachute Advanced Butter Smooth
- Parachute Summer Refresh Lotion Spray

3.11.4 Saffola

Saffola is a heart care brand in the food's category in India. It has several products in its portfolio which include edible oils, functional foods, rice and salt. Saffola is known to be a brand which is good for heart and recommended by doctors. For the last 10 years, Saffola life has been educating Indians on preventive heart care through the year. Since risk factors of Cardio Vascular Diseases (CVD) start early in India and prevention of these diseases requires an integrated life course approach, Saffola has over the years built an ecosystem which works actively towards adopting a healthier lifestyle. Current product portfolio contains

3.11.4.1 Saffola Gold



Studies have shown that a right combination of Safflower Oil and Rice Bran Oil is more effective in reducing cholesterol than each of the oils singly. Saffola Gold contains Rice Bran Oil and Safflower oil, which is also known as Kardi Oil. The heart healthy nutrients in Rice Bran Oil such as oryzanol are known for the cholesterol lowering ability. Safflower oil has the highest levels of Linoleic acid, an omega-6-polyunsaturated fatty acid, which is well known in reducing cholesterol levels.

3.11.4.2 Saffola Active

Saffola Active provides Omega 3 and Oryzanol, two important compounds known for promoting heart health. To get these benefits, Saffola Active is made with rice bran oil and soyabean oil. Saffola Active also contains Vitamin E. The heart healthy nutrients in rice bran oil such as oryzanol are known for the cholesterol lowering ability. Soyabean Oil is a good source of Omega-3. Omega-3 helps in lowering cardiovascular risk factors along with several other health benefits.



3.11.4.3 Saffola Tasty



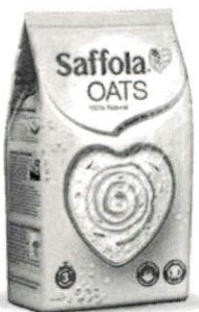
Saffola Tasty was the first Saffola blend. This oil blend provides the benefits of two oils, thereby giving added value to all. It provides the high poly unsaturated fatty acid of Safflower oil and the taste of Corn oil. Safflower oil, which is also known as Kardi Oil has the highest levels of linoleic acid, an omega-6-polyunsaturated fatty acid, which is well known in reducing cholesterol levels. Corn oil has a unique taste and aroma.

3.11.4.4 Saffola arise

Saffola Arise Basmati Gold is cultivated in the fertile lands of Punjab, Haryana and U.P. It is specially selected from these sub-Himalayan regions so that you get 100% pure Basmati rice. The grains are aged along with rice bran and husk, and when cooked, separate and do not stick. Its lower glycemic index allows the rice to be digested slower, which keeps one feeling light after consumption. Saffola Arise is available in three variants; Everyday, Premium Grain and Basmati Gold.



3.11.4.5 Saffola oats



Saffola Oats, launched in 2010, is a healthy, nutritious and active way to start your day. The 100% natural, wholegrain oats are a great source of soluble fibre, which helps to reduce cholesterol and keeps the heart strong. Saffola Oats also keeps feeling full for longer, thus reducing hunger pangs and unhealthy snacking. Saffola Oats are double-steamed for a uniform texture and are specially formulated with high iron and protein content. Saffola Oats are available in 200gm, 400gm and 1kg packs

3.11.4.6 Saffola muesli

Saffola Muesli is a delicious wholegrain breakfast with a 'smart mix' of 5 healthy ingredients - oats, cornflakes, wheat flakes, almonds and raisins. The key ingredient is oats, which helps to reduce cholesterol and helps keep the heart strong. Saffola Muesli also has high fibre and is a good source of protein.

Saffola Muesli has a crunchy texture, flavour, aroma and comes pre-mixed with tangy raisins and crackling almonds - making it a delightful taste experience.



3.11.5 Hair and care

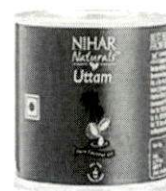


Distinctively youthful and contemporary, Hair and Care has always been the young girl's choice as she takes her first steps into the adult world. Hair and Care offers the potent nourishment of Herbal Proteins extracted from Neem and Tulsi that that deeply nourish hair and help reduce hair fall by up to 50%. And its unique non-sticky formula gives you free-flowing, stylish hair even after oiling. Hair and Care Herbal Proteins is available in 50ml, 100ml, 200ml, 300ml and 500ml bottles.

And for those special moments when the hair needs some extra style, Hair and Care offers Silk-n-Shine Hair Potion. Enriched with the natural goodness of Fruit Vitamins, its unique formulation instantly makes hair soft, smooth and silky

3.11.6 Nihar uttam

Nihar Naturals Uttam Coconut Oil: A 100% pure coconut oil from the house of Nihar; available in a modern packaging that keeps oil pure till the last drop. The Nihar Naturals Uttam offers 100% pure quality solutions for the needs of the today's purity-conscious woman. Nihar Uttam pure coconut oil is one of the most popular hair conditioners. It improves hair cuticle and overall scalp health and can actually repair damaged hair. Its antifungal properties also help to eliminate dandruff and hair fall related problems. Hence the use of this oil can protect and moisturize the scalp while fostering growth of healthy hair.



3.11.7 Nihar naturals

One of the most diversified brands, Nihar Naturals is the market leader in East India. Nihar Naturals hair oils range offers quality solutions for different hair care needs of the women of today. The current product portfolio includes: Nihar Naturals Perfumed Coconut Hair Oil, a unique combination of Coconut Oil and Methi extracts, available in two fragrances-Roses and Jasmine. Nihar Shanti Amla Hair Oil, one of the fastest growing hair oils in India. Now also have two new offerings, Nihar Naturals Almond hair oil and Nihar Naturals Cooling oil.



3.11.8 Livon

Livon Serum is a hair essential for damage protection. It controls frizz, eases out tangles and reduces breakage to give silky, shiny hair. Livon has 2 offerings: Livon Silky Potion and Livon Hair Gain Tonic.

3.11.8.1 Livon silky potions

Bad hair days is history. Livon Silky Potion, a brand that built the serum category in India, puts an end to tangled, dry, and unmanageable hair. Livon Silky Potion's unique CutiSoft Formula instantly smoothens and softens hair cuticles, transforming dry, rough and brittle hair into smooth, soft and silky hair. It eases tangles and knots, making hair easy to comb. It makes unmanageable frizzy hair easily manageable by straightening it and giving it a well-groomed look. Livon Silky Potion also contains Vitamin E that nourishes hair.



3.11.8.2 Livon hair gain tonic



It's logic, not magic. Livon Hair Gain Tonic works because it's a product born out of advanced and ground-breaking research on Indian hair. Livon Hair Gain Tonic is a solution that not only addresses hair fall problems, but also helps in accelerating healthy hair growth. It is enriched with Root Energizers, a breakthrough formulation that comprises hair re-growth molecules, and it has a three-way action on affected hair follicles.

3.11.9 Set wet hair gels and deodorants

Set Wet's range of Alcohol-Free hair gels let's get creative with the hair. it helps to keep the hair stylish for a long time. Set Wet Hair Gels have become a very popular style-accessory for young men. Each is available in 10 ml, 50 ml and 100 ml tubes. Set Wet Deos is available in 200 ml.

It champions the idea that the way to impress the modern woman lay not in being regressive and stereotypical, but in enhancing and putting on display their innate playful, sexy, charming side with a simple motto:

'It's Not Sexy Till You Show It', or as we say ' Sada Sexy Raho.' Major products under Set Wet brand are;

- Set Wet Gel
- Set Wet Deo
- Set Wet Beard Cream



3.11.10 Medikar



Launched in 1968, Medikar has become a household name that the nation trusts. It was acquired by Marico in 1999 from Procter and Gamble. Medikar Anti-Lice Treatment has transformed lice removal into a painless activity, replacing the traditionally-painful lice comb with a wash-off format. Medikar has been clinically tested and proven to be completely safe to use, with no side-effects. Medikar Anti-Lice Treatment Shampoo is available in a 50ml bottle as well as 9ml and 5.5ml sachets. Medikar Natural Anti-Lice Oil is available in 15ml, 25ml and 50ml bottles.

3.11.11 Revive

Revive was launched in 1993 and is another Marico product that created a market where none existed. In 2007 Revive Liquid was launched, which, unlike traditional powders, leaves no patches on colored clothes. Revive Liquid can also be used on terry-cottons. The versatility of this product was proven by its 15% market share in the first 8 months of launch. Revive Powder is available in a 50gm sachet, 200gm box and 400gm jar. Revive Liquid is available in 20 gm sachet and 45gm, 100gm, 200gm and 400 gm bottles.



3.11.12 True roots

Marico's True Roots Botanical Hair Tonic, is a first-of-its kind innovation, that works by increasing the melanin levels in the hair roots and thereby delays hair greying. It is formulated at TrueRoots Lab with Apigenin, an extract of chamomile flowers and powerful botanical actives that increase the melanin levels in the hair roots. True Roots is a revolutionary botanical hair tonic that delays hair greying from the roots. True Roots Botanical Hair Tonic is dermatologist tested and clinically proven to show no new greys in 90 days. True Roots Botanical Hair Tonic is easy and convenient to use and comes in a delightful spray format. Its aqua based, non-sticky formula gets easily absorbed in the hair roots & does not need hair to be washed off after usage. In addition to increasing melanin levels to delay greying, it also makes hair healthy, soft and provides conditioning.



Chapter V
***A STUDY ON PROCUREMENT PRACTICES
OF COCONUT BY MARICO LTD,
KANJIKODE, PALAKKAD- AN ANALYSIS***

Chapter V

A STUDY ON PROCUREMENT PRACTICES OF COCONUT BY MARICO LTD, KANJIKODE, PALAKKAD-AN ANALYSIS

This chapter presents the results of the data collected through the survey of 60 respondents including 40 farmers and 20 vendors/traders, which were analyzed and tabulated in terms of three objectives of the study. The results are presented in the following subheads.

1. Genesis, functions and activities of coconut procurement practices of Marico ltd
2. Factors and attributes of the coconut procurement
3. Constraints and benefits of the Marico coconut procurement models
4. Satisfaction level of respondents towards Marico's procurement programme
5. SWOC Analysis of Marico procurement programme

3.12 Genesis, functions and activities of coconut procurement practices of Marico ltd

The genesis functions and activities of coconut procurement programme of Marico industries ltd are presented under the following heads.

3.12.1 Genesis of Coconut procurement programme of Marico Ltd

Marico is the largest buyer of copra in India about 100,000 tonnes a year. Two big challenges are evident when seeking to apply inclusive procurement models to developing country economies dominated by companies, either for domestic retailing and processing, or for exporting. The first is organizing and upgrading supply from a dispersed producer base. The second is traceability and quality assurance. This can be seen in the case of M/s Marico Limited the leading Indian firm in consumer products and services in the global beauty and wellness space.

Coconut oil is an important product for the company. It has widespread distribution network both for procurement of raw material and distribution, the major producing states are Tamil Nadu, Kerala, Andhra Pradesh, and Karnataka. Copra (dried kernel of coconut) procurement was a critical activity. Marico Limited procured copra from Kerala based traders and farmers (little control over costs and quality).

In the traditional copra procurement chain, coconut produced by farmers was passed on to copra converters. From there on price negotiation was held at terminal markets. And then through brokers it finally reached Marico. There were too many issues with this model:

- Terminal markets alone accounted for 45% of Marico's purchases of copra. In 1998, Marico bypassed terminal markets via internal traders but still there were too many level of contacts for copra before reaching plant leading to high cost increment of fetching copra for production.
- The quality of copra that was being procured by coconut farmers to the one reaching the plant deteriorated significantly.
- Being an FMCG product requires supply to consistently match up with demand. But the model was completely dependent on farmer and brokers. As a result, there was acute and untimely shortage of copra many a times.

To overcome the issues of traditional supply chain, Marico to address the gap in the market started with moving closer to their upstream chain and target at the lowest level leveraging where they could actually think of making a difference. They realised the issues are not at the farmer's end. Farmer's never hoard, they want to finish off with the existing crop as soon as possible and move on to the next one. This prompted Marico to disintermediate its supply chain in 2013.

The procurement of coconut from the farmers are known as the direct procurement and from the vendors are known as the vendor procurement model. The supply chain for copra in vendor procurement consisted of farmers, who either converted coconut to copra or sold it to Copra Converters. The Copra Converters, in turn, sold it to a broker, who coordinated the supply across several Copra Converters to arrange for transportation and helped them to sell in the terminal markets to traders. The broker got a commission both from the Copra Converters and the traders. It gave boost to its supply chain by opening buying offices in Kerala, started Direct Procurement from vendors by supplying them copra drying machines. Established linkages with traders in terminal markets where traders brought full truckloads to factories (Eliminated the transaction fee, reduced multiple loading and unloading costs). Company also set up their own Collection Centres (CC). This has resulted Procurement Quantity Assurance and better prices to farmers. This has reduced management's time for purchasing, vendor development (by allowing it to develop profiles of suppliers), ensured quality assurance and deepen its reach to traders, copra converters and farmers.

In other words, traders/Copra Converters/farmers could directly deal with Marico Limited, the end customer. In India retailers can now buy direct from farmers rather than operate through the government-controlled APMC wholesale markets. New models of rural retail are emerging, such as the Hariyali Kisaan Bazaar, which combines a "bottom of the pyramid" approach to both the input and output sides of the farm-to-consumer value chain. Corporations are making considerable profits by designing new supply chain business models and products.

3.12.2 Organisation structure of the Coconut procurement programme

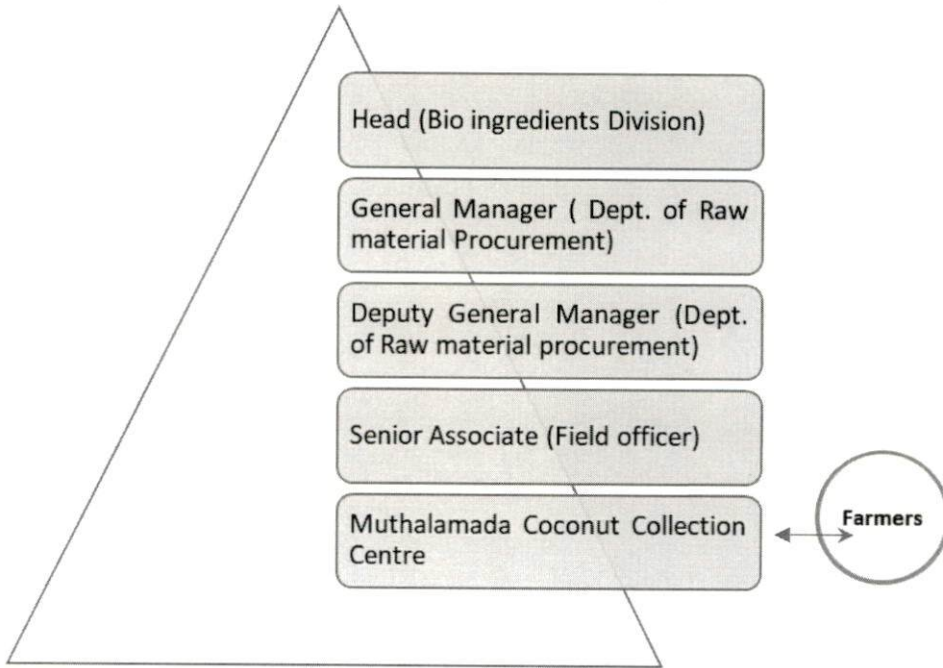


Figure 3.5: Marico organisation structure- Procurement department

3.12.3 One-Stop Shop – Marico Collection Centres

This collection centre, one of the thousands it has, machines to de-husk, de-shell and dry coconuts. Farmers disinclined or unable to convert their coconuts to copra can sell their produce here. The Muthalamada centre is a turning point in streamlining the supply chain and establishing a relationship with the smallest farmer possible, without engaging in contract farming. Marico has suffered during two bull runs in copra in 2003-05 and in 2008-09 as middlemen salted away copra in warehouses. From Rs 18,000 a tonne in 2001-02, the price peaked at Rs 52,000 a tonne in 2005. To break this stranglehold, Marico set a goal of reaching out to the largest possible mass of people willing to sell. The idea was farmers don't usually hoard. Their aim, always, is to sell their produce as quickly as possible and invest in the next crop.

In the early years, Marico sourced its copra from terminal markets of Kerala a beehive of agents and unions. There was the transporter, who doubled up as trading facilitator; traders undertook fumigation, drying and sorting; a workers' union also sorted; another union filled copra into sacks, and stitched and loaded them; and yet another union stacked the sacks in trucks. All these activities cost around Rs 500 a tonne and gunny bags cost another Rs 300 per tonne.

Knowing that sourcing from terminal markets couldn't go on, Marico diversified into buying directly from individual traders, who moved truckloads of copra directly to its factory. Simultaneously, the company started developing a sourcing base in Tamil Nadu to de-risk itself from Kerala. In 2002,

with of reverse auctions, price discovery and a feel of the quantity available became much easier. This prompted a month-long blockage by Kerala traders. Another tactic adopted by angry traders, to break and discredit the auction system, was to offer copra at lower prices than those accepted by Marico, after auction hours. Marico buyers, however, refused to renege on the high prices contracted. Traders even complained to top management that the company was incurring losses by buying copra at higher prices. However, Marico had decided it would not go for offline buying. They set up a transparent system and ensured the process never violated.

A web-based system was also crafted. Marico set up its first copra collection centre in Perambra, Kerala. It was another significant step in broad basing supplies and also enabled Marico to rehabilitate smaller agents as centre heads, paying them Rs 150 a tonne as commission. Today, over 95% of copra procurement by Marico is through its centre's the rest comes from normal trade.

3.12.4 Copra trading: Web-Model

Marico follows the process of e-auction wherein it lists the items it wishes to buy along with the specifications through RFQs (Request for Quotations). The lowest bidder wins the contract. Auctioning takes place in fixed slots of 1 hour each: morning (10-11), noon (12-13) and evening (15-16 hours). In a trading season, maximum of 3 offers are allowed from a supplier. Once Marico

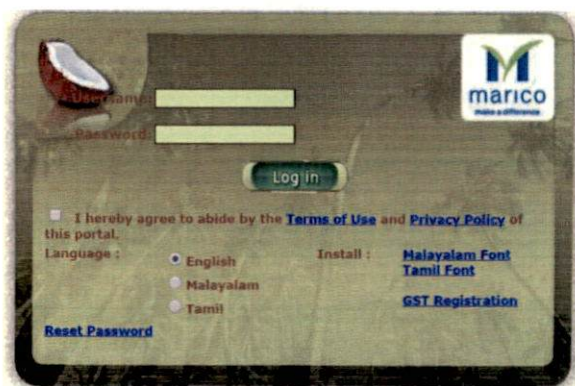


Figure 3.6: Copra trading web model

has the offers from different suppliers then unlike the traditional method where the buyer had to respond immediately, Marico in the web-based model takes same time to collect the information and then makes its offer. This kind of auctioning facilitated price discovery and quantity discovery for buyers.

The web-based model ensured there's no unfair practice involved in the quotation. Sellers cannot talk to buyers before the trading session. To make the model sustainable, Marico had to empower farmers with the knowledge of handling computers, opening e-mails and use of their auction site www.e-marico.com. SOPs were prepared in Malayalam and Tamil. Primary reason to shift to reverse auction by Marico was the transparency e-auctioning provided along with faster transaction time. It was a cost cutting tool.

3.12.5 Direct procurement

The procurement under coconut direct procurement programme was officially launched on 2013. The purpose of this programme is to procure copra directly from the farmers, commission agents and small traders by offering them with better values without the influence of the intermediaries. This aimed at reducing the cost of procurement and to ensure better prices to farmers. Marico collect 100 tonnes of copra through direct procurement every day.

Marico Industries Ltd selected coconut direct procurement centre at Muthalamada, Palakkad District of Kerala. The main reason for the selection of the centre was the Palakkad district near to western Ghats is the major producer of coconut in Kerala where almost all farmers cultivate coconut. In this procurement model the supply chain for copra consisted of farmers, who either converted coconut to copra or not, sell directly to the collection centres of Marico with any number of quantities. From the collection centres rest quality procedures are done and the farmers will have the spot payment with a price more than the daily market price and the copra are transported to the manufacturing plant at kanjikode as loose load.



Figure 3.7: Marico- Direct Procurement Model

Direct procurement enables marginal farmers to access fair and transparent prices at their doorstep. They also become aware of the expected quality norms and taking a cue go back and improve their produce so that they realize better price in their next visit.

3.12.6 Vendor Procurement Model

In this Procurement model, the main player is the vendors who buys coconut from the farmers and convert it into copra by selling it into the copra converters and they return it to the vendors and then selling it to the collection centres of Marico from the collection centre the load of coconut is calculated and as per the market price a price which is more than the daily market is given as per the kilograms of coconut to the vendors.

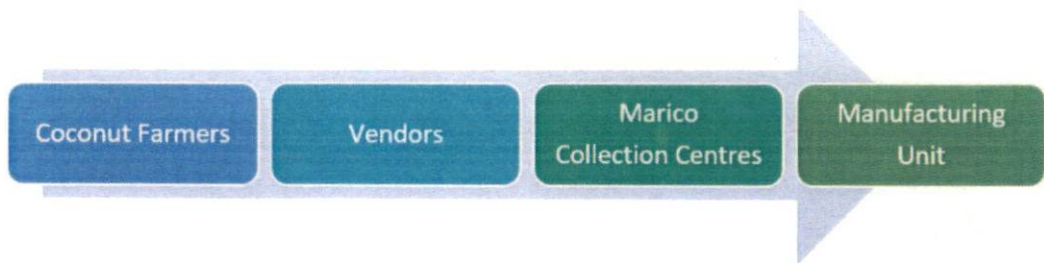


Figure 5.4: Marico- Vendor Procurement Model

3.12.7 Major processes and activities under Marico Coconut Procurement

Under the procurement programme only copra is procured either from farmers and vendors. The product flow and major processes under coconut procurement of Marico Ltd is depicted as Fig 5.2.

There were three major actors in the product flow of copra under the procurement programme of Marico Ltd. The major players and their activities are discussed as follows.

3.12.7.1 Farmers

The basic unit of the coconut procurement programme is the farmers. Chandrakalpa was the most popular coconut variety cultivated by the farmers in Palakkad district. It had high productivity and high oil content of maximum 72 per cent. This variety can grow in all types of soil and it can withstand moisture stress. The other coconut varieties procured are Kerasankara, Chandrasankara, keraganga, kerasree, kerasoubhagya and chandralaksha.

3.12.7.2 Vendors

The vendors are the one who supply coconut to the company in a contract base. They buy coconut from several farmers and may or may not convert coconut to copra by copra converts and sell it into Marico collection centres. The vendors have more self-reliant and don't have to depend on brokers and middlemen for their dealings. Because of the real time nature of the transactions, they can now settle their accounts on a daily basis and manage the cash flow extremely efficiently.

3.12.7.3 Collection Centre

Marico launched collection centres with the prime objective to source raw material as and when required, and to pass some benefits on to the farmer (save his freight cost of shifting goods to the terminal market as opposed to Marico's buying centres located closer). Marico still gave the farmer terminal market rates, which improved his remuneration.

A typical problem the farmer faces in the open/terminal market is unstable price realisation (realisation was lower if the moisture content in the copra was higher as that yields less oil). They started incentivising the farmer paid better, provided him with a weighing scale with calibrated weights to ensure he is satisfied that he is paid for the right quantity and offered an open inspection process. Furthermore, Marico loosened its criteria for a minimum supply quantity. Marico centres would buy quantities as small as 50 kg. Above all, the farmer received his payment on the spot as opposed to credit systems prevalent at the terminal markets, helping him manage his cash flow better.

At the Marico collection centres, automated rate display boards have been set up. Every day, the team determines the rate for copra, based on the requirements, market conditions and future outlook, and is communicated to the people who run the collection centres. This has helped to strengthen the trust between Marico and the farmers. In addition, automated SMS are also sent to farmers registered with Marico, to ensure that those in remote locations are also aware of the prices, and there is no information asymmetry.

Another major activity of the collection centre are quality checking of the produce and the payment. The quality checked by the several physical examinations by the concerned staff. The samples of the copra arrived are taken by the convenient sampling and was checked for quality and dryness. While checking the quality of copra moisture content, Free Fatty Acids (FFA), oil contents and inferiors are considered. The rejected materials are returned to the respective suppliers. The maximum acceptable limit is up to 10 per cent and the load that satisfies this acceptable limit are then stored in the collection centre and the transported to the manufacturing plant at kanjicode. The collection centre paid the APMC fee and VAT permits. Payment to the supplier was by means of cash or cheque. The farmers get a price which will be greater to the daily market price. This was the benefits of the programme to the farmers.

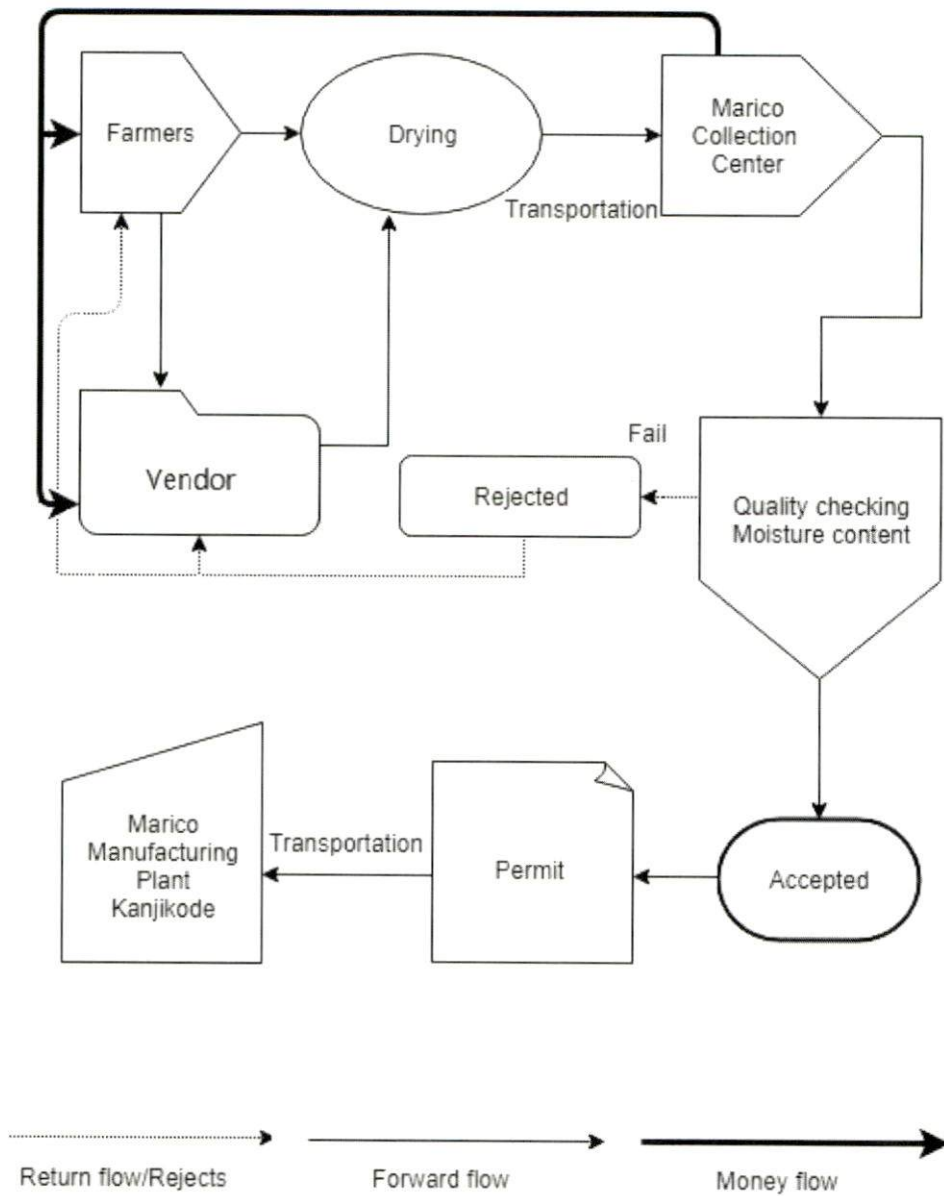


Figure 3.8: Process flow diagram of Marico procurement

3.13 Factors and attributes of the coconut procurement

In order to study the third objective of study various factors and attributes of coconut procurement are analysed and the main factors are listed as

1. Socio-economic profile of farmers and vendors
2. Quality specifications of copra
3. Pricing policies of Marico ltd
4. Payment policies of Marico ltd
5. Cost of procurement incurred by the Marico ltd
6. Various farm assistances schemes by the Marico ltd

7. Awareness about Marico procurement by the farmers
8. Attributes of coconut procurement
9. Value chain of coconut under both procurement models

3.13.1 Socio-economic profile of farmers and vendors

Farmers and vendors are the key factors of the Marico procurement programme. therefore, in order to analyse the factors influencing the company procurement it is essential to understand the farmers and vendors socio-economic profile's

Socio- economic characteristics of the farmers cum commission agents and vendors/traders involved in coconut procurement are presented in the below table.

Table 3.4: Socio-economic profile of farmers and vendors

Sl. No.	Variables	Farmer cum Commission agents (%)	Traders (%)
1	Nativity Domicile Tamil Nadu	80 20	100 Nil
2	Education level Below 10 th standard 10 th standard Plus two Graduation	20 40 25 15	10 40 30 20
3	Annual Income (Rs.) Below 1,00,000 1,00,000-5,00,000 5,00,000-10,00,000 Above Rs.10,00,000	5 10 55 30	Nil Nil Nil 100
4	Primary Occupation Agriculture Business others	60 35 5	Nil 100 Nil
5	Experience in Cultivation/Procurement	15	Nil

	1 year	20	100
	1-5 years	25	Nil
	5-10 years	40	Nil
	Above 10 years		
6	Area under Coconut Cultivation		
	Below 1 ha (Marginal)	45	-
	Between 1-2 ha (Small)	40	-
	Above 2 ha (large)	15	-
7	Land Ownership Status		
	Own	45	-
	Lease	50	-
	Own & Lease	5	-
8	Mode of transportation used		
	Pick-Up	15	Nil
	Lorry	40	100
	Mini-Lorry	45	Nil
	Ape	5	Nil

Results of Table 5.1 indicated the majority (80%) of the coconut farmers cum commission agents and traders/vendors were natives of Kerala that is mainly from Palakkad, Kozhikode and Malappuram districts and 20% were from Tamil Nadu. Education level of most of the farmers (40%) was tenth standard. It also had members with education level of plus two (25%), below tenth standard 20% and graduation 15%. Majority of farmers (60%) were having annual income between Rs.5,00,000 to Rs.10,00,000 and the 30% farmers are having annual income above Rs.10,00,000 and the rest 10% had annual income below Rs.1,00,000 (5%), between Rs.1,00,000 to Rs.5,00,000 (10%). Primary occupation of the majority farmers (60%) was Agriculture and 35% are having business as their major and only 5% are having other primary occupation. 40% of farmers are having above 10 years of experience in the field of coconut cultivation or in the procurement and the rest 25% and 20% are having experience between 5 to 10 years and 1 to 10 years respectively only 15% are having less than 1 year of experience. 100 % of vendors are having experience in between 1 to 5 years. Majority of farmers (45%) are large farmers and 40% are small farmers there are also 15% of marginal farmers. Majority (50% of the farmers cultivated used leased lands. Remaining 45% cultivated in their own

land and only 5% used both own and leased lands for cultivation. Majority of the farmers (45%) are using mini lorry as their mode of transportation and 40% of farmers are using lorry.

Similarly, the socio-economic profile of traders in the table 5.1 indicated that all of them were domicile to Kerala. The education status varied from graduation (20%) and tenth standard (40%). A few (30%) of them had plus two as their education and 10% had schooling below tenth standard. All the vendors are having an annual income above Rs.10,00,000. All the vendors (100%) are having Business as their primary occupation.it can be inferred from the table that all the vendors having experience between 1 to 5 years. All the vendors are using lorry as their mode of transportation for the coconut supplying to the Marico.

3.13.2 Quality specifications of Copra

The coconut procured by the Marico Ltd is mainly the chandrakalpa variety. The programme stipulated to procure fully dried coconut with the moisture level up to 10 per cent. The copra with more than 10 per cent of moisture content are rejected. The main factors which are considered during the quality checking is the moisture, oil content, free fatty acids and the inferiors. The table below shows the acceptable limit of each.

Table 3.5: Quality specifications for coconut (copra) procurement

Factors	Acceptable Limit (in percentage) per sample
Moisture content	Up to 10%
Oil content	Minimum 58%
Free Fatty Acids (FFA)	About 1%
<u>Inferiors</u>	
Rubbery	10%
Burnt	5%
Green	10%
Smokey	25%
Insect/infected	0%

The total inferior allowed is calculated by the below following equation.

$$G + S + 4B \leq 45\%$$

The maximum level of total inferiors is prescribed to maximum of 45% therefore the samples with below 45% of inferiors are accepted and others are rejected.

According to the inferior's level the samples/Copra are graded into four categories. Therefore, every copra is graded into four categories and they are listed below in the table.

Table 3.6: Copra Grades for procurement

Inferiors	Grade I	Grade II	Grade III	Grade IV
Green	3%	5%	8%	10%
Smokey	8%	15%	20%	25%
Burnt	2%	3%	5%	5%
Total Inferior	8%	15%	30%	45%

This is the Grading system of the Marico Ltd for the coconut they procure. The grades are according to the 3 types of inferior that is Green, Burnt and Smokey except the Rubbery. The total inferior percentage is given to each category of grade and the coconut with more than that is rejected.

3.13.3 Pricing Methods

Marico believes in fair pricing the Marico price will be always more than the daily market price for the copra and also keeps price fixed for the day and does not vary price based on market sentiments within the day. Across Tamil Nadu and Kerala, Marico buys from farmers at its various collection centres at a fair price and Marico bears all the cost of transportation to its factories and all required taxes and levies. Farmers also get instant payment on delivery of Copra at centres.

Table 3.7: Marico price vs Market price for copra

Month	Market Price (per Quintal)	Marico Price (per Quintal)
August 2018	Rs.11910	Rs.12000
September 2018	Rs.11535	Rs.11625
October 2018	Rs.10496	Rs.10585

From the table we can see that Marico price for copra per quintal is always greater than the market price. The daily buying price is displayed in the Digital Rate Display Board which is effectively controlled by Central Procurement Team of Marico to ensure transparency in rate communication. The quality and quantity of the produce is measured instantly in calibrated standard instruments.

3.13.4 Payment Methods

The Marico payment policy is known as FastTrack Payment (FTP), which allowed farmers and vendors to rotate their money faster.

3.13.4.1 Fast Track Payment (FTP)

Fast Track Payment (FTP) scheme was launched by Marico to incentivise the farmers for email-based auctioning. Vendors could now be paid the very next day after the receipt of copra at the collection centres. Payment was electronically transferred to the respective bank accounts of the suppliers, thereby reducing paper work. FTP facilitated easier rotation of cash which previously took 9 days from the receipt of copra by the collection centre to the receipt of demand draft by the copra farmers. FTP vendors were also given priority service at the centre. All these incentives led to 95% of vendors opting for FTP soon after its launch. Marico provide both cash and cheque mode of payment according to the convenience of farmers and vendors.

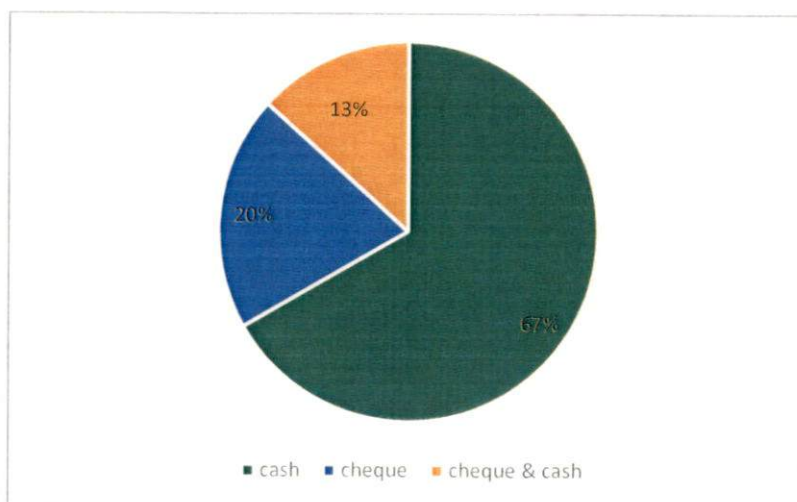


Figure 3.9: Marico Payment methods

From the figure 5.4 it can be understood that majority of the respondents (67%) opted for cash as payment mode. Cheque demanded by 20%.13% preferred both cheque and cash as payment.

3.13.5 Cost of procurement incurred by Marico

The average cost of procurement incurred by Marico under different procurement methods over the months are depicted in the figure. The costs in both the models are different because of the difference in the channel players. If the channel players increase the cost also increases. Therefore, the company bears separate cost of procurement in the both models.

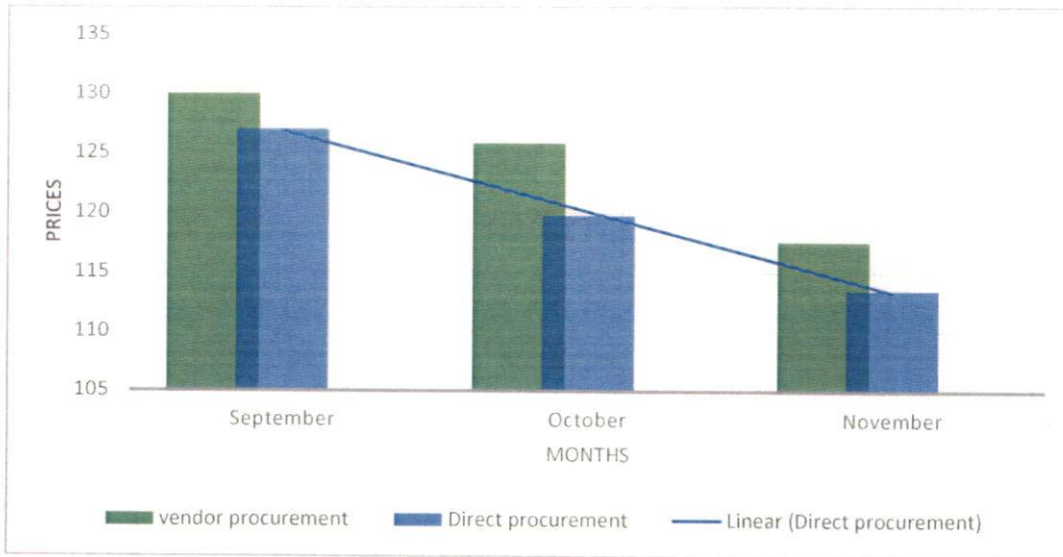


Figure 3.10: Cost of procurement in two models

It can be understood from the figure 5.10 that the average cost of procurement incurred by the Marico under vendor procurement was Rs.121.56 in September, Rs.117.82 in October and Rs.106.85 in November. The same under the direct procurement was Rs.120 in the September, Rs.116.25 in October and Rs.105.85 in the November. Under the vendor procurement Marico has to incur minimum of Rs.3 additional on the actual prices per kg to the vendors as labour charges, transportation charges etc. hence the difference in the cost of procurement was Rs.1.56 in September, Rs.1.58 in the October and Rs.1 in the November. The average cost of procurement in vendor procurement is Rs.115.41 and in direct procurement is Rs.114.03 per kg. The net benefit of Marico in the cost of procurement per kg. procured is Rs.1.5 to Rs 3.

Marico procured copra from the farmers and vendors as well as but procurement through direct procurement was based on the price above the market price which determined by the Marico where in the vendor procurement the price is bargained to the interest of vendors which is higher than the Marico daily price.

3.13.6 Various Farm assistance and schemes for farmers by the Marico ltd

In order to develop long term sustainable farming sources, Marico endeavours to train farmers on best farming practices. Marico organized training programs with industry experts, educating farmers on quality standards, inspection methods, storage of copra and latest developments in farming/conversion processes, enabling them to get a good price for their produce. Last year, Marico trained 400 farmers through its 13 centres towards model farm practices.

Apart from conducting generic training programmes, they also run specific programmes to demonstrate benefits of practicing these learnings through their productivity programme. Farmers are enrolled on a voluntary basis under this programme who seek scientific help on enhancing farm productivity. Company team then visits these farms on regular intervals, and offer solutions to various problems like diseases, pest attacks, nutrient deficiencies, hybrid selection etc. These registered farms are monitored for success as these would be case studies which others in vicinity can learn from. Today, their experts are managing more than 180 farms registered with the company and are showing early signs of productivity improvement.

3.13.6.1 Marico Various coconut development scheme

A majority of Marico's raw materials are agricultural produce, hence improving and promoting farmer well-being is of utmost importance to them. They are committed in their efforts to strengthen and develop long-lasting relationships with the farmer community through various initiatives.

- **Farmer First Program**

Farmer First programme was launched a few years ago, with the aim of solving immediate issues and empowering farmers for the future. The initiative has helped the farmers to strengthen agricultural productivity and multiply yields on a sustainable basis.

- **Cluster development program**

Marico plays a vital catalytic role in cluster development program run by Coconut Development Board which touches approximately 8,000 farmers across 63 cluster locations. In this program, the Marico helps farmers to form clusters, conduct meetings and distribute the Agri-inputs received as part of cluster activities which was promoted by Coconut Development Board in 2008. Their Copra collection centres in Malappuram district partnered actively with the Coconut Development Board to rollout and execution of the programme in which the centre uses its reach to farmers to form clusters to avail the benefit from Government. Team helps farmers to adopt the best practices as well as avail benefits under central government assistance towards yield improvement

such as free fertilizers and intercrops. This program has helped improve productivity and income of farmers by 15%.

By improving copra availability, the Company has also de-risked itself from supply uncertainties. Marico organizes an annual reward program ‘Keraratna’, for farmers associated with Marico Copra Collection centres, to motivate small scale farmers to stay active in the market and keep away from speculation, thus reducing financial losses.

The cluster programme has come as a big revival for coconut farmers in the area. The scientific farming practiced by a group of farmers started showing big improvement in coconut crop. Furthermore, planting intercrop basis soil condition resulted in additional income from the same farms. Collective initiatives in getting labour force, technical hands in using pesticides etc., has given a new boost to the coconut farming in the area. This initiative also aids in creating a long-term mutually beneficial relationship with the farmers.

▪ **Coconut extension program**

Marico’s study on prevalent farming practices & best cultivation methodologies leads them to believe that farmers can produce 25% more in their fields by adopting the correct practices with no or negligible increase in costs. In order to make a difference in the lives of farmers, Marico took upon itself the task to educate the coconut growers and help them increase the productivity, thus creating long-term crop sustainability and higher returns. There were various initiatives taken during this program, including farmer trainings, awareness on coconut cultivation, management practices, and soil testing among others. The program has worked to the advantage of around 4,500 farmers.

▪ **Kalpavriksha**

Providing economical advantage to coconut farmers with Marico’s flagship programme ‘kalpavriksha Double Coconut Farmer’s Income’ established on World Coconut Day on September 2, 2017, is aimed at creating a positive impact on coconut farmers’ income, making a difference to their lives. This initiative supports coconut farmers to increase their yield by training them on all aspects of farm management like nutrient management, pest management, disease management and water management. The programme was very well received by the farmers and have touched the lives of more than 3,000 happy farmer families. Regular monitoring of farm diagnosis and enthusiastic participation by farmers have resulted in 18% increase in farm productivity.



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3.13.7 Awareness about Marico's Direct procurement programme

The source from which the respondents came to know about Marico's direct procurement programme was studied. Mainly the farmers get the information about the direct procurement from the sources like Marico staffs, small shops, commission agents, from others farmers etc. the data was collected from the suppliers about the source of information and it result is drawn as the pie chart below.

It was inferred from the figure 5.8 that most of the respondents (36.7%) has to know about Marico's direct procurement of coconut as copra was from commission agents. Other sources of information about the programme were Marico staff (34.3%), small shops (11.3%) and Farmers

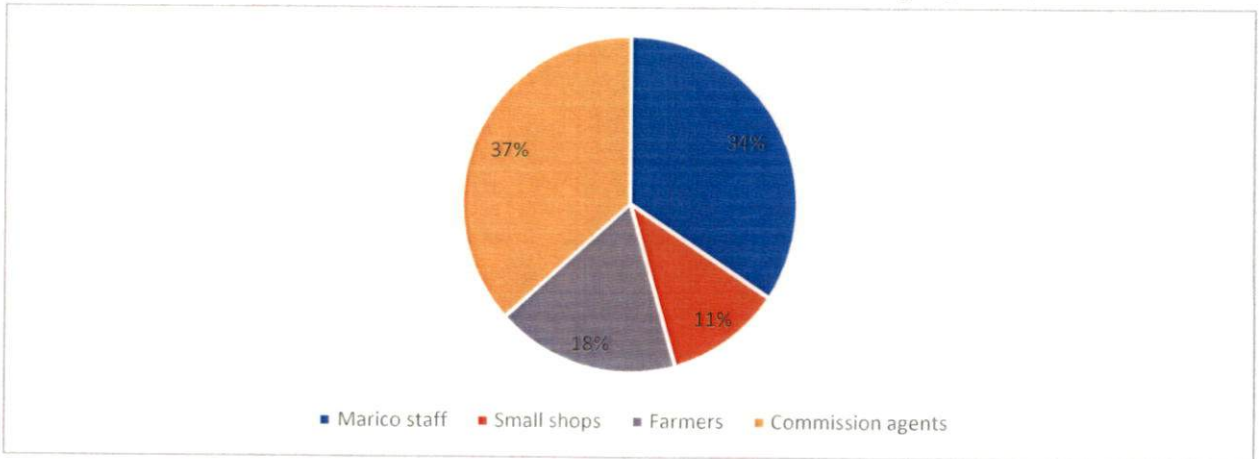


Figure 3.11: Source of information

(17.7%).

3.13.8 Attributes of Marico procurement programme

Marico Limited is empowering farmers through its massive procurement and outreach programmes. The main attributes for the farmers and suppliers for the supplying of their produce to the company are studied and listed as spot payment, procurement cycle of coconut, flexible procurement quantity, better prices and easy transportation.

The Marico procurement is done in a daily base. The farmers are allowed to supply their produce in whatever time they prefer. The company allows any quantities whether its small or large for the procurement programme.

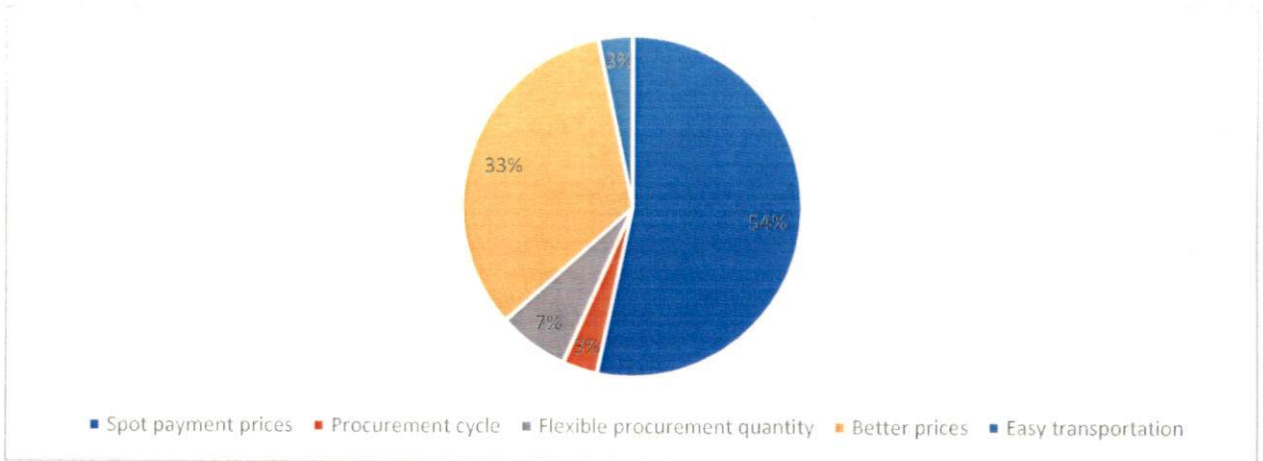


Figure 3.12: Attributes of Marico procurement

Figure 5.9 showed that the majority of the respondents (53.3%) opined that they preferred Marico procurement programme because its attribute spot payment of prices. Other respondents preferred it because better prices (33.3%), flexible procurement quantity (6.7%) procurement cycle (3.3%) and easy transportation (3.3%).

3.13.9 Value chain of coconut under different procurement models

Marico procure coconut in two ways. One through vendor procurement and the other through direct procurement programme. Vendors supplied quantities against the purchase order given by the company. Comparison of value chain of coconut under the two procurement models followed by the company is presented.

3.13.9.1 Value chain under Vendor Procurement

In vendor procurement two different material flow channels are identified. In that most popular procurement process as given in Figure 6.10, the farmer sells copra to small shops which sells it to the company through a vendor.

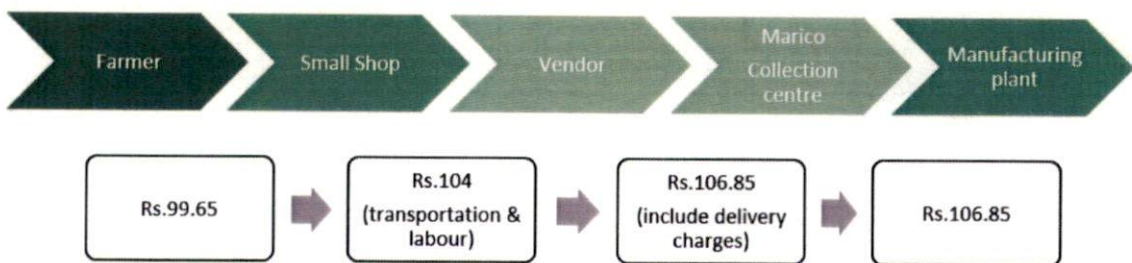


Figure 3.13: Value chain under vendor procurement- Channel 1

Under another less practiced procurement mode, presented in fig:5.11, between the farmer and small shop there is an intermediary called commission agent. This increase the value chain length which

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reduces the net benefit of the farmers. The identified loss was Rs.3 per kg on procured copra to farmers. The intermediaries enjoyed Rs.9 to Rs.11 per kg.

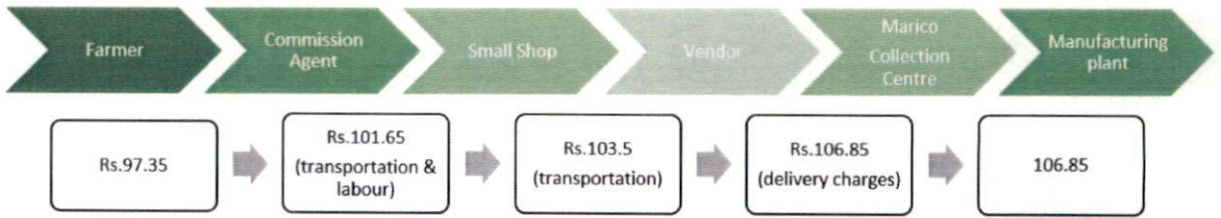


Figure 3.14: Value chain in Vendor procurement- Channel 2

So, from this we can understand that for the farmers first channel is beneficial than the second channel. However, in the both channels company bears the same cost.

3.13.10 Value chain under Direct Procurement

The value chain material flow in coconut direct procurement programme when the price offered to the suppliers (farmers) was Rs.105.85 per kg of copra depicted in Figure 5.12



Figure 3.15: Value chain in Direct procurement

The major practiced procurement mode, presented in fig:5.12, where the farmers sells directly to the company without any intermediaries. The identified gain was Rs.4 to Rs.6 per kg when farmers directly supply to Marico collection centre. Most of the farmers have small quantities which made it more expensive to bring it to Marico because of transportation and labour costs.

Under vendor procurement the farmer got only Rs.97.35 to Rs.99.85 compared to Rs.105.85 in direct procurement. For farmers the gain in the direct procurement program was Rs.4 to Rs.6 on a kg. Direct procurement enhanced the relationship between the Marico and the farmers.it also reduced the influence and bargaining power of the big traders by reduced number of intermediaries.

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3.14 Effectiveness of the procurement models of the Marico ltd

Marico procures 100 tonnes of coconut in the form of copra in a daily basis. Therefore, for a month around 3,000 tonnes of copra are procured by the Marico from its farmers and vendors through the Marico collection centre. Out of which 64% was through direct procurement and 36% through vendor procurement. Therefore, to evaluate the effectiveness of the current procurement models of the company the constraints and benefits, satisfaction level of farmers and vendors toward the procurement and the SWOC analysis of the procurement models were analysed and presented under the following subheads.

3.14.1 Benefits for farmers by the Marico ltd

The Marico generally provide their benefits for the farmers and vendors under the procurement/buying team and it is provided. Copra collection centre is the place where Marico and farmers/vendors meet each other. Therefore, the Copra collection centres not only provide supply assurance to the Company but also a number of benefits to the farmers such as:

3.14.1.1 Buying Assurance

Marico provides buying assurance to farmers and small converters throughout the year, irrespective of market conditions.

3.14.1.2 Loyalty programs

Marico has been conducting loyalty programs at all its collection centres through which farmers are provided non-monetary incentives over and above the copra price.

3.14.1.3 Fair Pricing

Price at collection centres are fixed based on prevailing market price on the day. Once material reaches the centre, quality check and payment are done on the spot and in front of the farmer to ensure complete transparency. This is highly beneficial to farmers who earlier used to sell to local traders based on the arbitrary prices fixed by them.

3.14.1.4 Farm Care Personnel (FCPs)

Marico has deployed Farm Care Personnel (FCPs), who not only conduct training, but provide on-field support and interact with farmers on a daily basis. Marico has also developed an IT solution with the rollout of an app, an IVR (Interactive Voice Response) toll-free line, so farmers can reach out 24x7.

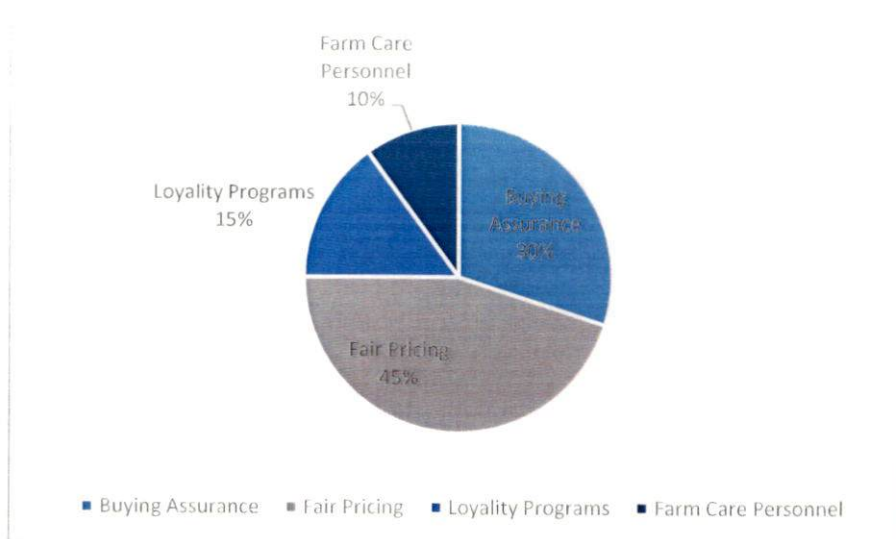


Figure 5.13: Benefits for the suppliers by the Marico Ltd.

It was inferred from the figure that from the above-identified benefits most of the farmers and vendors (45%) ranked the fair pricing as the most attractive benefit of the Marico procurement activities and the farm care personnel as the least ranked by 10 per cent.

From this, it is also evident that all the four benefits are available for the majority of the farmers and vendors. This shows that the procurement practices of the Marico ltd have an attractive list of benefits, which attract more farmers and vendors towards their procurement activities.

3.14.2 Constraints faced by the Farmers/vendors for the coconut procurement programme.

Marico coconut procurement is a very large programme include a large number of farmers and vendors. Therefore, it contains a large network involved in each step of procurement. The coconut procurement is done in the form of copra the dried coconut. As coconut is a perishable product and there are many channels, the procurement activities are somewhat complex in nature.

The company procures it as two models as we know, so there will be some constraints or other factors that limit the smooth operations of procurement so in this section we are analysing that whether there is any constraint faced by the farmers or vendors in the procurement practices of Marico. The constraints faced by the farmers and vendors both in the direct procurement and in the vendor procurement are identified and are major constraints are listed as 10 items and the respondents are require to rank the statements as there occurrence, mostly faced constraint is asked to rank as 1 and others as follows.

Table 3.8: Constraints for the Marico Procurement

Sl.No	Statements	Total score	Index (Score*100/ Total score)	Rank
1	Fluctuating prices	90	90	1
2	Level of inferiors infected in copra	88	88	2
3	Rural infrastructure	70	70	3
4	Availability of quality planting materials	64	64	4
5	Transportation Facilities	63	63	5
6	Communication between the channel members	58	58	6
7	Time constraints	49	49	7
8	Exploitation by the intermediaries	48	48	8
9	Company policies	45	45	9
10	Market demand	44	44	10

From the table 5.5 it was evident that fluctuating prices was the major constraint faced in the procurement programme. The other highly ranked constraints were level inferiors presented in the load. The other major constraints are the rural structure which include the warehouse facilities drying facilities etc. the problems mainly faced during the coconut conversion to copra comes under this. The other constraints mainly stated and ranked are Availability of quality planting materials, Transportation Facilities, Communication between the channel members, Time constraints, Exploitation by the intermediaries, Company policies Market demand. The market demand is the least ranked constraint because Marico will always try to maintain a constant quantity of production of final goods in the plant.

3.15 Satisfaction of respondents towards Marico's procurement programme

In order to understand the effectiveness of the Marico industries coconut procurement it is better to understand the satisfaction level of the members who involved in the procurement. Therefore, an attempt was made to quantify the satisfaction level towards the coconut procurement programme of Marico industries ltd by the respondents that is the farmers and vendors who directly involved in coconut procurement practices. Using the 5-point Likert scale and it is presented in the table below.

Table 5.6: Level of satisfaction- Using 5-Point Likert scale

Statements	SA	A	AS	DA	SD	Score	Index	Level of Satisfaction
You are mainly supplying your coconut to Marico ltd.	10	28	20	2		226	75.3	Good
Existing procurement models of Marico ltd are satisfactory.	16	24	16	4		232	77.3	Good
The training programmes and awareness conducted by the Marico ltd was helpful.	20	25	15	25		245	81.6	High
The Financial Assistance was easy to obtain.	6	14	15			181	60.3	Good
Farm assistance from the Marico plays a major role in the coconut productivity	10	30	20			230	76.6	Good
Marico price is more profitable than domestic market price.	30	20	10			260	86.6	High
Demand of coconut increased than the previous years.	20	25	15			245	81.6	High
The Quality checking facilities are done properly by the Marico ltd.	40	18	2			278	92.6	High

Obtaining market information from Marico ltd was a trouble-free process.	10	20	30			220	73.3	Good
Additional financial subsidy should be given by the Marico for the suppliers.	30	26	4			266	88.6	High
Availing of the schemes for various agricultural infrastructure development from the Marico was very convenient.	10	20	30			220	73.3	Good
The Procurement of coconut by Marico ltd are more in the direct procurement than in vendor procurement.	10	25	25			225	75	Good
The monthly Procurement Activities are getting stronger and wider.	5	10	34	10	1	188	62.6	Good
Collection center facilities helps in increase of supplying of coconut.	20	35	3	2		253	84.3	High
Company policies are restricting the procurement activities			22	38		142	47.3	Moderate
Overall Satisfaction							75.8	Good

SA - Strongly Agree **A** – Agree **AS** - Agree to Some extent **DA** – Disagree **SD** - Strongly Disagree

The table 5.6 reveals the result of Likert 5-point analysis for the level of satisfaction of the suppliers that is the farmers and vendors towards the procurement activities of Marico ltd, Kanjikode. It was analysed on the basis of 15 parameters given to the respondents under the Marico procurement programme. These parameters include various statements which are graded in Five-point continuum allotted for the responses. Out of the 15 statements, 6 statements have the highest level of satisfaction.

The lowest level of perception obtained from the responses was the scale “moderate” and only 1 statement was marked as moderate level of satisfaction. Majority of the suppliers have the highest level of satisfaction towards the procurement programme of Marico, which is a positive sign towards the effectiveness of the policies and activities of coconut procurement department of Marico. Almost 86.6 per cent of suppliers are in the opinion that Marico pricing methods and policies are more satisfiable than the domestic market prices. 81.6 per cent of suppliers agree to the fact that the training programmes and awareness conducted by the Marico ltd was helpful. The table clearly depicts that the proper quality checking facilities are followed in the Marico for the supplies by the satisfaction level of 92.6. Additional financial subsidy should be given by the Marico for the suppliers this statement got the second highest percent that is 88.6%. Almost 77 per cent of suppliers are in the opinion farm assistance from the Marico plays a major role in the coconut productivity. 84.3 per cent of suppliers are in the opinion that the collection centre facilities help in increase of supplying of coconut. And also, the level of satisfaction towards the statement “company policies are restricting the smooth procurement” was only below half of the value (47.3).

We can conclude that all the suppliers that is the farmers and vendors both had the satisfaction of increasing demand for their copra through the procurement activities of Marico ltd. We can also see that 75 per cent suppliers are in the opinion of direct procurement is more effective than the vendor procurement. Furthermore, we can summarize that the level of satisfaction of the suppliers towards the Marico have the scale value “Good” i.e., an overall satisfaction level of 75.8 per cent. So, it has been showed that Marico’s current procurement models are highly satisfied by the various famers and vendors. And also, direct procurement is majorly practicing and effective than the vendor procurement model.

3.15.1 SWOC Analysis of Marico procurement programme

SWOC analysis summarizes the main strengths and weaknesses of the current procurement models of Marico. Concerning that, there are also key improvement areas that are outlined and evaluated at different levels such as in strategic orientation, process and technology, management and organization, cooperation, and productivity. By focusing on the key factors affecting procurement, now and in the future, a SWOT analysis provides a clear basis for examining procurement department’s performance and service.

These strengths, weakness, opportunities and challenges obtained after analysing the Marico procurement procedures are listed below:

▪ **Strengths**

Strengths are those exclusive capacities of the company which give an edge to the company in an attempt to grab more copra, attract more suppliers and maximize the profit. Some of the strength which we can inferred from the Marico procurement are

1. Reduced cost of coconut procurement
2. Provision for small as well as large quantities for the procurement
3. High popularity among farmers/vendors as reflected in the consistent rate of procurement.
4. Price controller as a large player in the market.
5. Enhanced relationship with small traders and farmers.
6. Reduced the influence and bargaining power of intermediaries in the coconut trading by offering better prices.
7. Instant payment via cheque or cash attracts customers.
8. Consistent increase in the number of suppliers over the months.
9. Advanced quality check systems: Marico has stringent quality check procedures and food safety systems across its supply chain. Marico has ensured all its manufacturing plants are ISO 9001, 14000, 18000, 22716 GMP certified. Besides, food and edible oil units have FSSC 22000 certified food safety systems and ISO compliant. The company is proactive in quality management and consumer response systems.
10. Minimised supply chain cost

▪ **Weakness**

Weaknesses are used to refer to areas where the company or the parachute brand needs improvement in the area of copra procurement. Some of the key weakness of Marico are:

1. Dependency on Monsoon: Since the company is heavily dependent on safflower and coconut for its products, below than average rainfall for the last two years has posed a challenge for Marico. Lack of normal monsoon has also reduced rural spending and reduced performance of the FMCG sector.
2. Lack of communication between departments other than procurement department no other departments are aware of the procurement process.
3. The optimization strategies of lead time are not well defined

▪ **Opportunities**

The potential areas a company could target to achieve better procurement, increase its sales and ultimately profit is known as opportunities.

1. Increasing suppliers demand helps to procure required quantity in hill in future.
2. Procurement of high-quality copra will make the programme more inclusive and cost effective.
3. Increasing demand of coconut oil market.

▪ **Challenges**

Threats are those factors in the environment during the procurement which can be detrimental to the growth of the business. Some of the threats include:

1. Dealing of small quantities brought by the farmers was time consuming.
2. Commodity Prices: Commodity prices have shown significant fluctuations over the past few years and uncertainty in the environment continues to remain high, especially in the emerging markets. This results in a significant rise in raw material and input costs for a company like Marico.
3. Procured coconut included variety of coconut which made quality checking cumbersome.
4. Entrance of companies having similar products (competitors like dabur, nirmal, klf) in the market may increase the cost of procurement.

From the SWOC analysis of the current procurement models and impact on farmers/vendors and company service level, it was demonstrated how in was at the beginning, when implementation started, and which are the strengths and weaknesses at this moment. Despite many activities that have happened since, service level increased, but the operational cost, has not decreased as it was planned. So, this is a point to focus on from now on for the company. For doing that it is necessary the improvement of the communication between the internal departments but also with external suppliers, an upgraded procurement system.

When the company identifies there SWOC factors, they are able to lower costs and improve upon those approaches that help ensure timely availability of agricultural produce and materials in order to satisfy the production and supply demands.

Chapter VI
***SUMMARY OF FINDINGS,
CONCLUSIONS AND SUGGESTIONS***

SUMMARY OF FINDINGS, CONCLUSIONS AND SUGGESTIONS

4.1 Introduction

Studying about the Marico Procurement practices it was found that company uses two models for the procurement that is the direct procurement model and the vendor procurement model. Vendor procurement model is as old as the procurement practices where all the company undergoes this procurement model but the other procurement model which was majorly practicing was the direct procurement which was the new initiative by the company in raw material procurement. Therefore, it is relevant and necessary to study and compare these two procurement models and to decide whether both the procurement models or any one can be continued or not. The direct procurement programme offers better value to the ultimate farmers by cutting the number of intermediaries between the company and the farmers than the vendor procurement model. Reduced influence of the intermediaries made cost of procurement also less for the company than the existing procurement methods.

The present study entitled “A study on procurement practices of coconut by Marico ltd, Kanjikode, Palakkad.” has done with the objectives; analysis of the procurement practices of coconut as copra by Marico Industries Ltd in terms of genesis, functions and activities, value chain analysis of coconut under different procurement methods and to explore the constraints and benefits of the coconut procurement programme. The study was conducted in Palakkad district of Kerala where the direct procurement centre and the manufacturing plant of Marico is located. To analyse these objectives primary data were collected from 60 samples through questionnaires covered both farmer cum commission agents and small traders from the selected study area. The respondents were selected randomly from the list of suppliers to the procurement programme. Secondary data were also used for the study purpose.

The major findings, suggestions and conclusions are summarised in the succeeding sections.

4.2 Major Findings

4.2.1 Findings on Marico coconut procurement programme

1. The coconut procurement programme comes under the control of head of Bio ingredients division of the Marico Industries Ltd. Senior associate who is the field officer manages the direct procurement centre and reports to the Deputy General Manager of the raw material procurement department.

2. The procurement of coconut from the farmers without any intermediaries are known as the direct procurement and from the vendors are known as the vendor procurement model.
3. The procurement under coconut direct procurement programme was officially launched on 7th February 2013. The purpose of this programme is to procure copra directly from the farmers, commission agents and small traders by offering them with better values without the influence of the intermediaries
4. Company set up their own Collection Centres (CC) for the coconut procurement practices. Marico set up its first copra collection centre in Perambra, Kerala
5. The coconut procured by the Marico Ltd is mainly the chandrakalpa variety. Chandrakalpa was the most popular coconut variety cultivated by the farmers in Palakkad district. It had high productivity and high oil content of maximum 72 per cent. The other coconut varieties procured are Kerasankara, Chandrasankara, keraganga, kerasree, kerasoubhagya and chandralaksha.
6. Marico collects 100 tonnes of copra through direct procurement every day.
7. When the materials are received at the centre, quality checks are carried out and payments are rolled out on the spot. This ensures transparency of the process which ultimately leads to good relationship building with farmers.
8. At the Marico collection centres, automated rate display boards have been set up. Every day, the team determines the rate for copra, based on the requirements, market conditions and future outlook, and is communicated to the people who run the collection centres.
9. There was no minimum supply quantity for farmers, Marico bought quantities as low as 50kg.
10. The upgraded chain had lesser number of contacts with zero influence of brokers and thereby leading to huge cost reduction.
11. Marico follows the process of reverse auction wherein it lists the items it wishes to buy along with the specifications through RFQs (Request for Quotations). The lowest bidder wins the contract. Auctioning takes place in fixed slots of 1 hour each: morning (10-11), noon (12-13) and evening (15-16 hours).

4.2.2 Findings on the factors influencing the procurement practices of coconut

1. Major suppliers in the coconut procurement programme were farmers, vendors, commission agents and small shops.
2. The socio-economic data of the respondents which included farmers and traders indicated the majority (80%) of the coconut farmers and traders/vendors were natives of Kerala that is mainly from Palakkad, Kozhikode and Malappuram districts and 20% were from Tamil Nadu mainly from Pollachi area.

3. In the case of farmer category of respondents most (40%) of them had above 10 years of experience in the field of coconut cultivation or in the procurement and the rest 25% and 20% are having experience between 5 to 10 years and 1 to 10 years respectively only 15% are having less than 1 year of experience.
4. Most of the farmers (45%) are using mini lorry as their mode of transportation and 40% of farmers are using lorry whereas all the vendors are using lorry as their mode of transportation for the coconut supplying to the Marico.
5. Fast Track Payment (FTP) scheme was launched by Marico to incentivise the farmers for email-based auctioning. Vendors could now be paid the very next day after the receipt of copra at the collection centres. Payment was electronically transferred to the respective bank accounts of the suppliers, thereby reducing paper work.
6. The samples of the copra arrived are taken by the convenient sampling and was checked for quality and dryness. While checking the quality of copra moisture content, Free Fatty Acids (FFA), oil contents and inferiors are considered. The rejected materials are returned to the respective suppliers.
7. The programme stipulated to procure fully dried coconut with the moisture level up to 10 per cent, oil content of minimum of 58%, and FFA of about 1%. The copra with more than these acceptable levels is rejected.
8. While checking the quality of copra the level of inferiors is also considered there are mainly 5 types of inferiors prescribed by the company that are Rubbery, Burnt, Green, Smokey and insect/infected.
9. The acceptable limit of Rubbery is 10%, Green is 5%, burnt is 10%, Smokey is 25% and Insect/infected is 0%.
10. The total inferior allowed is calculated by the equation $G+S+4B \leq 45\%$ and the maximum level of total inferiors is prescribed to maximum of 45% therefore the samples with below 45% of inferiors are accepted and others are rejected from the collection centre itself.
11. According to the inferior's level the samples/Copra are graded into four categories. Therefore, every copra is graded into four categories that are Grade I, Grade II, Grade III, Grade IV.
12. The average cost of procurement incurred by the Marico under vendor procurement was Rs.121.56 in September, Rs.117.82 in October and Rs.106.85 in November. The same under the direct procurement was Rs.120 in the September, Rs.116.25 in October and Rs.105.85 in the November.
13. The average cost of procurement in vendor procurement is Rs.115.41 and in direct procurement is Rs.114.03 per kg with respected to the months September, October, November.

14. The net benefit of Marico in the cost of procurement for the months September to November is Rs.1.5 to Rs 3 per kg
15. Marico organized training programs with industry experts, educating farmers on quality standards, inspection methods, storage of copra and latest developments in farming/ conversion processes, enabling them to get a good price for their produce.
16. To improve upon the yield of copra, Marico started training farmers about the technologies and advantages of good quality seeds. In 2018 Marico conducted 21 farmer meetings across Kerala, Tamil Nadu which was attended by 1675 farmers.
17. Marico team helps farmers to adopt the best practices as well as avail benefits under central government assistance towards yield improvement such as free fertilizers and intercrops. This program has helped improve productivity and income of farmers by 15%.
18. Most of the respondents (36.7%) got to know about Marico's direct procurement of coconut as copra was from commission agents.
19. The majority of the respondents (53.3%) opined that they preferred Marico procurement programme because its attribute spot payment of prices.
20. In vendor procurement two different material flow channels are identified. Between the farmer and small shop there is an intermediary called commission agent. This increase the value chain length which reduces the net benefit of the farmers.
21. In the major practiced procurement mode, where farmer sells directly to the company without any intermediaries. The identified gain was Rs.4 to Rs.6 per kg.
22. Under vendor procurement the farmer got only Rs.97.35 to Rs.99.85 compared to Rs.105.85 and the gain in the direct procurement program was Rs.4 to Rs.6 on a kg.
23. The identified loss was Rs.3 per kg on procured copra to farmers. The intermediaries enjoyed Rs.9 to Rs.11 per kg in the month of October.

4.2.3 Findings on the effectiveness of the procurement models of Marico ltd.

1. The copra collection centres not only provide supply assurance to the Company but also a number of benefits to the farmers such as Buying Assurance, Loyalty programs, Fair Pricing and Farm Care Personnel (FCPs).
2. Marico Various coconut development scheme are Farmer First Program, Cluster development program, Coconut extension program and Kalpavriksha.
3. Fluctuating prices was the major constraint faced in the procurement programme and the other highly ranked constraints were level inferiors presented in the load.

4. The market demand is the least ranked constraint because Marico will always try to maintain a constant quantity of production of final goods in the plant.
5. Majority of the suppliers have the highest level of satisfaction towards the procurement programme of Marico, which is a positive sign towards the effectiveness of the policies and activities of coconut procurement department of Marico.
6. Almost 80 per cent of suppliers are in the opinion that Marico pricing methods and policies are more satisfiable than the other companies.
7. 92 per cent of exporters agree to the fact that they are expecting some additional financial subsidies from the company.
8. The overall level of satisfaction of the suppliers towards the Marico have the scale value "Good". So, it has been showed that Marico's current procurement models are highly satisfied by the various famers and vendors.

4.3 Conclusion

Marico has been a market leader in the coconut-based products since 1990 but it still has a huge potential to harness the most out of the available opportunity and address the prevailing gap in the market. Company's coconut procurement practices thus plays a vital role in bringing them up.

After analysing the results of the study regarding the Procurement Practices of Coconut by Marico ltd, Kanjikode, Palakkad. It is evident that on the Marico side, one of the biggest advantages has been the significant improvement in the buying efficiency. In Kerala according to the coconut development board, majority of farmers involved in coconut cultivation are marginal farmers. Therefore, direct procurement of Marico enables such marginal farmers to access fair and transparent prices at their doorstep. They also become aware of the expected quality norms and taking a cue go back and improve their produce so that they realize better price in their next visit.

It is also noticed that the procurement policy where they give more than the daily market price, Fast track payment, daily procurement, flexible quantity, coconut development programs etc. were the key attractions of the coconut procurement by Marico ltd from its competitors. The copra collection centres not only provide supply assurance to the Company but also a number of benefits to the farmers. It attracted more small suppliers to the direct procurement program. Also, this ensures the consistent supply of coconut in order to satisfies the need of their production.

In order to wind-up we can say that the direct procurement model is more effective for the company and farmers than the vendor procurement model. However, we can draw to a conclusion that Marico ltd procurement activities getting stronger and especially Parachute coconut oil is being highly demanded for its pureness.

4.4 Major suggestions

The worst nightmare for an FMCG is when it cannot match up its supply to its demand. Marico is facing the same, declining production of their raw material because of which it is unable to meet its demand for coconut-based products. These products are its STAR product and to ensure timely replenishment is Marico's prime need.

1. Like MIDAS (Marico Industries Distributor Application Software) which is a parallel setup of ERP, they can also introduce a software of integrating and linking all the coconut farmers and vendors across the state.
2. Implement a dedicated hot air dryer system for copra's which are rejected due to their higher moisture content alone, thereby the company can accept that copra's for their production.
3. Extend the facilities of copra converters to all of the collection centres of Marico Ltd.
4. The intermediaries can be totally eliminated by forming farmer networks. The marginal farmers who having limited production and infrastructure can pooled together through the network and sell directly to the Marico. This will reduce the costs in copra drying, transportation and labour. This will also give additional income to the farmers and ensures large quantities to Marico.
5. Company should upgrade their weighing systems implemented in the collection center in order to reduce the time delay and increase transparency in processing.

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APPENDIX

Appendix

COLLEGE OF CO-OPERATION, BANKING AND MANAGEMENT
VELLANIKKARA, THRISSUR-680 656
KERALA, INDIA

**A STUDY ON PROCUREMENT PRACTICES OF COCONUT BY
MARICO LTD, KANJIKODE, PALAKKAD
INTERVIEW-SCHEDULE**

Farmer Profile		
	Name of the Respondent	
1	<u>Socio-Economic details</u>	
	Locality
	Mobile No:
	Land holding
	Coconut variety
	Coconut yield (per month)
	Education Qualification	Below 10th std <input type="checkbox"/> 10th std <input type="checkbox"/> Graduation <input type="checkbox"/> PG <input type="checkbox"/> illiterate <input type="checkbox"/>
	Annual income	Below Rs.1,00,000 <input type="checkbox"/> Rs.1,00,000 to Rs.5,00,000 <input type="checkbox"/> Rs.5,00,000 to Rs.10,00,000 <input type="checkbox"/> Above Rs10,00,000 <input type="checkbox"/>
	Years of Experience in Coconut cultivation/ Procurement	1 year <input type="checkbox"/> 1-5 year <input type="checkbox"/> 5 to 10 years <input type="checkbox"/> Above 10 years <input type="checkbox"/>
	Participating Marico Coconut Procurement as	<input type="checkbox"/> Farmer <input type="checkbox"/> Vendor/trader
Procurement Details		
2	For how long you are in the trade with Marico ltd, Kanjikode?	
3	Are you supplying coconut only to the Marico ltd?	YES <input type="checkbox"/> NO <input type="checkbox"/>
4	Mode of transportation used for the supply of coconut to the company, (Put ✓ mark):	<input type="checkbox"/> Ape <input type="checkbox"/> Mini Lorry <input type="checkbox"/> Lorry
5	What is the distance to the collection center? (Put ✓ mark):	<input type="checkbox"/> <5km <input type="checkbox"/> 5km to 10km

		<input type="checkbox"/> >10km
6	How frequently do you supply the coconut to the company? (Put ✓ mark):	<input type="checkbox"/> Daily <input type="checkbox"/> Weekly <input type="checkbox"/> Monthly
7	In what form the coconut is supplied to the company?	<input type="checkbox"/> whole coconut <input type="checkbox"/> De-husked coconut <input type="checkbox"/> Crushed coconut <input type="checkbox"/> Copra
8	To whom you are selling your produce	<input type="checkbox"/> Marico <input type="checkbox"/> Small traders <input type="checkbox"/> Commission agents <input type="checkbox"/> others
9	How do you get information about Marico's coconut procurement?	<input type="checkbox"/> Marico staffs <input type="checkbox"/> Small shops <input type="checkbox"/> Commission Agents <input type="checkbox"/> Farmers
10	Preferred payment mode	<input type="checkbox"/> Cash <input type="checkbox"/> Cheque <input type="checkbox"/> Both

Pricing Policy

11	Is the procurement price that you receive for coconut is fair?	YES <input type="checkbox"/> NO <input type="checkbox"/>
12	What are the different costs associated with coconut supply to the company? (Put ✓ mark):	<input type="checkbox"/> Processing cost <input type="checkbox"/> loading/unloading cost <input type="checkbox"/> Transportation cost
13	Does the company share any costs associated with the supply of coconut to the company? YES <input type="checkbox"/> NO <input type="checkbox"/> If yes (Put ✓ mark)	<input type="checkbox"/> Processing cost <input type="checkbox"/> loading/unloading cost <input type="checkbox"/> Transportation cost
14	Whether the company pay the price amount regularly on the Procurement time itself?	YES <input type="checkbox"/> NO <input type="checkbox"/>
15	Whether the fat and oil content are considered by the company while fixing the price?	YES <input type="checkbox"/> NO <input type="checkbox"/>

Schemes and Assurances

1 6	What are the services you receive from the company? (Put ✓ mark)					
	a) Financial Assistance Transportation Charges <input type="checkbox"/> Loan Scheme <input type="checkbox"/> Insurance <input type="checkbox"/>		b) Farm Assistance Warehouse facilities <input type="checkbox"/> Resource centers <input type="checkbox"/> Fertilizers, seedlings <input type="checkbox"/> Production Development Assistance <input type="checkbox"/>			
1 7	Are you aware of the full range of services available from the company?			YES <input type="checkbox"/>	NO <input type="checkbox"/>	
1 8	Whether the company provide awareness about Government schemes in terms of subsidy/insurance/any others?			YES <input type="checkbox"/>	NO <input type="checkbox"/>	
1 9	Do you receive any quality upgradation / coconut development and research program from the company?			YES <input type="checkbox"/>	NO <input type="checkbox"/>	
2 0	Whether you receive any training programs from the company periodically?			YES <input type="checkbox"/>	NO <input type="checkbox"/>	
2 1	Whether the company personnel are responding quickly for any problem faced by you in time?			YES <input type="checkbox"/>	NO <input type="checkbox"/>	
2 2	Give rating to following as per your satisfaction level:					
	Particulars	SA	A	AS	DA	SD
	You mainly supply your coconut to Marico ltd.					
	Existing procurement models of Marico ltd are satisfactory.					
	The training programmes and awareness conducted by the Marico ltd was helpful.					
	The Financial Assistance was easy to obtain.					
	Farm assistance from the Marico plays a major role in the coconut productivity					
	Marico price is more profitable than domestic market price.					
	Demand of coconut increased than the previous years.					
	The Quality certification facilities are done properly by the Spices Board.					
	Obtaining assistance from Marico ltd was a trouble-free process.					
	Additional financial subsidy should be given by the Marico for the suppliers.					

Availing of the schemes for various agricultural infrastructure development from the Marico was very convenient.					
The Promotional activities by Spices Board are more in International Market than in Domestic Market.					
The monthly Procurement Activities are getting stronger and wider.					
Collection center facilities helps in increase of supplying of coconut.					
Company policies are restricting the procurement activities					

SA – Strongly Agree **A** – Agree **AS** - Agree to Some extent **DA** – Disagree
SD - Strongly Disagree

2 Rank the following reasons of constraints (if any) during the procurement on the basis of their
3 occurrence: (Number it from 1 to 10 accordingly)

Particulars	Rank (Highest constrain= 1 Lowest= 10)
Fluctuating prices	
Level of inferiors infected in copra	
Rural infrastructure	
Availability of quality planting materials	
Transportation Facilities	
Communication between the channel members	
Time constraints	
Exploitation by the intermediaries	
Company policies	
Market demand	

E. Other Details

24	If the possibility would be there, would you willing to sell in larger quantities	YES <input type="checkbox"/> NO <input type="checkbox"/>
25	Suggestions for the overall development of coconut procurement. (Write below)	

**** THANK YOU FOR YOUR CO-OPERATION ****

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