PROBLEMS AND PROSPECTS OF CO-OPERATIVE MARKETING OF HANDICRAFT PRODUCTS WITH SPECIAL REFERENCE TO WOOD AND METAL PRODUCTS

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By

VANAJA MENON

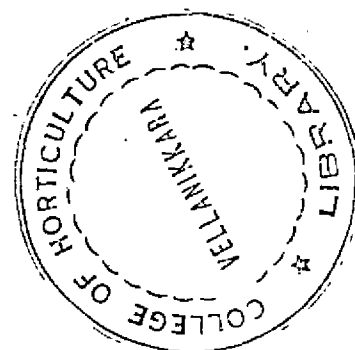## THESIS

Submitted in partial fulfilment of the
requirement for the degree

Master of Science in Co-operation & Banking

(RURAL MARKETING MANAGEMENT)

Faculty of Agriculture
Kerala Agricultural University

COLLEGE OF CO-OPERATION AND BANKING
Mannuthy, Thrissur

1990

DECLARATION

I hereby declare that this thesis entitled "Problems and Prospects of Co-operative Marketing of Handicrafts Products with special reference to the wood and metal products" is a bonafide record of research work done by me during the course of research and that the thesis has not previously formed the basis for the award to me of any degree, diploma, associateship, fellowship or other similar title of any other University or Society.

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CERTIFICATE

Certified that this thesis entitled "Problems and Prospects of Co-operative Marketing of Handicrafts Products with special reference to the wood and metal products" is a record of research work done independently by Miss Vanaja Menon under my guidance and supervision and that it has not previously formed the basis for the award of any degree, fellowship or associateship to her.

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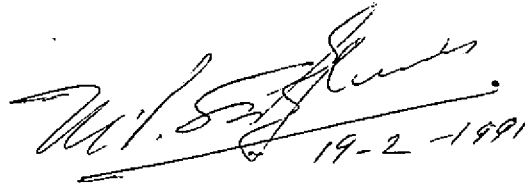College of Co-operation & Banking,
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ACKNOWLEDGEMENT

I would like to express my deep sense of gratitude to my most respectable guide, Sri. K.P. Mani, Assistant Professor, Department of Co-operative Management and Accounting, Chairman of the Advisory Committee, whose wisdom and leadership have influenced me considerably in the execution of my work and also for assisting me sincerely and affectionately throughout the course.

I am extremely indebted to Dr. N. Rajan Nair, Associate Professor, Department of Co-operative Management and Accounting, member of the Advisory Committee, for his kind, affectionate and valuable comments and directions given to me during my academic career in this college.

I would like to express my thanks also to Sri.Philip Sabu, Assistant Professor, Department of Co-operative Management and Accounting and Smt. Sujatha, Assistant Professor, Department of Statistics, members of the Advisory Committee, for their kind guidance and suggestions given for the selection of statistical tools and preparation of the thesis.

I would also like to express my sincere thanks and gratitude to my friends, Shri. Anil Kumar, V.P., Shri.Suresh K.S., Shri. Ranjith Kumar, Shri. Sebastian,K.J. and Kum. Usha Devi, K.N. for their help and cooperation during the course of the study.

Above all I dedicate my work to my parents, brother-in-law and sister to whom I owe more than I can ever repay.

Vanaja Menon

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CHAPTER I

INTRODUCTION

Handicrafts reflect the cultural heritage of the country. It is rightly described as the craft of the people. In India, handicrafts not only function as an industry as the word is commonly understood, but also as a creation that symbolises the aesthetic values and the artistic skill of the people. Therefore, the development of handicrafts is to be viewed as a holding operation which provides both gainful employment to the people as well as an attempt to preserve the traditional crafts of the country. Taimini (1980) is of the opinion that "the economic development of the country should be viewed in the light of the socio-economic milieu, which ensures maximum utilisation of resources with the traditional skills of the people. Handicrafts hold significant prospects in this regard and it would be apt and proper to emphasis the development of this sector and assist it to come on its own way".

The Indian handicrafts sector possess certain artistic characteristics, adhering to traditions and were conventionally passed from generation to generation. The centuries old monumental rhapsodies seen in Indian temples depict the traditions of handicrafts of the country. Although this industry has been spread all over the country, the major craft works like wood carvings, metal works, designed art works etc. are still concentrated in certain states viz. Kerala, Karnataka, Rajasthan, Orissa, Gujarat, Maharashtra and Jammu and Kashmir.

The handicrafts sector was mainly dominated by the private traders who were the masters of handicrafts marketing. But the intervention of the government and co-operative units since independence had tried to a great extent in preventing and controlling the exploitation of rural artisans by the private merchants.

Though the co-operative handicrafts units are organised all over the country, the degree of cooperativisation vary widely from state to state (see Annexure I.I). Certain states have not registered any significant headway in the development of handicraft cooperatives compared to

the cooperative movement in similar industrial sectors. The domination of private traders in the traditional markets and the absence of a strong and an effective market support made the cooperatives unable to explore new markets for their members' produces. Thus the growth in cooperatives and its membership exhibit that the cooperative movement which was established to counterveil the exploitation of artisans by intermediaries have not made much headway in achieving its objectives.

1.1. Handicrafts industry in Kerala

The wood carvings and the metal works found in different parts of the state are clear evidences to establish that Kerala had a glorious past in handicrafts. For instance, the metal mirror of Aranmula, Mahadeve Mandapam at Katinakulam and Nethurpetty of Trivandrum were examples for Kerala's metal and wood works. This industry in Kerala is controlled by different types of production and marketing units including public, private and cooperatives. As far as the cooperative structure is concerned, it has got dichotomous characteristics based on its production pattern. They are basically of:

1. 'House-hold primary societies' where members design the products and sell through the societies.

2. 'Industrial societies' where members design and produce the products by utilising the equipments and work-sheds of the society and sell under its direct control.

Eventhough the cooperative handicrafts were formed for the welfare of the artisans, the benefit of the spurt in production and marketing went mainly to the intermediaries than to the craftsmen. The disparity in wage rate and decline in the working days, due to non availability of raw materials and lack of finance, have forced the artisans to choose themselves for alternatives such as agriculture, carpentary works, construction etc. Hence, the decrease in membership has led many of the primaries in Kerala to the stage of dormancy.* For instance, the number of dormant cooperatives increased and reached equal to the member of working handicrafts cooperatives in

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*Note:Dormancy refers to the stage, when the cooperatives request the Registrar to close down its functions due to lack of finance, raw material and decrease in membership.

Kerala in 1989 (See Annexure I.2). The external markets, which are far away from the production units, normally shows high demand for the craft works of this state. But the handicrafts cooperatives, which are in short of finance and modern machineries, found it difficult to reach these markets with their limited holdings. So, gradually the artisans relied more on the private traders, who are instrumental in creating high price for the products by giving low returns to the producers.

1.2. Objectives of the study

1. To identify the channels of distribution of wood and metal handicraft products.

2. To measure the efficiency of the distribution channels.

3. To assess the extent of assistance given by the Federation in the production and marketing of wood and metal products.

4. To evaluate the marketing policy and programmes of the Apex Federation.*

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*The Kerala State Handicrafts Apex Cooperative Society, Ernakulam.

1.3. Significance of the study

The primary purpose of the study is to identify and measure the efficiency of the marketing channels of handicrafts cooperatives and thereby to invite greater attention to this relatively neglected area, namely channels of distribution. The survey conducted by the Kerala State Export Promotion Council (1989) pointed out that the cooperative marketing of handicrafts hardly comes to one per cent of the total market share of the products (Table 1.1). One of the explanations for the decline of cooperatives in the market share was reported to be the failure of the primary units to bring their products directly to the markets by identifying the right time and place.

Hence, the study analyses the different channels of supply that will help to identify the extent of dependency by the cooperatives on intermediaries for the distribution of their products in both internal and external markets. The study also assesses the efficiency of each channel.

The Kerala State Handicrafts Apex Cooperative Society plays a major role in organising the handicrafts primaries

Table 1.1. Value of exports of Handicrafts from Kerala
during the period 1984-85 to 1988-89.

(Rs in lakh)

Year	State owned units	Co-operative units	Unorganised units	Total
1984-85	7.85(9.46)	0.34(0.41)	74.81(90.13)	83(100)
1985-86	8.74(13.87)	0.88(1.39)	53.38(84.74)	63(100)
1986-87	14.33(17.48)	1.12(1.37)	66.55(81.15)	82(100)
1987-88	20.42(25.53)	0.82(1.03)	58.76(73.44)	80(100)
1988-89	19.82(16.52)	0.41(0.34)	99.77(83.14)	120(100)

Note: Figures in brackets indicate percentages to total

Source: Government of Kerala (Various years),
Annual Survey ofIndustries, Department of Economics
and Statistics, Trivandrum.

into more appropriate cooperative organisations by providing sufficient raw materials, finance, technical and marketing assistance. Therefore, the study also looks into the achievements made by the apex in fulfilling its role as an agency in marketing the products of its members both inside and outside the state.

1.4. Scheme of the study

Besides the introductory chapter, there are 5 more chapters in the study. The second chapter is devoted to review the available literature. The third chapter includes profile of the handicrafts industry. In the fourth chapter materials and methods of the study are listed. The results and discussions are presented in the fifth chapter and the summary of findings are given in the final chapter followed by references and appendices.

CHAPTER II

REVIEW OF LITERATURE

In this chapter an attempt is made to review the available studies relating to the handicrafts industry and the channel of marketing of its products. The available studies and papers are classified under the following heads.

2.1. Handicrafts Industry (general)

2.2. Marketing Channels

2.3. Channel Efficiency

2.4. Marketing Problems

2.1. Hnadicrafts industry

John Nelso (1982) in his article "Handicrafts Marketing in Eighties", has explained the success of co-operatives in the field of direct marketing, which ensures better utilisation of local conditions, resources and skill of workers over the scale of production. The success of marketing can be analysed by studying the ability of co-operatives to recognise the quickly flexible responds of the consumers to the ever changing demand for the products.

Sanjay Kathuria (1986) has undertaken a case study to examine the trends in the export of Indian handicrafts. Details relating to the total share in the world market, growth and predominant Indian handicrafts importers were collected based on secondary information. He specified that handicrafts production are alleged as a socially wasteful activity because of its dependence on state subsidies. However, from the commercial point of view it does not seems to be true as the evidences show that this industry is among the most efficient foreign exchange earners in our economy. For instance, share of handicrafts including gems and jewelleries have increased from Rs 1760 crores in 1984-85 to Rs 7800 crores in 1989-90 (See Annexure 2.1).

Mane (1987 a) while presenting his paper on "Progress of handicrafts co-operatives during 1985-87, Problems and Issues", in Vaikunth Metha National Institute of Co-operative Management, Pune pointed out that all public agencies including the co-operatives marketed no more than one per cent of the total handicrafts products in the country and thus the private traders are still predominant in marketing the Indian crafts. He also stated that, whatever crafts were marketed by the public agencies and

cooperatives were, by and large, not directly purchased from the artisans but from the traders.

· Taimni (1987) while commenting on the strategies for the progress of handicrafts co-operatives during seventh five year plan, attributed the general inability of the co-operatives to perform better as far as the marketing is concerned, to the fact that co-operatives lacked staff with necessary skills in marketing. He also opined that the progress of co-operative movement in handicrafts sector is remarkably slow even though it is accepted as an effective weapon against the domination of private traders in the traditional markets.

Mane (1987 b) highlighted the fact that handicrafts co-operatives with a meager membership were hardly well placed to provide any meaningful service to the artisans' community. The active societies are found only in the states like Kerala, West Bengal, Orissa and Jammu and Kashmir, where they are having Apex Federations. But specifying the case of the Kerala State handicrafts co-operatives, he also opined ,that, they have not paid much attention to the opening of common facility centres or raw material depots.

Dak (1989) has pointed out that, the rising standard of living, growing affluence and the penchant for the traditional and artistic handmade products in the developed countries on the one hand, and duty free imports of almost all handicrafts on the other hand , indicate that the world market for all the decorative community handicrafts product is growing and likely to grow faster than before.

Sirangi (1989) in his report on the handicrafts exports stated that, among the different measures taken by the government so far, included the developement of the co-operative handicrafts societies of the artisans which have been formed to end the exploitation by the middlemen.

2.2. Marketing channels

Maynard and Beckman (1952) had viewed a channel as a series of functions that must be performed in obtaining the flow of products from the producer to the consumer. These functions include grouping of products, packing, storage, transportation and also other needy input-output marketing services.

Brayer (1964) observed that, a distribution channel exists once the terms of agreement spinning the whole gap

from producer to consumer are concluded between the concerns assumed to possess the necessary marketing capabilities.

Martin Zober (1964) explained that construct of marketing channel does not refer to a single, optimal channel or the best channel, but to the right combination of the channels. He also viewed that, there is no such thing as a single channel of distribution that works best for any specific product.

Martin Bell (1966) observed that, though marketing channels are commonly regarded as a variable aspect or marketing mix of the manufacturers, too often, channel relationship do not receive due attention since they involve matters that are outside the production units.

Gunnar Myrdal (1968) in his book "Asian Drama" opined that the cottage industries can be sheltered from modern industrial competitions by developing the channel in such a way as to limit competition, for which he suggested that government can protect the craftsmen by providing new diverted channels by organising them into marketing co-operatives.

Parashwar (1969) while commenting on the marketing channels in developing countries, viewed that, the marketing channels are one or more institutional configuration for directly supporting the flow of goods. Here one or more configurations invariably refer to the possibility of more than one channel, which indicates a multichannel structure.

Edna Douglass (1975) described a marketing channel as the institution through which title moves from raw material to intermediate consumer or to ultimate consumer, or otherwise, the institutions that perform transportation and storage functions as products move through time and space to consumers. He viewed the length of the channel as the function of the characteristic of the product, of its demand, of its supply, and of the cost structure of the marketing firms that integrate the demand and supply.

Thambi (1975), in his address at the national seminar on marketing strategies for small industries, specified that instead of the prevailing general pattern as whole-saler, retailer, consumer, a radical change should be made in the distribution strategy by including the agencies of

super bazars, departmental stores, state marketing corporations, state emporia and co-operative stores.

Antony (1986) in his attempt to find out the structure of marketing channels defined a marketing channel as the intra organisational and/or intermediary structure and process for moving products from manufacturer to the consumer. His study was based on the primary survey made to find out the flow of goods of selected manufacturing industries in Kerala. Analysis revealed that, the status and role of the channel members, the type of institutions and the number of stages determine the structure of marketing channels.

Rajagopal (1987) said that in case the produce to be marketed is of small quantity, the producers have to consider a co-operative channel where the price is assured according to quality of the produce.

2.3. Channel efficiency

Zaiben Jasdenwalla (1973), in his work on marketing efficiency in Indian agriculture, defined efficiency as the effectiveness or competence with which a marketing structure performs its designed function.

Geoffery Shephered (1976) considered marketing efficiency in terms of total cost to the total value of products sold or marketed.

Desai (1979) in his paper on dynamic price spread, concluded that higher margin to the producers would improve their levels of living, which is the first step for the cumulative growth process in an agrarian economy. For this, he suggested improving the efficiency of distribution channels through the co-operative marketing which would fetch better price to its members.

Sharma (1981) observed that, improving the efficiency of marketing through co-operatives means leaving the cost per unit of moving products from the producer to the consumer and without hurting anyone involved in the process to the extent of forcing him out.

Gopalan (1989) said that, marketing efficiency in marketing co-operatives can ensure the producer member to get reasonable price for his produce by reducing the price spread between the producer and consumer.

2.4. Marketing problems

Taimni (1980) on his project on co-operatives and handicrafts marketing, made a study to find out the demand pattern of handicrafts. He selected four states namely Maharashtra, Karnataka, Jammu and Kashmir and Orissa and in each state coverage was extended to only two to three districts. The study revealed that, a bulk of the demand of handicrafts exists outside the production centres or states, generally in foreign countries or in large metropolitan cities or centres of tourist attraction. So the relentless pressure to reach the demand centres compel the craft persons, in the absence of any alternate arrangement to increasingly rely on private intermediaries, agencies, traders, exporters and shop-keepers to market their products.

Saraf (1982) observed that, the role of private traders in the field of handicraft marketing is still having relatively high importance. About 80 per cent of handicraft marketing is handled by privaters and only the rest by public marketing including co-operatives. For instance, the share of privaters in the total export of

handicrafts was 83.11 per cent in 1988-89 and the share of public marketing was 16.51 per cent and for co-operatives, it was only 0.38 per cent in 1988-89. This shows that the role of handicrafts co-operatives in the field of marketing, which is recognised as a best form of organisation for the production and marketing has been rather weak and tardy.

Mane (1987 c) has found that the major problems of public and co-operative handicrafts marketing are lack of quality, lack of proper time schedule in receiving order and more over production without taking into account the market potential for products. Owing to these drawbacks of the public and the co-operatives, Mane says that private enterprises will continue to hold their market for a long time.

Gopalan (1989) reported that the marketing co-operatives at micro level in several regions are facing inefficiency of marketing due to the bottlenecks like inadequate working capital, lack of coordination with the credit co-operatives, inefficient management, failure to provide needy input-output services, delayed payment of the sales proceeds to the producer as well as seller, lack of participative democracy and lack of transactional membership.

CHAPTER III

PROFILE OF THE INDUSTRY

The small scale industries play a significant role in India by providing major contributions to production, employment generation and export earnings. The data provided by the Annual Survey of Industries (1985) showed that the share of this sector in production has increased from Rs 28060 crores in 1980-81 to Rs 50,520 crore in 1984-85 and the employment increased to 90 lakhs persons from 71 lakh during the same period. As far as the exports are concerned it increased from Rs 1643 crore in 1980-81 to Rs 2580 crore in 1984-85 (Table 3.1).

On the basis of the production technology, the Small Scale Industries are classified into two groups, namely traditional industries and modern industries. The traditional industries include Khadi and Village Industries, handicrafts, sericulture, bamboo, coir, beedi, cashew, tiles etc. and the modern industries include capital intensive units with sophisticated techniques of production.

Table 3.1. Production, Employment and Export earnings from
small scale sector in India (1980-81 to 1984-85)

Year	Production (Rs crores)	Employment (No.in crores)	Export (Rscrores)
1980-81	28,060	0.71	1,643
1981-82	32,600	0.75	2,071
1982-83	35,000	0.79	2,097
1983-84	41,300	0.84	2,159
1984-85	50,520	0.90	2,580

Source: Government of Kerala (Various Years), Annual Survey
of Industries, Department of Economics and Statis-
tics, Trivandrum.

During the sixth plan, among the traditional industries, handicrafts industry ranked first in total production, employment generation and exports. For instance by the end of the sixth Five Year Plan, the share of traditional industries in total production under small scale sector was 11.75 per cent, where 45.30 per cent was contributed by the handicrafts industry alone. During the same period the share of handicrafts in employment generation came to 16.60 per cent and exports was 76.99 per cent (Table 3.2).

According to Kale (1972) a clear cut demarcation of handicrafts from other traditional industries seems to be a difficult task. However, handicrafts have two main characteristics, ie. most of the work should be done by hand, and the resultant products should have some artistic or aesthetic values. These characteristics demarcate handicrafts from other traditional and small scale industries.

The Working Group on Evaluation of Progress of Handicrafts (1959) defined a handicrafts industry as a 'Cottage industry or small scale industry the products of which are

Table 3.2. Production, employment and export earnings from the traditional industries and share of handicrafts in India during the sixth plan period.

Industries	Production (Rs in crores)	Percentages	Employment (No. lakh)	Percentage	Export (crores)	Percentage
A. Traditional Industries						
Khadi & Village	926	11.98	37.0	22.40	4	0.18
Handloom	2880	37.30	74.7	45.27	349	15.81
Sericulture	317	4.10	20.0	12.12	129	5.84
Handicrafts	3500	45.30	27.4	16.60	1700	76.99
Coir	100	1.29	5.90	3.58	26	1.18
Total	7723		165.0		2208	
B. Modern Industries	56943		122.0		2350	
C. Others	1061		27.9		-	
Total(A+B+C)	65730		315.0		4558	
Percentage share of Traditional Industries to the Total		11.75		52.38		48.44

Source: Planning Commission (1980), Sixth Five Year Plan Document, New Delhi.

artistic in character and require skill and craftsmanship in their manufacture'.

Indian handicrafts include wood carving, horn carving, metal works, lapidiary and screwpine works, mat weaving, bamboo and reed weaving, coconut shell works, paddy straw picture making and diamond and stone ornaments (Annexure III).

3.1. History of Indian Handicrafts

In India as a method of decorating building or pieces of furnitures and of making monuments, handicrafts works are practised from very early period even back from 5000 years.

The Vedas, Upanishads and traditional Indian literature have mentioned about the production of arts and crafts many of which were metal and wood works. Even the great epic Mahabharatha, explains the skill of Vishvakarma, the master of thousand handicrafts, who is being continuously workshiped by the carpenters. The lasting monuments India has produced, viz. Ajantha and Ellora, Temple of Konark, Khajurajo and so on, still breath the spirit and richness of Indian traditions and heritage.

India has a luxurient range in its wood works. The wood works of this country are famous for its contributions to religious figures, strange mythical animals, jewellery boxes and Palanquins. Different types of wood used for Indian crafts works include rose wood, teak wood, sandal wood and Jack wood. The major six wood crafts states in India are, Kerala, Karnataka, Orissa, Rajasthan, Gujarat and Maharashtra.

Indian metal works are having two distinct features ie. those designed for religious images and those used for utensil purposes. Copper, brass, bronze, zinc and white metal are the five important materials used for producing metal crafts. The major metal crafts states are Kerala, Karnataka, Tamil Nadu and Jammu and Kashmir.

3.2. Organisation and growth of Indian Handicrafts

The idea of organising voluntary institutions both in large and small sizes are generated in different industries even before independence. But due to the severe strains faced from British rulers along with the arbitrary methods employed by the fuedal chieftains it became difficult for

the craftsmen and merchants to successfully carry out their business through these institutions. Hence most of the institutions built up before independence found miserably desintegrated.

Since independence, seeing the relevance of handicrafts in India, the central government took initiative in regenerating this distressed sector by implementing several development programmes through the Five Year Plans. The first three plans gave greater emphasis for upgrading the small sectors by allotting around four per cent of the total plan expenditure to these sectors. The outlay for handicrafts industry alone in the plan was increased from Re. one crore in the first five year plan (1951-56) to Rs 111 crores in the sixth five year plan (1980-85) (Table 3.3).

Along with these measures, the government also organised the All India Handicrafts Board in 1952, as a central institution to assist and advice the handicrafts units in solving their problems confronting to the develop-ment of these sectors, and also to improve their production technique to suit the changing demand and to promote marketing in India as well as abroad. As a result of these

Table 3.3. Share of village and small scale industries
sector and industry and minerals in the
different Five Year Plan outlays in India

Plan Period	Actual expenditure (Rs in crores)	V & SI Sector's share in percentages	Ind. & Minerals share in percentages
1st	43	2.0	2.79
2nd	180	4.0	19.56
3rd	241	2.8	20.10
4th	126	1.9	22.80
5th	242	1.5	18.20
6th	388	1.3	24.00
(1978-83)	1410	1.8	19.70

Source: Jain L.C (1986), A Heritage to keep the Handi-
crafts Industry, 1955-85, Economic and Political
weekly, Vol.21, No.20.

steps, the handicrafts sector witnessed mushroom growth of both organised and unorganised units in several isolated villages in the country. Besides production and employment generation, the progress of this sector in exports denotes that this industry has got a dignified share in the economic affairs of the country. For instance, the export earnings of handicrafts increased from Rs 1760 crore in 1984-85 to Rs 2396 crore in 1988-89 which recorded 47.2 per cent increase within a span of five years (Table 3.5). In 1988-89, out of the total export earnings from small industries, 26.57 per cent was contributed by handicrafts sector alone (Table 3.6). The West European countries (37 per cent) American Region (28 per cent) and Asian Oceanic regions (27 per cent) were the major importers of Indian handicrafts (Table 3.7).

The items which are doing well in the international market include art metals, wood works, hand printed textiles, embroidery works and floor coverings. In 1969-70 the export of art metals to the USA was 40 per cent and in 1975-76 it declined to 18 per cent. The share of the USA, West Germany and Saudi Arabia also stood around 18 per cent during the same period. In 1981-82 along with the above

Table 3.4. The Plan expenditure/outlay on Village and
Small scale Industries Sector in India under
various Five year plans

(Rs crores)

Plan Period	Handi-crafts	Handloom	K & VI	Seri-culture	Total
1st plan	1.0	11.0	8.4	1.3	21.7
2nd plan	4.8	2.97	82.4	3.1	93.27
3rd plan	4.51	26.43	90.05	5.3	126.29
4th plan	–	–	–	–	–
5th plan	14.94	80.63	126.32	19.23	241.12
6th plan	111.00	311.00	547.80	165.0	1134.80

Source: Jain, L.C. (1986), A Heritage to keep the
Handicrafts Industry, 1955-85, Economic and Poli-
tical Weekly, Vol.21, No.20, May 17, 1986.

Table 3.5. Production, employment and export earnings
of handicrafts in India during the period
1984-85 to 1988-89

Year	Production (Rs in crores)	Employment (No.in crores)	Export (Rs in crores)
1984-85	3500	0.27	1760
1985-86	3815	0.29	1890
1986-87	4160	0.31	2050
1987-88	4535	0.32	2216
1988-89	4945	0.34	2396

Source: All India Handicrafts Board (Various Years),
Handicrafts Year Book

Table 3.6. Share of handicrafts including Gems and Jewelleries
in the export of Small Industries Products from
India during 1988-89

Industries	Export in 88-89 (Rs in crores)	Share total 88-89	Export in 89-90 (Rs in crores)	Share total 89-90
Engineering	2258	11.83	3000	10.9
Agri. & Allied Products	1770	9.27	2500	9.1
Leather & its Manufacture	1465	7.67	2000	7.3
Minerals & Ores	1069	5.60	1600	5.8
Chemicals & allied Products	1338	7.01	3000	10.9
Handicrafts (including Gems and Jewelleries)	5073	26.57	7800	28.4
Textiles	4586	24.02	5500	20.2
Plantation	855	4.47	1125	4.1
Marine Products	630	3.30	840	3.1
Sports Goods & others	43	0.22	60	0.2
Total	19087	100.00	27425	100.0

Table 3.7. Direction of the export of handicrafts from India
excluding Gems and Jewellers to the major five
regions of the world from 1965-66 to 1981-82.

(Percentages)

Year	West Europe	American Regions	Asian Occianic	East Europe	Africa	Others
1965	53	21	18	2	3	3
1970	44	21	27	2	1	4
1975	38	25	29	3	3	2
1978	47	24	21	1	2	5
1982	37	28	27	3	1	4

Source: Jain, L.C. (1986), A Heritage to keep the handicrafts
Industry, 1955-85, Economic and Political Weekly,
Vol.21, No.2, May 17, 1986.

mentioned countries the Soviet Union also became an importer of Indian art metals (11 per cent) (Table 3.8). As far as Indian wood crafts are concerned, the USA continued to be the major imorter for the last twenty years (Table 3.9).

Although spread over the entire country, certain states like Utter Pradesh, Rajasthan, Maharashtra and Gujarat with large concentration of private traders, account for the bulk of total production and exports of major handicrafts products from India. Therefore, the domination of private traders and resultant exploitation pulls the cooperatives back from the production and marketing of handicrafts compared to the co-operative movement in similar industrial sectors. By the end of 1988, there were 2032 handicrafts cooperatives with a membership of 80,766 in India. Only 67 per cent of these units were active and remaining 33 per cent were reported to be dormant. Annexure I.I. is sufficient to establish that the handicrafts cooperatives in India have not registered any significant headway in their development.

3.3. Handicrafts of Kerala

India's handicrafts tradition is enriched by a consi-derable contribution from Kerala. The wood works of Kerala,

Table 3.8. Percentage share of selected markets for the
            Indian arts and metal products from 1969-70 to
            1981-82.

Country	1969-70	1975-76	1981-82
U.S.A.	40	18	31
U.S.S.R.	6	4	11
West Germany	7	16	7
Saudi Arabia	6	18	10
Others	41	44	41

Note: Other countries include 95 importers of Indian
      Art Metals.

Source: Jain, L.C. (1986), A Heritage to keep the Handicrafts
        Industry, 1955-85, Economic and Political Weekly,
        Vol.21, No.20, May 17, 1986.

Table 3.9. Share of selected markets for the Indian wood
          carvings between 1969-70 to 1981-82
                                              (in percentages)

Country	1969-70	1975-76	1981-82
U.S.A.	33	33	25
Japan	7	14	9
Saudi Arabia	6	1	9
West Germany	6	10	7
France	1	2	4
Others	47	40	46

Note: Other countries include 95 importers of Indian
      Handicrafts

Source: Jain, L.C.(1986), A Heritage to keep the Handicrafts
        Industry, 1955-85, Economic and Political Weekly,
        Vol.21, No.20, May 17, 1986.

especially the carved elephants in a variety of postures, have become famous from very ancient days and have earned great reputation even in foreign markets. The large number of temples, giant sized Dwarapalakas, the doors, windows and ceilings carved with puranic scenes are all illustratives of the high level craftsmanship practised in the state. The major wood carving centres of Kerala are located in Cherpu, Trivandrum, Changanachery and Ernakulam. Along with these centres, certain unorganised carving units are also existing in interior villages like Nedumangadu,Chittoor and Maradu.

Similar to wood carvings, Kerala is also a home for the classified bell metal works as Uruli, Vessels, lamps and Jewel boxes and versions of God like Nataraja, St.Sebastian etc. The metal works of Kerala are basically of two types, artistic - of high per unit value and utensil - of low per unit value. The former is demanded by the rich and affluent group and later is essentially demanded by the common man. The chief metal works units in Kerala are located at Nadavarambu, Mannapra and Payyannur.

The production and marketing of handicrafts in Kerala are mainly contributed by the unorganised units, working

Table 3.10. Employment generation in various traditional small industries in Kerala from 1985 to 1989

(Number in lakh)

Year	Coir	Handloom	Cashew	Bamboo	Beedi	Handi-crafts	Total	Percentage of handicrafts to total
1985	2.36	1.42	3.22	2.88	0.38	0.60	10.78	5.57
1986	2.51	1.42	3.54	3.11	0.41	0.86	11.84	7.26
1987	2.26	1.45	3.42	3.22	0.43	0.88	11.64	7.56
1988	3.81	1.53	3.53	3.00	0.34	1.40	13.61	10.28
1989	4.32	2.50	4.11	2.89	0.34	1.50	15.66	9.57

Source: Government of Kerala (Various years), Annual Survey of Industries, Department of Economics and Statistics,Trivandrum.

Table 3.11. Share of handicrafts in total production under the traditional industries of Kerala from 1985 to 1989

(Rs crores)

Year	Coir	Handloom	Cashew	Beedi	Bamboo	Handi-crafts	Total	Percentage share of handicrafts to total
1985	9.16	39.24	39.45	23.42	2.05	23.40	136.81	17.10
1986	10.37	40.50	19.90	28.73	2.00	22.73	124.23	18.29
1987	12.73	58.02	17.69	33.33	2.09	27.75	151.58	18.31
1988	13.75	59.11	32.41	34.97	1.33	31.64	173.21	18.27
1989	13.71	61.21	44.91	36.70	2.12	35.63	194.28	18.34

Note: Figures include the production under the organised sector in Kerala.

Source: Government of Kerala (Various years), Annual Survey of Industries, Department of Economics and Statistics, Trivandrum.

under the private traders. These private traders often act as the 'manufacturer exporters' to the external markets. The share of the unorganised units in total exports from Kerala has raised from 73.44 per cent in 1987-88 to 83.14 per cent in 1988-89 (Table 1.1).

Comparing to the situation of the handicrafts industry in India, the share of this industry in Kerala's economy was seemed to be remarkably very low. For instance, the contribution of handicrafts to total production under the traditional industries were recorded only 17.10 per cent which more or less continued till the end of 1989. Similarly its share in employment generation under the traditional sector has raised from 5.57 per cent to only 9.57 per cent (Table 3.10 and 3.11) for the same period.

3.4.Cooperativisation of handicraft in Kerala

The idea of organising cooperative handicrafts units in Kerala was originated even before independence. The first cooperative handicrafts society was registered in 1939 at Trichur. Later, a number of cooperative units were established in different districts especially in Trivandrum, Trichur, Ernakulam and Cannanore.

In order to coordinate and assist in production and marketing of the products of the primaries, government had set up the Kerala State Handicrafts Apex Cooperative Society in 1965. The main objective of this Federation is to provide financial, technical and marketing assistance to its primary cooperatives. Through the 17 sales emporia opened in different parts of the country, apex distributes a major share of the handicrafts products to the different markets both inside and outside the state.

By the end of 1989, there were 102 cooperative handicrafts units registered under the District Industrial Centres in Kerala. Only 50 per cent of these cooperatives are considered to be working and remaining are reported to be dormant.

3.5. Production and marketing of wood and metal crafts of the handicrafts co-operatives in Kerala.

It was decided to gather data mainly from the handicrafts co-operatives actually engaged in the manufacture of wood and metal crafts. A unit in the study was defined as a place of work where one or more process of manufacturing articles of the handicrafts co-operatives

were undertaken. In Kerala as explained earlier, there are two types of units working in handicrafts cooperatives. Based on the mode of work, they are divided into; household primaries and industrial primaries.

The sample wood carving units in the state were grouped under the household primaries. The members of these units collect the raw material themselves and manufacture the products at their own cost. The finished products were marketed through the primary units on the basis of the order they received from federations. Therefore, the wood carving units function on a contract basis between the artisans and the federation/private traders from whom they receive orders. The distribution channels for the sample wood carving cooperatives are given in fig. 3.1.

As far as the sample metal units in Kerala are were concerned, it has its own industrial sheds where the members are working on wages. Therefore, these units were grouped under the industrial primaries. These units purchase raw materials in their own account and manufacture articles as per the order received from different parties. These include federation, private traders, wholesalers, retailers and brokers. Since the production of goods was at the discretion of the unit, the sales were also be its own

Fig. 3.F.I. Distribution channels for the wood products of handicraft cooperative Units in Kerala.
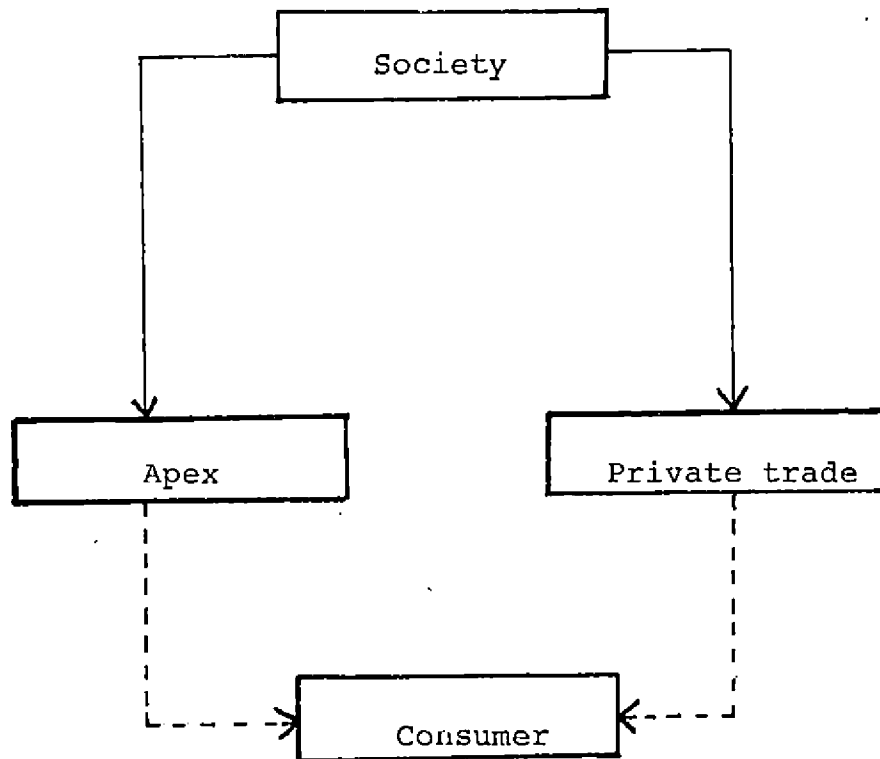
responsibility. Hence, the metal cooperatives were considered to be those units which were working independently on its own account. The different channels involved in the marketing of metal products are given in fig. 3.2.

The handicrafts unit working in both wood and metal products also functions on contract basis similar to wood carving units. Whenever the unit receives order from apex/ private traders, it places the orders to the members with an advance payment of 50 per cent of the price. The artisans quote his price depending on the skill he commands and the time he would take to do the job. The channels of distribution for the wood and metal work unit is similar to fig. 3.1.

Since, several business institutions are involved in performing the marketing functions of handicrafts cooperatives, this study made an attempt to analyse which one will conventionally makes up the suitable marketing channel for their products. The following chapters identify and examine the efficiency of each marketing channels of the handicrafts cooperatives with this respect.

Fig. 3.F.2. Distribution channels for the metal
products of handicrafts cooperative
units in Kerala
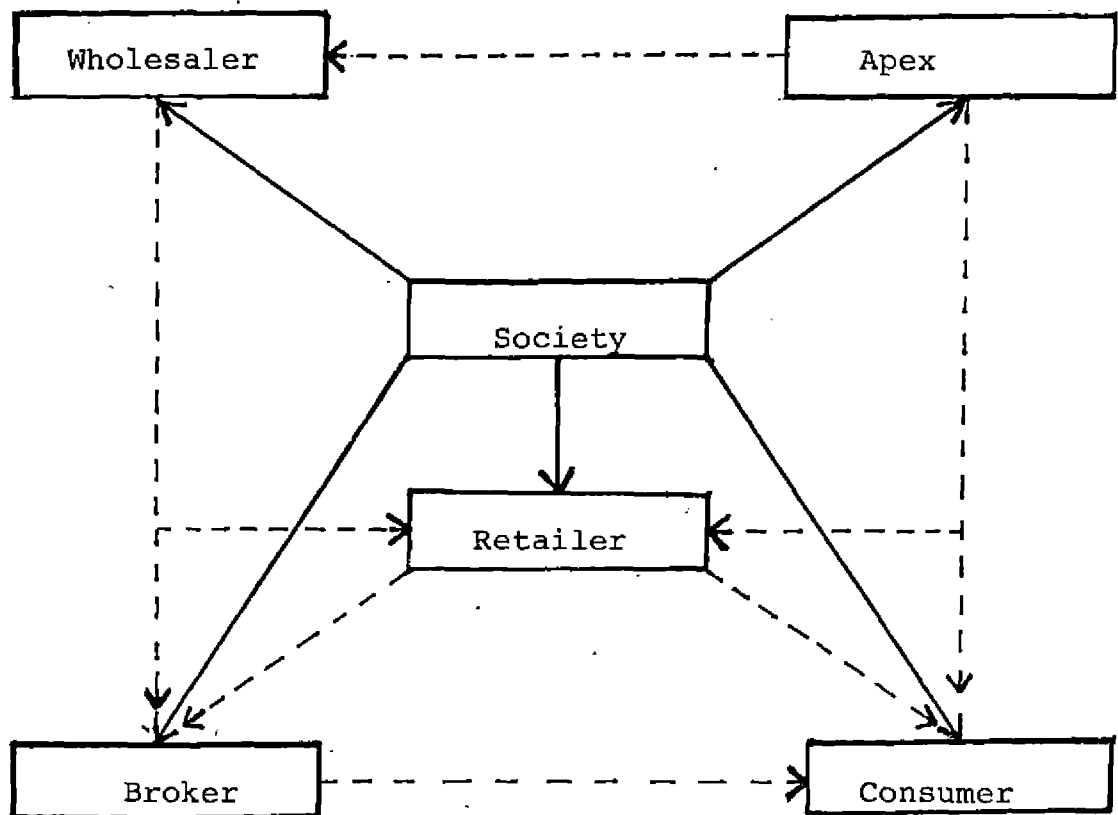
Materials and Methods

CHAPTER IV

MATERIALS AND METHODS

This chapter presents the materials and methods adopted for data collection and analysis is divided into six parts namely,

4.1. Study area and organisation
4.2. Sampling procedure
4.3. Selection of variables
4.4. Analytical tools and methods
4.5. Limitations of the study
4.6. Definitions of the terms and concepts

4.1. Study area and organisation

The Kerala state ranks fifth in the concentration of handicrafts units when compared to other states (See Annexure I.I) and the major works are found in wood carving and bell metal products. According to the Statistics, provided by the Directorate of Handicrafts (1989), 33.44 per cent of the handicrafts (organised) units in Kerala are in co-operative sector. The register book of Department of Industries, Government of Kerala, provided the details of co-operative handicrafts units, registered

under the several district Industries Centres. Till the end of December 1989, there were 102 handicrafts units registered as co-operative societies in the state and among these societies 51 societies were declared as dormant societies. Of the remaining societies, 21 societies are working exclusively in wood and metal products. Thus the study area includes those units working in wood, metal and in both.

4.2. Sampling procedure

Twenty one societies which include wood carving and bell metal cooperatives in Kerala constituted the population for the study. These 21 societies were divided into three stratas which included a group producing only bell products (one society), another group producing only wood works (18 societies) and a last group which produces both bell metal and wood works (two societies). Therefore, the sample size was limited to 20 per cent of the population. The selection of samples were based on the following criteria.

a. The selected society should undertake either wood carving or bell metal activities.

b. At least one society should perform both the activities viz. wood carving and bell metal works.

c. Availability of records.

Based on the above criteria, the sample selected include 3 wood carving societies, one bell metal society and one unit working in both (see Appendix I).

Along with these units the working of the Kerala State Handicrafts Apex Cooperative Society (Apex) was also surveyed to examine the extent of assistance provided by them to primaries.

4.3. Selection of variables

The details of variables were selected from the secondary sources, which included the Directorate of Handicrafts, Department of Industries, Kerala, District Industries Centres and the annual reports and records of the cooperative units.

The reference period of the study was confined to five years,1984-85 to 1988-89.

Since, the study was designed to identify the distribution channels of handicrafts cooperatives and thereby to measure the efficiency of each channel, the information collected mainly included the following variables.

1. Net sales of the unit
2. Number of agencies involved in sales

3. Share of each agency to total sales

4. Marketing cost of each unit

5. Price of the products, including producer's price, federation's price and wholesaler's price.

6. Variable manufacturing costs for each unit

7. Total assets of the unit

8. Net profit of the unit

9. Extent of participation in exhibitions by each unit

10. Rebate sales for different periods by the unit

11. The financial, technical and marketing assistance received from apex to each unit.

4.4. Analytical tools and methods

While examining the first, third and fourth objectives, simple averages, percentages and charts were used to identify the different types of channels followed by the units.

To measure the efficiency of the distribution channels four methods were adopted. They are:

a. Channel profitability approach

b. Price spread

c. Marketing efficiency measurement.

d. Productivity measurement.

In order to examine the profitability of the channels the contribution approach designed by Douglas, M., Lambert (1978), was applied. The objective of this analysis is to enable the management to choose a more profitable option if performance standards are not being met. This measurement includes calculation of three factors, 1.Manufacturing contribution margin by channels, 2. The segment contribution by channels and 3. segment controllable margin from channels. The method of analysing these three factors are given in Figure 4.1. As per this method the segment contribution by the channel shows interaction of variable revenues and costs for the segment. The segment controllable margin demonstrated the net advantage of the segment for the operating period. The ratio of the segment controllable margin to sales highlights the efficiency of segments/channel.

This approach has got following limitations as:

1.   The fixed joint costs of the units were not allocated to the different channels approximately, and

2.   Since the financial positions of the channels also effects its sales performance, exclusion of these factors may not provide sufficient information to measure efficiency.

Fig. 4.1. Model for channel profitability analysis - contribution approach

	Unit total	Channel A	Channel B	Channel C	Channel D
A. Net sales	-	-	-	-	-
B. Cost of Goods Sold (Variable manufacturing cost)	-	-	-	-	-
C. Manufacturing contribution (A-B)	-	-	-	-	-
D. Marketing and Physical distribution cost	-	-	-	-	-
E. Segment contribution margin (C-D)	-	-	-	-	-
F. Assignable non-variable cost (if any)	-	-	-	-	-
G. Segment controllable margin (E-F)	-	-	-	-	-
H. Segment controllable margin - to sales (G-A) x 100	%	%	%	%	%

Source: Douglas, M, Lambert (1978), Op.cit. p.122.

The second method includes the measurement of the economic efficiency of channels in terms of price spread. Under this method comparison of prices at different levels of marketing over the same period of time were analysed. To measure the price spread one product each from wood and metal crafts were selected. The selection of the products was based on the frequency of its sale which was abstracted from the sales records of the units. These products are:

h 1.   Trunk Down Elepant (10 inches), and

2.   No.11 Lamp (5 kg).

Three channels were selected to measure the price spread for the above products. They are:

a.   Producer   -   Society   -   Consumer

b.   Producer   -   Society   -   Apex   -   Consumer

c.   Producer   -   Society   -   Private Traders   -   Consumer

The main two limitations found for the price spread method were:

1.   Due to lack of uniformity in the pricing of products by different parties only an average price could be taken for analysis.

2.   The price of only two products were taken to measure efficiency, which provi   an arbitrary result.

In the Shepherd's Marketing Efficiency measurement, the efficiency of the sample units in marketing their products were analysed. For this purpose the following formula was used:

$$Me = \frac{TC}{TV}$$

Where

Me = Marketing efficiency of the unit

TC = Total cost for marketing

Tv = Total sales by the unit.

Since the fixed cost is excluded from the marketing cost the variation in the cost was found to be the major limitation of the method.

In the productivity measurement method the channel performance was analysed from a macro perspective level. This method suggests that the performance of the channels is influenced by the productivity of the institution. Therefore, the efficiency of the channels followed by the units was measured in terms of the productivity of the concerned unit. Hence, the net profit of the unit was taken as a tool to measure how efficiently products were manufactured and sold. The strategic profit model shown in

fig.4.2. illustrates that the return on net worth is a function of three factors, viz.

1. net profit

2. asset turn over, and

3. financial leverage.

The following formula were used to calculate the above factors.

Return on Net worth   =   Financial leverage x Return on assets

Financial leverage   =   Total asset/Net worth

Return on assets   =   Net profit/Total assets

However, a major drawback in relying exclusively on strategic profit model as a measure of performance is that the investment required to achieve a given sales level is not considered, which is a major factor influencing the profit of the units.

4.5. Limitations of the study

The limitations of the study are listed as follows:-

1. Due to high degree of dormancy in the handicrafts cooperatives the study has not covered all the districts in the state.

Fig. 4.2. Stategic profit model:

```
                                                                                     Sales
                                                                      Gross
                                                              Net    ┌─margin            −
                                                              ┌─profit         −       Cost of
Return on  = Financial x Reserve on      Net profit    ℀ =  │  ÷           ┐      └─ goods sold
Net worth    Leverage    Assets    ℀ =   margin            └─ Sales        │       Variable
                                    ℀                                Total  ┌─ expenses
Net profit = Total        Net profit     Net profit                 expenses         +
Net worth    Assets   x   Total assets   Net sales                              Fixed
                                                                              └─ expenses

                                    X
                                                              Current     ┌─ Inventory+
                         Asset turnover℀=  Sales          ┌─ assets          Account
                                                          │                receivable+
                         Net sales          ÷        ─┤        +              Other
                         Total assets     └─ Total   │      Fixed          current
                                             assets  └─ Assets             assets
```

Note: Net worth = share capital + reserve fund.

2. Since the study was designed to identify the distri-
    bution channels of the units, it has taken only the
    marketing aspects of the handicrafts cooperatives.

3. Insufficient supply of data for past periods due
    to the inability of cooperatives in maintaining
    proper records and the absence of a sound accounting
    procedure were found to be the major limitation.

4.6. Definitions of terms and concepts

4.6.1. Marketing channel

Marketing channel is the intra organisational and/or
intermediary structure through which products move from
manufacture to consumer.

4.6.2. Channel efficiency

Channel efficiency is defined as the degree of
effectiveness or competence with which a channel structure
performs its designed function.

4.6.3. Manufacturing contribution margin

Manufacturing contribution margin is the share of
manufacture in net sales after deducting variable manufa-
cturing costs.

4.6.4. Segment contribution margin

Segment contribution margin is the share of each segment/channel to manufacturers' margin after deducting the marketing and physical distribution costs.

4.6.5. Segment controllable margin to sales

The segment controllable margin to sales ratio indicates the margin to the manufacture from each segment/channel and thereby it highlights the efficiency of each segment/channel.

4.6.6. Net sales

Net sales indicates the total after meeting the variable expenses.

4.6.7. Net worth

Net worth is aggregate of shareholders' investment and retained earnings.

4.6.8. Asset turn over ratio

Asset turn over ratio is the sales divided by the total assets. This ratio indicates how efficiently assets are used to generate sales for the firm. Higher the ratio better the efficiency of the firm.

4.6.9. Return on assets

Return on asset is the net profit margin to asset turnover which indicates profitability to the value of assets employed. Higher the ratio better the returns to the firm.

4.6.10. Financial leverage

Financial leverage is the ratio of total assets to net worth. Higher ratio indicates better performance.

4.6.11. Return on net worth

The return on net worth is equal to return on assets multiplied by financial leverage ratio. Higher returns implies better performance.

Results and Discussion

CHAPTER V

RESULTS AND DISCUSSIONS

This chapter is divided into four sections. The different channels of distribution followed by the handicrafts primary cooperatives for the sale of their products are identified in the first section. The second section examines the efficiency of the identified channels of distribution. The assistance given by the Apex to the primaries and the marketing policies and programmes of the Apex are discussed in the third and fourth sections respectively.

The sample selected for the study and data collected are grouped under four heads.

1. Nadavarambu Bell Metal Industries Workers' Cooperative Society, hereafter referred to as Unit I, which itself represents the population for the metal work cooperatives in Kerala.

2. The Ernakulam Handicrafts Industrial Cooperative society, the Maradu Handicrafts Industrial Cooperative society and Cherpu Carpenters Industrial Cooperative

society were selected to represent the wood carving cooperatives in Kerala, hereafter referred to as Unit II, Unit III and Unit IV respectively.

3. The Trichur Handicrafts cooperative Society surveyed to represent the handicrafts cooperatives producing metal and wood and other industrial works, hereafter referred to as Unit V.

4. The Kerala State Handicrafts Apex Cooperative Society as the central institution assisting the promotion and marketing of members' products, hereinafter will be referred to as Unit VI.

5.1. Marketing channels

According to the committee on Definition of the American Marketing Association, a market channel is the structure of intra company organisation units and extra company agents and dealers, wholesale and retail, through which a commodity, product or service is marketed. There are many ways for a producer to move his produce from the place of production to the place of sale. Inspite of the simple or complex nature of the channels adopted by a producer,
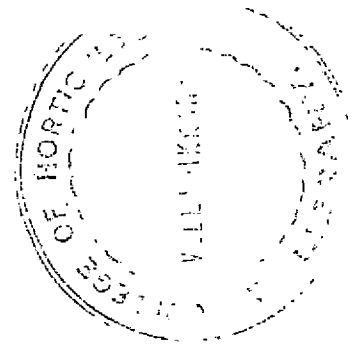
the basic goal for the selection of a marketing channel is the achievement of broad product availability to assure ready exposure of his products to the potential markets.

This section is devoted to identify the different types of channels followed by the bell metal cooperatives, wood carving cooperatives and the Kerala State Handicrafts Apex Cooperative Society for the marketing of their member products.

5.1.a. Distribution channels of bell metal products (Unit I)

In seeking ideal and potential markets for metal products, Unit I had adopted different channels of distribution. Study on Unit I revealed that the production of this unit is not sufficient to meet the demand in the market and hence the unit enjoyed a certain assured market for their traditional and reputed products both inside and outside the state. To utilise these existing market opportunities, unit I follows four established channels which are considered to be best for aggressively seeking their business (Chart 5 C.1).

Till 1985-86, bulk of the business of Unit I was based on the order received from the Apex. Therefore,during

CHART 5.C.1.

1. CHANNEL A

SOCIETY		SALES CALLS	APEX		LOCATION / PRICE	CONSUMER
		PRICE			ADVT.	
		DELIVERY				

2. CHANNEL B

SOCIETY	SOCIETY'S RETAIL OUTLET	LOCATION, PRICE	CONSUMER
		ADVT.	

3. CHANNEL C

SOCIETY		SALES CALLS	WHOLESALER		ADVT SALES CALLS	RETAIL SHOP		LOCA- TION	CONSU- MER
		PRICE/ DEALS/ DELIVERY			PRICE/ DEALS/ DELIVERY			PRICE ADVT	

4. CHANNEL D

ADVERTISEMENTS

SOCIETY		SALES CALLS	AGENTS BROKER	OUTSIDE STATE RETAIL SHOPS		LOCAT- ION/ PRICE	CON- SUMER
		PRICE/ DEALS/ DELIVERY				ADVT	

these days maximum effort was made to market its products through channel A and the share of sales recorded through this channel was 48.56 per cent. But in 1988, by the revitalisation of the management strategies and the establishment of its own retail showroom at Nadavarambu, Irinjalakuda, this unit had **succeeded in shifting** their sales to channel B and channel C. This resulted in a drastic fall in the share of channel A in 1988-89 (2.54 per cent).

The competition faced from other metal work centres (viz. Moradabad, Jaipur and Tanjavoor) assures a favourable market environment to Unit I by enhancing the value of their metal works.

Along with the demand for metal products, the sound financial position of Unit I (for instance, the net worth of the unit has increased from Rs 1.04 lakh in 1984-85 to 2.46 lakh in 1988-89) have designed a healthy encompass to encourage direct sales through its own show rooms by successfully evading the intermediaries. Eventhough more concentration was given to channel B and channel C, occasionally, during the exhibition periods, it also distri buted goods through channel D, which was found to be comparatively weak. For instance, the share of channel D in

1988-89 was only 2.88 of total sales (Table 5.1). The share of channel B recorded as high as 70.06 per cent in 1987-88 (71.26 per cent). This implies that around 70 per cent of the total sales are contributed through direct marketing from the Unit. This unit utilises its own showroom for major share of its direct marketing and remaining are being done through exhibitions and fair season trades.

The percentage share of each channel in distribution of products from Unit I for the period 1988-89 is given in Fig. 5.F.1.

5.1.b. Distribution channels for wood carving products
       (Unit II, III and IV)

The selection of marketing channel system by cooperatives has strategic consequencies affecting all aspects of their marketing mix. Their freedom in the selection of channel is restricted by the limited resources available to them.Therefore, the design and adoption of the channel system requires the deployment of sufficient financial and manpower resources as well as other production resources.

Inspite of the ready market for the wood works, the wood carving cooperatives are not susceptible to produce sufficient goods to meet the potential demand for this

Table 5.1. Sale of output by the Unit I through different channels during
          the period from 1984-85 to 1988-89

Year	Channel A Amount (Rs lakh)	Channel A Share (per cent)	Channel B Amount (Rs lakh)	Channel B Share (per cent)	Channel C Amount (Rs lakh)	Channel C Share (per cent)	Channel D Amount (Rs lakh)	Channel D Share (per cent)	Total sales (Rs in lakh)
1984-85	11.86	48.56	6.01	24.62	6.42	26.69	0.13	0.53	24.42
1985-86	3.59	18.03	12.46	62.59	3.08	15.46	0.78	3.92	19.91
1986-87	3.51	23.48	9.56	63.95	1.59	10.64	0.29	1.93	14.95
1987-38	0.42	2.34	12.59	70.06	4.30	23.93	0.65	3.67	17.97
1988-89	0.45	2.54	12.62	71.26	4.13	23.32	0.15	2.88	17.71

Source: Sales records of the Unit I for the year 1984-85 to 1988-89.

Fig. 5.F.1.   Contribution by each channel of Unit I to
               total sales in 1988-89.
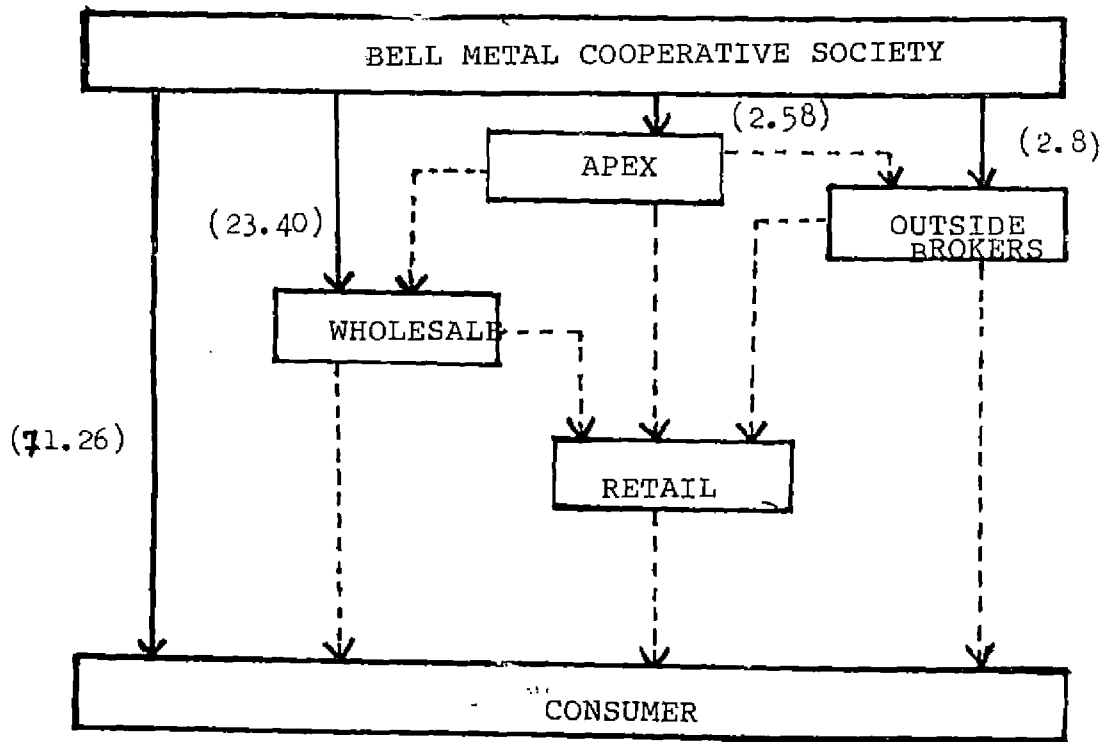
10 per cent = 1 cm

products. The main reason noticed was that these coopera-
tives are running in shortage of finance, manpower and
other production facilities. For instance, the share
capital of unit II has been declined from Rs 1 lakh in
1982-83 to mere Re. 0.30 lakh in 1988-89. Similarly the
membership decreased from 98 in 1982-83 to 17 in 1988-89.
Due to these reasons the wood carving cooperatives were
forced to narrow down their distributional operations to
the following marketing channels (See chart 5 C.2).

Chart 5 C.2.

1. Channel A

```
              Order                    Location
┌─────────┐              ┌───────┐              ┌──────────┐
│ Society │──────────────│ Apex  │──────────────│ Consumer │
└─────────┘              └───────┘              └──────────┘
  Price                    Price
  Delivery                 Advt.
```

2. Channel B

```
              Order                    Location
┌─────────┐              ┌─────────┐              ┌──────────┐
│ Society │──────────────│ Private │──────────────│ Consumer │
└─────────┘              └─────────┘              └──────────┘
  Price                    Price
  Delivery                 Advt
```
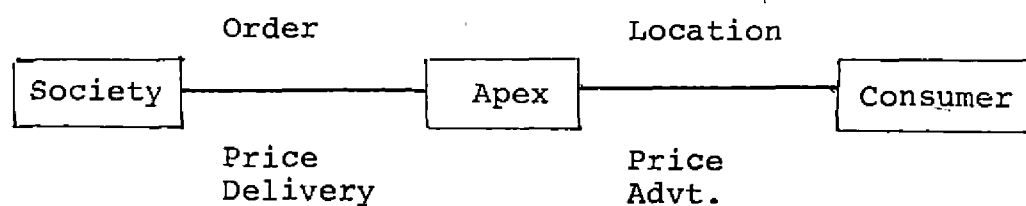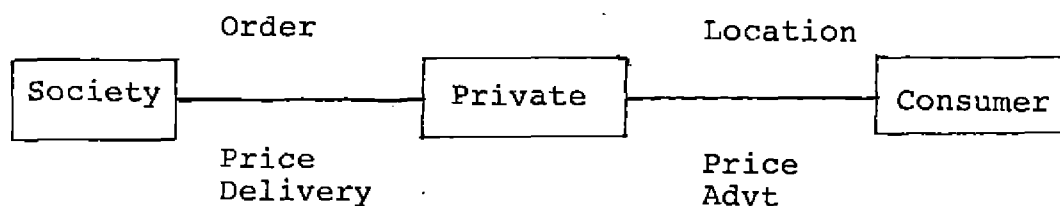
The study revealed that units II and III are distributing their entire products through channel A (Table 5.2 and 5.3). These units neither have their own show rooms nor do they undertake any industrial operations in favour of their member carpentors. The entire business of these units are based on the order they receive from Apex. They execute the order with its predecided specifications, price and delivery time to the members and thereafter supply the products to the Apex on behalf of the carpenters. Thus it is obviously clear that these units are mearly acting as an agent between Apex and their members for the marketing of products.

The study revealed that Unit IV occasionally employs channel B which contributes nearly 30 per cent of their total sales (Table 5.4).

5.1.c. The wood carving and metal work cooperatives

The third section deals with the identification of channels for the handicrafts cooperatives which undertake the production of different types of products including the wood and metal works. The study revealed that, based on the type of goods produced by the cooperatives, they

Table 5.2. Sale of Products by Unit II through different channels
during the period 1984-85 to 1988-89.

Year	Channel A		Channel B		Total (Rs in lakh)
	Amount (Rs in lakh)	Percentage share	Amount (Rs in lakh)	Percentage share	
1984-85	0.63	89.21	0.08	10.79	0.71
1985-86	0.73	92.01	0.06	7.99	0.79
1986-87	0.37	95.20	0.02	4.80	0.39
1987-88	0.27	98.20	0.01	1.80	0.28
1988-89	-	-	-	-	-

Source: The Sales Records of the Unit II during the period
1984-85 to 1988-89.

Table 5.3. Sales of Products by Unit III through channel A
for the period 1984-85 to 1988-89

Year	Apex (Rs in lakh)	Percentage share	Total (Rs in lakh)
1984-85	-	-	-
1985-86	-	-	-
1986-87	0.89	100	0.89
1987-88	0.71	100	0.71
1988-89	0.78	100	0.78

Source: Sales Records of the Unit III during the period
1984-85 to 1988-89.

Table 5.4. Sale of product by Unit IV through different
channels from 1984-85 to 1988-89.

| Year | Channel A | | Channel B | | Total (Rs in lakh) |
	Amount (Rs in lakh)	Percentage	Amount (Rs in lakh)	Percentage	
1984-85	1.35	73	0.50	27	1.83
1985-86	1.43	69	0.64	31	2.07
1986-87	1.27	64	0.72	36	1.99
1987-88	1.04	65	0.56	35	1.60
1988-89	1.93	66	0.99	34	2.92

Source: Sales records of the Unit IV during the period
1984-85 to 1988-89.

conveniently select their channels of distribution. Sample unit V explains the general marketing channels followed by these types of cooperatives (See Chart V.3).

The wood works of this unit flow mainly through channel B which contributed nearly 60 per cent of the total sales (Table 5.5). This channel was also found to be suitable channel for marketing different types of products produced by the unit. The metal works of the unit were channelised through channel D, which contributed around 40 per cent till 1988-89. Since the reorganisation of metal cooperatives of Kerala into more efficient units in 1988-89, the sale of these products were shifted back to channel B and to a little extent to channel A and channel C (The share of A and C in 1988-89 were 14.54 per cent and 38.59 per cent respectively - Table 5.6).

The foregoing discussion was not meant to explain that there is only one channel of distribution for each product. As a matter of fact this cooperative unit follows alternative channels which are considered to be suitable for its products.

The four types of channels followed by Unit V are given in Fig. 5.F.2.

CHART 5.C.3.

1. Channel A

```
┌────────────────────────┐   Location   ┌──────────┐
│ Society        Own      │──────────────│ Consumer │
│           retail        │   Price      │          │
│           outlet        │   advt.      │          │
└────────────────────────┘              └──────────┘
```

2. Channel B

```
          Order                    Location.
┌──────────┐        ┌────────┐              ┌──────────┐
│ Society  │────────│  Apex  │──────────────│ Consumer │
└──────────┘        └────────┘              └──────────┘
   Price                        Price
   delivery                     advt.
```

3. Channel C

```
          Order                    Location
┌──────────┐        ┌───────────┐          ┌──────────┐
│ Society  │────────│ Wholesale │──────────│ Consumer │
└──────────┘        └───────────┘          └──────────┘
   Price                        Price
   delivery                     advt
```

4. Channel D

```
          Order        ┌────────────────┐   Location
┌──────────┐           │ Industrial     │           ┌──────────┐
│ Society  │───────────│ cooperatives*  │───────────│ Consumer │
└──────────┘           │ and            │           └──────────┘
   Price                │ institutes     │   Price
   Delivery             └────────────────┘   delivery
```
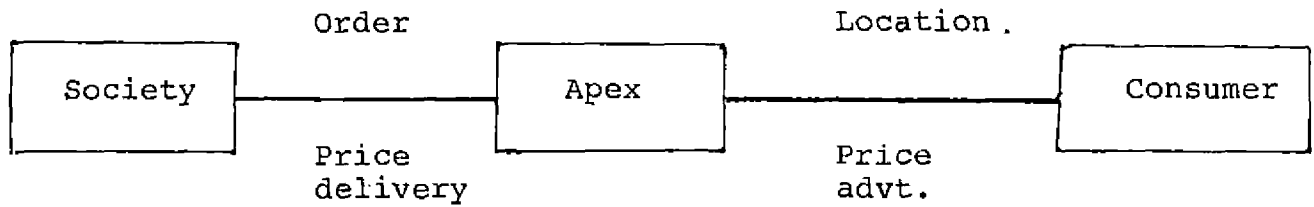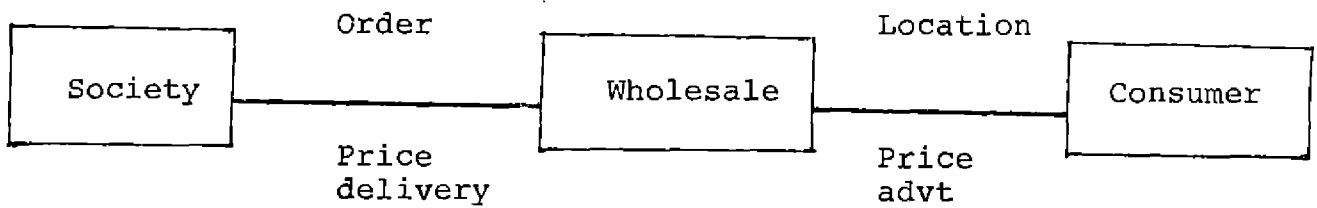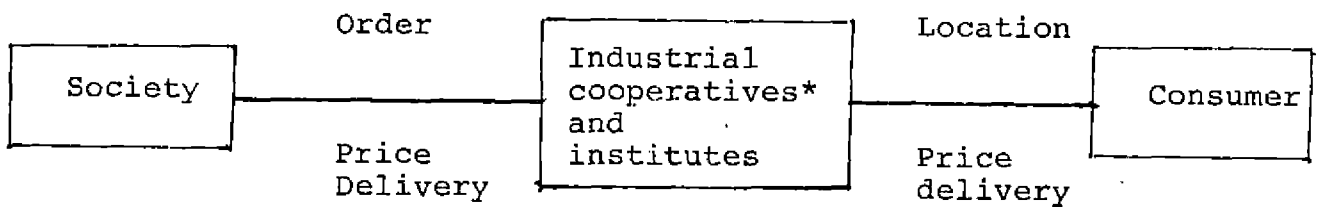
(*K & V I, Nadavarambu, Handloom Stores, etc.)

Table 5.5. Share of Wood Carving, Bell Metal and other items in total sales through Unit V during the period 1984-85 to 1988-89.

| Year | Wood carving | | Bell Metal | | Others | | Total |
	Amount (Rs in lakh)	Percentage share	Amount (Rs in lakh)	Percentage share	Amount (Rs in lakh)	Percentage share	(Rs in lakh)
1984-85	2.21	91.70	0.09	3.73	0.11	4.57	2.41
1985-86	1.49	78.01	0.32	16.75	0.11	5.24	1.91
1986-87	1.71	72.15	0.28	11.81	0.38	16.04	2.37
1987-88	1.32	58.66	0.44	19.55	0.49	21.79	2.25
1988-89	0.89	61.37	0.26	17.93	0.30	20.70	1.95

Note: Others include Buffaloe horn, clay works, paper mats, coconut shell works and reed works.

Source: Sales records of Unit V during the period 1984-85 to 1988-89.

Table 5.6. Sale of products by the Unit V through different channels
          from 1984-85 to 1988-89

Year	Channel A Amount (Rs lakh)	Per cent	Channel B Amount (Rs lakh)	Per cent	Channel C Amount (Rs lakh)	Per cent	Channel D Amount (Rs lakh)	Per cent	Total (Rs lakh)
1984-85	0.24	9.91	0.66	27.38	0.68	28.22	0.83	34.49	2.41
1985-86	0.09	5.03	0.01	0.21	0.88	46.07	0.93	48.69	1.91
1986-87	0.06	2.59	0.66	27.85	1.12	47.26	0.53	22.36	2.37
1987-88	0.17	7.59	0.96	42.65	1.01	44.87	0.11	4.89	2.25
1988-89	0.21	14.54	0.56	38.59	0.56	38.59	0.12	8.27	1.45

Source:The Sales Records of the Unit V for the period 1984-85 to 1988-89.

Fig. 5.F.2. Distribution channel for unit V for
the period 1988-89.

COOPERATIVE SOCIETY

(8.27)   (38.59)   (14.54)

Other
societies

(38.59)

Apex   Wholesale

Retails

CONSUMERS
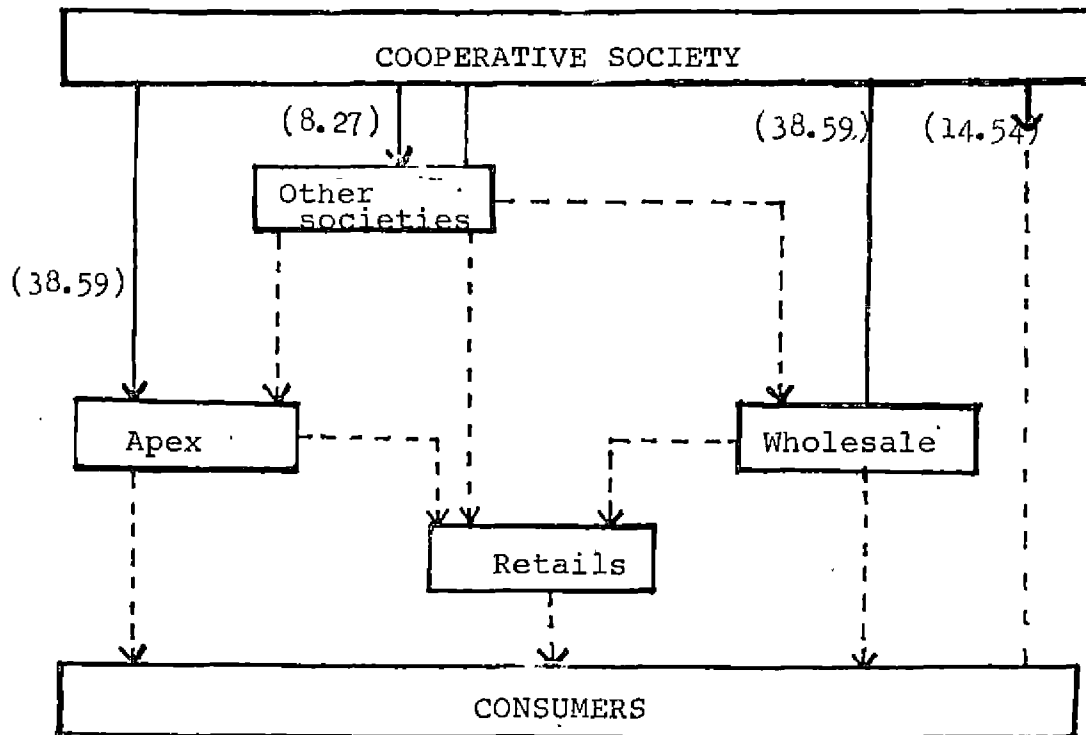
10 per cent = 1 cm

5.1.d. The Kerala State Handicrafts Apex Cooperative Society

The study also covers an analysis on different channels followed by the Apex for marketing their members products.

An essential feature of a successful marketing strategy is that the distributional pattern of the different producers should be coordinated and therefore, their total effort should be greater than the sum of individuals efforts. In the cooperatives, this coordination is accomplished in the manner of a central institution linking the producer with the customer in their marketing channel system.

Therefore this part of the study examines the different distributional channels followed by unit VI as the central institution, in marketing their members' products to the potential buyers residing both inside and outside the state. The study revealed that, no discrimination was given by apex in pricing or in the mode of selling of products to different parties. Hence, apex follows a single channel of distribution through its sales depots without employing any intermediaries. Fig. 5.F.3, explains

Fig. 5.F.3. Marketing of handicrafts by Unit VI (Apex)
for the period 1987-88.
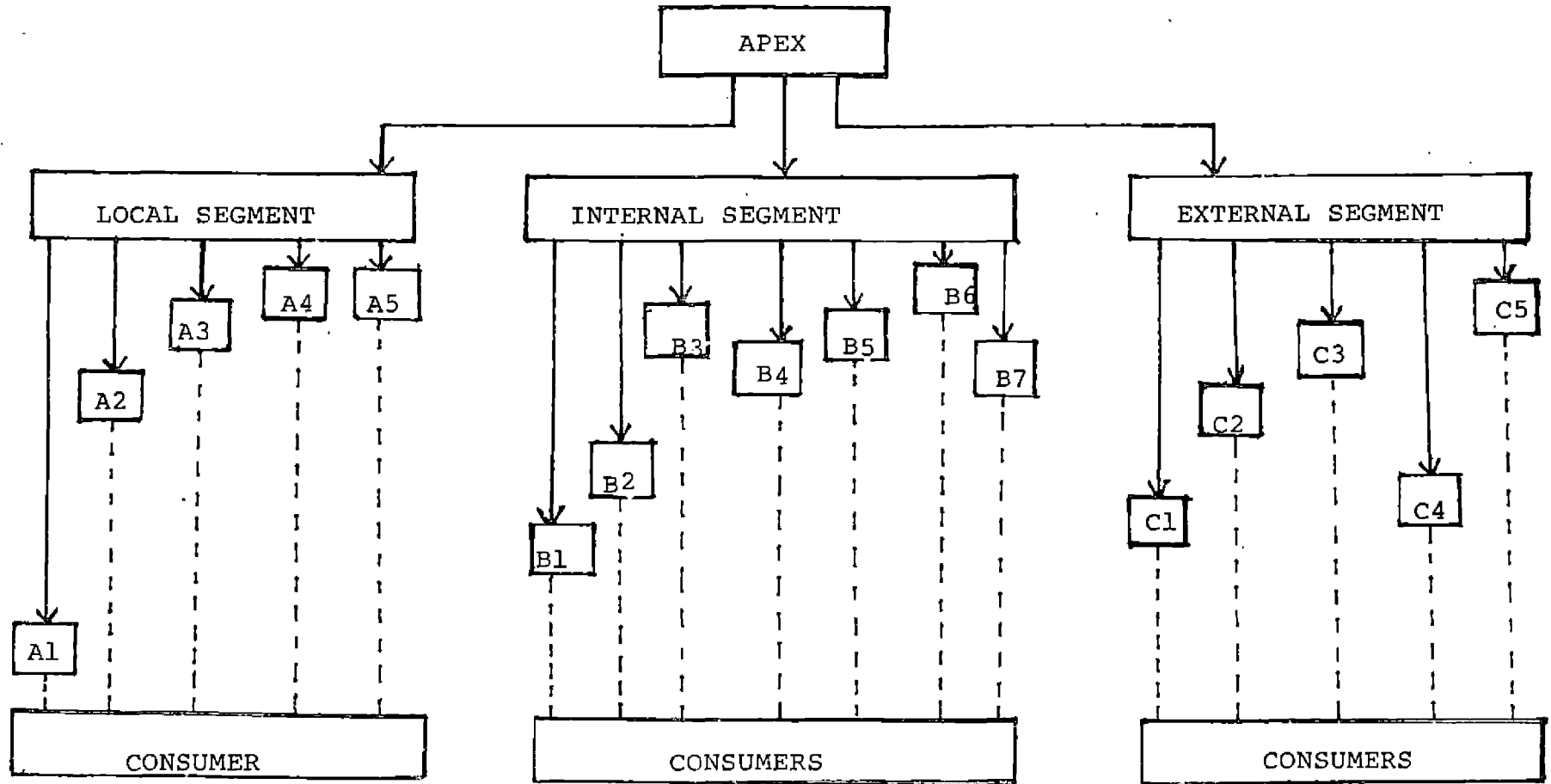
10 per cent = 1 cm

the marketing of products by apex through its depots. Since the main objective is to purchase the products of its affiliated societies for resale, the Apex has established altogether 17 sales depots in India (See Appendix II) So this study has been narrowed down to examine the role of each depot in marketing their products. The marketing channels are divided into 3 segments.

1. Local market: Customer contact through 5 showrooms functioning in Ernakulam Town (A_1, A_2, A_3, A_4 and A_5)

2. Internal market: Customer contact through 7 showrooms functioning in different parts of Kerala, excluding local depots (B_1, B_2, B_3, B_4, B_5, B_6 and B_7).

3. External market: Customer contact through 5 showrooms functioning outside Kerala (Fig. 5.F.3)(C_1, C_2, C_3, C_4 and C_5).

The internal market of unit VI contributes a major share of its total distribution. It stood at 36.69 per cent in 1984-85 and 52.02 per cent in 1988-89. Local market and External market contributed more or less equal share to total sales. The share of these two channels in 1988-89 were 25.14 per cent and 23.51 per cent respectively (Table 5.7).

Table 5.7. Local Sales, Internal Sales and External Sales through Unit VI
for the period 1984-85 to 1988-89.

Year	Local Sale		Internal sale		External sale		Total (Rs lakh)
	Amount (Rs lakh)	Percen-tage	Amount (Rs lakh)	Percen-tage	Amount (Rs lakh)	Percen-tage	
1984-85	31.56	28.56	40.54	36.69	38.41	34.75	110.51
1985-86	37.33	29.05	48.33	37.61	42.83	33.34	128.48
1986-87	32.50	29.79	54.58	50.00	22.07	20.02	109.15
1987-88	26.00	25.17	58.85	56.07	18.46	17.86	103.31
1988-89	26.71	25.14	56.02	52.27	23.51	22.59	106.23

Note: Sales include ordinary sales, rebate sales and exhibitions

Source: Sales records of Unit VI for the period 1984-85 to 1988-89.

Study also examined the share of each depots included in the three main segmentations. Thus it revealed that within the local market depot, AI was the main showroom through which more than half of the marketing was carried out by the Apex. The share of AI has increased from 49.85 per cent in 1984-85 to 84.40 per cent in 1988-90. The remaining four depots (A2, A3, A4 and A5) contributed less than 15 per cent of the total sales. This was because of the location of the stores in areas where high competition from private traders were being faced (Table 5.8).

As far as internal market was concerned, depot B1 was the major distributor of the products, where its share has recorded as high as 45.37 per cent in 1988-89. This was followed by B2 which contributed around 25 per cent of total sales. Even being a tourist centre B4 contributed only a very little to the total marketing in the internal segment (0.86 per cent in 1988-89). The share of B6 and B7 were also found very negligible. The weak promotional measures and competition from private traders were found to be the reasons for the low sales through these depots. (Table 5.9).

Out of the five external depots, Cl tops in total distribution. But this showroom also showed a declining

Table 5.8. Share of each local show rooms of Unit VI (Al-A5) in the Total Local Sales of the Federation for the period 1984-85 to 1988-89.

Year	A1 (Ekm SR-I)		A2 (Ekm SR-II)		A3 (Marine Drive SR)		A4 (Central Godown)		A5 (Procurement Depot		Total local sale
	Rs lakh	per cent	Rs lakh	per cent	Rs lakh	per cent	Rs lakh	per cent	Rs lakh	per cent	
84-85	15.73	49.85	2.49	7.89	1.25	3.96	1.43	4.53	10.64	33.77	31.55
85-86	17.30	46.33	3.42	9.72	0.08	2.90	2.70	7.23	12.81	34.34	37.44
86-87	17.46	53.72	3.70	11.38	3.28	14.31	3.35	10.31	3.31	10.28	30.50
87-88	14.83	57.04	4.11	15.81	0.88	7.85	2.55	9.81	2.47	9.50	26.00
88-89	22.44	84.40	-	-	0.22	5.73	2.32	8.36	0.40	1.54	26.70

Note: The total sale includes sales through different emporia plus festival sales conducted on Onam, X'mas and Handicraft week through these showrooms.

source: Sales Records of Unit VI during the period 1984-85 to 1988-89.

Table 5.9. Share of each Internal Showroom (B1-B7) of Unit VI in the total internal sale excluding Local Sale during the period 1984-85 to 1988-89.

Year	B1 - Trichur		B2 - Calicut		B3 - Palghat		B4 - Guruvayoor	
	Rs lakh	Per cent	Rs lakh	per cent	Rs lakh	per cent	Rs lakh	per cent
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
84-85	19.92	49.14	13.54	33.39	3.44	8.49	0.42	1.04
85-86	21.71	44.41	18.47	37.79	4.04	8.27	1.14	2.33
86-87	21.39	39.16	19.02	34.82	3.66	6.70	0.90	1.65
87-88	25.46	43.17	16.68	28.28	4.19	7.10	0.70	1.14
88-89	25.70	45.37	14.56	25.70	3.81	5.71	0.49	0.86

Year	B5 - Kottayam		B6 - Kovalam		B7-Trivandrum		Total internal sale
	Rs lakh	Per cent	Rs lakh	per cent	Rs lakh	per cent	
	(10)	(11)	(12)	(13)	(14)	(15)	(16)
84-85	3.22	7.94	-	-	-	-	40.54
85-86	3.52	7.20	-	-	-	-	48.33
86-87	4.90	8.97	-	-	4.75	8.70	54.58
87-88	4.66	7.95	1.18	2.00	6.11	10.36	58.85
88-89	5.28	9.32	1.43	2.52	5.38	9.50	56.02

Note: The total sales includes the rebate conducted by the above showroom in different seasons.

Source: Sales Records of Unit VI for the period 1984-85 to 1988-89.

trend from 71.38 per cent in 1984-85 to 30.62 per cent in 1988-89. C4 was ranked second by indicating a growth in its share, ie. 24.73 per cent in 1986-87 to 39.61 per cent in 1988-89. The share of remaining three depots (C1, C2, and C5) were found unsatisfactory over the period (Table 5.10).

Thus in the section an attempt was made to identify the channels of distribution of sample units and the analysis revealed the following.

1.   The bell metal handicrafts cooperative society follows four different channels of distribution,which include direct sales, sales through apex, wholesalers and brokers. Till 1987-88, the share of apex (Channel A) stood high in total sales, which later shifted to direct sales through its own shoroom (Channel B) and to wholesale (channel C) by pushing channel A to to fourth place. Eventhough the share of channel D was very low,unit follows this channel in order to exhibit and promote its products outside the state.

2.   The study analysed that due to lack of finance and marketing facilities the wood carving units II and III follows only a single channel (a), by selling

Table 5.10. Share of External showroom (Cl-C5) of Unit VI in total External Sales during the period 1984-85 to 1988-89.

Year	C1 – Bangalore Rs lakh	Per-cent	C2 – Madras Rs lakh	per cent	C3 – Pondichery Rs lakh	SR per cent	C4-Calcutta Rs lakh	per cent	C5-Madurai Rs lakh	per cent	Total external sale
84-85	4.59	71.38	1.19	18.51	0.65	10.11	-	-	-	-	6.43
85-86	3.55	34.84	6.15	60.35	0.49	4.81	-	-	-	-	10.19
86-87	4.84	40.43	3.08	25.73	1.09	9.11	2.96	24.73	-	-	11.97
87-88	4.79	32.83	3.07	21.04	1.59	10.89	4.71	32.29	0.43	2.95	14.59
88-89	5.09	30.62	3.11	18.78	1.60	9.66	6.56	39.61	0.22	1.33	16.56

Note: External sales includes only sales through 5 show rooms directly controlled by unit VI including the Rebate Sales and Exports.

Source: Sales Records of Unit VI for the period 1984-85 to 1988-89.

their entire products through apex. But unit IV along with channel A also uses channel B whenever it gets order from the private traders.

3. Based on the nature of the product (wood crafts or metal crafts) unit V selects different channels of distribution (Channel A, B, C and D). The wood crafts were channelised mainly through the apex (Channel A) and metal crafts were marketed through industrial cooperatives (channel D).

4. The Kerala State Handicrafts Apex Federation (Unit VI) follows only a single channel, ie. direct sales which charges uniform price to the customers. While comparing the sales from each segment (local, internal and external sale segments) the study found that the internal sales ranked top. Further analysis showed that A1 in local segment, B1 and B2 in internal segment and C1 and C4 in external segment recorded top sales during the study period.

5.2. Channel efficiency measurement

Implementation of an efficient and effective distribution strategy for an organisation requires evaluation

of the performance of channels followed by the organisation. The management of each institution involved in a channel must be concerned not only with the performance of its own organisation but with the performance of all institutions in the working channel. Hence according to Dougles (1978) one of the most critical aspects of channel management is measurement and evaluation of channel performance.

General explanations were listed for lack of attention given to channel performance measurement. These include, difficulty in defining a channel, difficulty in quantifying all aspects of channel performance to make an index and lack of published standards for comparisons. Besides these reasons, as far as the cooperatives are concerned, lack of appropriate and efficient account procedure was found to be a major problem for the inability in channel performance measurement

However, in this section an attempt is made to examine the performance of different channels followed by handicrafts cooperatives in Kerala and for the purpose, the following four methods were used.

1. Channel Profitability Analysis.

2. Price Spread

3. Shephered's Marketing Efficiency Measurement

4. Productivity measurement

5.2.1. Channel profitability Analysis

Channel profitability analysis (Douglas Lambert,1987) using contribution analysis, offers considerable promise for channel performance measurement. In his approach, the channels followed by the institutions are divided into different segments and by determining the profitability of each segment, their performance are being measured. The ratio of segment controllable margin to sales was one method of highlighting the efficiency of channels in the distribution strategies adopted by the organisation. The methodology used for measuring channel profitability is given in Fig.4.F.1.

5.2.1.a. Channel profitability of unit 1.

The study measured the efficiency of four channels followed by the unit, by using the channel profitability measurement. Table 5.11 revealed that, since the total sales from the unit showed a decline from Rs.24.42 lakhs in 1984-85 (excluding rebate sales) to Rs.17.71 lakhs in

Table 5.11. Channel Profitability Analysis for Unit I - The segment contribution margin ratio and segment controllable margin ratio to measure the efficiency of the distribution channels from 1984-85 to 1988-89.

Year	Channel A		Channel B		Channel C		Channel D		Total	
	SM1	SM2	SM1	SM2	SM1	SM2	SM1	SM2	SM	SM2
1984-85	32.88	25.72	32.94	18.96	31.77	18.53	69.23	0	32	18
1985-86	46.24	19.77	46.15	38.52	46.10	15.58	46.15	0	46	27
1986-87	27.01	0	27.01	16.84	28.78	0	46.76	0	27	1
1987-88	26.19	0	27.16	18.82	27.20	2.79	32.10	0	27	4
1988-89	26.12	0	26.14	16.96	26.10	0	26.00	0	25	1

Note: SM1 = Segment Contribution Margin

        SM2 = Segment Controllable Margin

Source: Sales records of Unit I for the period 1984-85 to 1988-89.

1988-89, the segment contribution margin as well as the segment controllable margin also declined from 32 per cent and 18 per cent to 5 per cent and one per cent respectively, during the same period. The analysis revealed that even though the segment contribution margin for each channel recorded high support for sales from the unit, the segment controllable margin highlights the inefficiency of these channels in contributing profit to the producer. For instance, the segment contribution by channel A for 1986-87 was as same as for channel B in the same period (27.01 per cent) but the segment controllable margin for A remained zero from 1986-87 to 1988-89, while it resulted satisfactory to channel B for the above period. Similarly in 1984-85, the segment contribution margin for channel D ranked top but the segment controllable margin was below zero and remained as same till the end of 1988-89. Though the segment controllable margin of channel C showed an instabililty in growth, the performance of this channel remained better than other channels. Therefore, in the channel profitability measurement of unit I though the segment contribution margin exhibits high ratio, the segment controllable margins explains that except channels A and D, the other two channels (B and C) of unit I were performing efficiently.

5.2.1.b.   Channel profitability of Unit II, III and IV

Since the study revealed that unit II and III
follows only a single channel (Channel A), this section
examines the efficiency of channel A alone in marketing
their products.

Table 5.12 revealed that, total sales by unit II
through channel A recorded a steady decline from Rs.0.63
lakh   in   1984-85   to   Rs.0.27   lakh   in   1988-89   and
consequently a decline in its segment contribution and
segment controllable margins.   About unit III, the sales
contribution margin of the unit recorded poor performance
over the period of time.   For instance 29 per cent in
1987 and 28 per cent in 1989.   But the sales controllable
margin had increased from 25 per cent to 26 per cent
during the same period. (Table.5.12)

While measuring channel profitability of Unit IV the
performance of regular channel (Channel A) was examined
along with the performance of channel B which was
occasionally followed by the Unit.

From table 5.13 it was clear that the performance of
unit IV has found to be weak over the period by

Table 5.12. Channel Profitability Analysis of Unit II and III, contribution
approach of channel A to total sales for measuring its efficiency

Years	Unit II (Channel A)			Unit II (Channel A)		
	Total	SM1	SM2	Total	SM1	SM2
1984-85	0.63	23	18	-	-	-
1985-86	0.73	27	17	-	-	-
1986-87	0.37	35	29	0.89	29	25
1987-88	0.27	25	20	0.71	21	18
1988-89	-	-	-	0.78	28	26

Note: SM - Segment controllable margin to sales

Source: Sales Records of Unit II & III for the period 1984-85 to 1988-89.

Table 5.13. The channel profitability analysis of Unit IV - Channel contribution approach of each channel to total sales for measuring their efficiency (1984-85 to 1988-89).

Years	Total Sales (Rs lakh)	SM1	SM2	Channel A SM1	Channel A SM2	Channel B SM1	Channel B SM2
1984-85	1.83	20	7.66	23	15	23	0
1985-86	2.07	20	9.17	22	14	22	6
1986-87	1.99	20	8.54	22	13	21	8
1987-88	1.60	20	5.63	22	11	20	0
1988-89	2.92	20	9.25	23	15	22	7

Note: SM - Sales controllable margin to sales

Source: Sales Records of Unit IV for the period 1984-85 to 1988-89.

contributing only 20 per cent to the segment contribution margin from 1984-85 to 1988-89. But comparing to channel B, the performance of channel A was found to be good. For instance, the segment contribution margin and the segment controllable margin remained as same as 23 per cent and 15 per cent respectively from 1984-85 to 1988-89. Inspite of the stable increase in the total sale through channel B, the segment controllable margin did not indicate a proportianate increase during the period. (from zero in 1984-85 to 7 per cent in 1988-89). Eventhough the segment contribution margin for channels A and B remained same during the period, the segment controllable margin for channel B showed a very low share to the producer's margin. Therefore, the performance of channel A was found to be more efficient and stable comparing to channel B for the distribution of wood crafts of unit IV.

5.2.1.c. Channel profitability of unit V

Table 5.14 explains that over the period, the profitability of unit V remained substantial as 20 per cent. In proportion to the sales, the performance of channel A and channel B were found to be the same in 1988-89. (23 per cent).

Table 5.14. Channel Profitability Analysis of Unit V - Contribution Approach of
           each channel in total sales, for measuring their efficiency from
           1984-85 to 1988-89.

(Rs lakh)

Total	Total	Channel A	Channel B	Channel C	Channel D
1984-85	2.41(2)	0.66(24)	0.68(22)	0.24(0)	0.83(23)
1985-86	1.91(2)	0-01(0)	0.88(25)	0.09(0)	0.93(25)
1986-87	2.37(20)	0.66(23)	1.12(27)	0.06(0)	0.53(21)
1987-88	2.25(20)	0.96(25)	1.01(36)	0.17(0)	0.11(9)
1988-89	1.45(20)	0.56(23)	0.56(23)	0.21(0)	0.12(8)

Note: Segment controllable margin is given in brackets

Source: Sales Records of Unit V during the period 1984-85 to 1988-89.

Sales through channel C was also found to be satisfactory since the share increased from 9.91 per cent in 1985-86 to 14.54 per cent in 1988-89. But the segment controllable margin for the channel reached negative for the same period. Comparing to channel C , share of channel D in total sales showed a decline from 34.49 per cent in 1985-86 to 8.27 per cent in 1988-89. But the sales controllable margin of channel D performed better than channel D.

5.2.1.d. Channel profitability measurement for unit VI

Since unit VI follows only a single channel for distribution ie. direct sales through its own retail showrooms, in this section an attempt is made to compute the segment contribution margin as well as the segment controllable margin for the unit through this channel. The segment contribution margin was found to be as high as above 82 per cent till 1986-87, and declined to 78 per cent in 1988-89. But comparing to this ratio, the segment controllable margin reached only 51 per cent in 1986-87 and declined to 37 per cent in 1988-89. (table 5.15).

Table 5.15. Comparison of total channel efficiency six units by using the
channel profitability measurement for the period 1984-85 to 1988-89.

Year	Unit I SM2	Unit II SM2	Unit III SM2	Unit IV SM2	Unit V SM2	Unit VI SM1	SM2
1984-85	18	18	-	8	2	83	56
1985-86	27	17	-	9	2	84	58
1986-87	1	29	25	9	20	84	51
1987-88	4	20	18	6	20	79	42
1988-89	1	-	26	9	20	78	37

Note: SM1 = Segment contribution Margin, SM2 = Segment controllable margin

While measuring the performance of the unit, study also examined the efficiency of each showroom in the distribution of products,. Table 5.16 revealed that, in proportion of the sales, depot A1 ranked top in segment controllable margin by contributing around 80 per cent throughout the period (1984-85 to 1988-89). Followed by A1,B1,B2 and B5 also recorded high efficiency ratios, ie. 83 per cent, 81 per cent and 80 respectively, in 1988-89. But the local depots A3,·A4 and A5 recorded a gradual decline in segment controllable margin from 71 per cent, 75 per cent and 85 per cent respectively in 1984-85 to 65 per cent by A4 and no contribution by A3 and A4 in 1988-89. Therefore, it is clear that except A1 and A2 remaining local sales depots (A3,A4 and A5) were found to be less efficient in their overall performance. In the internal sales depots of the unit, the sales controllable margin of B4 was found by very low and it also declined from 45 per cent in 1984-85 to 33 per cent in 1988-89. Similarly the share of B3, B6 and B7 also declined during the period. Hence, the performance of B1, B2 and B5 were found to be more efficient in the internal sales segment.

While the external sales segment was concerned, the performance of depots C1 and C2 were found to be efficient. For instance, the sales controllable margin increased to 66 per cent and 65 per cent for C1 and C2 respectively in 1988-89. But for the remaining three depots (C3, C4 and C5) the sales controllable margin recorded a declining trend. For instance, for C3 and C4 the margin decreased to 60 per cent and 40 per cent in 1988-89 from 62 per cent and 89 per cent in 1987-88. No contribution was received by C5 since its establishment in 1987.

In table 5.15 an attempt was made to compare the efficiency of sample units in terms of their segment controllable margin ratio to sales. The analysis revealed that the total manufacturers' share in the profit received from the channels followed by each unit did not depict a satisfactory result. For instance, except for unit VI, the net advantage receive by the units for the operating period hardly came to 20 per cent. Especially the performance of unit I and II were seemed to be very low, as their shares remained even below 10 per cent. Thus, the overall picture explains that, the performance of all these samples were gradually declining over the period.

Therefore, in brief, the channel profitability measurement method highlighted the following.

1. The segment controllable margin of the channels explains that the most efficient channels for unit I are channel B and C.

2. Eventhough unit II follows a single channel (A), the performance of the channel was found to be becoming inefficient.

3. The overall growth in the segment controllable margin from channel A for unit III indicates a positive trend in its efficiency.

4. The high fixed cost met by the unit IV reduces its share from the segment controllable margin received from channel B. Therefore, channel A was found to be performing well in distributing its products.

5. The performance of channel A, B and D of unit V were found to be good, comparing to channel C which give no profit to the unit over the period.

6. The segment controllable margin received from direct sales by unit VI pointed out that the efficiency of the channel was found to be weak. In the local

depots, AI and A2, in the internal depots Bl and B2 and B5, and in the external depots Cl and C2 performed well in the distribution of products.

5.2.2. Price spread

The second approach used in the study to measure the efficiency of the marketing channels of handicrafts primary cooperatives is price spread. Since the increased productivity and ensuring of fair returns to producers, pre-suppose an efficient marketing system, economic efficiency of different channels is generally measured in terms of price spread. The larger the price spread the lesser the efficiency of the marketing system and vice versa.

Generally three methods are used for the calculation of marketing margin. They are:

a. following the specific batch/lot of consignments through the marketing system and then assessing the cost involved at each of the different stages.

b. submission of average gross margins obtained by dividing money value of sale minues money value of purchase by the number of units transacted by each type of marketing agency.

c.   comparison of prices at different levels of market-
      ing over the same period of time.

In this study, considring the nature of the product,
the third method was adopted to measure the efficiency
of channels. Since the price spread is calculated on
the basis of prices charged for products, only two
products were selected for the study, viz.   No.II lamp
(5 kg) and Trunk down elephant 10 inches. The price
taken for the products exclude the price charged during
the festival seasons, trade fairs and exhibitions. The
final price of products were found to be different for
each channel as they add 'profit margin' in varying
rates.

5.2.3.a. Price spread for Unit I

Since the first three channels (Channel A, B and C)
contributed a major share to total sales, this section
exclude channel D from measuring performance efficiency.

Table 5.16 revealed that, while selling through
channel B, 87 per cent of margin was shared by the
producer by providing a profit margin of 7.2 per cent to
unit I.   Similarly while selling through channel C, 87
per cent of price margin was gone to producer by sharing

Table 5.16 ·Channel Profitability Analysis for Unit VI — The contribution approach for each channel in total sales for neee measuring their efficiency for the period 1984-85 to 1988-89.

(is lakh)

Year	A1	A2	A3	A4	A5	B1	B2	B3	B4	B5	B6	B7	C1	C2	C3	C4	C5	T
1984-85	15.73 (85)	2.49 (79)	1.25 (71)	1.43 (73)	10.64 (85)	19.92 (85)	13.54 (85)	3.44 (81)	0.42 (45)	3.22 (81)	-	-	4.59 (9)	1.19 (0)	0.65 (0)	-	-	
85-86	17.30 (85)	3.42 (80)	0.06 (0)	2.70 (78)	12.81 (85)	21.71 (86)	18.47 (85)	4.04 (81)	1.14 (68)	3.52 (80)	-	-	3.55 (29)	6.15 (35)	0.49 (0)	-	-	
86-87	17.46 (87)	3.70 (81)	3.28 (75)	3.85 (80)	3.31 (79)	21.39 (87)	19.02 (87)	3.66 (81)	0.90 (57)	4.90 (83)	-	-	4.84 (69)	3.08 (64)	.09 (37)	2.96 (63)	-	
87-88	14.83 (82)	4.4 (76)	0.88 (25)	2.55 (71)	2.47 (71)	25.46 (84)	16.68 (83)	4.19 (79)	0.70 (64)	4.66 (79)	1.18 (64)	6.11 (81)	4.79 (70)	3.07 (57)	.59 (62)	4.71 (89)	0.43 (0)	
88-89	22.44 (81)	-	0.22 (0)	2.32 (65)	0.40 (0)	25.70 (83)	14.56 (81)	3.81 (77)	0.49 (33)	5.28 (80)	1.43 (66)	5.38 (79)	5.09 (66)	3.11 (60)	.60 (46)	6.56 (80)	0.22 (0)	

Note: 1. Segment controllable margin to sales ratio is given in brackets
2. Sales through channels exclude sales during festivals, trade fair & exhibitions.

Source: Sales Records of Unit VI during the period 1984-85 to 1988-89

two per cent of the profit margin by unit I. But when
the products were sold through channel A, only 84 per
cent of price margin was given to producer and (-)3.0 per
cent loss to unilt I. So table 5.17 indicated that,
though there were differences in the profit margin earned
by unit, the producers share in sale of the products
ranked equal for both channels, B and C, but very low for
channel A.

5.2.3.b. Price spread for unit II, III, IV and V

The study revealed that there were difference in the
production cost and price charged for some products   by
the four   units.   But   to   examine   the   price   spread,
average of the cost of production as well as average
price charged by the units were only considered.

As far as units II, III, IV and V are concerned, the
producers share in consumers price contributed 83 per
cent through channel A. But for unit IV, study also
measured price spread for channel B. While selling
through channel B, the producers share has decreased to
76 per cent comparing to channel A. Thus channel A   en-
sured more efficient channel for unit II, III, IV and V
by ensuring a price margin of 82 per cent to the producer
(Table 5.18).

Table 5.17. Margin for the No.II Lamp (5 kg) under different
marketing channels for Unit I in 1988-89

(Amount in Rs)

Particulars		Channels	
	B	A	C
Raw material (Rs 50/kg)	250.00		
Waxing cost	5.00		
Finishing expenses	2.15		
Polishing charge	7.70		
Wage	120.00		
Allowances	34.00		
Other expenses	54.00		
Production cost	480.00(87.30)		
Purchase price from unit	−	495(83.8)	520(86.7)
Marketing cost	30.00(5.50)	40(6.70)	30(5.00)
Margin	40.00(7.20)	55(9.30	50(8.30)
Consumer price	550.00(100)	590(100)	600(100)

Note: Figures in brackets indicate the price margin

Source: Sales Records of Unit I for the period 1984-85 to
1988-89.

Table 5.18. Margin for the wood carved Trunk Down elephant
          (10 inches) under different marketing channels
          for unit II, III, IV and V

(Amount in Rs)

Particulars	Channels	
	B	A
Cost of raw materials	65	
Cost of Tusk	10	
Wax paper and gum	50	
Wages	35	
Production cost	160(76.2)	
Purchase price from unit		205(82.9)
Marketing cost	25(11.9)	20(8.10)
Margin	25(11.9)	29(11.7)
Consumer price	210(100)	247(100)

Note: Figures in brackets indicate the profit margin

Source: Sales Records of Unit IV & V during the period
        1984-85 to 1988-89.

Thus the price spread analysis gives the following findings:

1. The most efficient channels of distribution for unit I were channel B and channel C, which provided greater share to producer in the consumer's price.

2. The efficient channel for unit II, III, IV and V (wood carving cooperatives) was channel A as it provided more than 80 per cent of consumer's price to the producer.

5.2.3. Shepherd's Marketing efficiency Measurement.

Since the performance of the distributional channels are closely related to the marketing efficiency of the handicrafts units, this section examines the overall performance of each unit in marketing their products. Under this method the marketing efficiency of the units were measured in terms of the marketing cost met by the units in selling their products through different channels. For this purpose the following formula was adopted.

$Me = TC \ / \ TV$ where   Me = Marketing efficiency of the unit

TC = Total marketing cost of the unit

TS = Total sales by the unit

The formula suggests that any increase in the marketing cost or any decrease in the value of products sold would result in inefficiency of the unit.

Table 5.19 explains that in proportion to sales there were fluctuations in the marketing cost of unit I. The cost for marketing was not decreasing as the sales increases. This indicates the failure of the unit in minimisilng its marketing expenses in proportion to sales and thereby to increase the share in sales margin.

For unilt II, while the sales increased to Rs.0.73 lakh in 1985-86 from Rs.0.63 lakh in 1984-85, the marketing cost decreased to Rs.0.05 lakh from Rs.0.07 lakh during the same period. This indicates the efficiency of the unit in marketing. But in 1987-88 when the sales reduced to Rs.0.27 lakh the cost remained as same as Rs.0.05 lakh, which indicates unfavourable results.

But for unit III comparing to unit II, the sales was very high and cost remained very low. Eventhough the change in marketing cost was in proportion to sales, the low rate in cost resulted in better performance of the unit.

Table 5.19   Marketing Efficiency of Unit I to Unit VI for the period 1984-85 to 1988-89

(Rs lakh)

Year	Unit I			Unit II			Unit III			Unit IV			Unit V			Unit VI		
	Total sales	Total Cost	Me	Total Sales	Total cost	Me	Total sales	Total cost	Me	Total sales	Total cost	Me	Total sales	Total cost	Me	Total sales	Total cost	Me
1984-85	24.42	0.82	0.03	0.63	0.07	0.10	-	-	-	1.83	0.22	0.12	2.41	0.19	0.08	78.52	2.94	0.04
1985-86	19.91	1.08	0.05	0.73	0.05	0.07	-	-	-	2.07	0.31	0.15	1.91	0.21	0.11	95.38	3.61	0.04
1986-87	14.95	0.68	0.34	0.37	0.08	0.22	0.89	0.09	0.10	1.99	0.26	0.13	2.37	0.28	0.12	92.34	4.56	0.05
1987-88	17.97	0.85	0.05	0.27	0.05	0.18	0.71	0.06	0.08	1.60	0.22	0.14	2.25	0.28	0.12	98.41	5.75	0.06
1988-89	17.71	0.25	0.02	-	-	-	0.78	0.08	0.10	2.92	0.29	0.09	1.45	0.19	0.13	96.61	6.01	0.06

Note: 1. Total sales exclude sales in festivals, Trade fairs and Exhibitions
      2. Total cost includes all the expenses incurred for marketing the goods.

Source: Sales records of Unit I to Unit VI during the period 1984-85 to 1988-89.

The marketing efficiency ratio for units IV and V showed a gradual decline over the period. Similarly the marketing cost of the units were closely related to the amount of sales. Any increase in the sales also brought increase in the cost. This indicate the failure of these units in minimising cost and thereby ensuring more contribution to producer's share in sales.

As far as unit VI was concerned table 5.19 revealed that though the sales declined over the period the marketing cost was found to be increasing . For instance, when sales decreased from Rs.95.38 lakhs in 1985-86 to Rs.92.34 lakhs in 1986-87, the marketing cost increased from Rs.3.61 lakhs to Rs.4.56 lakhs for the same period. Similarly in 1987-88 the sales was Rs.98.41 lakhs, which decreased from Rs.5.75 lakhs to 6.01 lakhs during the same period. This indicate that over the period, the performance of the unit in marketing their products were becoming less efficient.

In brief, the marketing efficiency measurement using Shephered's method list out the following;

1. Since the results showed the failure of unit I in minimising cost and maximising sales, the efficiency of the unit in marketing was found to be gradually declining.

2. The rise in the marketing cost for unit II explains the inability of the unit in marketing their products efficiently.

3. As far as unit III is concerned, even though the cost was increasing in proportion to sales, the low rate of growth in cost explains better efficiency in marketing.

4. The increased cost ratio for units IV and V resulted in less efficiency in marketing products by the units.

5. The marketing cost of unit VI was increasing in greater proportion than the sales, which reveals the inefficiency of the unit in marketing products more profitabily.

5.2.4. Productivity measurement analylsis.

The last method employed in this section to measure the efficiency was the productivity measurement, advocated by Mc common and Hammer (1974), who secify that the efficient use of the capital influences the productivity of the institution and thereby helps to measure how efficiently products are manufactured and sold. Therefore, evaluation of the channel performance through productivity approach would be usefoll to

determine whether the unit is participating in the most efficient channel system. If the productivity is declining it would indicate the inefficiency of the unit in properly channelising the product for improving the profit margin.

The strategic profit model, illustrated in fig.4.f.2, explains that the return on net worth is a function of three factors, viz., 1. net profit, 2. assets turn over, and 3. financial leverages. The following were used to calculate the above factors;

Return on networth	= Financial leverage X Return on net assets
Financial leverage	= Total assets / Networth
Return on assets	= Net profit / Total assets.

In this section in order to measure the efficiency of cooperative units in channelising their products, net profit, asset turn over and financial leverages of the samples units were calculated. For the purpose, the six sample units were grouped into 2 segments as

1. Segment 1 includes unit I alone to represent the metal cooperatives.

2. Segment II include unit VI alone as a representation of unit II, III, IV and V. Since these units depend on unit VI for marketing their goods, they were combined

Fig. 5.F.4. Composit Strategic Profit Model for Segment I & II

| Net profit / Net sales | X | Net sales / Ttoal assets | X | Total Assets / Net worth | = | Net profit / Net worth |

Segment I

$$\boxed{\begin{matrix} 0.01 \\ (-).02 \end{matrix}} \times \boxed{\begin{matrix} 1.16 \\ 0.61 \end{matrix}} \times \boxed{\begin{matrix} 15.01 \\ 11.89 \end{matrix}} = \boxed{\begin{matrix} 0.17 \\ (-)0.15 \end{matrix}}$$

Segment: II

$$\boxed{\begin{matrix} -0.06 \\ (-)0.17 \end{matrix}} \times \boxed{\begin{matrix} 1.08 \\ 0.86 \end{matrix}} \times \boxed{\begin{matrix} 2.93 \\ 2.98 \end{matrix}} = \boxed{\begin{matrix} (-)0.18 \\ (-)0.44 \end{matrix}}$$

$$\boxed{\begin{matrix} 1985 \\ 1989 \end{matrix}}$$

Note: The above calculations may not equal the results indicated because of rounding

with unit VI and grouped into segment II.

Fig. 5.F.1. represents the comparative net profit asset turn over, financial leverages and return on net worth for both segment I and II for the period 1985 to 1989.

As explained in fig.5.2. segment I and segment II marked inadequate rates of returns on networth between 1985 and 1989. The return on networth of segment I showed a decline from 0.17 per cent to (-)0.15 per cent. Similarly segment II which was already running at loss marked negative returns on networth. Since both segments indicate low leverage, improved results were not achieved in their profit margins and rates of assets turnover. The net sales to totalassets ratio of both segments were decreasing from 1.16 per cent and 1.08 per cent in 1985 to 0.61 per cent and 0.86 per cent in 1989 respectively. This indicates the inefficiency of the segments in better management of inventories as well as in intensive use of both equipments and physical facilities to speed up their production and sales. In short, due to these inefficiencies there must be a concerted attack on the productivity problem in distribution of their products.

Therefore the results emerged from the productivity measurement ratio are listed as ;

i.   decline in the productivity ratio of bell metal co-operative unit indicate the inefficiency of the unit in making channel modifications or necessary structural changes to improve sales.

ii.   the strategic profit model for wood carving units altogether explains that the productivity of these units were remained negative throughout the period and that resulted in the failure of these units in diagnosing potential short term and long term channel problem.

5.4.   The assistance provided by the federation to primaries.

The third objective of the study is the assessment of assistance provided by the Federation in production and marketing of the products of primary handicrafts co-operatives. While examining the financial, technical and raw material assistance by apex, study revealed that no financial assistance was made by the apex to primary units either in the form of share capital or in the form

of loans. As far as the technical assistance for product-
ion is concerned, under the new training scheme implemen-
ted by the apex it has provided finance to unit IV for
giving training to 10 artisans for a period of one year.
This facility was not extended to other units by apex.
Table 5.20 revealed the role of apex in supply of raw
materials to primaries. The growth rate in purchase of
raw materials showed a declining trend and the share of
each unit in purchase of raw materials from Apex (Table
5.21)showed wide disparity in supply. For instance share
of unit I in total supply was 59 per cent in 1984-85,
while for units II and IV it was only 0.5 and 6.64 per
cent respectively and so for unit V was concerned no
amount of materials were supplied. In proportion to the
total decline in supply of raw material by apex share of
each unit were found to be decreasing (see table 5.21).

In order to analyse the extent of assistance provi-
ded by apex in marketing products the number of exhibi-
tions conducted by apex and number of times participated
by primaries were analysed. The decisions for the selec-
tion of societies for trade participation were taken
exclusively by the apex federation.

Table 5.20. Raw Materials purchased and supplied to Unit VI
and growth rate for the period 1984-85 to 1988-89

(Rs lakh)

Year	Raw materials	Growth
1984-85	21.19	-
1985-86	22.92	3.8
1986-87	14.24	(-)37.87
1987-88	4.24	(-)70.25
1988-89	3.35	(-)20.99

Source: Purchase Records of Unit VI for the period 1984-85
to 1988-89.

Table 5.21. Raw materials supplied by Unit VI and distribution to sample units

(Rs lakh)

Year	Total supplied by Unit VI	Unit I	Unit II	Unit III	Unit IV	Unit V
1984-85	21.19	12.59(59.4)	0.11(0.5)	-	1.41(6.64)	-
1985-86	22.91	10.82(47.21)	-	-	1.45(6.33)	-
1986-87	14.24	3.72(26.12)	0.04(0.28)	-	0.66(4.63)	-
1987-88	4.24	2.01(47.4)	0.02(0.47)	0.04(0.9)	0.85(27.5)	-
1988-89	3.35	0.39(11.64)	-	-	0.92(27.5)	-

Note: Percentage share of each unit to total Raw materials supplied is given in brackets.

Source: Purchase records of Unit VI for the period 1984-85 to 1988-89.

Table 5.22 revealed that during the period 1984-85 to 1988-89 25 exhibitions were conducted by apex in different markets. The main market centres for Kerala handicrafts works were Bombay, Delhi, Bangalore, Pune, Goa and Hyderabad. Average sales through exhibitions remained as same as Rs 1.64 lakh in 1984-85 to 1988-89. The total rebate sales and exhibition sales were declining from Rs 36.87 lakh in 1984-85 to Rs 17.20 lakh in 1988-89. Similarly the cost for exhibition sales to total sales ratio also increased from 9.80 per cent to 17.03 per cent in the same period.

While the primary units were concerned (Unit I, II, III, IV and V) unit I had participated in 12 exhibitions over the period of time, where only 3 exhibitions were conducted by Apex (Table 5.23). But for unit II, III, IV and V no calls were received for participating in exhibitions from Apex.

5.5. Evaluation of Marketing Politices and Programmes of Apex

In the last objective, an evaluation was made on the policies and programmes followed by Apex to promote the marketing of the products of primary handicraft cooperatives. The two main variables examined to find out

Table 5.22 Number and Place of Exhibitions, share of exhibition to toal sales, cost of exhibition sales and share of cost for exhibition to sales of unit VI for the period 1984-85 to 1988-89

Year	No. of time condu- cted	Places of exhibition (major cities)	Sales through exhibi- tions	Average sale	Percen- tage to of avera- ge to total	Total re- bate and exhibition sales	Cost for special sale	TC/TV x 100 for exhibi- tion sale	Total sales with special sales
84-85	4	Bombay, Delhi, Ahmedabad, Kottayam	6.56	1.64	5.60	36.87	3.64	9.80	117.07
85-86	7	Goa, Bombay, Hyderabad, Delhi etc.	11.70	1.67	8.34	39.24	4.45	11.34	140.18
86-87	4	Goa, Bangalore, Calcutta	3.75	0.93	3.32	16.78	1.49	8.83	112.90
87-88	5	Bombay, Hyderabad, Pune, Bangalore	5.63	1.12	5.16	12.75	2.39	18.75	108.94
88-89	5	Bombay, Hyderabad, Pune etc.	8.20	1.64	7.16	17.20	2.93	17.03	114.43

No Source: Exhibition records of Unit VI for the period 1984-85 to 1988-89.

Table 5.23. Number of Exhibitions participated and name
of institutions conduct (1984-85 to 1988-89)

Year	No.of parti- cipation	Institutions conducted	Sales (Rs lakh)
1984-85	-	-	-
1985-86	-	-	-
1986-87	3	HDC and BDB (2)	0.33
1987-88	2	BDB and APEX	0.24
1988-89	7	HDC(3), APEX (2) CIRTARDS (2)	0.35

Note: HDC - Handicrafts Development Board,
      BDB - Block Development Board

Source: Exhibition Record of Unit I for the period 1984-85
        to 1988-89.

the effectiveness of the policies and programmes of federation were: The total exhibitions conducted by Apex, cost for exhibition sales and its efficiency, as well as the rebate sales made in different seasons.

But the main factor is that, per day rebate sale through local units ranked higher than the ordinary sales. For example per day rebate sale in 1988-89 was Rs 18220 and ordinary sale as only Rs 8028. The same trend was also seen in internal, sales where more sales were made during the rebate seasons rather than the ordinary periods (Table 5.24).

The average number of exhibitions conducted by the Apex were only four in an year and average amount of sales were recorded only 1.64 lakh per year. But the share of exhibitions to total sales has increased from 5.6 per cent in 1984-85 to 7.16 per cent in 1988-89. In order to promote the sales, Apex conduct the All India Exhibitions in different cities and towns of India. The major cities which had given more attraction to exhibitions are Bombay, Hyderabad, Calcutta and Bangalore (Table 5.22).

Table 5.24 Local sales, Internal sales and External sales through different channels including Rebate sales of different seasons and share of each channel in total sales for Unit VI

| Year | Local sales | | | | | | Internal sales | | | | | | External sales | | | | |
	Sales through A1-A5	Onam	Xmas	Handi-crafts week	Local sales	Percen-tage to total	Sales through B1-B7	Onam	Xmas	Handi-crafts week	Inte-rnal sale	Percen-tage to total sales	Sales through C1-C5	Rebate sale	Exte-rnal sale	Percen-tage to total	Total sales in each year
84-85	30.20	0.53	0.39	31.56	28.56	36.97	0.89	0.89	1.55	1.13	40.54	36.69	6.43	31.98	38.41	34.75	110.51
85-86	35.59	0.51	0.64	0.59	37.33	29.05	43.44	1.15	1.89	1.88	48.33	37.61	10.19	32.63	42.83	33.34	128.48
86-87	27.22	0.58	0.81	3.88	32.50	29.79	47.85	2.52	2.06	2.15	54.58	50.00	11.98	10.09	22.07	20.02	109.15
87-88	23.36	0.91	0.84	0.88	26.00	25.17	52.46	2.57	2.09	1.73	58.85	56.07	14.59	3.86	18.46	18.76	103.31
88-89	22.88	1.30	1.52	1.00	26.71	25.14	49.47	2.81	1.77	1.97	56.02	52.27	16.56	6.95	23.51	22.59	106.23

Source: Sales Records of Unit I to VI

Besides exhibitions, Apex also provides special sales/rebate sales for the promotion of products during three main periods as Onam, X'mas and Handicrafts week. Onam Rebate starts on August 3rd to 10th, X'mas rebate on December 21st to 28th and Handicrafts week from December 7th to 14th. These sales are conducted both through its local and internal show rooms.

The share of rebate sales to local sales has increased from 4.28 per cent in 1984-85 to 14.33 per cent in 1988-89. Similarly share of rebate sale to internal sale had also increased from 8.8 per cent in 1984-85 to 11.68 per cent in 1988-89 (Table 5.24).

Thus the high lights of analysis in section 5.4 and 5.5 are the following.

1. The Kerala State Hnaidcrafts Apex Federation was not extending any financial assistance to the primary handicrafts cooperatives.

2. The technical assistance provided by the apex to primaries included only the 'Artisan Training Scheme (1988)'. But so far, the benefit of this scheme was enjoyed only by a single unit where training was given to 10 artisans for a period of one year.

3. As far as the raw material supply was concerned, the role of apex in supply of raw materials to primaries showed a decline from 1984-85 to 1988-89. Besides, wide disparity were found in the supply of raw material to each units.

4. The marketing assistance provided by the apex for the promotion of the products of the primaries included only the exhibitions conducted under the direction of apex in different parts of the country. Since the selection of the units were with the authority of apex, study found discrimination in selection.

5. So far no specific marketing policies were implemented by apex to promote sales, except the exhibition sales and rebate sales.

6. Even though the cost for exhibitions were very low, the number of exhibitions arranged by apex were very few and therefore, comparative advantage were not received to primaries from exhibition sales.

7. The per day sales during the rebate seasons were found to be high than the ordinary sales and therefore the rebate sales were considered to be an efficient way for sale promotion.

CHAPTER VI

SUMMARY

In many areas the success of co-operatives are found to be uneven. The handicrafts co-operatives in Kerala are found to be an example to prove this fact. The poor performance of handicrafts co-operatives are due to their low earnings because of lack of resources, lack of organisation and their inability in utilising potential markets for the products. Only a few handicrafts societies are managed on proper lines and remaining societies are at the stage of dormancy. As a result, the number of dormant societies have reached equal to the number of working co-operatives in the state.

The failure of the handicraft co-operatives in adopting appropriate marketing strategies not only prevented them from success but enabled private traders to seize the opportunity in their favour. The reason for the poor performance of the cooperatives in marketing are mainly due to the ineffective and obsolete strategies followed by them in selling the craft works.

Hence, to examine the problems faced by the handicrafts co-operatives in marketing the craft works, a study was undertaken with the following specific objectives:

1. To identify the channels of distribution of wood and metal handicrafts products.

2. To measure the efficiency of the distribution channels.

3. To assess the extent of assistance given by the federation in the production and marketing of wood and metal products.

4. To evaluate the marketing policy and programmes of the Apex federation.

By the end of December 1989, there were 102 handicrafts cooperatives in the state. Among them 51 were at the stage of dormancy and remaining were functioning in different districts. Of these, 21 units were working exclusively in wood and metal crafts. Therefore, these 21 units formed the population for the study which was further divided into three strata as (i) one bell metal unit, (ii) 18 wood carving units and (iii) two units working in both wood and metal crafts. The sample size was limited to 20 per cent of the population. The selection of sample was based on the following criteria.

i.   The selected society should undertake either wood
     carving or bell metal activities.

ii. Atleast one society should perform both the acti-
     vities, viz. wood and metal carving and

iii. Availability of records.

Based on the above criteria, the selected sample
include the Nadavarambu Krishna Bell Metal Society, The
Ernakulam   Handicrafts   Industrial   Society,   Maradu
Handicrafts   Industrial   Society,   Cherpu   Carpenter's
Society, Trichur Handicrafts Society and the Kerala
State Handicrafts Apex Co-operative Society.

The   secondary   data   used   for   the   study   were
collected from Directorate of Handicrafts, Department of
Industries, and the annual reports and records of the
cooperative units. The study covered a period of five
years, 1984-85 to 1988-89.

The analysis was done by using simple averages,
percentages and charts. Four methods were followed to
measure the efficiency of the channels, viz. channel
profitability   approach,   price   spread,   Shephered's
Marketing efficiency measurement and productivity
measurement.

The major findings emerged from the study are the following:

6.1. Channel identification

1. Four channels were followed by Unit I. These channels included sales through apex, retail shop, wholesale and sales to outside brokers. A major share of the sales were done through the retail shop functioning in Nadavarambu, Irinjalakuda.

2. Only a single channel was followed by both unit II and unit III, ie. sales through apex, and they had not opened any retail shops to promote direct marketing.

3. As far as unit IV is concerned, along with sales through apex, it also marketed through private traders, who contributed only a small share to the total sales.

4. Since unit V functions both in metal and wood crafts, it followed different channels for the products. Out of the four channels, the wood crafts were distributed mainly through apex and metal works were distributed through other industrial

co-operatives. Eventhough the unit has organised its own sales depot, the share of retail and whole sale were very low.

5.   Unit VI followed only a single channel, ie. direct sales to the customers. In order to market the products of member co-operatives, this unit has opened 17 showrooms under three sales segments, viz. local sales segment, internal sales segment, and external sales segment. Further analysis showed that A1 in local segment, B1 and B2 in internal segment and C1 and C4 in external segment recorded top in sales.

6.2. Channel efficiency

6.   The channel profitability measurement and price spread explained that the most efficient channels for distribution were retail and wholesale marketing. But the overall efficiency of the unit analysed under the Shepherd's formula revealed that there was a decrease in the efficiency of the unit in maximising sales with minimum cost. The decline in the productivity ratio also explains the inefficiency of the unit in marketing the products through proper channels.

7.   The performance of the channel followed by unit II
     has not marked any progress. The rise in the
     market cost explained the inability of the unit in
     marketing their products efficiently. Low produ-
     ctivity ratio indicated the weakness of the unit
     in analysing the marketing problems.

8.   A positive trend found in the marketing of crafts
     through apex implied the efficiency of the channel
     for unit III. Along with the increase in sales the
     low rate of growth in the marketing cost resulted
     in the better efficiency of the unit in marketing.
     But the declining productivity ratio revealed the
     inability of the unit in participating most effi-
     cient channel system.

9.   The sales through apex were found to be more effi-
     cient to unit IV. The increased cost ratio revea-
     led an unfavourable result to the overall perfor-
     mance of the unit in marketing. Low productivity
     implied the inefficiency of the unit in properly
     channelising the products to improve marketing.

10. As far as unit V was concerned sales through apex
     were found to be more efficient than other

channels. The wholesale marketing was found to be the weak channel for the unit. The high cost and the low productivity ratio implies the inefficiency of the unit in marketing the products through more profitable channels.

11. Though unit VI follows a single channel, the efficiency measurement methods indicated the inefficiency of the channel in marketing the member's products. The increased marketing cost revealed the inability of the unit in marketing products more efficiently. The declining productivity ratio reflected the failure of the unit in identifying the marketing problems.

12. In the local sales segment of the unit VI, the performance of A1 and A2 depots were more efficient. In the internal segment B1, B2 and B3 depots performed well and in external segment C1 and C2 were ranked high.

6.3. Assistance provided by apex

13. As far as the financial assistance were considered even after being the central organisation for the handicrafts primary cooperatives, so far the federation has not extended any financial assistance to the member units.

14. The technical assistance provided by the federation included a one year training programme under the Artisans Training Scheme, to 10 members in a unit. But so far only one society enjoyed this scheme.

15. The raw materials supplied by the federation to the member units showed unsatisfactory result. The wide disparity found in the supply of materials were another defect from the part of the federation

6.4. Policies and programmes of the federation

16. The marketing assistance by the federation to the units included mainly the participation of the units in the exhibitions conducted by apex both inside and outside the state.

17. The exhibitions arranged by the apex were very few in number and, therefore comparative advantage were not so far received to units from the exhibition sales.

18. Since the selection of the units for participation in the exhibition were within the authority of the

federation, discrimination in selection were found. Therefore, most of the units were not getting any chance to make their sales through exhibitions.

19. Besides exhibitions, apex also arranges rebate sales during the festival seasons. The publicity and promotional programmes implemented along with these sales helps the handicrafts primary units to create more demand for the products.

20. The findings indicate that the per' day sales during the rebate seasons were higher than the ordinary day's sale. Therefore rebate sales were found to be an efficient method for sales promotion.

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Appendices

APPENDIX I

Name of the Societies selected for study

Sl. No.	Sample societies	Code No. used for study
1.	Nadavarambu Krishna Bell Metal Workers' Industrial Cooperative Society, Irinjalakuda	I
2.	Ernakulam Handicrafts Industrial Co-operative Society, Cochin	II
3.	Maradu Handicrafts Industrial Co-operative Society, Ernakulam.	III
4.	Cherpu Carpenters Industrial Co-operative Society, Trichur	IV
5.	Trichur Handicrafts (Wood and Metal) Industrial Co-operative Society, Trichur	V
6.	The Kerala State Handicrafts Apex Co-operative Society (Federation) Ernakulam.	VI

APPENDIX II

Name of 17 Showrooms of the Handicrafts Federation

Sl. No.	Place	Code name used for study
A. Local Channels		
1.	Ernakulam showroom I	A1
2.	Ernakulam Show room II	A2
3.	Marine Drive showroom	A3
4.	Central Godown show room	A4
5.	Procurement Depot	A5
B. Internal Channels		
6.	Trichur show room	B1
7.	Calicut show room	B2
8.	Palghat show room	B3
9.	Guruvayoor show room	B4
10.	Kottayam show room	B5
11.	Kovalam show room	B6
12.	Trivandrum show room	B7
C. External channels		
13.	Bangalore show room	C1
14.	Madras show room	C2
15.	Pondichery Show room	C3
16.	Calcutta show room	C4
17.	Madurai show room	C5

Annexure I.1. Distributional pattern of the primary handicrafts co-operatives in India (1982)

Number of the State/ Territories	Number of active societies	Percentage to total number of societies	Number of dormant societies	Percentage to total societies	Total Number of societies	Percentage share of each stage
1. Andhrapradesh	95	100	–	–	95	4.66
2. Assam	6	40	9	60	15	0.75
3. Gujarat	364	92	35	8	399	9.64
4. Haryana	10	48	11	52	21	1.03
5. Kerala	51	50	51	50	102	5.02
6. Manipur	100	78	28	22	128	6.29
7. Orissa	227	79	60	21	287	14.12
8. Maharashtra	2	100	–	–	2	0.09
9. Tripura	15	47	17	53	32	1.58
10. Utterpradesh	70	100	–	–	70	3.44
11. West Bengal	14	100	–	–	14	0.69
12. Delhi	6	40	9	60	15	0.75
13. Mizoram	1	100	–	–	1	0.05
14. Goa	14	88	2	12	16	0.79
15. Pondichery	2	100	–	–	2	0.09
16. Himachal Pradesh	5	55	4	45	9	0.45
17. Jammu&Kashmir	372	45	452	55	824	40.56
Total	1356	67	678	33	2032	100.00

Annexure I.2. District wise distribution of handicrafts
primary cooperatives in Kerala (1989).

Name of District	Number of working societies	Percentage to total	Number of dormant	Percentage total	Total societies
1. Cannanore	2	33	4	67	6
2. Wynad	-	-	2	100	2
3. Calicut	2	40	3	60	5
4. Malappuram	2	50	2	50	4
5. Palghat	5	5	4	45	9
6. Trichur	7	59	5	41	12
7. Ernakulam	5	63	3	37	8
8. Alleppey	1	33	2	67	3
9. Kottayam	9	60	6	40	15
10. Idukki	1	25	3	75	4
11. Quilon	6	55	5	45	11
12. Trivandrum	11	48	12	52	23
Total	51		51		102

Annexure 2.1. Production, Employment and Exports of
handicrafts sector during the period
1984-85 to 1989-90.

Years	84-85	85-86	86-87	87-88	88-89	89-90
Production (Rs in crores)	3500	3815	4160	4535	4945	5400
Employment in lakh persons	27.4	28.9	30.5	32.2	33.95	35.8
Exports (Rs in crores)	1760	1890	2050	2216	2396	2591

Source: Vaikunth Metha National Institute of Co-operative
Management (1980), Handicrafts Co-operatives,
Pune, p.26.

PROBLEMS AND PROSPECTS OF CO-OPERATIVE MARKETING OF HANDICRAFT PRODUCTS WITH SPECIAL REFERENCE TO WOOD AND METAL PRODUCTS

By

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ABSTRACT OF A THESIS

Submitted in partial fulfilment of the
requirement for the degree

Master of Science in Co-operation & Banking

(RURAL MARKETING MANAGEMENT)

Faculty of Agriculture
Kerala Agricultural University

COLLEGE OF CO-OPERATION AND BANKING

Mannuthy, Thrissur

1990

ABSTRACT

Study on "Problems and Prospects of co-operative Marketing of Handicrafts Product with special reference to Wood and Metal Products" has been carried out to identify channels of distribution of wood and metal handicrafts products, to measure the efficiency of distribution channels, to assess the extent of assistance given by federation in production and marketing of wood and metal products and to evaluate marketing policy and programmes of apex federation. Five units were selected for study.

Metal cooperative follows four channels of distribution of which direct sales and wholesale were main channels. The wood crafts units depend on federation for marketing. The cooperative functioning in both craftworks follows four channels, where wood crafts are distributed through apex and metal work through the industrial cooperatives. Apex follows only direct sales through its showrooms. Showrooms at Ernakulam, Trichur and Bangalore performed well.

Most efficient channels for metal craft units were direct sales and wholesale. Performance of wood craft units which followed only a single channel was not satisfactory. Considering the unit functioning in both wood and metal works, sales through apex were found to be more efficient.

Marketing efficiency and productivity ratios explain the inability of units in analysing marketing problems.

Apex federation is not providing any financial assistance to primaries. Wide disparity noticed in the quantum of raw material supplied by apex to units. Only one unit enjoyed the training scheme arranged by apex. Due to discrimination in selection of units for their participation in exhibitions, majority of units were not getting chance to participate in exhibitions. Wide propoganda and publicity during period of rebate seasons has increased per day sales compared to other sales methods.