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Marketing and Competitiveness of the High Quality Cassava Flour (HQCF) in Imo State, Nigeria.

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Abstract

The study on marketing and competitiveness of the HQCF in Imo State, Nigeria examined the market share of HQCF in relation to the wheat flour, ascertained the marketing channels and strategies of the HQCF and identified the constraints militating against HQCF marketing in the study area using the two stage random sampling technique in the selection of 64 respondents within the study area. The study utilized panel data which was used to compute the market share index. The result showed that HQCF was competitive in the study area following a market share index of 25.2%. The bulk of the flour is currently sold to local consumers and marketers mostly wait to meet the demands of consumer rather than create demand for the flour via advertising. The study identified scarcity of capital as the greatest challenge to the competitiveness of the HQCF in the study area and thus recommended that measures to make credit available to stakeholders be intensified as this will in no small way serve as strong incentive for those who process and market the HQCF.

Keywords: Cassava flour, Channels, Competitiveness, Credit, Market share, Strategies.

1. Introduction

Nigeria's emergence as the world's largest producer of cassava amidst daunting challenges has been acknowledged , it is however disheartening that the absence of value addition to cassava has not only hampered attempts to feature in world trade but equally has limited market expansion especially for secondary cassava products. Conversely, wheat (for which the high quality cassava flour is a substitute) demands are being met currently by importation resulting in worrisome wheat import bills (Hillocks, 2002; Maziya-Dixon & Onadipe 2007; Nuwammanya, Baguma, Kawuki, & Rubaihayo, 2010; Echebiri & Edaba, 2008; Akinwumi, 2012).

It appears as though there is either a lack of recognition of the potentials of the HQCF to completely replace her wheat demands or a lack of interest on the part of relevant stakeholders in the industrial cassava revolution. Whichever the case, sustained investment in wheat import reflecting as huge wheat import bills in an already depressed economy at the expense of the development of the HQCF enterprise continues to present as trade

imbalance, loss of scarce foreign exchange, loss of employment, etc. (Ohimain, 2014; Sanni *et al*.,2004).

Despite the potential of the HQCF at revolutionizing very strategic industries in Nigeria, the current market share (the percentage of sales revenue from the HQCF in relation to the wheat flour) is low. This allegedly is occasioned by inadequate demand following a disturbing lack of acceptability of the flour by activists who regard it as poisonous, lacking in nutritional importance or hazardous to health for persons living with certain diseases. Worthy of mention also is the significant role high processing cost (often translating into high and uncompetitive prices of the HQCF) plays in sustaining consumers' unreserved allegiance to the wheat flour. These are obvious threats to concerted efforts at building the market share and competitiveness of the HQCF (Sanni *et al*., 2005).

One of the main determinants of business profitability is market share. Market share is a measure of the consumers' preference for a product over other similar products and remains a key indicator of market competitiveness. Market share increase is largely fuelled by sustained customer demand and allows for achievement of economies of scale and an attendant improvement in the profitability of firms. Attempts to build market share should as a matter of fact, concentrate grossly on anticipating and meeting buyers demand, taking advantage of end market opportunities and responding to changes in market demand in a creative manner using appropriate combination of knowledge and innovativeness (Kimathi *et al*., 2007; Farris *et al*., 2010).

Building significant market share for the HQCF in Nigeria requires a deviation from the norm. It calls for an embrace of innovative research and market development. It requires that marketing strategies be committed to building a strong reputation for the HQCF despite the intimidating presence of an age long substitute and again that distribution channels for the flour be more sophisticated. It is in the light of the aforementioned issues that this study sought to ascertain the market share and competitiveness of the HQCF as well as the marketing channels, strategies and constraints peculiar to the HQCF in the study area.

2. Materials and Methods

The study was conducted in Imo State, Nigeria. Two-stage random sampling technique was employed in the selection of the respondents for the study. In the first stage, Owerri agricultural zone was purposively selected. The selection was informed by the dominance of flour marketing in the zone going by the fact that the zone houses the major flour markets. The second stage involved the random selection of a total of 64 flour marketers (32 wheat flour marketers and 32 HQCF marketers) both on large and small scale from the list of registered marketers in the zone.

The study utilized panel data collected thrice from the respondents within an interval of 30 days on volume of trade, marketing costs, selling prices etc. using two sets of questionnaire for wheat flour and HQCF marketers respectively. The mean values were determined at the end and used for the computation of the market share index which is the proxy for competitiveness in this study. Data collected were analyzed using the revenue market share index model.

Market share is the percentage of an industry or market's total sales that is earned by a particular company over a specified time period. Market share can be expressed as either Unit market share or revenue market share. Market share increases can allow a firm to achieve greater scale in its operations and improve profitability. The main advantage of using market share as a measure of business performance is that it is less dependent on macro environmental variables such as the state of the economy or changes in tax policy(Sc*ott* Armstrong & Greene 2007; Farris *et al.,*2010).

The market share model is given as either the unit market share or the revenue market share as follows:

$$\text{Unit market share } (\%) = \frac{100 \text{ x Unit sales } (₦)}{\text{Total Market Unit Sales } (₦)} \quad 1.1$$

Revenue market share differs from unit market share in that it reflects the prices at which goods are sold. In fact, a relatively simple way to calculate relative price is to divide revenue market share by unit market share.

$$\text{Revenue market share } (\%) = \frac{100 \text{ x Sales Revenue } (₦)}{\text{Total Market Sales Revenue } (₦)} \quad 1.2$$

As a rule/benchmark, an index of 25% - 50% depicts a competitive system. If the calculated market share is greater than 50%, the system is likely to have monopoly of the market while figures below 25% indicate a lack of competitiveness *(Sc*ott Armstrong & Greene 2007; Farris *et al.,*2010). The revenue market share index will be applied in this study since it is most compatible with data collected for the study.

3. Results and Discussion

3.1. Market share/Competitiveness of HQCF

The revenue market share was calculated as follows

$$\text{Revenue market share } (\%) = \frac{100 \times \text{Unit Revenue from HQCF } (₦)}{\text{Total Market Sales Revenue from HQCF and Wheat flour } (₦)} \quad 1.3$$

Unit revenue from HQCF (₦) = 5,323,680.00
Unit revenue from wheat flour (₦) = 15,829,200
Total Market sales from HQCF and Wheat flour (₦) = 21,152,880
The result showed a market share index of 25.2% for HQCF indicating that the HQCF is marginally competitive.

3.2. Marketing Channels of the HQCF

Table 1.0 shows the distribution of HQCF marketers according to their marketing channels.

Table 1.0: Distribution of Respondents by Marketing Channels

	Channels	HQCF Marketers Frequency	%
A.	Supply directly to millers	3	9.37
B.	Sell to other wholesalers who in turn supply factories	2	6.25
C.	Sell to local consumers	24	75.00
D.	Channels A & B	0	0
E.	Channels A & C	0	0
F.	Channels B & C	2	6.25
G.	Channels A, B & C	1	3.13
	TOTAL	32	100

Source: *Field Survey Data, 2015*

According to Table 1.0, majority (75%) of HQCF marketers in the study area sold to local consumers, while the supply to the millers (the principal users of flour) is limited to just a few (9.37%) marketers. Marketing channels of the HQCF in the study area would become more sophisticated if they are to compete with modern chains thus offering considerable market opportunities for the HQCF stakeholders. This confirms the view of Shepherd (2007), who opined that stakeholders need information to a large extent on available markets for their products, procedure for maximizing profit and exporting procedure

3.3. Marketing Strategies Peculiar to the HQCF

Table 2.0 shows the distribution of HQCF Marketers according to their marketing Strategies

Table 2.0: Distribution of Respondents by Marketing Strategies

	Strategies	HQCF Marketers Frequency*	%
A.	Ensuring consistently high product quality	16	24.24
B.	Competitive prices	8	12.12
C.	Discount	6	9.09
D.	Branding	5	7.58
E.	Meeting demand	19	28.79
F.	Sell more at reduced price(Bulk Purchase)	7	10.60
G.	Advertisement	5	7.58

* Multiple responses

Source*: Field Survey Data, 2015*

Table 2.0 reveals that the marketing strategies prevalent in the study area are ensuring consistently high product quality (24.24%) and meeting demand (28.79%) rather than creating demand. It is rather a thing of concern that in an increasingly competitive market place where greater emphasis is placed on brand image development as the basis for consumer discrimination, the unequalled potentials of advertising in developing brand image is yet to be harnessed in the study area. This implies that stakeholders are in great need of assistance regarding marketing strategy to improve their enterprise and thereby boost their income.

3.4. HQCF Marketing Constraints

Table 3.0 shows the distribution of HQCF marketers based on the identified problems

Table 3.0: Distribution of HQCF Marketers Based on the Identified Problems

Items	Frequency*	%
Inadequate demand	11	34.38
HQCF not yet competitive like Garri, fufu and other products	17	53.13
Low quality of products	2	6.25
Problem of storage facilities	12	37.50
Instability/ unfavourable Government policies	11	34.38
Poor access to credit facilities / inadequate capital	19	59.38
High transportation cost / inadequate transport facility	10	31.25
Inadequate supply	3	9.38

* Multiple responses
Source*: Field Survey Data, 2015*

From Table 3.3., 59.38% of the respondents mentioned Poor access to credit facilities / inadequate capital while 53.13% of the respondents expressed concern over the relative lack of competitiveness of HQCF in relation to Garri, fufu and other products. This coupled with the problem of inadequate demand as indicated by 34.48 % of respondents are clear pointers that innovation in the marketing chain is uncommon hence the inability to create demand for HQCF. Obviously, the scarcity of capital suggests that the chances for expansion of HQCF enterprise are slim.

4. Conclusion and Recommendations

HQCF at the moment is weakly competitive following a revenue market share index of 25.2%. This is largely traceable to the inability of marketers to create adequate demands for the flour as reflected by the marketing strategies and the relatively under-developed channels. Given the current status of competitiveness, HQCF lacks the ability to compete internationally. Marketers of HQCF should as a matter of fact seize every available opportunity to create demand for the product rather than wait for it. The option of advertisement should be aggressively pursued. There is need for a growing awareness about the economic and health benefits of the HQCF. End users should be sensitized enough to admit to the addition of HQCF to bread and confectionaries, after all it is not poison. Overcoming such sentiments will leave the flour with countless opportunities now and in the future.

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