

**A FRAMEWORK FOR IDENTIFYING PRODUCTS  
SUITABLE FOR PRODUCTION BY MICRO  
ENTERPRISES**

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# **A FRAMEWORK FOR IDENTIFYING PRODUCTS SUITABLE FOR PRODUCTION BY MICRO ENTERPRISES**

## **ABSTRACT**

One of the most important factors affecting the sustainability of a micro enterprise would be the identification of right product ideas. The present study attempts to develop a framework for identifying products which could be produced by micro enterprises promoted by SHGs. Micro enterprises face several constraints such as the inability to invest heavily and low skill sets available. The framework addresses the issues of profitability, marketability and pricing. The framework explores issues such as space for a new entrant in the market place, the level of consumption, competition in the market, entry and exit barriers, brand loyalty, willingness to switch over to products of micro enterprises, possibility of niche marketing and alternate channels of marketing, presence of substitute products, possible geographical reach, presence of other competing SHGs, possibility of marketing along with other products etc. The study suggests the importance of forming an umbrella marketing organization. It also emphasises on the need for ensuring the quality in production. By their very nature, production under micro enterprises could be happening in different homes and ensuring uniformity and standards is a major problem. The work force has to be trained on the importance of quality standards and they have to be made aware that they are competing very often with organized players and only quality will ensure the very survival of the enterprise. The study concludes that only by undertaking a detailed study of a) the market factors – competition, customer, b) the production factors - costs and quality and c) profitability, one can safely arrive at a decision as to consider a product idea for a micro enterprise or not.

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## **CHAPTER I INTRODUCTION**

Kerala's per capita consumption expenditure is one of the highest in India. This is despite relatively low per capita income and high unemployment rates. The productive sectors of the economy have failed to register the necessary growth. As a result, Kerala has to depend heavily on other States to satisfy its consumption needs. The unemployment rate for Kerala is 11.6 per cent in rural areas and 12.2 per cent in urban areas where as the comparative figures for the country as a whole are 2.3 per cent and 5.7 per cent respectively. In the case of women, though the state can proudly claim to have achieved the highest literacy levels, the work participation rate of women is decreasing overall especially in the rural areas. The work participation rate of women in rural areas which was 17.7 per cent in 1981, declined to 16.9 per cent in 1991 and to 15.9 per cent in 2001. Unless new enterprises are started thereby providing employment, it is hardly possible for the State to sustain the well being of the State's population. However considering the specific characteristics of Kerala like scarce raw material resources, perennial power shortages, a fragile and sensitive ecology, etc, there are constraints regarding the choice of options for development. Traditional prescriptions of massive investment intensive manufacturing or mechanized farming may not be the right choices, considering the constraints. There has to be new models which can widen the employment opportunities for the rural poor, especially women which in turn will raise the living standards of the rural poor. What is now feasible as an alternative model of development could be focusing micro-enterprises to satisfy the following set of objectives:

1. To generate employment objectives.
2. To provide a livelihood and source of income to the poorest of poor.
3. To make the state and the different regions of the state self sufficient in day to day consumption commodities and products thereby helping to contain inflation.
4. On a more profound level, develop a new model for livelihood, production, social organization and human development.

There have been several efforts the world over especially in developing and under developed nations to leverage the concept of self-help groups to organize micro enterprises. Typically external promoters organize the groups as a means of providing micro financing to its members to meet their day to day shortfalls of money. Later this kind of a grouping is persuaded to move on to creating an enterprise that will start a business with the surplus funds they may have aided also by external borrowings and some times Government and NGO support. A network of such self help groups often act as an apex organization to provide directions and to regulate the activities of its constituent units. There are many success stories and more than a fair share of failures also. There are also large networks of producer cooperatives though not using the self help group-micro finance route, however operate on the same principles. They are conspicuous by the adoption of a decentralized production and centralized marketing efforts. Many success stories are from this sector like ANAND.

## **Background of the problem**

Kerala is very often characterised as a 'consumerist' state, relying on neighboring states for almost everything that goes into the consumer's basket. There are products that can be made locally using the available material resources and manpower, which could find a ready market for the volumes a micro enterprise could generate.

The micro enterprises do encounter problems to survive owing to their inherent structural disadvantages. Some of the most commonly encountered problems are:

1. Because of their small size and poor technology, micro enterprises often fail to identify the right products to be produced or traded. They also face problems in arriving at a right marketing strategy for their produce. They are also likely to have lesser bargaining power with suppliers, intermediaries etc to be competitive.
2. Micro enterprises usually trade in raw, low end or relatively less value-added products and services. Consequently, the margins are not sufficient to sustain and grow.

3. The larger competing firms, because of their economies of scale and superior technologies, have a competitive advantage which helps them to invest in branding and distribution, widening the chasm between them and micro enterprises.

One of the major challenges for micro enterprises is to identify such products, taking into account the constraints involved in production and the level of competition in the product category. Some of the characteristics of the products would be:

- Low investment requirement
- Low level of technology
- Low skills involvement
- Availability of local man power
- Reasonable margins
- High degree of fragmentation in consumer demand for brands, i.e. appreciable space for local brands
- High usage levels, assuring a ready market in the immediate area

The selection of products very often can make or break a micro enterprise. Very often, little research goes into the selection of the products to be produced by the micro enterprise. In finding out the right products, the first criteria should be to find out if there is a large enough market to accommodate another entrant or is there a niche in the market that can be profitably occupied by a micro enterprise. The consumption habits of consumers become the starting point for identification of the right products for a micro enterprise.

## **Objectives of the Study**

The broad objective of the study was to evolve a methodology for identifying products and services that are feasible for production and marketing by self help groups. This would necessitate an examination of the consumption patterns of households, competitive

intensity of the product groups and other relevant market data. The variables that need to be explored include:

1. Specific items consumed at the household level
2. Quantity consumed
3. Source of purchase
4. Frequency of purchase
5. Customer's perceptions about these items
6. Competition, margins, channels of distribution and other trade related data.
7. Information on pricing, packaging, branding etc

## **Sample Design and Methodology**

### **Phase I**

The Phase I of the study was exploratory in nature to get a fair idea about the consumption of goods and services that go into the shopping basket of consumers. These were products that are consumed generally across the population without being affected by other variables. The method employed was to generate an extensive list of items that go into the shopping basket of the consumers by maintaining a structured note book with families for a period of one month. This note book was used for recording purchase of every item, quantity, brand, price, source and specific remarks as and when the purchase happened. A small sample of 60 households was used, as the objective was to generate an initial list of products for further screening. The households were selected from urban and rural areas in the ratio 1:1.

Brainstorming sessions were employed to screen the initial list of items generated in the first phase. The most important criteria employed to screen the items were

- a) whether the items could be produced locally using local manpower (low skilled)
- b) low end technology

c) minimum requirement of capital

Thus from over 100 items generated during phase 1, 14 items were selected for intensive study in phase 2.

## **Phase II**

The Second Phase of the primary survey involved 400 households from all over Thrissur district. The intention was to measure the consumption patterns of the specific 14 items selected from Phase I. Urban and rural areas were accorded equal importance.

It was felt that incorporating all the 16 items into one questionnaire would prove to be quite tiresome for the respondent and thereby affect the quality of data. Thus two sets of quires were generated, Form A and Form B, similar to each other except for the products studied. Thus Form A had a list of seven products whose consumption data was recorded and similarly Form B had the list of another seven products. Thus, the effective sample size for each product will be 100 in rural area and 100 in urban area.

Table 1.1  
Sample Breakup – Household Survey

| Area                           | Number of Respondents |
|--------------------------------|-----------------------|
| <b>Urban</b>                   |                       |
| Thrissur Municipal Corporation | 50                    |
| Kodungallur                    | 50                    |
| Kunnamkulam                    | 50                    |
| Chalakkudi                     | 50                    |
| <b>Urban - Total</b>           | <b>200</b>            |
| <b>Rural</b>                   |                       |
| Pariyaram                      | 20                    |
| Aloor                          | 20                    |
| Eriyad                         | 20                    |
| Mullassery                     | 20                    |
| Kolazhy                        | 20                    |
| Pazhayannur                    | 20                    |
| Vadakkanchery                  | 20                    |
| Pookode                        | 20                    |
| Kandanissery                   | 20                    |
| Kaipamanagalam                 | 20                    |
| <b>Rural- Total</b>            | <b>200</b>            |
| <b>Total</b>                   | <b>400</b>            |

The profile of the respondents of the household survey is presented in Table 1.2 to 1.5.

Table 1.2  
Education of Husband- Respondent families

| Education                               | Number of Respondents | Percentage to Total |
|---|-----------------------|---------------------|
| Illiterate                              | 20                    | 5.0                 |
| Literate but no formal education        | 32                    | 8.0                 |
| School up to 4 years                    | 42                    | 10.5                |
| School 5 to 9 years                     | 112                   | 28.0                |
| School SSLC                             | 150                   | 37.5                |
| Some college but not graduate           | 26                    | 6.5                 |
| Graduate or Post Graduate -General      | 14                    | 3.5                 |
| Graduate or Post Graduate -Professional | 4                     | 1.0                 |
| Total                                   | 400                   | 100.0               |

Table1.3  
Employment Status of Respondents' Families

| Employment        | Number of Respondents | Percentage to Total |
|-------------------|-----------------------|---------------------|
| Both Employed     | 34                    | 8.5                 |
| Husband alone     | 216                   | 54.0                |
| Wife alone        | 18                    | 4.5                 |
| None              | 74                    | 18.5                |
| Son               | 25                    | 6.2                 |
| Father            | 1                     | 0.3                 |
| Brother or Sister | 4                     | 1                   |
| Total             |                       |                     |

Table 1.4  
Income of Respondent's Families

| Monthly Income | Number | Percent |
|----------------|--------|---------|
| Up to Rs 3000  | 188    | 47.0    |
| Rs 3001-5000   | 83     | 20.8    |
| Rs 5001-7500   | 52     | 13.0    |
| Rs7501-10000   | 24     | 6.0     |
| Rs10001-15000  | 19     | 4.8     |
| Rs 15001-20000 | 13     | 3.2     |
| Not Disclosed  | 21     | 5.2     |
| Total          | 400    | 100.0   |

### **Phase III**

The third phase included collection of data from the trade channels and producers. A structured questionnaire was designed and data about the selected products was collected from the respondents. The respondents included retailers, wholesalers, distributors and producers. Altogether, 50 respondents were interviewed in this phase of the study.

## **CHAPTER II**

### **FINDINGS OF THE STUDY**

#### **Introduction**

As mentioned in Chapter I, the objective of the present study was to evolve a framework for identifying products that could be produced by micro-enterprises. A preliminary framework was developed through brainstorming sessions with experts. Parameters were identified to examine the suitability of a particular product with regard to its suitability as a produce of micro-enterprises initiated by self help groups. The emphasis was on the market related factors. Both the data from the households as well as from the trade was made use of. The survey among households and the trade was conducted in 2002. The modified framework taking into account the pitfalls in the analysis of the selected products is presented in Chapter III.

In Chapter I, we have presented a set of factors which were considered in short listing the products identified in the initial listing of the products. Apart from these, the following factors were considered in the analysis of the short listed projects:

- the level of consumption
- usage of the product
- the dominance of brands in that product category
- brand loyalty
- brand proliferation
- competition in the market
- nature of promotion activity in the product segment
- trade practices
- possibility of alternate channels of marketing
- the willingness of consumers to try the product from SHG's/micro enterprises

Based on the above parameters, an attempt has been made to grade the attractiveness of the product categories for micro enterprises. Each product category has been analysed based on consumption data of consumers and information gathered from the trade.

➤ **Puttupodi**

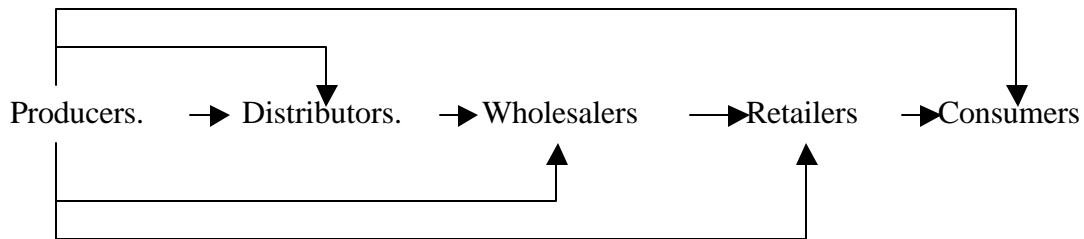
Puttupodi is used in the preparation of “Puttu”( Rice steam cake), one of the most common breakfast items across all sections of Malayalee families. Puttupodi, is made by processing white rice. Puttupodi can be made either through traditional non-mechanized powdering method or through powdering in rice mills. Earlier days, housewives used to prepare ‘Puttupodi’ at home. But with changing life styles, an increasing number of consumers are favoring packaged ‘puttupodi’, thereby avoiding the hassle of the time and effort needed in the preparation at home. It was found that 42 per cent of the households in the rural areas and 27 per cent in the urban areas bought ‘puttupodi’ in the last six months preceding the survey.

Information collected from the trade revealed that there were sixteen brands available to the consumers in urban shops in Thrissur district. Only seven brands were available in the rural shops. But the urban and rural brands were different except for one. When the consumers were asked to name the brands they bought, both urban and rural consumers could name only four brands each. This market is having several players majority of which are local/regional players. The brand loyalty in this product category is moderate and almost all brands are produced inside the State.

Different brands introduced different types of sales promotion activities. Leading brands use advertisement as the main sales promotion activity. The promotion activity in this product category can be rated to be moderate. Credit is being offered by the major

brands. The credit period usually ranges from 15 days to 7 days. The brand Sreenivas also offer an additional discount of 2 per cent to the retailers. Except for this, no retailer schemes are offered by any of the brands.

On the basis of existing supply of puttupodi in the market, we can draw the picture of the marketing channel as follows.



The price and retailer margin of various brands are presented in Table 2.1. When enquired about stocking and promoting a particular brand, one of the major reasons cited by the retailers was the margin offered. This is especially true of provision stores. Thus it is important for micro enterprises to realize the importance of margins to the trade. Not only that the product must be cheaper relative to the established brands, the margin offered to the trade should be competitive enough for them to push the micro enterprise products ahead of the established brands.

Table 2.1  
Price and Retailer Margin of Major Brands of Puttupodi in the Market

| Brand        | Price for 500gm (Rs.) | Margin (%) |
|--------------|-----------------------|------------|
| Sreenivas    | 15.50                 | 10         |
| Topsy        | 14.00                 | 14         |
| Double Horse | 14.00                 | 14         |
| Nirapara     | 12.50                 | 10         |
| Surya        | 12.00                 | 16         |
| Classic      | 12.00                 | 10         |
| Niram        | 10.00                 | 10         |
| Zecco        | 10.00                 | 10         |
| Three Star   | 10.00                 | 25         |
| Reshmi       | 10.00                 | 10         |
| Malayalee    | 10.00                 | 10         |
| Amrutha      | 10.00                 | 10         |
| Deepa        | 9.50                  | 14         |
| Brahmins     | 8.75                  | 12         |
| Leader       | 8.50                  | 10         |

Source: Retailer Survey

Table 2.2 presents the pack size preferred by the consumers. It may be observed from the table that both the pack sizes 500 grams and 1 Kg. are almost equally demanded by the consumers.

Table 2.2  
Preferred Pack Size-Puttupodi

| Size    | Rural |       | Urban |       | Total |       |
|---------|-------|-------|-------|-------|-------|-------|
|         | No.   | %     | No.   | %     | No.   | %     |
| 500 g.  | 20    | 47.6  | 14    | 51.8  | 34    | 49.3  |
| 1000 g. | 22    | 52.4  | 13    | 48.2  | 35    | 50.2  |
| Total   | 42    | 100.0 | 27    | 100.0 | 69    | 100.0 |

Base: Present user households

Table 2.3 presents the details of the sources of purchase of Puttupodi.

Table 2.3  
Source of Purchase- Puttupodi

|                 | Rural |       | Urban |       | Total |       |
|-----------------|-------|-------|-------|-------|-------|-------|
|                 | No.   | %     | No.   | %     | No.   | %     |
| Provision Store | 30    | 71.4  | 22    | 81.5  | 52    | 75.4  |
| Supermarket     | 5     | 11.9  | 4     | 14.8  | 9     | 13.0  |
| Door delivery   | 6     | 14.3  | --    | --    | 6     | 8.7   |
| Others          | 1     | 2.4   | 1     | 3.7   | 2     | 2.9   |
| Total           | 42    | 100.0 | 27    | 100.0 | 69    | 100.0 |

Base: Present user households

Though it is usually bought from provision store or supermarket, some of the rural consumers (14 per cent) buy from the sales people who visit their houses. However, this practice is not found in the urban areas. This does not mean that the urban consumers are averse to the idea of direct marketing of Puttupodi. They are likely to buy it from sales people provided the quality is good. When asked the question, whether they would be inclined to buy the product from SHG's, as much as 56 per cent of the urban respondents and 67 per cent of the rural respondents who were already buying puttupodi, responded in the affirmative. Thus, the prospects look bright, especially in rural areas.

Table 2.4  
Whether buy from SHGs/ Micro enterprises- Puttupodi

|                    | Rural |       | Urban |       | Total |       |
|--------------------|-------|-------|-------|-------|-------|-------|
|                    | No.   | %     | No.   | %     | No.   | %     |
| Will buy           | 28    | 66.7  | 15    | 55.6  | 43    | 62.3  |
| May or may not buy | 7     | 16.7  | 7     | 25.9  | 14    | 20.3  |
| Will not buy       | 7     | 16.7  | 5     | 18.5  | 12    | 17.4  |
| Total              | 42    | 100.0 | 27    | 100.0 | 69    | 100.0 |

Base: Present user households

Puttupodi is a low technology product. The production cost and the investment required are also low. The barriers to enter the market are also limited. Puttupodi looks to be a category which can be looked upon by micro enterprises. But the production and sales costs have to be such that there is sufficient margin to incentivise the trade. And though there is a high level of usage in rural areas, there is relatively less clutter of brands in rural areas. However, rather than concentrating on Puttupodi alone, it would be advisable to have a basket of food products especially when resorting to direct marketing. Being a product purchased regularly, the success of the micro enterprise depends to a large extent on ensuring the required taste. If a direct marketing route is adopted and the quality is ensured, it is likely to convert consumers who are presently using home made puttupodi.

## 2. Appam Podi

Appam podi is used to make Appam. It is a value added product and can be made through the processing of rice. The purchase of Appam podi is less frequent than that of Puttupodi. Only 11 per cent of the rural consumers and 10 per cent of the urban consumers bought Appam podi during the six months preceding the survey. Perhaps this could be because of the fact that families prepare Appam less frequently or it is likely that they prefer to prepare Appam Podi at home rather than buying it packaged. The scenario is likely to change slowly in the future. There were six brands available in the urban

shops where as for the rural consumer, four brands were found. When the consumers were asked to recall the brands they bought, urban consumers were able to recall only 4 brands where as rural consumers were not able to specify any. It appears that the brand loyalty in this category is less than moderate. Most of the brands give 15 days credit. Some of the brands would collect the money only after the sale of the product. Supply frequency is weekly or biweekly.

Table 2.5  
Price and Retailer Margin of Different Brands- Appam podi

| Brand        | MRP for 500g. | Margin(%) |
|--------------|---------------|-----------|
| Reshmi       | 18.00         | 10        |
| Surya        | 17.00         | 15        |
| Double horse | 14.00         | 10        |
| Choice foods | 14.00         | 10        |
| Classic      | 14.00         | 25        |
| Unbranded    | 10.00         | 10        |
| Deepa        | 10.00         | 10        |

The brands in this product segment were able to command a price 40 per cent higher than the price of unbranded products but keeping the retailer margin at the same level indicates the possibility of pushing the products of micro enterprises by making small increments in both retailer margin and price.

Table 2.6 presents the preferred pack sizes.

Table 2.6  
Preferred Pack Size-Appam podi

| Size    | Rural |       | Urban |       | Total |       |
|---------|-------|-------|-------|-------|-------|-------|
|         | No.   | %     | No.   | %     | No.   | %     |
| 500 g.  | 5     | 45.4  | 5     | 50.0  | 10    | 47.6  |
| 1000 g. | 6     | 55.6  | 5     | 50.0  | 11    | 52.4  |
| Total   | 11    | 100.0 | 10    | 100.0 | 21    | 100.0 |

Base: Present user households

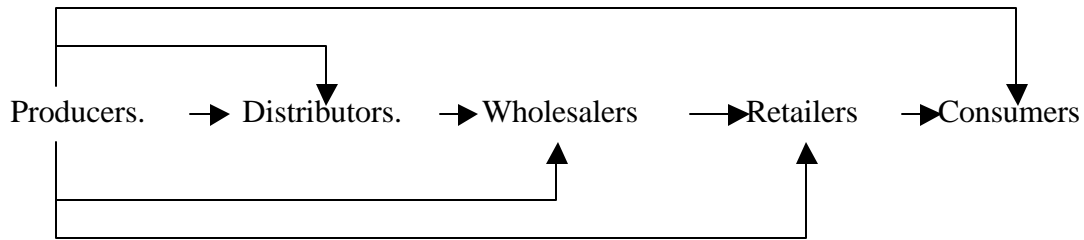
As in the case of Puttupodi, 500gm and 1 kg of Appam podi packs are equally preferred by the consumers. Table 2.6 presents the sources of purchase of Appam podi. It may be noted from the table that some of the consumers in the rural areas bought the Appam podi from the door-to-door sales women/men. The absence of any urban consumer buying it from door to door-sales people is likely to be because no body had approached them with the product.

Table 2.7  
Source of Purchase- Appam podi

|                 | Rural |       | Urban |       | Total |       |
|-----------------|-------|-------|-------|-------|-------|-------|
|                 | No.   | %     | No.   | %     | No.   | %     |
| Provision Store | 7     | 63.6  | 9     | 90.0  | 16    | 76.2  |
| Supermarket     | --    |       | 1     | 10.0  | 1     | 4.8   |
| Door delivery   | 2     | 18.2  | --    | --    | 2     | 9.5   |
| Others          | 2     | 18.2  | --    | --    | 2     | 9.5   |
| Total           | 11    | 100.0 | 10    | 100.0 | 21    | 100.0 |

Base: Present user households

The marketing channel of Appam podi is given below:



When asked the question, whether they would try a product from SHG's, 60 per cent of the urban consumers and 27 per cent of the rural consumers reported that they would definitely try.

Table 2.8  
Whether buy from SHGs/ Micro enterprises- Appam podi

|                    | Rural |       | Urban |       | Total |       |
|--------------------|-------|-------|-------|-------|-------|-------|
|                    | No.   | %     | No.   | %     | No.   | %     |
| Will try           | 3     | 27.3  | 6     | 60.0  | 9     | 42.8  |
| May or may not try | 5     | 45.4  | 2     | 20.0  | 7     | 33.3  |
| Will not try       | 3     | 27.3  | 2     | 20.0  | 5     | 23.9  |
| Total              | 11    | 100.0 | 10    | 100.0 | 21    | 100.0 |

Base: Present user households

Appam Podi seems to be a category more suited for urban consumers as far as micro enterprises are concerned. But the low level of usage can be a hurdle for direct marketing in terms of its logistics.. But this can be compensated by selling it along with other products. For selling it through retail outlets, the pricing has to be in such a way as to provide a slightly higher percentage of margin than the unbranded products presently available in the market.

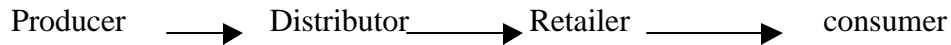
### 3. Dish Cleaning Powder

Dish cleaning powder is a product extensively used by the households. But there are substitutes such as cleaning soap and cleaning liquid for this product. Fifty two percent of the urban consumers and 66 percent of the rural consumers had bought Dish Cleaning powder in the six months preceding the survey. The relatively lower usage of dish cleaning powder in the urban areas compared to the rural areas is likely to be because of the use of substitute products such as dish cleaning soap and dish cleaning liquid which are projected to be superior to the powder. Going by the extent of usage alone, this might appear to be a bright product category. However, Dish cleaning powder appears to be a category where in there are a few brands which have a clear dominance. When the urban consumers were asked to recall the brands they bought, there were only six brands which figured in the list and of the six, two brands accounted for 87 per cent of the purchase. Similarly in the case of rural consumers, though the extent of usage was high, only five brands figured in the list of brands recalled and of the five, two brands accounted for 90 per cent. Thus, the lion's share of the category was found to be held by two brands in both urban and rural areas. Sabeena and Vim are the two major brands in this product market. Brand loyalty seems to be very high in this segment. The promotion by these two brands was also heavy. Local players could garner a share of just 5 per cent.

Table 2.9  
Price and Retailer Margin of Different Brands – Dish Cleaning Powder

| Brand   | Size(gms) | MRP (Rs.) | Margin(%) |
|---------|-----------|-----------|-----------|
| Sabeena | 500       | 4.50      | 20        |
|         | 1000      | 9.00      | 20        |
| Vim     | 500       | 5.00      | 20        |
|         | 1000      | 9.00      | 20        |

The marketing channel is as follows:



The preferred pack sizes are given below in Table 2.10. pack size of 500 gm appears to be the most favoured one.

Table 2.10  
Preferred Pack Size- Dish washing powder

|       | Rural |       | Urban |       | Total |       |
|-------|-------|-------|-------|-------|-------|-------|
|       | No.   | %     | No.   | %     | No.   | %     |
| 100g  | 8     | 12.1  | 5     | 9.6   | 13    | 11.0  |
| 200g  | 6     | 9.1   | 3     | 5.8   | 9     | 7.6   |
| 500g  | 40    | 60.6  | 26    | 50.0  | 66    | 56.0  |
| 1 kg  | 12    | 18.2  | 18    | 34.6  | 30    | 25.4  |
| Total | 66.0  | 100.0 | 52.0  | 100.0 | 118.0 | 100.0 |

Base: Present user households

The details about the sources of purchase is presented in Table 2.11.

Table 2.11  
Source of Purchase- Dish Washing Powder

|                 | Rural |       | Urban |       | Total |       |
|-----------------|-------|-------|-------|-------|-------|-------|
|                 | No.   | %     | No.   | %     | No.   | %     |
| Provision Store | 55    | 83.3  | 39    | 75.0  | 94    | 79.7  |
| Supermarket     | 8     | 12.2  | 8     | 15.4  | 16    | 13.6  |
| Petty shop      | 2     | 3.0   | 3     | 5.8   | 5     | 4.2   |
| Door delivery   | --    | --    | -     | --    | -     | --    |
| Others          | 1     | 1.5   | 2     | 3.8   | 3     | 2.5   |
| Total           | 66    | 100.0 | 52    | 100.0 | 118   | 100.0 |

Base: Present user households

When asked whether they would buy the product from SHG's, 60 per cent of the urban consumers and 74 per cent of rural consumers who bought the product responded in the affirmative. Clearly, the inclination to buy from micro enterprises appears to be more with rural consumers.

Table 2.12  
Whether buy from SHGs/ Micro enterprises- Dish Washing Powder

|                    | Rural |       | Urban |       | Total |       |
|--------------------|-------|-------|-------|-------|-------|-------|
|                    | No.   | %     | No.   | %     | No.   | %     |
| Will buy           | 49    | 74.2  | 31    | 59.6  | 80    | 67.8  |
| May or may not buy | 9     | 13.6  | 10    | 19.2  | 19    | 16.1  |
| Will not buy       | 8     | 12.2  | 11    | 21.2  | 19    | 16.1  |
| Total              | 66    | 100.0 | 52    | 100.0 | 118   | 100.0 |

Base: Present user households

But before any decision is taken on the appropriateness of the product from micro enterprises, a careful evaluation of the leading brands has to be carried out to find out the reasons behind their success. Any new brand which enters the market would have to eat into the share of these two large brands. The brand strategy and the trade strategy of the two brands will have to be assessed to see how big the entry and exit barriers are and then only a proper decision can be taken. More over the technology factor has studied in details before making a decision on entry.

#### 4. Avilosunda

Avilosunda is made by combining rice powder with jaggery, coconut, jeerakam, cardamom etc. This can be considered as a snack item. This is a product category where local unbranded products dominate. When the usage level was examined, 15 per cent of the urban consumers and 7 per cent of the rural consumers had bought 'Avilosunda' in the six months preceding the survey, quite high for a 'snack' category item. But all of the

consumers had bought local brands, implying the absence of any dominant brand in the product category.

Table 2.13  
Price and Retailer Margin of Various Brands- Avilosunda

| Brand           | Size(g) | MRP   | Margin(%) |
|-----------------|---------|-------|-----------|
| Vanitha (SHG)   | 200     | 10.00 | 20        |
|                 | 500     | 25.00 | 20        |
| Krishna         | 250     | 14.00 | 15        |
| Pappus          | 250     | 15.00 | 15        |
| Vanitha sangham | 250     | 14.00 | 14        |

Information from the trade revealed that three local brands were present in urban shops of which one was from SHG's. The SHG brand was also present in rural shops along with another brand. These cannot be called 'brands' in the strict definition of the term, rather they would all fall under the category of 'local' products.

The marketing channel is as follows:



It appears that the consumers prefer 200-250 gm pack sizes in this product category. (See Table 2.14)

Table 2.14  
Preferred Pack Size-Avilosunda

|       | Rural |       | Urban |       | Total |       |
|-------|-------|-------|-------|-------|-------|-------|
|       | No.   | %     | No.   | %     | No.   | %     |
| 100g  | 2     | 28.6  | 3     | 20.0  | 5     | 22.7  |
| 200g  | 2     | 28.6  | 10    | 66.7  | 12    | 54.6  |
| 250g  | 3     | 42.8  | 2     | 13.3  | 5     | 22.7  |
| Total | 7     | 100.0 | 15    | 100.0 | 22    | 100.0 |

Base: Present user households

The source of purchase of Avilosunda is given in Table 2.15.

Table 2.15  
Source of Purchase-Avilosunda

|                 | Rural |       | Urban |       | Total |       |
|-----------------|-------|-------|-------|-------|-------|-------|
|                 | No.   | %     | No.   | %     | No.   | %     |
| Provision Store | 1     | 14.3  | 6     | 40.0  | 7     | 31.8  |
| Supermarket     | 2     | 28.6  | 3     | 20.0  | 5     | 22.8  |
| Bakery          | 2     | 28.5  | 6     | 40.0  | 8     | 36.4  |
| Door delivery   | 1     | 14.3  | --    | --    | 1     | 4.5   |
| Others          | 1     | 14.3  | --    | --    | 1     | 4.5   |
| Total           | 7     | 100.0 | 15    | 100.0 | 22    | 100.0 |

Base: Present user households

When asked the question, whether they would buy the product from SHG's, eight out of the 22 respondents who have bought the product during the last six months will consider buying the produce of SHGs.

Table 2.16  
Whether buy from SHGs/ Micro enterprises- Avilosunda

|                    | Rural |       | Urban |       | Total |       |
|--------------------|-------|-------|-------|-------|-------|-------|
|                    | No.   | %     | No.   | %     | No.   | %     |
| Will buy           | 2     | 28.6  | 6     | 40.0  | 8     | 36.4  |
| May or may not buy | 5     | 71.4  | 8     | 53.3  | 13    | 59.1  |
| Will not buy       | 0     | 0.0   | 1     | 6.7   | 1     | 4.5   |
| Total              | 7     | 100.0 | 15    | 100.0 | 22    | 100.0 |

Base: Present user households

Thus, Avilosunda appears to be a product which can be taken up by SHG's as large scale players are absent in this category and consumption levels appear to be decent enough in urban households. Besides, a good number of urban and rural consumers are also positively inclined to receive the product from SHG's. The focus of marketing could be the urban areas. But it has to be noted that some of the SHGs are already into this product segment. Before entering into this product segment, make sure that not many SHGs are catering to the proposed target area of the new entrant.

## 5. Candles

The regular power cuts and frequent power failures has increased the demand for candles. Five brands were found in urban retail shelves of which two were found also in rural retail shelves along with another 7 brands. A look at the urban brands indicates the dominance of one brand which offers the highest margin. Retailers are inclined to push the brand that offers the maximum margin. Five brands were recalled by both urban and rural consumers indicative of some amount of brand familiarity. Popular is the only brand in this segment with a two-digit market share.

Table 2.17  
Price and Retailer Margin of various brands

| Brand   | MRP(Rs.)<br>(For Packet size of 6 nos.) | Margin (%) |
|---------|---|------------|
| Priya   | 12.00                                   | 20         |
| Jisha   | 9.00                                    | 4%         |
| Popular | 9.00                                    | 7          |

The marketing channel is as follows:



Forty two percent of the urban households and 37 per cent of the rural households had purchased candles in the previous month, indicative of a high level of usage. Average spend was Rs. 16.5 among urban consumers and Rs. 15.2 among rural consumers, not showing much difference between urban and rural consumers.

The details about the source of purchase of candles is presented in Table 2.18

Table 2.18  
Source of Purchase- Candles

|                 | Rural |       | Urban |       | Total |       |
|-----------------|-------|-------|-------|-------|-------|-------|
|                 | No.   | %     | No.   | %     | No.   | %     |
| Provision Store | 25    | 67.6  | 31    | 73.8  | 56    | 70.9  |
| Supermarket     | 6     | 16.2  | 5     | 11.9  | 11    | 13.9  |
| Petty shop      | 5     | 13.5  | 5     | 11.9  | 10    | 12.6  |
| Door delivery   | --    | --    | 1     | 2.4   | 1     | 1.3   |
| Others          | 1     | 2.7   | --    | --    | 1     | 1.3   |
| Total           | 37    | 100.0 | 42    | 100.0 | 79    | 100.0 |

Base: Present user households

Table 2.19  
Whether Buy from SHGs/ Micro enterprises-Candles

|                    | Rural |       | Urban |       | Total |       |
|--------------------|-------|-------|-------|-------|-------|-------|
|                    | No.   | %     | No.   | %     | No.   | %     |
| Will buy           | 28    | 75.7  | 18    | 42.9  | 46    | 58.2  |
| May or may not buy | 4     | 10.8  | 8     | 19.0  | 12    | 15.2  |
| Will not buy       | 5     | 13.5  | 16    | 38.1  | 21    | 26.6  |
| Total              | 37    | 100.0 | 42    | 100.0 | 79    | 100.0 |

Base: Present user households

Fifty one percent of urban consumers and 82 per cent of rural consumers, who bought the product in the previous month, opined that they would be positively inclined towards buying the product from SHG's. Thus, candles appear to be a product category suited for micro enterprises. The brand clutter is less in urban areas, but there is a large market to be tapped in urban areas going by the extent of usage and average consumption levels. But enquiries with some of the producers gave a dismal picture of the industry. Many units have been closed down. Therefore before making an entry in to the market, a detailed analysis of the unit cost and the problems faced by the industry will have to be undertaken.

## 6. Jam

Jam is a product with purchase intensity higher in the urban areas compared to the rural areas. Of the urban households in the sample, 24 per cent had bought jam in the previous month. As against this, only 9 per cent of the rural households bough jam. Clearly, this makes the product category more suited for urban tastes. All the respondents in the urban households who bought jam could clearly recall the brands they bought indicating a high degree of brand salience. But in the rural sector, only one out of the nine respondents could recall the brand bought.

Table 2.20 presents the details about the preferred pack size. 100 gm packs appears to be the most preferred pack size.

Table 2.20  
Preferred Pack Size- Jam

|       | Rural |       | Urban |       | Total |       |
|-------|-------|-------|-------|-------|-------|-------|
|       | No.   | %     | No.   | %     | No.   | %     |
| 100g  | 5     | 55.6  | 11    | 45.8  | 16    | 48.5  |
| 200g  | --    |       | 7     | 29.2  | 7     | 21.2  |
| 250g  | 4     | 44.4  | 3     | 12.5  | 7     | 21.2  |
| 500g  | --    |       | 3     | 12.5  | 3     | 9.1   |
| Total | 9     | 100.0 | 24    | 100.0 | 33    | 100.0 |

Base: Present user households

More than the bakeries, provision store is the major source of purchase.

Table 2.21  
Source of Purchase- Jam

|                 | Rural |       | Urban |       | Total |       |
|-----------------|-------|-------|-------|-------|-------|-------|
|                 | No.   | %     | No.   | %     | No.   | %     |
| Provision Store | 2     | 22.2  | 12    | 50.0  | 14    | 42.4  |
| Supermarket     | 2     | 22.2  | 6     | 25.0  | 8     | 24.2  |
| Bakery          | 2     | 22.2  | 4     | 16.6  | 6     | 18.2  |
| Door delivery   | 1     | 11.2  | 1     | 4.2   | 2     | 6.1   |
| Others          | 2     | 22.2  | 1     | 4.2   | 3     | 9.1   |
| Total           | 9     | 100.0 | 24    | 100.0 | 33    | 100.0 |

Base: Present user households

Table 2.22  
Whether buy from SHGs/ Micro enterprises- Jam

|                    | Rural |       | Urban |       | Total |       |
|--------------------|-------|-------|-------|-------|-------|-------|
|                    | No.   | %     | No.   | %     | No.   | %     |
| Will buy           | 4     | 44.4  | 5     | 20.8  | 9     | 27.3  |
| May or may not buy | 4     | 44.4  | 10    | 41.6  | 14    | 42.4  |
| Will not buy       | 1     | 11.2  | 9     | 37.6  | 10    | 30.3  |
| Total              | 9     | 100.0 | 24    | 100.0 | 33    | 100.0 |

Base: Present user households

When asked about whether the respondents will purchase jam produced by the micro enterprises, only about one fifth who have recently bought jam was positively inclined to do so. As against this, 44 per cent of the rural consumers were ready to accept the products of SHGs. The findings indicate that though the category is more popular among urban consumers, the presence of entrenched brands might pose a problem for micro enterprises. Though the rural consumption is less, the absence of brand recall among rural consumers could mean that there is a possibility for a quality product to emerge as a brand among rural consumers. The high degree of willingness to accept the product from SHG's among rural consumers, cements this notion.

## 7. Noodles

Consumption of Noodles has been powered largely by the heavy promotion by the two major brands in the market viz., Maggie and Top Ramen. Twenty one percent of the urban households had purchased noodles in the previous month against 11 per cent in rural households. But in both urban and rural households, two brands had accounted for all the purchases, indicating near total brand dominance. Information gathered from the trade also indicated the presence of only two brands, both marketed by multi-nationals. Both brands give 15days credit. No schemes are provided by these brands. Both brands supply biweekly.

The marketing channel of noodles is as follows:

Producer ® Distributor ® Retailer ® Consumer

The price and margin of the two brands available in the market is given below:

Table 2.23  
Price and Retailer Margin of different brands

| Brands   | Size (g.) | MRP (Rs.) | Margin (%) |
|----------|-----------|-----------|------------|
| MAGGIE   | 100       | 10.00     | 7          |
|          | 200       | 19.00     | 10         |
|          | 300       | 28.00     | 10         |
|          | 400       | 37.00     | 10         |
| TOPRAMAN | 100       | 9.50      | 8          |
|          | 500       | 42.00     | 8          |

Table 2.24  
Preferred Pack Size- Noodles

|       | Rural |       | Urban |       | Total |       |
|-------|-------|-------|-------|-------|-------|-------|
|       | No.   | %     | No.   | %     | No.   | %     |
| 100g  | 4     | 36.4  | 12    | 57.1  | 16    | 50.00 |
| 200g  | 7     | 63.6  | 9     | 42.9  | 16    | 50.0  |
| Total | 11    | 100.0 | 21    | 100.0 | 32    | 100.0 |

Base: Present user households

Both 100 gm packs and 200 Gms are preferred by the consumers .

Table 2.25  
Source of Purchase- Noodles

|                 | Rural |       | Urban |       | Total |       |
|-----------------|-------|-------|-------|-------|-------|-------|
|                 | No.   | %     | No.   | %     | No.   | %     |
| Provision Store | 6     | 54.6  | 12    | 57.1  | 18    | 56.3  |
| Supermarket     | 3     | 27.2  | 4     | 19.0  | 7     | 21.9  |
| Bakery          | 2     | 18.2  | 4     | 19.0  | 6     | 18.7  |
| Others          | --    | --    | 1     | 4.9   | 1     | 3.1   |
| Total           | 11    | 100.0 | 21    | 100.0 | 32    | 100.0 |

Base: Present user households

In the case of noodles also, provision store followed by supermarket and bakery are the major sources of purchase. When asked about the brand they bought most of them (91 per cent) have reportedly bought the brand “Maggie”, the heavily advertised brand in the market.

Table 2.26  
Whether buy from SHGs/ Micro enterprises- Noodles

|                    | Rural |       | Urban |       | Total |       |
|--------------------|-------|-------|-------|-------|-------|-------|
|                    | No.   | %     | No.   | %     | No.   | %     |
| Will buy           | 2     | 18.2  | 4     | 19.0  | 6     | 18.7  |
| May or may not buy | 8     | 72.7  | 9     | 42.9  | 17    | 53.1  |
| Will not buy       | 1     | 9.1   | 8     | 38.1  | 9     | 28.1  |
| Total              | 11    | 100.0 | 21    | 100.0 | 32    | 100.0 |

Base: Present user households

Only 19 percent of the urban households indicated that they were positively inclined to buy the product from SHG’s. Overall, the two established brands present a huge entry barrier in terms of branding and marketing costs. The category is not suited for micro enterprises.

## 8. Nurukkari

Nurukkari is processed from raw rice. Nurukkari Kanji is a famous food in Kerala. Traditional doctors suggest nurukkari kanji for patients, as it is good for easy digestion. Nearly one fourth (24 percent) of both urban and rural consumers had bought the product in the six months preceding the survey. Of this, one third of urban consumers recalled the brand they bought where as in the case of rural consumers, only one in 24 recalled the brand bought. It was seen that most of the purchases made were of local produce with out any brand name.

Table 2.27  
Price and Retailer Margin of different brands

| Brand         | Size  | MRP   | Margin |
|---------------|-------|-------|--------|
| Elite         | 500 g | 12.00 | 15     |
| Nirapara      | 500 g | 16.00 | 7      |
| Nenmani       | 500 g | 9.00  | 16     |
|               | 1 kg  | 18.00 | 16     |
| Double Horse  | 25kg  | 17.50 | 12     |
| Local         | 25kg  | 10.00 | 5      |
| Local         | 25kg  | 15.00 | 10     |
| KR            | 1     | 12.00 | 13     |
| Lime          | 1     | 13.50 | 10     |
| Muyal         | 1     | 16.00 | 10     |
| Kuttikammath  | 1     | 16.00 | 10     |
| Thirukudumbam | 1     | 13.00 | 8      |

Information gathered from the trade showed four brands in urban retail shelves where as many as six was found in rural retail shops. But the urban brands which were relatively more expensive were not found in rural shops.

Table 2.28 presents the details of the pack size preferred by the consumers.

Table 2.28  
Preferred Pack Size- Nurukkari

|       | Rural |       | Urban |       | Total |       |
|-------|-------|-------|-------|-------|-------|-------|
|       | No.   | %     | No.   | %     | No.   | %     |
| 500g  | 16    | 66.7  | 12    | 50.0  | 28    | 58.3  |
| 1 kg  | 8     | 33.3  | 12    | 50.0  | 20    | 41.7  |
| Total | 24    | 100.0 | 24    | 100.0 | 48    | 100.0 |

Base: Present user households

Table 2.29 presents the sources of purchase.

Table 2.29  
Source of Purchase- Nurukkari

|                 | Rural |       | Urban |       | Total |       |
|-----------------|-------|-------|-------|-------|-------|-------|
|                 | No.   | %     | No.   | %     | No.   | %     |
| Provision Store | 19    | 79.2  | 17    | 70.8  | 36    | 75.0  |
| Supermarket     | 2     | 8.3   | 4     | 16.7  | 6     | 12.5  |
| Others          | 3     | 12.5  | 3     | 12.5  | 6     | 12.5  |
| Total           | 24    | 100.0 | 24    | 100.0 | 48    | 100.0 |

Base: Present user households

Table 2.29 reports on the willingness of the respondents who have bought Nurukkari recently to buy the produce of SHGs.

Table 2.30  
Whether buy from SHGs/ Micro enterprises- Nurukkari

|                    | Rural |       | Urban |       | Total |       |
|--------------------|-------|-------|-------|-------|-------|-------|
|                    | No.   | %     | No.   | %     | No.   | %     |
| Will buy           | 13    | 54.2  | 9     | 37.5  | 22    | 45.8  |
| May or may not buy | 6     | 25.0  | 11    | 45.8  | 17    | 35.4  |
| Will not buy       | 5     | 20.8  | 4     | 16.7  | 9     | 18.8  |
| Total              | 24    | 100.0 | 24    | 100.0 | 48    | 100.0 |

Base: Present user households

When asked whether they are likely to buy from SHGs, 38 percent of urban consumers and 54 percent of rural consumers expressed their willingness. Despite the large amount of willing prospects, this is a product category with a presence of some large Kerala based brands, especially in the urban sector. However, before entering the market, a detailed study has to be done to understand the costs involved.

## 9. Pickles

There are different varieties of pickles available in the market - mango, tender mango, lime, garlic, prawns, beetroot, bitter gourd, dates, champakka, chilambi, ginger etc. But the most popular varieties are mango, tender mango, lime, garlic and prawns. Trade data revealed the presence of 16 brands and some local players, with out brand names. Thus, there appears to be a brand clutter in this category. There are some established brands which resort to large scale advertising in this product category. The purchase incidence during the six months preceding the survey was 21 percent among the urban consumers and 24 per cent among the rural consumers. Of the urban consumers who bought the product, 19 of the 21 urban consumers had bought a branded product and in the case of rural consumers, only 50 per cent had bought a branded product.

Table 2.31  
Margin offered to the Retailers by 5 Various Pickle Brands

| Brand    | Margin(%) |
|----------|-----------|
| Happy    | 8         |
| Grand    | 8         |
| Coys     | 8         |
| Sabari   | 8         |
| Thankam  | 10        |
| Caico    | 10        |
| Palat    | 15        |
| Del      | 18        |
| Kalyan   | 10        |
| Sudha    | 10        |
| Onam     | 7         |
| Dinesh   | 12        |
| Megha    | 7         |
| Parvathi | 8         |

The margin offered by the brands usually range from 10 to 15 per cent. Table 2. 32 indicate that 100 gram packs and 250 gram packs are almost equally preferred by the consumers in the rural areas. But in urban areas, the preference is much higher for 250gms.

Table 2.32  
Preferred Pack Size- Pickle

|       | Rural |       | Urban |       | Total |       |
|-------|-------|-------|-------|-------|-------|-------|
|       | No.   | %     | No.   | %     | No.   | %     |
| 100g  | 11    | 45.8  | 5     | 23.8  | 16    | 35.6  |
| 250g  | 10    | 41.7  | 13    | 61.9  | 23    | 51.1  |
| 500g  | 3     | 12.5  | 3     | 14.3  | 6     | 13.3  |
| Total | 24    | 100.0 | 21    | 100.0 | 45    | 100.0 |

Base: Present user households

Table 2.33 presents the sources of purchase of this product. Unlike many other products reported above, nearly one third of the rural consumers buy pickle from door-to-door

salespeople. In addition to this, shops such as vegetable shops where pickles are not usually stocked have also become a point of purchase recently.

Table 2.33  
Source of Purchase- Pickle

|                 | Rural |       | Urban |       | Total |       |
|-----------------|-------|-------|-------|-------|-------|-------|
|                 | No.   | %     | No.   | %     | No.   | %     |
| Provision Store | 10    | 41.6  | 9     | 42.9  | 19    | 42.3  |
| Supermarket     | 4     | 16.7  | 5     | 23.8  | 9     | 20.0  |
| Bakery          | --    | --    | 1     | 4.8   | 1     | 2.2   |
| Door delivery   | 7     | 29.2  | 3     | 14.3  | 10    | 22.2  |
| Others          | 3     | 12.5  | 3     | 14.3  | 6     | 13.3  |
| Total           | 24    | 100.0 | 21    | 100.0 | 45    | 100.0 |

Base: Present user households

Table 2.34  
Whether buy from SHGs/ Micro enterprises- Pickle

| Willingness to buy | Rural |       | Urban |       | Total |       |
|--------------------|-------|-------|-------|-------|-------|-------|
|                    | No.   | %     | No.   | %     | No.   | %     |
| Will buy           | 17    | 70.8  | 9     | 42.9  | 26    | 57.8  |
| May or may not buy | 5     | 20.8  | 6     | 28.6  | 11    | 24.4  |
| Will not buy       | 2     | 8.4   | 6     | 28.6  | 8     | 17.8  |
| Total              | 24    | 100.0 | 21    | 100.0 | 45    | 100.0 |

Base: Present user households

When probed on their willingness to buy the product from SHG's, 71 per cent of the rural consumers and 43 per cent of the urban consumers responded in the affirmative. Considering all the factors, pickles seems to be a category appropriate for SHG's if properly marketed. The product can be targeted especially at the rural markets where the purchase intensity and willingness to accept SHG products are slightly higher than the urban markets and the brand dominance is relatively low. But this is also a category

where many small producers have already made inroads. The success of a new micro enterprise rests largely on the target area and the quality of the product. Moreover, non-traditional pickle outlets such as vegetable shops, hotels etc. can be used effectively in promoting the product. This will also help it to stand apart from the brand clutter in the traditional outlets. Therefore, the SHG which plans to enter this product segment, should make a study on how many small players are catering its target area. This would help them in finding out whether there is a large enough space for their produce.

## 10. Vinegar

Vinegar is mainly used for preparing pickles and salad. It is also used in the seasoning of meat. Only about 5 per cent of the urban households had bought the product in the previous month where as in the case of rural households, this figure was 3 per cent.

Table 2.35  
Price and Retailer Margin of Various Brands

| Brand       | Size (ml) | MRP (Rs.) | Margin (%) |
|-------------|-----------|-----------|------------|
| Bymore      | 350       | 8.00      | 10         |
|             | 500       | 12.00     |            |
|             | 700       | 14.00     |            |
|             | 750       | 12.50     |            |
| Fruitomunch | 350       | 8.00      | 15         |
| Popular     | 500       | 12.00     | 15         |
|             | 1000      | 20.00     |            |
|             | 700       | 15.00     |            |
| Palat       | 375       | 10.00     | 10         |
|             | 750       | 16.00     |            |
| Kalyan      | 300       | 8.00      | 10         |
|             | 700       | 12.00     |            |
| Yes         | 500       | 12.00     | 5          |
| Kera        | 350       | 4.50      | 25         |
| Popy        | 500       | 8.00      | 15         |
| Kissa       | 500       | 12.00     | 35         |
| Nysol       | 500       | 12.00     | 25         |

Thus, Vinegar is infrequently bought product item as the life of bottle could run into a few months. There were a couple of brands recalled by both urban and rural households.

Two out of five urban consumers and two out of three rural consumers who bought the product were willing to buy the product from SHG's.

Table 2.36 presents the details about the pack sizes preferred by the existing consumers of vinegar. The table indicates that 500 ml bottles are preferred by majority of the consumers.

Table 2.36  
Preferred Pack Size- Vinegar

|         | Rural |       | Urban |       | Total |       |
|---------|-------|-------|-------|-------|-------|-------|
|         | No.   | %     | No.   | %     | No.   | %     |
| 375 ml  | 4     | 19.1  | 12    | 48.0  | 16    | 34.8  |
| 500 ml  | 15    | 71.4  | 13    | 52.0  | 28    | 60.9  |
| 1000 ml | 2     | 9.5   | --    | --    | 2     | 4.3   |
| Total   | 21    | 100.0 | 25    | 100.0 | 46    | 100.0 |

Base: Present user households

Table 2.37 reports on the sources of purchase of vinegar.

Table 2.37  
Source of Purchase- Vinegar

|                 | Rural |       | Urban |       | Total |       |
|-----------------|-------|-------|-------|-------|-------|-------|
|                 | No.   | %     | No.   | %     | No.   | %     |
| Provision Store | 15    | 71.4  | 16    | 64.0  | 31    | 67.4  |
| Supermarket     | 3     | 14.3  | 2     | 8.0   | 5     | 10.8  |
| Petty shop      | --    | --    | 5     | 20.0  | 5     | 10.8  |
| Others          | 3     | 14.3  | 2     | 8.0   | 5     | 10.8  |
| Total           | 21    | 100.0 | 25    | 100.0 | 46    | 100.0 |

Base: Present user households

Table 2.38  
Whether buy from SHGs/ Micro enterprises- Vinegar

|  | Rural |   | Urban |   | Total |   |
|--|-------|---|-------|---|-------|---|
|  | No.   | % | No.   | % | No.   | % |

|                    |    |       |    |       |    |       |
|--------------------|----|-------|----|-------|----|-------|
| Will buy           | 10 | 47.7  | 5  | 20.0  | 15 | 32.6  |
| May or may not buy | 7  | 33.3  | 7  | 28.0  | 14 | 30.4  |
| Will not buy       | 4  | 19.0  | 13 | 52.0  | 17 | 37.0  |
| Total              | 21 | 100.0 | 25 | 100.0 | 46 | 100.0 |

Base: Present user households

The product category is appealing as far as brand clutter goes (there are not very many brands and hence no clutter), but the low extent of usage and amount of consumption of the product implies that the market coverage has to be wide to achieve sufficient volumes. Only if the margins built in are attractive enough, should a decision be taken to enter the product category by the micro enterprises.

## 11. Washing Soap

Washing soap is a product category which has a high level of penetration, across both urban and rural consumers. About 95 per cent of urban consumers and 92 per cent of rural consumers had bought the product in the previous month. But there are a large number of brands available to both the urban and rural consumer. The list recalled by consumers as having bought last month totaled to 30 brands, in both urban and rural areas. Only three brands commanded two digit share of sales, but all of them had a share of sales less than 20 per cent. Close to 10 per cent of the sales happened through door to door sales people, in both urban and rural areas, indicative of the presence of alternate channels in this product category.

Table 2.39  
Source of Purchase- Washing Soap

|                 | Rural |       | Urban |       | Total |       |
|-----------------|-------|-------|-------|-------|-------|-------|
|                 | No.   | %     | No.   | %     | No.   | %     |
| Provision Store | 60    | 65.2  | 64    | 67.4  | 124   | 66.3  |
| Supermarket     | 7     | 7.6   | 10    | 10.5  | 17    | 9.1   |
| Petty shop      | 2     | 2.2   | 11    | 11.6  | 13    | 7.0   |
| Door delivery   | 9     | 9.8   | 8     | 8.4   | 17    | 9.1   |
| Others          | 14    | 15.2  | 2     | 2.1   | 16    | 8.5   |
| Total           | 92    | 100.0 | 95    | 100.0 | 187   | 100.0 |

Base: Present user households

Table 2.40  
Whether buy from SHGs/ Micro enterprises- Washing Soap

|                    | Rural |       | Urban |       | Total |       |
|--------------------|-------|-------|-------|-------|-------|-------|
|                    | No.   | %     | No.   | %     | No.   | %     |
| Will buy           | 55    | 59.8  | 44    | 46.3  | 99    | 52.9  |
| May or may not buy | 19    | 20.7  | 24    | 25.3  | 43    | 23.0  |
| Will not buy       | 18    | 19.5  | 27    | 28.4  | 45    | 24.1  |
| Total              | 92    | 100.0 | 95    | 100.0 | 187   | 100.0 |

Base: Present user households

When asked whether they are likely to buy washing soap produced by SHGs, 46 per cent of urban households and 60 per cent of rural households indicated that they were positively inclined to do so. However, the large number of brands in the retail shelves makes the traditional route of marketing the product of SHGs through retailers unattractive. The only way the product can be taken up will be through alternate channels such as door to door delivery and community meetings. The high level of consumption and the extent of penetration are attractive factors where as the brand clutter is the major threat. This is also a product category where many SHGs have already forayed. Therefore, making a decision on producing washing soap, the SHGs should explore whether other SHGs are already targeting its target area. Costs of production and

margins will have to be taken into account before a decision is taken to enter the category, as the price of the product from micro enterprises will have to be very competitive to carve a niche in the already crowded market place.

## 12. Toilet Soap

Toilet soap is a product which was used by all the respondents in the sample- both urban and rural. The market for toilet soap has been witnessing the competition of big brands. There were over 20 brands, as recalled by consumers as having bought in the previous month. This is another product extensively tried out by micro enterprises using the direct marketing route. Despite this, only 3-4 per cent of the consumers have reportedly bought toilet soap from door to door salespeople.

Table 2.41  
Source of Purchase- Toilet Soap

|                 | Rural |       | Urban |       | Total |       |
|-----------------|-------|-------|-------|-------|-------|-------|
|                 | No.   | %     | No.   | %     | No.   | %     |
| Provision Store | 76    | 76.0  | 67    | 67.0  | 143   | 71.5  |
| Supermarket     | 13    | 13.0  | 16    | 16.0  | 29    | 14.5  |
| Petty shop      | 2     | 2.0   | 8     | 8.0   | 10    | 5.0   |
| Door delivery   | 3     | 3.0   | 4     | 4.0   | 7     | 3.5   |
| Others          | 6     | 6.0   | 5     | 5.0   | 11    | 5.5   |
| Total           | 100   | 100.0 | 100   | 100.0 | 200   | 100.0 |

Base: Present user households

Table 2.29 reports on the willingness of the consumers to buy the toilet soaps produced by SHGs.

Table 2.42  
Whether buy from SHGs/ Micro enterprises- Toilet Soap

|                    | Rural |       | Urban |       | Total |       |
|--------------------|-------|-------|-------|-------|-------|-------|
|                    | No.   | %     | No.   | %     | No.   | %     |
| Will buy           | 54    | 54.0  | 40    | 40.0  | 94    | 47.0  |
| May or may not buy | 25    | 25.0  | 28    | 28.0  | 53    | 26.5  |
| Will not buy       | 21    | 21.0  | 32    | 32.0  | 53    | 26.5  |
| Total              | 100   | 100.0 | 100   | 100.0 | 100   | 100.0 |

Base: Present user households

Forty percent of urban respondents and 54 percent of rural respondents said they were positively inclined to buy the product from SHG's. Thus, toilet soaps from SHG's may find a better market among rural households though the space for a new entrant from micro enterprises may appear to be small going by the brand clutter.

### 13. Sambar Powder

Sambar powder was bought by 47 percent of urban households and 30 percent of rural households during the month preceding the survey. The lower incidence of purchase in rural households could possibly because many rural households are preparing sambar powder in the traditional way. Nearly one fifth of the urban households and 40 per cent of rural households were buying unbranded sambar powder. Ten brands were recalled by urban households and eight brands by rural households.

Table 2.43 presents the details about the sources of purchase.

Table 2.43  
Source of Purchase- Sambar Powder

|                 | Rural |       | Urban |       | Total |       |
|-----------------|-------|-------|-------|-------|-------|-------|
|                 | No.   | %     | No.   | %     | No.   | %     |
| Provision Store | 26    | 55.3  | 19    | 63.3  | 45    | 58.4  |
| Supermarket     | 8     | 17.0  | 4     | 13.3  | 12    | 15.6  |
| Door delivery   | --    | --    | 5     | 16.7  | 5     | 6.5   |
| Others          | 13    | 27.7  | 2     | 6.7   | 15    | 19.5  |
| Total           | 47    | 100.0 | 30    | 100.0 | 77    | 100.0 |

Base: Present user households

Table 2.44  
Whether buy from SHGs/ Micro enterprises- Sambar Powder

|                    | Rural |       | Urban |       | Total |       |
|--------------------|-------|-------|-------|-------|-------|-------|
|                    | No.   | %     | No.   | %     | No.   | %     |
| Will buy           | 32    | 68.1  | 18    | 60.0  | 50    | 64.9  |
| May or may not buy | 8     | 17.0  | 8     | 26.7  | 16    | 20.8  |
| Will not buy       | 7     | 14.9  | 4     | 13.3  | 11    | 14.3  |
| Total              | 47    | 100.0 | 30    | 100.0 | 77    | 100.0 |

Base: Present user households

Sixty percent of all urban households and 68 per cent of all rural households opined that they were willing to buy the product from SHG's. Going by the high levels of buyer readiness expressed, the product category looks appealing. It has to be borne in mind that there are a few large established brands in the product category and consumer tastes, especially when it comes to food are not easy to change. The quality of the product is paramount and any decision to enter the market should be done only after doing a test-marketing on a small level.

## 14. Squash

Fifteen percent of urban households and 6 per cent of rural households were found to have bought the product in the previous month. There are a few established players in the market of which one is a major national brand. The major national brand accounted for almost 30 per cent of both urban and rural purchases. All the purchases were accounted by 'brands', indicating the absence of micro enterprises in this product category.

Table 2.45  
Source of Purchase- Squash

|                 | Rural |       | Urban |       | Total |       |
|-----------------|-------|-------|-------|-------|-------|-------|
|                 | No.   | %     | No.   | %     | No.   | %     |
| Provision Store | 5     | 26.3  | 15    | 65.3  | 20    | 47.6  |
| Supermarket     | 5     | 26.3  | 5     | 21.7  | 10    | 23.8  |
| Bakery          | 5     | 26.3  | 2     | 8.7   | 7     | 16.7  |
| Others          | 4     | 21.1  | 1     | 4.3   | 5     | 11.9  |
| Total           | 19    | 100.0 | 23    | 100.0 | 42    | 100.0 |

Base: Present user households

Table 2.46  
Whether buy from SHGs/ Micro enterprises- Squash

|                    | Rural |       | Urban |       | Total |       |
|--------------------|-------|-------|-------|-------|-------|-------|
|                    | No.   | %     | No.   | %     | No.   | %     |
| Will buy           | 9     | 47.4  | 9     | 39.2  | 18    | 42.8  |
| May or may not buy | 8     | 42.1  | 7     | 30.4  | 15    | 35.7  |
| Will not buy       | 2     | 10.5  | 7     | 30.4  | 9     | 21.5  |
| Total              | 19    | 100.0 | 23    | 100.0 | 42    | 100.0 |

Base: Present user households

Thirty nine percent of urban households and 47 per cent of rural households were positively inclined to buy the product from SHG's. The consumption levels are not that

high nor are the penetration levels. The presence of established brands and their advertising activity raises the entry barriers for a new entrant. Only if the margins are sufficiently high, should one consider entering the market and that too has to be preceded by a careful analysis of consumer and trade preferences.

## **CHAPTER III**

### **IDENTIFICATION OF PRODUCTS SUITABLE FOR PRODUCTION BY MICRO ENTERPRISES – A FRAMEWORK**

The sheer scale of unemployment that permeates Kerala society calls for a radical rethink on the model of development. The state's inability to attract industrial investment has been parodied for years, but still no answers are yet in sight. A state that prides itself in the literacy of its women folk does not have any solutions to address the question of the high scale of unemployment of its rural women. Empowerment of women can happen only when more and more rural women can enter the employment net and micro enterprises can lead the way in ushering in a quiet revolution in the rural landscape of Kerala. Also, the fixation of Kerala's educated youth with white collar jobs will not improve the unemployment scene with less and less jobs being created in the government sector. Entrepreneurship is indeed a rare commodity inside the state. There has to be a climate to foster entrepreneurship among the unemployed poor in the State. One of the most important factors affecting the sustainability of a micro enterprise would be the identification of right product ideas. In this chapter, we present a broad framework for identifying products which could be produced by micro enterprises promoted by SHGs.

Micro enterprises face several constraints such as the inability to invest heavily and low skill sets available. Micro enterprises are situation specific i.e., very often the product ideas gel with the environment, calling for availability of local labor and local resources. It has to be borne in mind that micro enterprises are such economic activities where the separation of household, livelihood and the market economy is blurred. What this implies is that, in attempting to bring in the unemployed poor under the income net, the level of skills required for the micro enterprise has to be low. Even if the work demands learning new skills, these will have to be incremental skills and not altogether new skills. Thus the low skill requirement will have to be an important factor in the selection of product ideas.

The next most important thing which is often not given the adequate importance it deserves is the issue of profitability. How does one ensure that the category entered would be a profitable one for the micro enterprise? There are two sides to profit, one is cost and one is sales price. Both sides have to be carefully assessed to see if the product idea would realize profits. Any product idea starts with the market. Therefore, it is also important to understand the market related factors. Thus, before deciding to enter a market, one should find out:

- What is the possible level of investment?
- Is it possible to avail the technology needed for production?
- Whether there is space for a new entrant in the market place and if so at what price point? For this, we need to look at which the competing brands are selling the product. Are we capable of selling the product competitively?
- What is the level of consumption of the product? Is there a difference between rural and urban areas in terms of consumption pattern?
- Is the product category dominated by organized players and what are the entry barriers? Is there a high level of brand loyalty?
- Will the consumers of existing brands be willing to switch for an unknown brand and at what price points will this happen?
- Is there a niche in the market hitherto untapped by existing players? What does the customer need? Are all his needs being catered to by the existing players?
- Are there any substitute products? How likely is that the substitute products eat into the market of the proposed product in the future?
- Is the market for the proposed product growing steadily?
- What would be the size of the market the micro enterprise would cater to?
- What would be the geographic reach?
- What is the level of competition in the target area? Are there many other many other SHGs marketing the same product in the target area of the new entrant?
- What is the level of acceptance of the product from SHGs?
- What are the trade practices?
- What all would be the channels to reach out to the customer? Is it possible to have alternate channels of marketing? What would be the channel costs and other marketing costs?
- Is there any possibility of marketing the product along with other products?
- Is there any exit barrier?

A careful evaluation of the above questions would indicate what price points or what sales price would be acceptable to the market. Then we have to work back and calculate

what our minimum costs would be taking into account the product volume we intend to market. Then the profits should be calculated taking into account the net sales and deducting all channel costs, marketing costs, cost of products and labor costs. This will be the profits that could be realized and some allowance should also be made for bad debts. Then once again the attractiveness of the product category has to be analyzed taking into account the profit potential.

Even if all this falls in place, we still have the problem of marketing the product. The answers to the above questions would also help in arriving at the right marketing strategy. There are constraints regarding the amount of funds that can be earmarked for marketing the produce for a micro enterprise. This is where the idea of the marketing cooperative comes. Micro enterprises should pool together an umbrella marketing organization which can market products catering to the same trade channels. This umbrella marketing organization could evolve linking producers catering to the same trade channel, thus reducing duplication of costs with the trade. This could be similar to NDDDB, the marketing cooperative linking milk producers.

Even when the issue of marketing is addressed, there still remains the big issue of quality in production. By their very nature, production under micro enterprises could be happening in different homes and ensuring uniformity and standards is a major problem. The work force has to be trained on the importance of quality standards and they have to be made aware that they are competing very often with organized players and only quality will ensure the very survival of the enterprise.

The selection of products very often can make or break a micro enterprise. Very often, little research goes into the selection of the products to be produced by the micro enterprise. Only by undertaking a detailed study of a) the market factors – competition, customer, b) the production factors - costs and quality and c) profitability, one can safely arrive at a decision as to consider a product idea for a micro enterprise or not.