

# EFFECT OF CONSUMER BEHAVIOUR IN MARKETING OF AN ORGANIZATION PRODUCE: MARKETING PROBLEMS AND ISSUES WITH COOPERATIVES FARMERS IN EBONYI STATE

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**Abstract:** Consumer behaviour is not static. It undergoes a change over a period of time depending on the nature of products. The change in buying behaviour may take place due to several other factors such as increase in income level, education level and marketing factors. In cooperative society, Profits are divided according to each member's contribution to the collective output. Problems in cooperative farming include among others: lack of marketing skills, wrong planning, insincerity and dishonesty, illiteracy, lack of cooperation, overdue loans, insufficient capital, individualistic tendencies, absence of statistical data, Politics, Instability. The paper recommended that Cooperatives should be registered with the government to ensure better monitoring. There should be strict supervision of loan takers and they should be made to comply as necessary. The paper concluded that Cooperative societies are very beneficial for economic development and poverty alleviation. However, the inherent problems should be fought.

**Keywords:** Consumer behaviour, marketing factors, Cooperatives farmers.

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## 1. INTRODUCTION

Consumer behaviors control the type of marketing strategy that organizations such as small businesses employ, so they conduct studies to determine which strategies are likely to prove most effective. Small businesses need to know the members of their target audience, what they want, where they are located and how they will react to product promotions. They gather this information through surveys and studying data regarding the past behavior of consumers.

In agribusiness, major changes are taking place. On the demand side, consumers are changing lifestyles, eating and shopping habits, and increasingly are demanding more accommodation of these needs in the supermarket. With regard to the supply: the traditional distribution channel dominators - manufacturers of branded consumer products - are trying hard to defend their positions against retailers, who gather and use information about the consumer to streamline their enterprises and strengthen their ties with the consumer. The agricultural producers, meanwhile, face increased regulations with regard to food additives, pesticides, and herbicides. Pressures rise as their business becomes more specialized and capital-intensive than that of their predecessors.

Consumer behaviour is the study of how individual customers, groups or organizations select, buy, use, and dispose ideas, goods, and services to satisfy their needs and wants. It refers to the actions of the consumers in the marketplace and the underlying motives for those actions.

Marketers expect that by understanding what causes the consumers to buy particular goods and services, they will be able to determine—which products are needed in the marketplace, which are obsolete, and how best to present the goods to the

consumers. The study of consumer behaviour assumes that the consumers are actors in the marketplace. The perspective of role theory assumes that consumers play various roles in the marketplace. Starting from the information provider, from the user to the payer and to the disposer, consumers play these roles in the decision process.

The roles also vary in different consumption situations; for example, a mother plays the role of an influencer in a child's purchase process, whereas she plays the role of a disposer for the products consumed by the family. consumer behaviour is the actions and decision processes of people who purchase goods and services for personal consumption.

Agricultural marketing is inferred to cover the services involved in moving an agricultural product from the farm to the consumer. It is also the planning, organizing, directing and handling of agricultural produce in such a way as to satisfy the farmer, producer and the consumer. ( Andrew,2007) Numerous interconnected activities are involved in doing this, such as planning production, growing and harvesting, grading, packing and packaging, transport, storage, agro- and food processing, distribution, advertising and sale.

## **2. NATURE OF CONSUMER BEHAVIOUR**

1. Influenced by various factors:

The various factors that influence the consumer behaviour are as follows:

- a. Marketing factors such as product design, price, promotion, packaging, positioning and distribution.
- b. Personal factors such as age, gender, education and income level.
- c. Psychological factors such as buying motives, perception of the product and attitudes towards the product.
- d. Situational factors such as physical surroundings at the time of purchase, social surroundings and time factor.
- e. Social factors such as social status, reference groups and family.
- f. Cultural factors, such as religion, social class—caste and sub-castes.

2. Undergoes a constant change: Consumer behaviour is not static. It undergoes a change over a period of time depending on the nature of products. For example, kids prefer colourful and fancy footwear, but as they grow up as teenagers and young adults, they prefer trendy footwear, and as middle-aged and senior citizens they prefer more sober footwear. The change in buying behaviour may take place due to several other factors such as increase in income level, education level and marketing factors.

3. Varies from consumer to consumer: All consumers do not behave in the same manner. Different consumers behave differently. The differences in consumer behaviour are due to individual factors such as the nature of the consumers, lifestyle and culture. For example, some consumers are technoholics. They go on a shopping and spend beyond their means.

They borrow money from friends, relatives, banks, and at times even adopt unethical means to spend on shopping of advance technologies. But there are other consumers who, despite having surplus money, do not go even for the regular purchases and avoid use and purchase of advance technologies.

4. Varies from region to region and country to county: The consumer behaviour varies across states, regions and countries. For example, the behaviour of the urban consumers is different from that of the rural consumers. A good number of rural consumers are conservative in their buying behaviours.

The rich rural consumers may think twice to spend on luxuries despite having sufficient funds, whereas the urban consumers may even take bank loans to buy luxury items such as cars and household appliances. The consumer behaviour may also varies across the states, regions and countries. It may differ depending on the upbringing, lifestyles and level of development.

5. Information on consumer behaviour is important to the marketers: Marketers need to have a good knowledge of the consumer behaviour. They need to study the various factors that influence the consumer behaviour of their target customers.

The knowledge of consumer behaviour enables them to take appropriate marketing decisions in respect of the following factors:

- a. Product design/model,
- b. Pricing of the product,
- c. Promotion of the product
- d. Packaging,
- e. Positioning,
- f. Place of distribution

6. Leads to purchase decision: A positive consumer behaviour leads to a purchase decision. A consumer may take the decision of buying a product on the basis of different buying motives. The purchase decision leads to higher demand, and the sales of the marketers increase. Therefore, marketers need to influence consumer behaviour to increase their purchases.

7. Varies from product to product: Consumer behaviour is different for different products. There are some consumers who may buy more quantity of certain items and very low or no quantity of other items. For example, teenagers may spend heavily on products such as cell phones and branded wears for snob appeal, but may not spend on general and academic reading. A middle- aged person may spend less on clothing, but may invest money in savings, insurance schemes, pension schemes, and so on.

8. Improves standard of living: The buying behaviour of the consumers may lead to higher standard of living. The more a person buys the goods and services, the higher is the standard of living. But if a person spends less on goods and services, despite having a good income, they deprives themselves of higher standard of living.

9. Reflects status: The consumer behaviour is not only influenced by the status of a consumer, but it also reflects it. The consumers who own luxury cars, watches and other items are considered belonging to a higher status. The luxury items also give a sense of pride to the owners.

### **3. AGRICULTURAL MARKET INFRASTRUCTURE**

Efficient marketing infrastructure such as wholesale, retail and assembly markets and storage facilities is essential for cost-effective marketing, to minimize post-harvest losses and to reduce health risks. Markets play an important role in rural development, income generation, food security, and developing rural-market linkages. Experience shows that planners need to be aware of how to design markets that meet a community's social and economic needs and how to choose a suitable site for a new market. In many cases sites are chosen that are inappropriate and result in under-use or even no use of the infrastructure constructed. Grahame (2007) It is also not sufficient just to build a market: attention needs to be paid to how that market will be managed, operated and maintained. Tracey-White, (2003) Most market improvements that have been only aimed at infrastructure upgrading and have not guaranteed maintenance and management have failed within a few years (Tracey-White,1995)

Rural assembly markets are located in production areas and primarily serve as places where farmers can meet with traders to sell their products. These may be occasional (perhaps weekly) markets, such as haat bazaars in India and Nepal, or permanent. Cecilia Marocchino (2009) Terminal wholesale markets are located in major metropolitan areas, where produce is finally channelled to consumers through trade between wholesalers and retailers, caterers, etc (Aparajita, 2010). The characteristics of wholesale markets have changed considerably as retailing changes in response to urban growth, the increasing role of supermarkets and increased consumer spending capacity. These changes may require responses in the way in which traditional wholesale markets are organized and managed. (Andrew,1997)

Retail marketing systems in western countries have broadly evolved from traditional street markets through to the modern hypermarket or out-of-town shopping center. In developing countries, there remains scope to improve agricultural marketing by constructing new retail markets, despite the growth of supermarkets, although municipalities often view markets primarily as sources of revenue rather than infrastructure requiring development. Effective regulation of markets is essential. Inside a market, both hygiene rules and revenue collection activities have to be enforced. Of equal importance, however, is the maintenance of order outside the market. Licensed traders in a market will not be willing to cooperate in raising standards if they face competition from unlicensed operators outside who do not pay any of the costs involved in providing a proper service. Andrew (2000)

#### **4. MARKETING PROBLEMS AND ISSUES OF FARMERS GROUPS AND COOPERATIVES IN AGRICULTURE**

##### **Problems and Issues**

Farmers group and cooperatives: A farmer group/ cooperative is a business entity owned and controlled by its members for their mutual benefit. Control comes via membership rights to vote for and become directors. Members finance their cooperative through equity investments. The directors hire the manager and establish the policy under which the manager operates. While the manager and directors have little direct control over the external environment, they do have control over and the responsibility for how the cooperative adjusts to a continuously changing world environment.

##### **Advantages of marketing from a group**

- Collection in one place to bulking of produce so that volume of produce can be achieved and the traders will be attracted to visit the farmer's place;
- Regular supply is possible if proper planning and management is done;
- Price fluctuation can be managed if there are practices like contract farming, agreements etc.
- Easy in communication for dissemination of information about price, volume and others;
- Cost of production can be reduced by procuring all necessary inputs using big transport;
- Collection of produce and transport to reduce marketing cost;
- Access to fund without collateral with group as a guarantee;
- Easy access of funds and other support services by the government and donors;
- More funds can be gathered from the members if big plans are envisioned;
- Post harvest loss can be minimized;
- Provision of capacity building and training from the processing company;
- Bargaining power improved

##### **Problems and Issues**

1. Lack of marketing skills: Most of the groups or cooperatives usually do not have marketing skill. They are managed by someone from the members of a group who do not have any knowledge on marketing and managing business as such. Groups or cooperatives will have to use marketing strategy to run their business. Some of the innovative strategies followed are: fair price shop, branding etc. They should advocate Government to support them in providing services and finance as a seed capital to start their business.

2. Lack of cooperation: Past experiences have shown that the group approach works only when the member of the group have similar problems. The most common problems with the farmers are marketing of their produce and receiving all types of inputs regularly. Farmers are reluctant to share their land or work in a common land for growing agricultural commodities. Group has worked in the land to grow vegetables and collectively sell in the local market. So, it is better to work in a group for collectively purchasing inputs such as seeds, fertilizers, pest, etc. so that the cost will be reduced and also for marketing of their produce. It is evident that the single farmer will not be able to fulfill the large order placed by the market traders. Farmers can join hands working together by bringing their produce at the collection centres to sell the traders.

3. Weak economic status: Most of the cooperative societies are not financially strong enough to deliver vibrant products and services to ensure their market share. This is a basic challenge before the cooperatives. They should be made financially self sustained by increasing the members and their contribution as a share capital.

4. Access to local market: It is very difficult to manage and is costly in marketing of produce far from the cultivation. There are more market opportunities if people can identify local market needs of the consumer and farmer can easily make a profit by selling it.

5. Poor management: Cooperatives are efficiently managed by experienced, trained and professionally qualified staff under the supervision and control of democratically-elected boards of directors. Organisation should be led and managed by energetic, professional and dynamic persons. Business should be conducted in accordance with modern management principles. The managers of cooperative business should be more professional in their market operations. They should be active enough to trace new marketing opportunities as and when they appear and make use of them for their further growth. They should make brilliant purchase decisions by studying the market trends. For example, investing more in fast moving products may increase the returns. Quality should be the key in cooperatives and steps should be taken to reduce the wastages and cost of goods sold. In short, the manager / secretary of a cooperative store should deliver his service in a professional way to prove himself competent and his business successful.

6. Leadership and understanding: Leadership and understanding between the team members are the success factors. If there is understanding between the members then it will be easy for visioning and planning of activities.

There will not be any dispute and will be an attitude of helping each other. Leaders should take care of providing marketing services to their members without his selfishness.

7. Lack of communication and participation among the members

Interaction between the members and the management committee of cooperative is very less and takes place when there are only economic activities. This has caused difficulty in understanding their problems and issues. Experience has shown that success of cooperatives is due to strong relationship and trust with their membership, which has been built over years through effective marketing support, services support and transparency of the exchange process.

8. Absence of common brands: To make cooperative businesses successful there is a need of more common brands which is absent today. For example, dairy products in India have individual names in each state, and they are well-known as cooperative products to people of that particular state only. Instead, if we could integrate them under a common brand it will be more successful and beneficial. It will be recognized as the cooperative product of India not only by Indians but also by the people abroad. This will reduce the marketing overheads, including promotion costs and will also result in high reach as a single advertisement serves the purpose.

9. Poor management of Storage facilities: There is a common understanding that when there is oversupply produce can be stored and marketed later when price rises. Most agricultural crops are suitable for short-term storage, maybe for few days. Storage is usually expensive and spoils its freshness and quality. In most situations, when the produce is brought out of the store it has to compete with freshly arrived produce. Finally, farmer will get less price, and in addition they have to pay for the storage costs as well. There are few crops suitable for long term storage. Storage in production areas is often not successful because the storage facilities are under utilized for most of the year and are uneconomic.

10. Middlemen makes excessive profits

Why farmers do not get the retail market price?

If the retail price of tomatoes is set at #.20 and if the same information is made available in the chart, farmers may not get the same price. There will be variation in the price received by the farmers due to various quality factors.

Traders are blamed for making more profits. Usually traders are the middlemen, who link the farmer's produce with the consumers. Sometimes they also build linkages with the different market far away from the production area. Many times, they are neglected and tried to sell directly in the market. Actually, the profit margins for the farmers are more than 60 per cent but due to low quantity of transaction, farmers are not benefited. Traders still make good money taking advantage of selling in volume. If he sells 8 tons, which is one mini truck load and makes profit of #1,60,000.

11. Groups and cooperatives formed only for the sake of getting government and donor's support. Groups or cooperatives should be managed in a more business-like manner – these are not social clubs or charity organisations. They should provide advice to the farmers on planting suitable crops, which earn them higher income. Regular dialogues among farmers, cooperatives and market authorities should be undertaken to resolve problems. For success, the farmers' orientation should be on improving productivity and quality. Farmers will have to take the risk at different stages of production until the marketing. So risk management strategies at various stages of marketing from production until the marketing will help to manage risk.

12. Old traditional business activities: There are many cooperatives, which do not take care of market trend and follow the same old business principle. They are not able to adjust themselves by providing knowledge on business techniques adopted by other professionals to their members.

#### **Points to be considered for successful management of groups and cooperatives**

For successful management of cooperatives and groups a capable manager is required. Capable manager should be recruited and trained for successful operation of regular business operation.

- Cooperatives should do networking and coordinate with the other cooperatives. Few similar activities shall be done together to minimize cost and to expand market.
- Cooperatives should be capable to update themselves with the market information.
- Should be able to prepare marketing plan and implement activities
- There should be transparency in activities, responsibility, and cash transaction.
- There should be proper management of accounting, asset, etc. and proper communication to all members.
- There should be regular monitoring of progress and achievements.

The interest of agricultural economists in agricultural cooperatives is understandable and appropriate. The cooperative business model creates unique challenges and economic questions which agricultural economists are positioned to address. In addition, since agricultural cooperatives are owned by and designed to benefit producers, cooperative related research has the potential to benefit a large number of farmers. Almost 715,000 farmers are members of agricultural marketing cooperatives (Deller et al., 2009).

#### **The challenges and issues for cooperatives.**

*Finance and Equity issue:* Respondents identified several financial issues of current importance to the success of cooperatives. The Barton, Boland, Chaddad, and Eversull article summarizes the challenges and research suggestions in the finance area. The panel indicated that acquiring and maintaining adequate equity was the most critical challenge. This issue is related to the features of the cooperative business model since cooperatives often create equity out of the profit stream and simultaneously manage systems to return--redeem--that equity to members. It is therefore not surprising that maintaining sufficient and consistent profitability and risk management were also considered key issues.

*Governance Challenges issue:* The fact that agricultural cooperatives are governed by producer-members is both a key strength and a key challenge for cooperatives. Hueth and Reynolds summarize the issues and need for future research in this area. The key governance challenge is that of identifying and recruiting directors with the essential mix of skills. Member involvement in a cooperative--another key issue--often relates to their access to board members or interest in running for the board. Other governance issues identified by the panel were related to the effectiveness and performance of the board of directors. The addition of outside, non-member directors has been a recent development in agricultural cooperatives, and according to the panel, is an important issue facing modern cooperatives.

*Communicating Value issue:* The panel identified a number of issues relating to communications. Bond and Bhuyan summarize these issues and discuss research needs. All businesses, including cooperatives are formed to create and deliver value to their customers and owners. The cooperative member is both user and customer and this creates tension in generating and allocating economic benefits. This also creates unique challenges in communicating the value of the cooperative to both its members and to the general public. Communicating the value of the cooperative to its member owners was the most critical communication challenge identified. Cooperatives create value through the prices they provide members, access to the market place, unique services provided, counteracting market power, and of course, the financial return created at the cooperative level. Communicating this complex value package, particularly to large producer-members, was identified as a key issue.

*New Cooperative Development issue:* Newly organized agricultural cooperatives experience challenges distinct from those facing established firms. Henahan, Schultz and Hardesty summarize these new cooperative development issues and research needs. Cooperative membership--and therefore ownership--is dynamic and is limited to the current users of the business. Thus, founding members of a cooperative may have a very different perception of the firm's value in



comparison with future generations. Surprisingly, the panel indicated that many issues facing new cooperatives are similar to those described as facing established cooperatives. Acquiring significant equity, and identifying and attracting knowledgeable leadership, are viewed as key impediments to the development of successful cooperatives. Other key issues facing new cooperatives include developing partnerships within the supply chain, and accurately forecasting demand and business feasibility. The panel commented that managers and board members of new cooperatives need linkages with their counterparts in established, successful firms.

## **5. COOPERATIVE SOCIETIES**

Cooperative Societies: are organizations that are made up of people who have come together to contribute their resources for their common benefit. Cooperative societies are enterprises jointly owned and managed, who engage in the production or sale of goods and/or services for the common benefit of its members.

### **Types of Co-operative Societies**

#### **1) Producer Cooperative Societies**

These are usually formed to eliminate middlemen and capitalist groups from industrial production. This cooperative society produces goods for the requirements of its members. The members get dividends according to the capital invested by them. The main objectives of this cooperative society is to purchase raw materials at economical prices, produce goods and services efficiently, eliminate middle men, and dispose surplus in form of sales to outsiders at maximum prices.

#### **2) Consumer Cooperative Societies**

These kinds of cooperatives are formed by ordinary people to meet their needs. They majorly buy goods in bulk from producers or wholesalers and distributes the goods purchased to its members, thereby skipping retailers. The surplus is sold and profits are distributed among the members according to the value of their purchases. Their main objectives are to eliminate retailers, capitalists and sometimes wholesalers and promote the welfare of the members.

#### **3) Marketing Cooperative Society**

These kinds of cooperative societies are formed by producers in order to collectively, effectively and efficiently dispose off their output. Profits are divided according to each member's contribution to the collective output. The main objectives of these kinds of cooperatives are to eliminate middlemen and their high cost of marketing, influence the demand-supply forces, provide storage facilities, provide information to the members, provide financial facilities to the members, and essentially help sell the members produce at the most convenient prices to achieve good gains.

#### **4) Insurance Cooperative Society**

This type of cooperatives are created for the purpose of providing group insurance facilities to its members. They come together and collectively make contracts with sound insurance companies on collective basis. The main objective of this cooperative is to decrease the amount of insurance premium.

**5) Housing Cooperative Society:** This is usually an association of middle and low income earners, formed in urban areas to help its members get the best and cheapest housing deals, prevent exploitation by landlords and provide financial assistance to members in respect of building materials. This is also known as a building society.

**6) Cooperative Farming Society/ Agricultural Society:** This kind of cooperative is organized for the purpose of maximizing the benefits of large scale farming. It helps increase production per acre and improve technique of cultivation, irrigation system and assist members.

**7) Credit and Thrift Cooperative Society:** These kinds of societies are formed with the purpose of providing short term financial aid to its members. These cooperatives are very common and can be grouped into agricultural credit societies and non agricultural credit societies.

## **6. CONCLUSION**

Cooperative societies are very beneficial for economic development and poverty alleviation. However, the inherent problems should be fought with the above solutions and the prospects should be looked into as goals are set.

## 7. RECOMMENDATIONS

1. There should be training and retraining of leaders through attending of seminars, etc.
2. Cooperatives should not be just for middle and low income earners and poor people. The rich should be incorporated to an extent.
3. Committees should be created within the cooperatives to monitor their activities.
4. The government should provide aids and financial assistance, as well as NGOs and corporate bodies to reduce the problems of inadequate capital and small size loans.
5. Cooperatives should be registered with the government to ensure better monitoring.
6. There should be strict supervision of loan takers and they should be made to comply as necessary.

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