

## Preliminary Marketing Analysis of the Dediapada Medicinal Plant Cooperative Project

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By:

Marquette University Global Business Brigades Student Team

Ms. Alison Clark  
Mr. Matthew Sanchez  
Ms. Sarah Vogt  
Ms. Stephanie Warpinski  
Ms. Tiffany Wilson  
Mr. Michael Zielinski

Faculty Advisors: Dr. David Clark and Dr. Toby Peters

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### *Introduction*

Rev. Vincent Braganza, S.J., principle of St. Xavier's College in Ahmedabad, Gujarat, India invited a team of six students and two faculty advisors from Marquette University in Milwaukee, Wisconsin, USA to visit the community of Dediapada. The visit involved meeting with members of the community and learning about a cooperative they have created. The team was to observe and offer recommendations on how to improve the marketing of the products produced by the Dediapada Cooperative project. Rev. Lancelot Cruz, S.J. has done extensive work with the community and served as the team's lead liaison. The team was also joined by Mr. Francis \_\_\_\_\_, an advisor to the project.

Within the community 52 families have assembled to create a cooperative. The Cooperative has been established to grow and process plants for the purpose of making medicine, and other products. The group has sold their food products at festivals and recently took a top prize for one of their food products. The Cooperative has recently purchased a drier and powdering machine to increase the shelf-life of the medicinal plant material. An office and store have been established in Dediapada to manage their affairs, store inventory and display and sell their product to local residents of Dediapada.

### *Production*

The production process occurs in an area behind their offices and store. Expansion is to occur in an adjacent building in the near future. This will give the organization greater productive capacity. With the introduction of the additional space, and drying and powdering equipment, the Cooperative has not only increased its productive capacity, but also the shelf life of their products, and hence the available inventory. Thus, whereas production is limited by the growing seasons, as long as adequate plant material can be produced, it can also be stored for sales throughout the year. In addition, the product is now packaged so that most items can be inexpensively shipped outside the Dediapada area. Inventories of most products appear to be sufficient to cover current levels of demand and Fr. Cruz indicates that it can support further growth in sales.

## *Marketing*

The Cooperative is currently selling its product primarily in Dediapada and the surrounding communities, and has developed packaging material that identifies the Cooperative, and the qualities of the product without identifying its ingredients. Given the available inventory of plant material, it is desirable to expand the scope of the market being considered. This preliminary report outlines issues that need to be considered if a broader market is to be served by the Cooperative.

- *Telling the Dediapada Story:* It is important to recognize that the story behind the Cooperative is a compelling one. The Cooperative is not only selling products that have a market value, but it is also generating other benefits to the greater Indian society. Specifically, by focusing on increasing the earning potential of the Adivasi people, the Cooperative serves to preserve a culture and its traditional ways of life. It also reduces the consequences of poverty, reduces the necessity for Adivasi workers to migrate to cities for part of the year, and has solid environmental benefits (e.g., use of organic farming techniques, less water usage, reduced deforestation, etc.). Note that the organic farming movement is strong in developed countries, and it is likely to be important to those with strong environmental awareness and beliefs. Furthermore, this Cooperative is an example of entrepreneurship at work, focusing on self-help rather than a government handout. Telling potential buyers about the program, the people who benefit from the program, and the details as to the care in which the products are grown and processed is an important aspect of the products that will increase their value among some customers. The story of the Cooperative, combined with a description of the particular medicinal products and testimonials from existing customers, can be told using promotional brochures or a more detailed pamphlet which can be distributed at appropriate locations.
- *Award Winning Products:* The food product that recently won the award at the food festival should be marketed as a award winning product on the package, as well as in any promotional materials that are prepared. This is viewed as an indication of the quality of the product and will increase its value to potential buyers.
- *Identifying Potential Markets for the Product:* Unique markets are distinguished geographically. Clearly the Cooperative needs to expand beyond the Dediapada area if it

is to grow its sales. This may include other nonurban areas, to the extent they are not covered by their own local doctors and growers. Alternatively, it includes potential buyers in urban areas. These are distinct markets and the marketing efforts, and price levels will differ across urban vs. rural markets.

- *Marketing to other Adivasi populations:* There are several advantages to marketing in traditional tribal areas. First, these populations are more likely to be familiar with traditional remedies and comfortable with their use. The convenience and quality associated with these powdered products may be seen as an improvement over other local providers. In addition, you may be able to sell your products during times where other local suppliers do not have sufficient inventory. By increasing the scope of your product list, the Cooperative may have products that their local doctors have not used. Finally, pricing of your products in those areas would be similar to the local Dediapada prices to the extent that income levels in those communities are similar to those of Dediapada. A possible strategy is for the Dediapada doctor to travel to meet with other local doctors outside the Dediapada area to determine whether there are unserved areas that could be serviced by the Cooperative.
- *Marketing to Urban Populations:* A clear advantage of selling the Cooperative's products in urban areas is that there is a far greater population, and hence many more potential customers in cities. However, there are also significant differences between the rural and the urban markets. First, while there are clearly more people in the cities, the typical city resident may be less likely to purchase traditional medicines when modern medicines are readily available. Thus, it will be necessary to identify that subset of urban residents who are most likely to appreciate the Dediapada Cooperative's products.

The Dediapada Story described above is probably most important to wealthier urban residents, especially if you can sell your products directly to them. Finding these buyers can be a challenge, but a good place to start is to consider a market survey within a city such as Ahmedabad. A market survey is simply a review of the markets where similar products are sold in the city, as well as the prices at which they sell. If there are traditional medicine stores in typical Indian cities, you may consider approaching the owners, and then distribute your promotional

materials to see if the owner would consider purchasing your product. Going through a store would require that you sell your product at a wholesale price, and then permit the owner to markup the price so that they can earn a profit on the sales. There may also be local doctors who specialize in traditional medicines. Contacting those doctors, and giving them information about your products to see if they would consider using the Cooperative's products. Again, you will probably need to sell the product to individual doctors at wholesale prices, rather than retail prices although these urban wholesale prices are likely higher than the retail prices in rural areas.

An alternative approach is to sell the product directly to buyers. The easiest way to do this is to use the Internet. This would require the development and management of a web page with promotional information about the Dediapada Cooperative, as well as the product lines. By selling directly to urban customers, you can sell at retail rather than wholesale prices.

- *Leveraging the St. Xavier's Connection:* When marketing the product, you may want to consider using the St. Xavier's alumni network, and enlist their assistance in identifying urban marketing options. Making certain that these alumni understand the involvement of St. Xavier's in the project is also important.
- *Marketing to Pharmaceuticals:* Another approach is to market directly to pharmaceutical firms. These firms would almost certainly need to know the specific ingredients, and even if this was not provided by the Cooperative, they would almost certainly be able to isolate the specific plant from which the product was derived. Nonetheless, pharmaceuticals could potentially be a steady client. The Cooperative would probably want to obtain legal counsel before entering into an agreement with a large buyer.
- *Pricing issues and strategies:* Pricing of products will depend on the costs associated with production, the volume of goods sold, and characteristics of the market being served.
  - *Cost Basis for Pricing:* Basic economic theory suggests that prices are higher for products with higher production costs. Thus, if one plant is cheaper to grow (e.g.,

less water requirement, less labor intensive effort, etc.) than an alternative, or the per acre yield is higher for one plant as compared to another plant, those cheaper production methods should result in lower priced products.

- *Volume discounts:* It is common to provide volume discounts to buyers to encourage large purchases. It appears that the Cooperative is aware of this strategy as it uses this approach with the food items that were sold at a recent food fair.
- *Pricing in Different Markets:* It is common to sell products at higher prices in markets that are more affluent as compared to poorer markets. This is because the willingness to pay for the good depends in part on how much income the buyer has. This leads to a practice known as price discrimination in which the market price depends on the market in which the product is being sold. The ability to engage in price discrimination requires that those who are buying in the low cost market do not have the opportunity to resell in the high cost market. We do not think this is a serious concern for the Cooperative. The different markets have enough geographic separation such that there really is no opportunity to make money by buying low and selling high.
- *Trial and error in pricing:* For established products in known markets, it is relatively easy to determine the appropriate market price. When the sales are outstripping the ability to keep the product in stock, the price needs to be increased, and when inventories are rising due to inadequate sales, the price is too high. The appropriate price is that price that balances production rates with sales rates.

For new markets, you can take signals from the pricing of similar products sold by others. You would learn about those alternative products in your market survey. When selling online, it is relatively easy to search for competitors online. Of course,

- *Accounting for shipping expenses:* Any shipping of products will include additional shipping and handling expenses, which are designed to cover the packaging and shipping expenses.

- *Payment Issues:* When selling locally, payment is made directly by the buyer for the product at the time of purchase. When product is sold at other locations, the Cooperative will have to decide how payment is to be received. For example, if selling in other rural communities, the Cooperative may need to provide an inventory to other local doctors, and then receive payment for the product only after it is sold. If selling the product to urban locations, the buyer (e.g., store owner) would pay a wholesale price for the product once it is received. Finally, the Cooperative will have to decide how shipped products are to be billed. One option is to issue an invoice with the product. You will then have to trust that the buyer will pay the invoice. An alternative is for the buyer to fill out an order form, and send their payment with the order form. This requires that the buyer trust that the Cooperative will honor the order. A third option is to setup a credit card payment account. In this case, the buyer would provide their credit card information which is then processed through the credit card account, which facilitates the transaction. Note that this third option will involve some additional fees since the accounts typically have a monthly fee, and also charge a percentage fee on each transaction. If you do establish a successful web-based presence, credit card payments will be necessary.

### *Conclusions*

The community of Dediapada has a great opportunity to build their business. It has an impressive product mix that is organically grown by Adavasi who are preserving traditional methods. The Cooperative has a dedicated group of families that will continue to produce products. It has production protocols and facilities in place and it has the expertise lead by Rev. Lancelot Cruz, S.J. and other advisors on which to draw. One possibility is to bring another Marquette Global Business Brigades team to India next year to focus exclusively on working with the Cooperative to build and implement a marketing plan for their products. Once a marketing plan is established to maximize exposure to local and urban markets, we believe that the Cooperative will enjoy continued growth.