

PRICING STRATEGIES OF APPLE PRODUCTION AND MARKETING PRACTISED IN HIMACHAL PRADESH

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Abstract

Horticulture is the mainstay in Himachal Pradesh for the development of majority of population in the state. Due to its comparative advantage, it is proved, the most remunerative and profitable to the number of Himachal farmers as it improves their economic condition. But the production and marketing of horticulture is undergoing continuous changes globally. An intelligent marketing strategy requires a thorough understanding of the perspective of the market, an appropriation of the optimism of the industry and its special characteristics, and an analysis of the prospects of the environmental background into which the business structure and its marketing efforts fit. Developing the right marketing strategy over time requires a blend of insight, creativity, discipline and flexibility. Firms must stick to a strategy but also find new ways to constantly improve the marketing activities at every level. The present research paper focuses on the pricing strategies, practised in apple production and marketing in the Himachal Pradesh.

Key Words: Apple, Marketing, Price Himachal Pradesh,

Introduction:

Himachal grow diverse varieties of fruits from tropical to temperate which help in the economic up-liftment of the rural economy by generating employment and revenue to rural population. Himachal Pradesh is bestowed endowed with plenty of natural resources with diverse agro-climatic conditions suitable for horticulture development. Shimla district has occupied a place of pride in the field of horticulture followed by Kullu and Kinnaur district. It is the biggest producer of quality fruits like Apple, Plum, Peach, and Pear etc. but, the apple constitutes one of the most significant and widely grown fruit of the state. Approximately 90 percent of the total apple produce is exported to the distant markets of the country. More importance is given on cultivation of horticulture crop in Himachal Pradesh. Where cultivation is mainly done on narrow terraces and the scope for efficient use of land in these hilly areas is limited. The extraordinary progress in this field is because of the congenial agro-climatic condition of the state. The market structure of these fruits is going through a lot of changes to building marketing linkages in terms of obtaining profitable market.

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Reviews:

Godara, C.P. (2006) in his study on “Market Arrival and price trend of Important Fruits at Azadpur Mandi, Delhi” founded that the fruit production is one of the most important sources of income and its production occupies an important place in agricultural development and economy of the country. Delhi is the leading state in the fruit marketing and consumption. Delhi Azadpur Mandi has maximum potential for fruit marketing. It was found that the prices of all fruits increased with the decreasing arrival in market. The maximum arrival was for apples followed by mango and orange during all three years of study. **Hassan, S., Hussain, A., Khan, M. A and Mahmood, I. (2012)** revealed in “Rural-Urban retail price and marketing margin of fresh fruit and vegetables in Pakistan” that public sector regulated markets practicing exploitative malpractices by arthies as heirs generation after generation there is no real representation of either growers or consumers in the market. The market mechanism of agricultural marketing act is virtually not operating properly and only routine market functions are supervised and prices of fruit and vegetables are higher in rural areas, because of the fact that these commodities are routed through urban market and their prices are increased due to the market margin of intermediaries. It is suggested that there is need to bring reforms in marketing operation and networks in the country and marketing act should be revised so that real benefits should be transferred to the farmers.

Objective of the study:

Price strategies practised in apple production and marketing.

Rationale of the study:

Himachal has been endowed with varied agro-climatic conditions, which provide a great scope for the apple growers. The hills of Himachal provide natural zones for production of apples. Horticulture provides new opportunities and has a vast scope in the state. Fruit production is seasonal and the produce is perishable in nature. As the apple is the main cash crop of the state growing in Shimla, Kullu and Kinnaur, etc. Shimla ranks first in horticulture production. It has occupied the significant place in horticulture sector in Himachal Pradesh followed by Kullu, and Kinnaur districts. Due to the commercialization of agriculture and horticulture in the districts people have become aware of the basic need of education. Because of less education they are not aware about modern marketing techniques. Horticulture produce in Himachal have good marketing demand in the country. The overall picture at the state level would conceal a wide variety of experience. The present study aims at analyzing the existing state of horticulture produce and also identifies the problems faced by the people of the district in marketing practices to improve the existing marketing strategies to the people in order to provide them basic awareness in this regard. As horticulture industry is slowly moving from traditional agriculture enterprise to corporate sector. And the further growth of

horticulture industries and its sustainability will largely depends on the marketing strategies; strong supports of basic and strategic marketing research will only enable rapid growth of horticulture produce.

Scope of the study:

The present study is restricted to the three districts of Himachal Pradesh i.e. Shimla, Kullu, and Kinnaur. The district under study is selected by taking into the consideration the largest producers of horticulture produce from 2015 to 2017. The data is collected through structured questionnaire. The major thrust is given to the product strategies and pricing strategies adopted by apple growers in Himachal Pradesh

Research Methodology:

Keeping in view of the set objectives, the research design for the study is of primary and secondary nature. An emphasis is placed on gathering first hand information with the help of structured questionnaire. And secondary data from different news articles, Books and Web site were used which were enumerated and recorded. The collected data has been presented statistically with the help of three point Likert scale and zero order correlation.

Interpretation:

PRICE STRATEGIES OF APPLE: AN ANALYSIS

Price is an important element of marketing mix which affects both buyers and seller in the market. The price fixation is a complex problem as far as the horticulture produce is concerned. The provisions of price are not the remunerative for the orchardists in the state. The orchardists are receiving whatever buyers offer them. There is no standardisation of price. The orchardist follows the market price. The only thing that the orchardists can do is to improve their product strategy. So, that one could get optimum return. On the basis of it an attempt has been made by the researcher to analyse the informal pricing strategy of the orchardists. The table 1 depicts that while evaluating nature of produce, the mean score is higher than the mean standard score at three point scale. This shows that the majority of respondents are falling more towards higher side. The negative value of skewness and platykurtic behaviour of kurtosis shows that the majority of responses are more towards higher side. The significant value of chi square test of goodness of fit reveals that the distribution is not equal. Thus, it can be concluded that nature of produce influence the decision of apple growers while making pricing strategies at very large extent. Further, while evaluating nature of market and profitability, the result shows that the mean score is more than standard mean score at three point scale which shows that the majority of respondents are falling more towards higher side. The skewness value is negative which supports the mean value. While, the distribution pattern is platykurtic. Moreover, the chi square value is significant at 5 percent level of significance which shows that the opinion of the apple growers is not equally distributed. Thereafter, the role of nature of market and profitability is also weighted by the apple growers while formulating pricing strategies. Similarly, other factors goodwill of producers, buyers' behavior, and competitors pricing policy were examined. The results highlighted that the mean score is higher than the standard mean score at three point scale resulting that the majority of respondents falling more towards higher side (2.4080, 2.4300 and 2.2000). The skewness arrived as negative value also

support that the respondents opinion is more towards higher side. Further, the value of kurtosis is platykurtic. The significant chi square value again proves that goodwill of producers, buyers behavior, competitors pricing policy are important factors and also given due consideration while framing pricing strategy. However, the result on evaluating government policies is quite opposite.



Table 1 Factors Playing Decisive Role while Formulating Pricing Strategies for Produce: An Analysis

Factor	Large extent	Some extent	Not at all	Total	Mean	Sd	Sk	Kt	χ^2	P. Value
Nature of Produce	236	196	68	500	2.3360	.70434	-.579	-.834	92.416	.000
Nature of Market	212	202	86	500	2.2520	.73045	-.430	-1.034	58.864	.000
Profitability	272	128	100	500	2.3440	.79178	-.694	-1.065	102.208	.000
Goodwill of Producers	293	118	89	500	2.4080	.77378	-.850	-.817	146.164	.000
Buyers Behavior	302	111	87	500	2.4300	.77090	-.910	-.724	166.564	.000
Government Policies	60	123	317	500	1.4860	.70056	1.103	-.142	215.308	.000
Competitors Pricing Policy	215	170	115	500	2.2000	.78819	-.370	-1.301	30.100	.000
Research and Development	284	127	89	500	2.3900	.77142	-.798	-.873	128.236	.000
Total				500						

Note: Figure in parenthesis depicts percentage.

Source: Data collected through questionnaire.

The result shows that the mean score is less than the standard mean score at three point scale which means that the majority of respondents are falling more towards lower side. The standard deviation is noted .76928. The skewness value is positive which shows that responses are lying more towards lower side and support the mean value. The distribution is platykurtic. Moreover, the chi square value is significant at 5 percent level of significance which shows that distribution is not equally distributed. Therefore, the role of govt. policies is not much weighted by growers while framing pricing strategy. The research and development is another factor which play an important role in pricing strategy of produce. When standard was examined the results reveals that the mean score is higher than the standard mean score at three point scale resulting that the majority of respondents are falling more towards higher side. The negative value of skewness and the platykurtic behaviour of kurtosis reflect that the distribution is bent towards higher side. Whereas, the significant chi square proves that research and development is also an important factor of pricing strategy. Thus, the above analysis reveals that product is the most important factor of production. Thereafter, the role of technology, research and development, quality, banding, packaging, market demand and standardisation of product was second concern by the growers. The government policies are kept at last by the growers. It indicates that the growers are with least support by the government. The growers employ their own resources for the produce. There is no standardisation of prices in the market by the government. Thus, it can be concluded that orchardists do not form any pricing strategy formally. They enhance profits by improving product quality or boosting product strategy. There is need to have a pricing policy for orchardists in the state. There is a need to take necessary action to form such policies to standardise the price, so that orchardists at least could get remunerative price.

Apple Pricing in the Market: An Analysis

The present analysis of various varieties of apple on the basis of past experience of growers regarding the price of apple according to its varieties has been obtained with the help of five point Likert scale. This ranges very poor to very high. Further, coding of the scale has been done by assigning 1 to very poor, 2 to below average, 3 to average, 4 high and 5 to very high. It is noted that the mean value of the responses regarding the price for various varieties of apple is higher than the mean standard score.

Table 2 Pricing of Apple According to Variety: An Analysis

Statement	Very High	High	Average	Below average	Very less	Total	Mean	Sd	Sk	Kt	χ^2	P. Value
Royal	144	152	126	48	33	500	3.6400	1.17693	-.605	-.422	122.540	.000
Golden	33	42	119	224	82	500	2.4400	1.06803	.776	.160	239.140	.000
Red chief	97	185	102	72	44	500	3.4380	1.20543	-.526	-.653	111.580	.000
Red Golden	49	140	150	128	33	500	3.0880	1.08933	-.026	-.773	119.740	.000
Red	94	137	181	45	43	500	3.3880	1.14546	-.390	-.399	142.400	.000
Red Richard	59	137	159	106	39	500	3.1420	1.11908	-.110	-.718	102.880	.000
Tideman	20	40	111	227	102	500	2.2980	2.29800	.784	.109	262.540	.000
Spur	201	141	87	41	30	500	3.8840	3.88400	-.908	.109	204.320	.000
Total						500						

Figure: Figure in parenthesis depicts percentage.

Source: Data collected through questionnaire.

The table 2 reveals that the mean value of Royal, Red chief, Red Golden, Red and Red Richard apple is 3.6400, 3.4380, 3.0880, 3.3880 and 3.1420 respectively. The negative value of skewness exhibits that the majority of growers are of opinion that the above varieties of apple get high price in the market. The negative value of Kurtosis also reveals that the distribution is platykurtic. The significant value of chi square test of goodness of fit implies that the respondents are not equally distributed rather the trend is more towards higher side. The mean value of Golden and Tideman apple is 2.4400 and 2.2980, is very close to 3 which mean average. The positive value of skewness reveals that the majority of growers are of opinion that Golden and Tideman apple get average price in the market. The positive value of Kurtosis also reveals that distribution is higher in the middle, it gives a peaked curve. Furthermore, the mean value of Spur apple is 3.8840 which are close to 5 i.e. very high. The analysis reveals that Spur varieties of apple are also very competitive with market point of view. The negative value of skewness reveals that the majority of growers are of opinion that they get very high price for these varieties. The positive value of Kurtosis also reveals that distribution is higher in the middle, it gives a peaked curve. The significant value of chi square test of goodness of fit implies that the respondents are not equally distributed rather the trend is towards higher side. Thus, it can be concluded that the majority of growers were of opinion that the Royal, Red chief, Red Golden, Red and Red Richard apple get very good price in the market. Whereas, golden and Tide man varieties do not get high price when compared with other varieties, these apple varieties not earn much.

Price on the Basis of Quality of Apple: An Analysis

It is well known fact that good quality of apple gets higher return in the market. The present statistics of price according to its various qualities have been obtained with the help of three point Likert scale. This ranges large extent to not at all. Table 3 explores the prices, growers get for their produce in the market. The analysis reveals the factor wise better quality of produce, better size of produce, standardised grading and packing, better colour of produce and image of producers. The mean score of above factors arrived at three point likert scale is (2.3080, 2.2700, 2.2520, 2.2520 and 2.0200 respectively) which is greater than the standard mean score. It explains that the opinions of respondents are more towards higher side. The negative value of skewness and kurtosis is platykurtic which confirms the above results.

Table 3 Pricing of Apple According to Quality: An Analysis

Statements	Large Extent	Some Extent	Not at all	Total	Mean	Sd	Sk	Kt	χ^2	P.value
Better Quality of Produce	237	180	83	500	2.3080	.73907	-.561	-.986	72.748	.000
Better Size of Produce	232	171	97	500	2.2700	.76568	-.501	-1.135	54.844	.000
Standardised Grading and Packing	212	202	86	500	2.2520	.73045	-.430	-1.034	58.864	.000
Better Colour of Produce	220	186	94	500	2.2520	.75208	-.451	-1.113	50.992	.000
Brand of Produce	160	173	167	500	1.9860	.80939	.026	-1.473	.508	.776
Image of Producers	125	260	115	500	2.0200	.69323	-.027	-.912	78.700	.000
Market Demand	49	349	102	500	1.8940	.53977	-.079	.292	307.636	.000
Advertisement Cost	49	290	161	500	1.7760	.60874	.159	-.521	174.532	.000
Total				500						

Note: Figure in parenthesis depicts percentage.

Source: Data collected through questionnaire.

Further, the significant chi square value at 5 percent level of significance proves that distribution is not equal and holds the fact that better quality of produce, better size of produce, standardised grading and packing, better colour of produce and image of producers play an important role in the market while apple are sold in the market. The other factors are brand of produce and advertisement cost. The result reflects that the calculated mean score of above factor (1.9860 and 1.7760 respectively) is less than the standard mean score, which show that the opinion of respondent is more towards lower side. Moreover, the positive value of skewness and kurtosis is platykurtic in case of Brand of produce and advertisement costs while the chi square value is significant at five percent of significance case of advertisement cost whereas insignificant in case of brand of produce. The positive value of skewness supports the fact that the opinion of respondents are towards lower side and the above factors are not playing important role in market while apple are sold. When evaluated the factor market demand the mean value (1.8940) is less than the standard mean score, which show that the opinion of respondent is lying more towards lower side. However, the negative value of skewness, leptokurtic behaviour of kurtosis and significant chi square value further reveals that the said factor occupies a significant place in the market. In nutshell, the quality of apple plays an important role in the market to get maximum return on the produce.

Further, an attempt has been made to evaluate price on the basis of quality of produce to ascertain the relationship among the different quality of apples by applying zero order correlation. The table 4 reveals the price on the basis of different quality of apple. The qualities evaluated are better quality of produce, better size of produce, standardised grading and packing, better colour of produce, brand of produce, image of producers, market demand and advertisement cost. The table discloses that all the factors evaluated present a significant relationship at 5 percent level of significance. Whereas, better size of produce, better colour of produce and brand of produce are insignificant at 1 percent level of significance. The analysis confirms that the quality factor play a prominent role in formulating price strategy which orchardists get in the market. These qualities of apple generate maximum revenue. It confirms that orchardists consider price as an important indicator of quality of produce. This implies that higher priced produce are perceived to be higher in quality. Thus, it can be concluded that price is a significant indicator of quality.

Table 4 Pricing of Apple According to Quality: Zero Order Correlation Matrix

Statements	1	2	3	4	5	6	7	8
Better Quality of Produce	1							
Better Size of Produce	.065	1						
Standardised Grading and Packing	.361**	.448**	1					
Better Colour of Produce	.084	.049	.001	1				
Brand of Produce	.057	.077	.101*	.338	1			
Image of Producers	.363**	.137**	.394**	.067**	.261**	1		
Market Demand	.213**	.142**	.251**	.105**	.249**	.327**	1	
Advertisement Cost	.140**	.190**	.168**	.084**	.189**	.305**	.592**	1

* Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed).

Source: Data collected through questionnaire.

Conclusion and Suggestions:

Researcher revealed that pricing strategy plays important role apple marketing. When examined the pricing strategy of apple, it was found that growers do not form any pricing strategy formally; they enhance profits by improving product quality or boosting product strategy. However, when evaluated price for apple the orchardists are of opinion that they get price for their produce according to its varieties. The growers get average price for their produce. Similarly, when quality of apple was examined the growers reported that quality of apple play an important role in the market to get maximum return. The analysis revealed that better quality of produce, better size of produce, standardised grading and packing, better colour of produce and image of producers play a significant role in the market while apples are sold in the market. Other factors like brand name and advertisement have not considered much. Further it is suggested that there is a need to have a pricing policy for the orchardist in the state. The necessary action should be taken to form such policies to standardise the price so that orchardist get at least remunerative price.

Future Scope

The present study has enough scope for apple growers to realise their production cost involved in apple production. Studies may be undertaken regarding the pricing strategies and standardisation of price in if it is implemented in apple selling and the changes in the standard of living in the apple producing districts of the state.

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