

The impact of information on indian spice industry



**ASSIGN
BUSTER**

Introduction:

A paragraph explaining which organization you are examining and the context in which it operates.

Diagram:

The five forces diagram showing the main features of your analysis

Analysis:

For each of the five forces, a brief discussion of the key impacts of information. Some of these sections will be longer than others, depending on the specific details of the case.

Conclusion:

Your summary of what your analysis has revealed.

The impact of information on Spice Industry:**Spice exporters in India and the company Vkspice (Vijayakrishna Spice and Seed Farms).****Introduction**

This report analyses the impact of information on the spice exporters in India, with a particular focus on the company Vkspice (spice industry) on its strategic environment. Porter's five forces model will be used for analysis. An overview diagram is presented in figure 1.

Vkspice is established in 1990 and over the past 20 years the company gained a lot of potential buyers because of its high production value. It produces a wide variety of spices, but it is mainly known for production of

IMP Chilli (organic chilli) and turmeric which are mainly adapted because of favourable weather conditions.

Industry Context

Recently, the domestic and international spice industry is witnessing a remarkable growth attributable to the variations in the lifestyle patterns of the consumers worldwide. Application of spices in various industries like pharmaceutical, medicine, beverages and food processing made consumers to incline more towards them, which in turn increased global demand of spices and culinary herbs.

Developing countries like India, China and Indonesia are the prime producers and traders of a variety of high quality spices (mostly organic) in the world. Most of the domestic and international trade takes place in the dried form.

Culinary herbs are the other natural products consumers are most attracted to these days. The market of these products is constantly growing with the major supplies from India to USA and EU. A sound knowledge of the methods and processes involved in the production of herbs and spices is always required for a labour-intensive industry like this.

Information and the five forces

(Vkspice)

Figure 1: Information and the sector

Substitutes

Spices are the key ingredients in most of the cuisines strictly need the uses of specific spices. Although there are no natural substitutes to spices there

are few substitutes like the use of Artificial or Synthetic Flavours which give almost the same taste of the spices but, due to the health awareness most of the people now a day's inclined towards the use of authentic natural, organic spices over Synthetic spices. Organic spices boomed in present market () and hence the demand has increased for production of organic spices. More broadly, other forms of products can be considered as substitutes. Some might argue that the growth in use of readymade food products pose a threat to the market, but this seems unlikely given the target market.

Competitors

The industry faces intense competition since the concentration of suppliers is more and reputation and goodwill of the company plays a major role in the buyer's decision making process. Its competition is often at regional level. There are also many small local companies often operating in a specific location and as the demand for authentic organic spices increased the demand for maintaining the quality of the product raised. Hence the companies needs to be up-to-date with the information related to quality procedures (Spices board of India 2010) and good knowledge about the organic farming where the companies require to impart knowledge to their suppliers with sufficient education with the help of experts. Having information and good knowledge about different techniques, technologies play a crucial role in this industry sector.

Vkspice was one of the first companies in local markets to start the production of pesticide residue free spices. It recognised the demand in early stages and took necessary steps to succeed among its competitors. This company started the use of backward integration and made the efficient use

of IPM (Integrated Pest Management) techniques in producing organic spices and it also conducted training sessions in giving information about new changes in industry and to impart knowledge about new farming techniques and pest management to supplier and farmers with the help of agricultural scientists and support from the buyers. Vkspace also make better use of the information technology to maintain variety of data such as financial and customer data by installing accounting packages like AIMS which was customised and developed specially for its own purpose and upgraded to Tally in the recent years. This gave Vkspace a strategic advantage over its competitors. However, it is imparting the advanced techniques in farming practices to its suppliers there is no dedicated testing lab facility for analysing the produce or the material that was procured from the external open markets.

Suppliers

Spice Industry requires large inputs of labor, raw materials and services. The cost of these inputs can have a significant effect on profitability. Whether the strength of suppliers is weak, moderate or strong depends on how much bargaining power they can exert. As a result they have some flex in determining product pricing, delivery, and distribution. In this sector some suppliers are smaller and do not have much power over the pricing and distribution of their products. However, in this sector most of the suppliers are farmers and local market agents. They get the information from Newspapers and other forms of print media and also from the Audio and Video media. They have very high bargaining power as the concentration of suppliers is high in local markets. They have less threat to the market.

Buyers

Spices are used throughout the world and buyers need to have an immense knowledge about the market since, there are wide range of spices classified into different varieties depending on their characteristics and most of the buyers get information to make their purchase decisions through Market committee websites and also collect additional information from the local markets with the help of their representatives. There is additional information available on the websites of Spices board (Spices board of India 2010) about different varieties and availability of spices based on specific locations. Since they have less control over the forces and because of the raised demand for the organic spices they have very less bargaining power over the suppliers and since demand is high the cost of switching very low.

Barriers to entry

Spice industry is a highly competitive industry. Even though the initial capital investment is not very high the risk for new entrants. Sound Experience and Customer database is a major barrier to entry and lack of management skills and lack of knowledge of product and market information are the key barriers to entry. The company's reputation and trust also plays important role building long term relationship with the buyers and also because of the high concentration of suppliers exporting the same goods usually competition is high and local politics also have a significant effect on markets. Technology (Chemical Labs) is very important as there is a growing demand for pesticide free spices having a product testing lab will be an added advantage in this sector to produce a value added product. In addition, there are several other barriers such as availability of labour.

Hence, there are fewer chances for the new entries in this industry and the risk is very high.

Conclusion

This analysis indicates that Vkspace is one of the market leaders has keen knowledge and information about the market trends and practices and its customers needs. The advanced and early use of new practices in organic spices production has enabled it to carve out a dominant market position and it also efficiently used the Information Technology, software's like AIMS and Tally to maintain different data related to customers and availability of the stock and financial data. In addition, Vkspace should also focus in implementing IT process for example use of RFID (Radio frequency ID's) in tracking the stocks in different warehouses, which actually enable it to work more efficiently in aligning and maintaining the stock more efficiently which would be an additional unique resource and can have an competitive advantage over its competitor. It has to focus on the infrastructure development by installing testing centres or labs to analyse the pesticide content which will give an additional strategic advantage to the customer which helps in building the long term relationship, to attain the position of the market leader. Although the barriers to entry for the new entrances is very high, Vkspace needs to have information on the threats posed by the new entries.