

# Cashew industry in india marketing plan



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FruitDry\* Marketing Plan Group U1 Anurag Jindal Harsh Shukla Likhit Nagpal Nishith Maheshwari Sriparna Neogi 07/01/2012 \*A hypothetical company which exports cashew Marketing Plan- FruitDry Cashew Industry 2 MKT2 Group U1 Executive Summary FruitDry is a hypothetical company which exports cashew and is located in Udupi district of Karnataka. The company purchases cashew kernels from the processing units in the same district and exports it to various countries. The best quality cashew which is exported is grade W180. The company is looking forward to launch this product in the domestic market also.

Clearly this will be a premium quality product. The company will mix salt and spices to the cashews procured from the processing units. As per the taste of the area, two variants will be launched; a spicy variant and a salty variant. Being a small area, specific shops will be targeted from where most of the people shop. The company plans to provide cashew nut with its crispy nature at the convenience of daily shopping to all its potential consumers. As a part of promotion, the company will focus on health aspects of cashew and the ability to retain them with the help of companies specially designed air tight zip-bags. As no other packaged cashew of grade 180 is available) Marketing Plan- FruitDry Cashew Industry 3 MKT2 Group U1 Table of Contents 1. Executive Summary 2. Summary of Current Situation a. Production of Cashew b. Varieties in Cashew: c. International Market d. Domestic Market e. Share Trend: f. Competitive Information 3. Market Opportunities 4. SWOT analysis 5. Summary of Companies Marketing Strategy a. Marketing goals b. Financial goals 6. Marketing Structure Layout a. Strategic Segmentation b. POPs AND PODs c. Product Mix d. Marketing Mix 7.

Sales forecast 8. Cash flow statement 9. Risk's Plan and Long term Plan

Marketing Plan- FruitDry Cashew Industry 4 MKT2 Group U1 Summary of

Current Situation ? Production of Cashew: India has the maximum area (21.6%) under cashew nut and is the third largest producer (17.3%) of raw nuts in the world. The major cashew manufacturing states are Kerala, Orissa, Karnataka and Tamil Nadu. The processing plants are also in the nearby area. The belt around Mangalore and Udupi (South Kanara) is in line with production and processing of cashew nuts.

There are number of small and big processing factories which process raw cashew and the nuts are then sold in the market which is mostly taken by firms packaging and distributing cashew nuts around the globe. Processing is a three stage process involving peeling, shelling and roasting / steaming.

The third stage is what makes a difference in the final product, if the nuts are roasted, then they are added with spices in varying proportion or else the steamed cashew nuts are directly sold as dry fruits. ? Varieties in Cashew:

The quality of cashew is determined by its size and weight.

They are numbered as per the number of cashew nuts in one pound of that quality. For instance, cashew W240 has 240 cashew nuts in one pound. The major produce of cashew in India is of W400, W240, W200 and W180. Apart from these, W500 and W150 is also produced but in very small quantities. In the South Canara belt, W240, W200 and W180 are widely processed.

Marketing Plan- FruitDry Cashew Industry 5 MKT2 Group U1 ? International

Market: India is the second largest exporter of cashew nuts. Almost the entire cashew grade W180 is exported. This is mostly the processes one.

The trade takes place through the water way (Mangalore port for this particular area) to almost all the continents. ? Domestic Market: Udupi cashew market is dominated by cashew grade W240. The market has a variable cashew demand which increases during the festive season when people gift each other and shoots high during the “ Udupi Utsav” when people from outside the area come to take part in the Utsav. Such people while returning back often take a token of memoranda of the place. These are mostly idols of god and edibles like cashew nut which the place is famous for.

The demand for cashew W180 exists, but is limited both in terms of demand and availability. W180 9% W200 18% W240 59% W400 14% Cashew Availability as per Grades Marketing Plan- FruitDry Cashew Industry 6 MKT2 Group U1 ? Share Trend: Over the years the consumption of people in Udupi has increased and because of low cost of living, people are spending more money for better quality and healthy food. This is evident by renovation of major restaurants and hotels in the last 4 years; they have now started focusing more towards quality and people are ready to pay a marginally more amount, the trend is clearly visible in packaged food.

Few years ago, market was dominated by local made items like banana chips etc. and now packaged industry is gradually making its mark. ? Competitive Information: Cashew W180 is available in the market but is with local packaging only. They lack proper packaging and as a result have a very less shelf life. There are no direct competitors for the product, but the cashew of other variants can act as indirect competitors. Even in these varieties, there

exist no player which has packaged cashews. Most of them are loose and sold open by retailers. Market Opportunities

The population of Udupi district and other related attributes are given in the table:

District	Population	Urban Population	City Population	NO OF FAMILIES
Udupi	1,177,908	28.36%	334,054	66,810

Marketing Plan- FruitDry Cashew Industry 7

MKT2 Group U1 There are approximately a total of 10022 high income families in Udupi which are our potential Customers. The share trend analysis reveals that more and more people are ready to pay more which can be inferred as an indication that the potential market above will increase.

SWOT analysis ?

Strengths

- o Crisp nature of the cashew
- o Homogenous shape
- o Large in size
- o Air tight zip pack which keeps the cashews stay fresh for a long time
- o Product variants as per the taste of local consumers ?

Weakness

- o Limited affordability because of premium quality
- o Available only at limited retail outlets

High Income 15% Upper Middle Class 20% Middle Class 36% Low Income 29%

Distribution Of income in Udupi

Marketing Plan- FruitDry Cashew Industry 8

MKT2 Group U1 ? Opportunities-

- o Low cost of living in the area enable the people to spend more and are thus moving towards high quality cashew
- o Cashew has high content of fats that are good for health
- o Serve as a gift during festive season ?

Threats:-

- o Availability of substitutes such as peanuts etc.
- o Low grade cashews are already in the market

Summary of Companies Marketing Strategy “ Delivering Crisp and Nutritional cashew with the convince of our valued consumer”

Marketing Goals: ?

- To create a linking image between good health and cashew eating habits by enlightening the nutritional content of cashew.
- To create a market for high

value export quality cashew W180 ? To promote the increased shelf life and crispiness of cashew W180 ?

To build an image separate from other cashew grades (wrt crispiness and size) Financial Goals: ? As per the current sales forecast the company will breakeven in the 11th month Marketing Plan- FruitDry Cashew Industry 9 MKT2 Group U1 Marketing Structure Layout Strategic Segmentation: Valued Customer Cashew is purchased by middle class and above. The grade 180 quality of cashew is relatively higher in price and thus above the reach of middle class and higher middle class people. The segment which needs to be addressed is the high society segment. They have a particular focus towards healthy eating habits.

Value Proposition The value proposition to be delivered is “ Fresh and crisp cashew nuts with all its nutritional values preserved” at a marginally higher price with profits. The values to be offered ? Attributes increased above industry standards: Spices and salts of superior quality which does not contribute to health issues, Packaging to retain the product deliverable. ? New attributes: Zip-pack to repack as good as original packing. Value Network Inspired by the traditional distribution channel, the product is directly supplied to the distributor who takes it to the retailer.

The traditional channel for cashew follows a stock holder, wholesaler, distributor and then the retailers. The money saved by reducing the channel will be used as an expense to the company for inventory and supplying the product. The other remaining amount is what is passed to the distributor and the retailer. This results in a higher margin than any other similar product in

the industry producing a push factor down the chain. Marketing Plan- FruitDry Cashew Industry 10 MKT2 Group U1 POPs AND PODs Considering both the direct and indirect competitors in the cashew industry) POPs: The nutritional value of all the cashew kernels are the same no matter what grade it is. PODs: Retained nutritional value, homogenous shape without breakages, smooth surface. Product Mix The company is branding under the company name “ FruitDry” with only one product line for the domestic market. The line consists of three variants: o Chatka Khara Cashew: This is the spicy variant cashew. The term “ Khara” is a Kannada language term for spicy where as “ Chatka” gives a Hindi touch (large potential north Indian customers in Manipal). Classic Salted Cashew: This is a mild salted variant cashew. Both the products are available in two SKU’s 80g and, 375g Marketing Mix Consumer Model: The problem with this grade cashew is that it catches humidity, precisely because of its highly crispy nature. This crispy nature is the consumer requirement. Most of the segmented people who come to buy cashew are ready to buy high quality cashew (W180) but go back with Marketing Plan- FruitDry Cashew Industry 11 MKT2 Group U1 the available variety of cashew. The retailer confirms that the reason is low shelf life of the product (maximum 60 days and 30 days after opening).

The cashew grade W180 is to be packaged in air-tight zip packets. With this packaging, the shelf life is more than double. The packaged product can easily stay for more than 180 days and the zip involved will protect the cashew for an equivalent time (when properly zipped) Cost: The first cost which company encounters is the purchase cost. Purchasing cost of roasted cashew grade 180 is Rs. 450/kg. The details of all the cost is given in Exhibit

1 Communication: The main basis of communication will be the nutritional value of cashew combined with our ability to retain it for a longer time.

For this a Health campaign will be started. It will cover the nutritional aspect of cashew and bring in light that cashew has fats which help in maintain proper insulin balance in the body and keeps the blood sugar under control lowering the chances of Heart attack. This nutritional content of cashew is substantially lost when it is kept open in air or is not properly preserved. This is delivered along with the customer required crispy nature of cashew. The communication will involve physical interaction with the potential customers by giving them pamphlets and setting up a

Canopy at the most preferred destinations of the class. Two of the main hotels (Hotel Valley View and Hotel Paradise Isles) have been identified where the product will be put as a tester. The motive here is not to make profits but just to increase the brand visibility. All the stores where product is being sold [Exhibit 2] may not have a canopy but will definitely have posters (in English and regional Tullu and Kannada language). These posters will clearly display the nutritional value of cashew and the importance of preserving it along with the crispy nature.

Almost all the people in the segment are internet users and thus internet as a supportive marketing tool will be used. Because we have to keep Marketing Plan- FruitDry Cashew Industry 12 MKT2 Group U1 ourselves limited to Udupi, personalized promotion websites like justdial. com and Facebook advertisements will be used which are low on cost and effective in returns. Convenience: The targeted customer will easily find the product in



shelves with the help on the traditional channel. The channel partners are shared more margin than any other product of the same category.

The survey has identified little more than half a dozen stores from where almost 90% of the customers shop. [Exhibit 2] These stores are in reach with the distribution partners. The motive can be summarized as delivering cashew to the consumer in such a way that he/she feels the cashew packet just walked in his basket. The consumer need not search for the packet.

Sales Forecast for First Financial Year Apr 375g salt 80g salt 375g b ppr 80g b. ppr MRP 450 98 525 118 plant sales price 270 59 315 71 contri/pkt 37 7

58 14 production (pkts) 40 800 30 400 contri 1495 5952 1728. 8 5664 4840

revenue forecast 10800 47040 9450 28320 95610 May 375g salt 80g salt

375g b ppr 80g b. ppr Marketing Plan- FruitDry Cashew Industry 13 MKT2

Group U1 MRP 450 98 525 118 plant sales price 270 59 315 71 contri/pkt 37

7 58 14 production (pkts) 50 900 40 500 contri 1869 6696 2305. 0 7080

17950 revenue forecast 13500 52920 12600 35400 114420 June 375g salt

80g salt 375g b ppr 80g b. ppr MRP 450 98 525 118 plant sales price 270 59

315 71 contri/pkt 37 7 58 14 production (pkts) 50 1000 50 600 contri 1869

7440 2881. 3 8496 20686 revenue forecast 13500 58800 15750 42480

130530 July 75g salt 80g salt 375g b ppr 80g b. ppr MRP 450 98 525 118

plant sales price 270 59 315 71 contri/pkt 37 7 58 14 production (pkts) 60

1200 50 700 contri 2243 8928 2881. 3 9912 23964 revenue forecast 16200

70560 15750 49560 152070 Marketing Plan- FruitDry Cashew Industry 14

MKT2 Group U1 August 375g salt 80g salt 375g b ppr 80g b. ppr MRP 450 98

525 118 plant sales price 270 59 315 71 contri/pkt 37 7 58 14 production

(pkts) 60 1200 50 800 contri 2243 8928 2881. 3 11328 25380 revenue

forecast 16200 70560 15750 56640 159150 Sept 375g salt 80g salt 375g b  
ppr 80g b. ppr MRP 450 98 525 18 plant sales price 270 59 315 71 contri/pkt  
37 7 58 14 production (pkts) 60 1400 50 900 contri 2243 10416 2881. 3  
12744 28284 revenue forecast 16200 82320 15750 63720 177990 Oct 375g  
salt 80g salt 375g b ppr 80g b. ppr MRP 450 98 525 118 plant sales price 270  
59 315 71 contri/pkt 37 7 58 14 Marketing Plan- FruitDry Cashew Industry 15  
MKT2 Group U1 production (pkts) 100 1800 120 1500 contri 3738 13392  
6915. 0 21240 45285 revenue forecast 27000 105840 37800 106200 276840  
Nov 375g salt 80g salt 375g b ppr 80g b. ppr MRP 450 98 525 118 plant  
sales price 270 59 315 71 contri/pkt 37 7 8 14 production (pkts) 100 1800  
120 1500 contri 3738 13392 6915. 0 21240 45285 revenue forecast 27000  
105840 37800 106200 276840 Dec 375g salt 80g salt 375g b ppr 80g b. ppr  
MRP 450 98 525 118 plant sales price 270 59 315 71 contri/pkt 37 7 58 14  
production (pkts) 100 1800 120 1500 contri 3738 13392 6915. 0 21240  
45285 revenue forecast 27000 105840 37800 106200 276840 Marketing Plan-  
FruitDry Cashew Industry 16 MKT2 Group U1 Jan 375g salt 80g salt 375g b  
ppr 80g b. ppr MRP 450 98 525 118 plant sales price 270 59 315 71  
contri/pkt 37 7 58 14 production (pkts) 100 1800 120 1500 contri 738 13392  
6915. 0 21240 45285 revenue forecast 27000 105840 37800 106200 276840  
Feb 375g salt 80g salt 375g b ppr 80g b. ppr MRP 450 98 525 118 plant sales  
price 270 59 315 71 contri/pkt 37 7 58 14 production (pkts) 60 1500 50 1500  
contri 2243 11160 2881. 3 21240 37524 revenue forecast 16200 88200  
15750 106200 226350 Mar 375g salt 80g salt 375g b ppr 80g b. ppr MRP  
450 98 525 118 plant sales price 270 59 315 71 contri/pkt 37 7 58 14  
production (pkts) 60 1500 50 1500 Marketing Plan- FruitDry Cashew Industry  
17 MKT2 Group U1 contri 2243 11160 2881. 3 21240 37524 revenue forecast  
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16200 8200 15750 106200 226350 Cash Flow

AprMayJunJulAugSepRent500050005000500050005000HR200002000020

000200002000020000canopy

activity20000200000000fliers400040004000400040004000advertis

ments10000100000000Total590005900029000290002900029000setup50

000plant100000raw matrial reqd. (Kg)122146166193201225inventory

(Rs)5501365588744758696390563101363Total20900059000290002900029

0 0029000breakeven Analysis-194160-41050-8314-5036-3620-716cash in

hand

(unused)232000revenue/mth95610114420130530152070159150177990con

tri/mth148401795020686239642538028284 Marketing Plan- FruitDry

Cashew Industry 8 MKT2 Group U1 Rent HR canopy activity fliers

advertisments Total setup plant raw matrial reqd. (Kg) inventory (Rs) Total

breakeven Analysis cash in hand (unused) revenue/mth contri/mth Oct Nov

Dec Jan Feb Mar 5000 5000 5000 5000 5000 5000 20000 20000 20000

20000 20000 20000 20000 20000 20000 20000 0 0 4000 4000 4000 4000

4000 4000 10000 10000 10000 10000 0 0 59000 59000 59000 59000 29000

29000 347 347 347 347 281 281 155925 155925 155925 155925 126563

126563 59000 59000 59000 59000 29000 29000 -13716 -13716 -13716 -

13716 8524 8524 276840 276840 276840 276840 226350 226350 5285

45285 45285 45285 37524 37524 Marketing Plan- FruitDry Cashew Industry

19 MKT2 Group U1 Risk's Plan and Long term Plan Risk's involved Historical

data shows that cashew procurement rates vary time to time. The same

grade cashew was costlier in 2010 whereas the reduced rate is carried from

the early mid of 2011 to the present time. If the raw material rates in future

decrease, it won't create any problem but if it increases, then there's a

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buffer limit maintained in costing of both the SKU's. If the cost is increased more than the limit, then the costing needs to be re-done.

The market may not be highly receptive as the normal Indian mentality doesn't focus much on " homogenous size or shape" and could be difficult to extract money from the pockets on this basis. This risk is addressed by playing with the psychological aspect of the consumer. The healthy nature of cashew (irrespective of grade) is protected by the modern packaging which can prompt the consumer to pay more. Long Term Growth Increasing Depth of the product line: More variants in cashew grade W180 can be introduced such as perfect blend, extra spicy fried cashew, plane roasted cashew etc.

Increasing width of the product mix: Company can add more premium products like Almond, Hazelnut, Walnut etc. The problem with this growth strategy is that the company will increase its fixed cost as it has to expand from suppliers to the in-house machinery. This growth strategy can be applied only if the company is making continuous profits and the market demands so. Marketing Plan- FruitDry Cashew Industry 20 MKT2 Group U1 Exhibit 1(a): Cost structure and Margins for Classic Salted Cashew Classic Salted Cashew Item variants(gms) (SKU) 375 80

MRP (Rs) 450 98 selling price Rs/kg 1200 1225 Cost [email protected] 450/kg 186 40 Scrap @10% of raw material sold @Rs 200/kg 8 2 processing/kg (including salt & black pepper cost) 180 180 processing/pack (including salt & black pepper cost) 74 16 Packaging Rs/pack (zipper pack) 5 3 Landup Price/pack 257 57 Markup @20% 309 68 Markup @ actual 315 71 Distributor margin @20% of MRP 105 24 Retailer Margin @ 20% of MRP 105 24 MRP (Rs)

525 118 Marketing Plan- FruitDry Cashew Industry 21 MKT2 Group U1 Exhibit  
2: Stores in Udupi and Manipal