FACTORS INFLUENCING THE MARKETABILITY FAILURE OF LOCAL FRUIT PRODUCE: FARMERS AND RETAILERS PERSPECTIVE

RESEARCH MANAGEMENT INSTITUTE (RMI)
UNIVERSITI TEKNOLOGI MARA
40450 SHAH ALAM, SELANGOR
MALAYSIA

BY :

SITI MAZIAH BINTI AB RAHMAN
WAN NOOR HANA BINTI ABD AZIZ
ASSOCIATE PROFESSOR DR HJ MOHD SHUKRI OMAR

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5.2 Enhanced Executive Summary

This research is conducted with the objectives of identifying the influential factors to the marketability failure of local fruit. In other words, the study wishes to identify the factors considered important to the farmers and retailers that contribute to the failure of their marketing activities. The study also seeks to identify the the nature problems and weaknesses of both the farmers and the retailers in their marketing practices of local fruit produce. The last objective is to rank the most important and least important that influential factors in marketing local fruit. The research covers an area within the state of Kelantan with specific focus on the areas where the selected fruit were abundantly found and grown. This quantitative research used regression analysis in order to identify the relationship between distribution channel, promotion, price, competition and marketability failure. The perspective of the farmers' and retailers' were measured. Failure gaps were ultimately identified. The finding on retailers' perspective revealed that the "competition" factor was the major factor contributing to their marketability failure. Contrary to the farmers felt that "pricing" were the leading factor failing them. The problem faced by the retailers and farmers are not the same. It can be seen that the pricing is the most important factor that lead to the marketability failure for the farmers but it is not to the retailers. The retailers are concerned about the competition. Recommendations addressing the perceived marketability failures were highlighted in the study.

Keywords; Marketability failure, distribution channel, price, promotion, competition and agriculture marketing.

5.3 Introduction

Market failure is a concept within the domain of economic theory whereby the allocation of goods and services within free market is inefficient (Medema, (2007). The theory suggests that there exists another possible outcome where market participants' overall performance from the outcome would be burdened by their loses. Market failures also can be also interpreted as scenarios where individuals' pursuit of pure self-interest or business-interests leads to outcomes that are not efficient, but improvable from the societal point of view. The first known use of the term market failure within economic theory has been traced backed to the Victorian philosopher Henry Sidgwick in 1958 ("The Hesitant Hand: Mill, Sidgwick, and the Evolution of the Theory of Market Failure). Market failures are often associated with inadequate information, non-competitive markets, externalities, or public goods Laffont, (2008). The occurrences of market failures become a mandatory passport for government to intervene in a particular market. The Government was found to intervene through various policies such as taxes, subsidies, bailouts, wage and price controls. These policies and regulations are the attempts to correct market failure, but ironically may also lead to an inefficient allocation of resources that sometimes can be referred government failures. As such, there seems to be a choice of imperfect outcomes, i.e. imperfect market outcomes with or without government interventions. But either way if a market failure occurs, that outcome is not Pareto efficient. Mainstream neoclassical and Keynesian economists shared the notion that the government may be able to correct the inefficient market, while several heterodox schools of thought disagree with this notion (Gregory, (2009).

This study, therefore, examines the current marketability failures of both the farmers and retailers from their very own perspectives. Their responses are expected to reveal, the very least from their perceptions, the factors they thought are continuously haunting their effort to penetrate the local markets effectively, with or without government's assistance or intervention. It is interesting to know the differences between the two parties on what constitute marketability failures. On the other hand, the perceptual gaps may reveal some clue as to the mentality, behavior and understanding of both parties on issues pertaining to fruits marketing.

According to mainstream economic analysis, a market failure (relative to Pareto efficiency) can occur for three main reasons. First, agents in a market can gain market power, allowing them to block other mutually beneficial gains from trades from occurring. This can lead to inefficiency due to imperfect competition, which can take many different forms, such as monopolies, monopsonies (A market situation in which the product or service of several sellers is sought by only one buyer), cartels (A combination of independent business organizations formed to regulate production, pricing, and marketing of goods by the members), or monopolistic competition, if the agent does not implement perfect price