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# Using new Marketing Methods by Managers of Rural Cooperative Institutions

## A Case Study – The Kohgiluyeh and Boyerahmad Province

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### Summary

The emergence of an accessible market for buying and selling agricultural products by networks of rural and farming cooperatives in Iran has given rise to the need to devote considerable attention to marketing and the use of new marketing methods. In view of this fact, this research will attempt to provide insight and help understand why managers of these institutions use these methods rarely. To this end, we designed a questionnaire and distributed it to the statistical sample, comprised of managers of rural cooperative institutions in the Kohgiluyeh and Boyerahmad Province. The results of analysing their responses indicate that there is a considerable level of correlation between the application of new marketing managers of rural cooperatives and the level of education, knowledge, social and cultural factors of the geographical location of their environment. However, no significant correlation was found between the use of new marketing methods and the work experience of surveyed managers. Furthermore, the lack of facilities and infrastructure required for using new marketing methods cannot be the rationale for dismissing these methods by the managers of these institutions.

### Keywords

marketing methods, rural cooperative institutions, managers

## 1. Introduction

In the process of transition from traditional to commercial agriculture, farmers' problems have increased, in view of the fact that the agricultural production units are small in size, so that the quantity of products that each farmer has available for delivery is far from considerable, and furthermore, farmers must resort to offering their goods on the local market at low prices (Najafi, 2007). Accordingly, in order to support producers and farmers, the Members of Parliament of Iran in 1989 adopted legislation pertaining the purchase of agricultural products. According to this Law, the government should purchase a certain quantity of agricultural products at purchase price and under conditions determined by the Economic Council of Iran.

The Government assigned this important task to the Ministry of Agriculture, and in the next stage of performing this task; it was assigned to the Central Organization of Iranian Rural Cooperatives. Despite the laws, regulations and efforts of rural and agricultural cooperatives network in Iran, guaranteed purchases of agricultural products was faced with many impediments and deficiencies for various reasons, and resulted in huge financial losses for both the government and producers. But, in fact, during the 18-year period of implementation,

they deviated from the right track and failed to attain expected effectiveness, so that, actually, farmers were affected by the unusual cycle of buying and selling agricultural products.

In order to eliminate these failures and exit from this chaos, inadequately regulated and unfair conditions of trade in agricultural products, compared with free purchases by independent brokers, and also considering the fact that Iranian government officials placed emphasis on implementing the public principles of Iranian constitution in respect of empowering the cooperative sector, a comprehensive plan for negotiated trading in Iran's agricultural products was adopted. With the development of this plan, a network of rural and agricultural cooperatives started a serious activity in relation to buying and selling agricultural products. Purchase from farmers for delivery to the final consumer is placed on its agenda. In these circumstances, the number of brokers and intermediaries has been reduced, which, logically, resulted in stability of economy in different regions. Regarding the main mission of rural cooperative organizations, which includes carrying out commercial activities and earning revenue to improve the livelihood of their members, and, in addition, the use of performance data of negotiated purchases and sale of agricultural products, which have recently been used for establishing a network of rural coopera-

tives, the initiative resulted in rural cooperative organizations making a serious entry into this arena and, eventually, the turbulent and complex broader-scale market. Hence, if this action is performed without serious attention to the increasing changes in the market, it is bound to fail. Therefore, it requires the proper use of appropriate methods of marketing for gaining competitive advantage and appropriate market share. Following the launch of this plan, rural cooperative organizations of the Kohgiluyeh and Boyer-Ahmad Province also launched trade in agricultural products as well as livestock and products of animal origin. After buying these products, the appropriate locations in urban areas should be established, designated for selling the products offered by villagers and farmers. We should mention that aforementioned issue requires a strong and consistent marketing activity in order to get a competitive advantage and appropriate market share on a turbulent market.

What differentiates today's world from the world a few decades ago is: complex and unstable environment, increasing competition, rapid change and the rapid developments in information (Esfidani, 2006).

## 2. Literature Review and Definition of Terms

### Cooperation

The word "cooperation" denotes a group of people working together to achieve a common goal. This definition can represent and encompass one of the important aspects of social life ([www.icm.gov](http://www.icm.gov)). The first time Robert Owen applied the term cooperation in contrast to competition. Afterwards ever since, social experts have used this word in many ways as far as the cooperative movement and orientation of cooperation found their own place in economic theories.

Bugardos believes that cooperation is a way of life and includes a philosophy, collection of treatment methods and also a set of principles and guidelines for guidance about personal and social life.

Roy argues that cooperatives are economic institutions that are established and managed by organization members. In addition, their task comprises buying and selling goods and offering services to members at cost price.

Frans Helm regards cooperative organization as an economic organization, which is formed based on personal desire and determination. Also, it

works to achieve equal rights and economic objectives that are predetermined.

According to the aforementioned definitions, collaboration or common work is one of the important properties of cooperation; however, working together or common performance of work is not sufficient to explain the concept of cooperative. This definition goes beyond common work. It is possible for workers to gather in order to work together without formally establishing an actual cooperative. However, a group of people that are working separately may form a cooperative ([www.icm.gov.ir](http://www.icm.gov.ir)).

### Marketing

In today's world, the economies of different nations are experiencing rapid changes, which, however, may encompass difficulty. The factors that result in rapid changes are globalization and technological change. This fact should be considered, and though it might be possible that global trade and technological developments threaten the current condition, it can bring opportunities for the economies of different countries. Companies on the market are working according to exactly the same principles of Darwin, in which the natural choice is considered as "survival of the most adaptable factor". It means that companies that are adapting to current changes in the business environment will be the successful companies. In other words, successful companies offer goods and services that people are willing to buy (Frozandeh, 2005).

Marketing management is a social process by which individuals and groups, whose needs and demands would be fulfilled through production, supply and exchange of goods with others (Frozandeh, 2005).

As it can be inferred from above, marketing includes concepts such as: the needs and wants, goods (products, services and ideas), supply and demand, exchange, and satisfaction. Marketing begins with identifying the needs and demands.

People cannot live and survive without food, water, clothing, housing and entertainment, and they satisfy their needs or requirements with goods. But the significant issue here is how consumers can choose diversified goods for satisfying their need (Frozandeh, 2005). Marketing or management of market is one of the important branches of knowledge management whose main task is to identify and meet human needs and wants through exchange processes (Alvedari, 2006). Marketing in today's world extends beyond advertising and sales;

actually, advertising and sales are now small part of marketing activities. Marketing managers perform extensive activities before sales process or production, or even after the sale of goods and services.

Briefly, today's marketing incorporates the design, production, packaging, distribution of goods and services to final consumers. In this regard, ultimately, customer satisfaction would also be gained through the proper activities after selling products.

Thus, marketing includes a very broad concept. Contrary to the perception of most people, marketing is not merely short-term effort aimed at selling the semi-essential and luxury goods and services. It also includes a set of activities: production, distribution and trading of goods in a sequence which is faster and easier to reach the final consumer (Avedari, 2006).

### 3. Methodology and Model

The population of this study included managers of all rural cooperative unions in Kohgiluyeh as well as all directors of companies that were working under rural cooperative organizations of the Kohgiluyeh and Boyer-ahmad Province. It means the senior managers, inspectors and members of the aforementioned cooperative organizations. Regarding uniformity of the managers of each association, systematic sampling was used so that a person was randomly selected from members of the management association, while corresponding members were chosen from among the members of other companies.

The total number of cooperative organizations was 36 but, due to the merger of two rural cooperative organizations during the research, the number of cooperative organizations was reduced to 35; so the total number of this population who were surveyed amounted to 35. Normally, the data collection instrument was questionnaire. Marketing and business books had been applied in collecting information about the theoretical principles of research, theories and perspectives in management. Upon completion of information related to the background of research and literature, we used information databases of governmental organizations and agencies including the Ministry of Cooperative, rural Cooperative of Central Organization of Iran, and Cooperative Department of Kerman Province.

In data analysis and hypothesis test, we used statistical methods, tables, graphs and statistical tests. After collecting and coding the responses to questionnaires, we converted qualitative into quantitative responses, and coded data were imported in

SPSS. Cronbach's alpha was used for validity and reliability. The calculated alpha was more than 72%, so that the validity and reliability of the result were satisfactory to a significant extent, and could be the perfect tool for collecting information.

### 4. The Findings

In the first test related to experience of senior managers of rural cooperative organizations and their rate of access to and the use of information appliances that we wanted to examine, these aforementioned variables were independent and had no relationship with each other (H0), and the contrary assumption (H1) included the belief that people with high experience were reluctant to trust modern marketing methods and preferred traditional marketing.

Regarding the results of the test and the fact that in calculation of  $\chi^2$ , sig was estimated 0/16 (was more than 5%); therefore we could not reject H0 and, accordingly, accepted the independence of two variables. Consequently, we concluded that the experience of rural cooperative organizations did not affect their use or non-use of new methods of marketing and informatics media.

**Table 1** Independence  $\chi^2$  between experience and the use of modern marketing methods

$\chi^2$	degree of freedom (df)	level of significance (sig)
9/256	6	0/16

The second step was to test the independence of education, literacy and means of information in contrast to dependence of the aforementioned variables. The results of this test led to the rejection of the hypothesis H0 and calculated sig was equal to 0/022. Therefore, hypothesis H1 was accepted and we inferred that there was a correlation between education levels and modern marketing methods. In order to understand this direction of relationship, we attempted to calculate the Pearson correlation coefficient and concluded that the Pearson correlation coefficient was equal to 0/509. We concluded that this relationship is a direct one; in other words, with increasing educational level of operating managers in rural cooperative organizations, usage of informatics media will increase as a result of the rise in the extent of their use of modern methods of marketing. On the other hand, with lower educational levels, their usage of these devices, i.e. modern marketing methods will be reduced.

**Table 2** Independence  $\chi^2$  between education and the use of modern marketing methods

$\chi^2$	df	sig
11/481	4	0/022

In the third test, we considered the independence of socio-cultural factors, and access rate and use of the informatics media in contrast to relationship between aforementioned variables. The results of this test indicated that the sig was equal to 0/013 and so, it was lower than 0/05. We concluded that  $H_0$  should be rejected, as there was no correlation between socio-cultural factors and usage of informatics media, so that alternate hypothesis was accepted. Also, Pearson correlation suggested a direct relation between two variables because  $r = 0.461$ .

**Table 3** independence  $\chi^2$  between socio-cultural factors and the use of new marketing methods

$\chi^2$	df	sig
12/748	4	0/013

In the fourth test we examined the independence of scarcity of facilities and related infrastructure and the use of and access rate to media tools ( $H_0$ ), while in  $H_1$  we considered the correlation between two aforementioned variables. The results of this test suggested that the calculated sig was equal to 0/348, which was not lower than 0/05; therefore,  $H_0$  could not be rejected. It means there was no correlation between the use of modern marketing methods and informatics tools by operating manager of rural cooperative associations and scarcity of facilities and related infrastructure. Accordingly, we could not consider and believe that lack of proper facilities and infrastructure, such as lack of well equipped computers or PCs, lack of ISP company or lack of a direct telephone line in the office of cooperative units was the reason for managers not to use modern marketing methods in their organizational units.

**Table 4** Independence  $\chi^2$  between lack of facilities and related infrastructure and the use of modern marketing methods

$\chi^2$	df	sig
8/938	8	0/348

In this section, we tested the ranking or prioritization of effective variable in using new and innovative methods of marketing by operating managers of cooperative organizations. It was necessary to assume the same ranking for education, literacy

and socio-cultural factors of residential area in which statistical population were living ( $H_0$ ). In contrast to  $H_1$  (these variables held different rank), we used Friedman's test for this task, and also sig became lower than 0/05. Therefore,  $H_0$  should be rejected. In addition, we were able to arrange these variables with the use of this test. The results of the test showed that the average ranks for education was equal to 1/29, which was lower than average ranks for socio-cultural factors (1/71), so it was inferred that education is more important.

## 5. Summary and Conclusions

This study includes 4 main hypotheses:

- The correlation between the experience of managers and their access to and use of informatics tools,
- The correlation between education and their access to and use of informatics appliances,
- The correlation between the economic and cultural factors for operating managers and their access to and use of informatics tools, and
- The correlation between lack of infrastructure and facilities and the access to and use of informatics tools.

The tests were focused on the question if the response to why the use of the modern methods of marketing in the aforementioned population, is true. In this case, it was necessary to mention a few points:

1. Statistical analysis was performed to rule out some assumptions; however, some of them were confirmed.
2. In contrast to our expectations, findings of the research indicated significant correlation between the level of experience and access to and use of informatics devices by operating manager of rural cooperatives.
3. After testing the hypothesis, correlation between socio-cultural factors in relation to residential area for operating managers and use of information devices was confirmed.
4. The research findings rejected predicted correlation between the lack of infrastructure and facilities required to use the capacity of media.
5. Finally, education and literacy as independent variables in this survey explained improvement of the quality and quantity of media services in different dimensions, so that in this hypothesis, there is a correlation between literacy and education and use of modern marketing methods in a high confidence level.

As regards the results of content analysis, we inferred that although the old and experienced operating executives of these organizations were often not knowledgeable, they had social and political influence in their position and hence they opposed any changes such as raising awareness of any members of organization. In addition, they tried to sabotage in different ways any plans resulting in improvement of organization. They created obstacles for changes, so that the common beliefs and attitudes of members showed no tendency to learn new techniques, methods and entry into new areas of business and marketing. Content analysis of written statements, in response to a question on respondents' opinions about the use of modern marketing methods, indicated important points and emphasized the need for some continuity of educational activities.

In many cases, decreasing marketing costs was emphasized; however, in other cases, there is stress on inevitable necessity of use of this marketing method in competitive, national and international markets. In this regard, the role of people responsible in the institutionalization of these approaches was important.

We should mention the role of new technological tools and equipment especially because of their ongoing usability, which does not include time and place constraints, and also reduces transportation costs, so it would save and manage the managers' time.

## Recommendations

1. The institutions are required to hire new and educated labour, because they are one of the most valuable assets to advance the expected goals;
2. The necessity of investing in training and also increasing professional ability in the replacement of traditional methods is obvious. This

necessity is due to the importance of rapid change in technology and updated service offering, which eliminate traditional methods; hence, we can draft in young and more qualified people to minimize the future concerns;

3. Authorities and the supervisors have to minimize internal weaknesses and overcome resistance to change in the traditional body of organization and network of rural and agricultural cooperatives;
4. In order to improve cultural, social and economical activities, responsibilities should be commensurate with the ability and expertise of organizations' members;
5. In order to improve the effective and efficient management of cooperative organizations, we should apply a premature retirement program or dismiss incompetent and incapable people;
6. In order to increase motivation of members that can have an important role in improving the situation, we can use punitive policies and incentives;
7. To strengthen and develop the culture of cooperation and thus improvement in the economic, socio-cultural situation, we should organise classes to educate members continuously and raise their awareness.

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