



# Marketing Efficiency in Cut Roses: A Comparative Study of Organised Vis-A-Vis Unorganised Markets

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## Authors' contributions

This work was carried out in collaboration among all authors. All authors read and approved the final manuscript.

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## ABSTRACT

The present study is mainly about the comparative analysis of marketing efficiency of cut roses under organised and unorganised markets. For the present study, the primary data was collected from the Krishna Raja Market, Bengaluru an unorganised market, whereas the International Flower

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Auction Centre, Bengaluru (IFAB) is an organised market. Data collected from 40 market intermediaries in each market structure and total intermediaries were to be 80. Forty rose vendors are randomly selected to gather marketing constraints in organised market. In the study area, three major marketing channels were observed for cut rose marketing in unorganised market structure: Channel I: Producer – Wholesaler – Retailer – Consumer; Channel II: Producer – Retailer – Consumer; and Channel III: Producer– Commission agent– Retailer – Consumer, whereas in the organised market, two marketing channels were prominent, i.e., Channel I: Producer – IFAB – Wholesaler – Retailer – Consumer and Channel II: Producer – IFAB – Retailer – Consumer. Marketing efficiency was estimated using the Acharya and Agarwal methodology. In this analysis, direct marketing channel was found to be the most efficient for unorganised and organised markets. Marketing constraints were analysed using Rank Based Quotient (RBQ) technique. Quality standards and the lack of price information were the most important problems for the farmers while marketing the flowers in organised markets rather than unorganised markets. Hence, policymakers should provide producers with the required facilities and impart proper knowledge about quality standards to farmers, leading to more income for producers.

*Keywords: Cut rose; marketing channels; price spread; marketing cost; marketing margin.*

## 1. INTRODUCTION

Flowers are inseparable from the social fabric of human life. Flowers, being adorable creations of God, benefit all occasions, are it at birth, marriage or death. In the past, flowers were not of much economic importance. One would grow flowers to fulfil their aesthetic desire. At times, flowers were offered for sale to meet people's special requirements. With time, drastic changes have occurred in people's lifestyles, leading to the commercialised cultivation of flowers. Today, flower plants are no longer meant for only window gardens but play an important role in decorating living houses and office establishments. The science and art of commercial floriculture has been recognised as an economic activity with the potential for generating employment and earning valuable foreign exchange.

In several countries, floricultural products are amongst the main export items of agricultural origin [1]. For any country to diversify its agricultural base geared towards export, the ornamental crop industry presents one of the most interesting and viable options. The aesthetic value of flowers and ornamental plants, their use in social events, overall satisfaction in working with them and high-income generating power attract modern entrepreneurs to invest money in the floriculture industry. The demand for flowers and ornamental plants for different needs like religious, official ceremonies, parties, house decoration, weddings, funerals, etc., is rising [2]. This demand for fresh flowers and plants will increase worldwide over the coming years [3]. The recent

liberalisation policy of the Government of India has given to commercialised agriculture, particularly horticultural crops. Growing flowers has been in vogue in India for a long time.

Nevertheless, growing cut-flowers has emerged as an important industry mainly to cater to the needs of the demand in the overseas market [4]. It is viewed as a high-growth industry in our economy. There is a tremendous transformation in our floriculture sector, mainly due to the entry of corporations producing cut flowers to meet the emerging demand for floricultural products in developed countries. The Government of India has also identified floriculture as a niche area with vast export potential. The Government gives many incentives for setting up floricultural units as Export-oriented units (EOUs).

Floriculture is a significant agribusiness that is becoming increasingly important commercially. The orchid, rose, carnation, chrysanthemum and gladiolus are among the more significant flowers in the cut flower trade. Both open fields and protected environments are used to cultivate most of these flowers. In 2017–18, floriculture was practised on around 308.87 thousand hectares of land. In 2017–18, the number of flowers produced was 1,805.82 thousand MT of loose flowers and 7,04,000 MT of cut flowers. Karnataka ranks 2<sup>nd</sup> in the production of cut flowers by 178.12 MT; the cut rose production in 2013-2012 was 2.80 hectares with 7132 million tonnes of production.

Any agricultural product's production is finished once it reaches the final customer. As a result, marketing has been seen as an integral component of the production process. Because

flowers are very perishable, it is crucial to understand marketing organisations and the several market functions engaged in flower marketing. Because of the frequent fluctuations in prices this flower crop experiences in domestic markets, IFAB and other organised flower marketplaces emerged. Against this backdrop, the following study was undertaken with the following objectives.

## 2. OBJECTIVES OF THE STUDY

1. To analyse the market efficiency in different marketing channels of cut rose in the organized and unorganized market structures.
2. To analyse constraints faced by cut rose farmers in organised flower market.

### 2.1 Hypothesis

1. Farmers receive varying proportions of consumer spending on cut roses across different marketing channels, influenced by intermediaries and market dynamics.
2. Regulatory and compliance hurdles significantly impede cut rose farmers from accessing and effectively participating in organised flower markets.

## 3. METHODOLOGY

The study is based on both primary and secondary data. Primary data was collected from 80 intermediaries with organised and unorganised marketing conditions based on their greater production and promotion of cut roses in the Bangalore district. The K.R. market was selected for the unorganised market conditions and IFAB for the organised market condition. The well-organised schedule was used to conduct interview of intermediaries.

### 3.1 Analytical Tools Used for the Study

#### 3.1.1 Marketing efficiency

Kohls and Uhl defined marketing efficiency as "the ratio of market output (satisfaction) to marketing input (cost of resources)". An increase in the ratio represents improved efficiency and a decrease denotes reduced efficiency.

Acharya's method is an ideal measure of marketing efficiency, particularly for comparing the efficiency of alternate markets/channels.

Marketing efficiency:

$$MME = FP / (MC + MM)$$

Where,

- Measure of Marketing Efficiency (MME)
- Prices received by the farmer (FP)
- Total Marketing Costs (MC)
- Net Marketing Margins (MM)

#### 3.1.2 RBQ analysis

Santhosha (2022) used the rank-based quotient (RBQ) technique to examine the significance of issues viewed by farmers.

The formula is as given below:

$$RBQ = \frac{\sum f_i (n + 1 - i) \times 100}{N \times n}$$

Where,

$f_i$  = Frequency of farmers/key informants for the  $i^{th}$  rank of the problem.

$N$  and  $n$  = Number of respondents and a maximum number of ranks given for various problems by sawmill owners.

## 4. RESULTS AND DISCUSSION

Production of any farm commodity is completed only when it reaches the ultimate consumer. Therefore, the marketing process has been regarded as part and parcel of the production activity. The flowers are highly perishable, so studying marketing organisations and the various market functions involved in marketing flowers is essential.

### 4.1 Marketing Channels and Price Spread of Cut Rose under Unorganised Markets

Rose will grow under open and protected conditions and sell in an unregulated market. Three channels for marketing roses were identified and are presented in Table 1. It can be observed from the table that the majority (20 farmers) of the farmers are following marketing channel I (Producer- Wholesaler - Retailer-Consumer) for selling rose and accounted for 50 per cent to the total. Next to this, marketing channel II (Producer – Retailer – Consumer) was popular and preferred by about 25 per cent of the respondents and channel III (Producer – Commission agent – Retailer – Consumer) was

equally popular by about 25 per cent. The first channel was much popular as easily accessible and convenient to the farmers even though it was less efficient compared to other two channels.

Table 2 depicts the price spread in each channel mentioned above for marketing roses grown in protected conditions.

**Channel I:** This channel involved more middlemen and showed a higher price spread (Rs. 17.87) than other channels. Farmers following this channel received Rs. 80 per bundle. The marketing cost incurred was Rs. 4.14 per bundle of flowers and wholesalers charged a commission of 10 per cent, besides high transportation charges. Then, the wholesaler retained a margin of Rs. 4.20 per bundle and sold the flower to the retailer at Rs. 91.63 per bundle. At the final stage, consumers are paying Rs. 97.87 per bundle, which was arrived at by adding a marketing cost of Rs. 3.29 per bundle and a profit margin of Rs. 4.2 per bundle charged by the retailer. In this channel, the Producer's Share in the Consumer Rupees (PSCR) was found to be low at 81.73 per cent and the remaining 18 per cent of the consumer price was the price spread, consisting of costs and margins of various market intermediaries.

**Channel II:** This channel was the most efficient among all the identified channels, as revealed by a higher Producer's Share in Consumers' Rupee (PSCR) of 90.65 per cent. This is due to the absence of intermediaries and commission charges, resulting in the lowest price spread (Rs. 10.31) compared to all other channels. The net price received by the producer was Rs. 100 per bundle of flowers.

**Channel III:** In channel III, produce first reaches the commission agent, where a uniform price is fixed for the entire produce throughout the year on the condition that the best quality produce is

supplied to the agent. They also charge a commission of 10 per cent of the sale receipt. The net price received by the farmers was higher (Rs. 110/bundle) than in any other channel, and the PSCR was very reasonable (89.11 %) but lower than channel II but higher than channel I.

The analysis revealed that Direct-to-consumer sales channel II yields a higher share of consumer spending for farmers and has higher marketing efficiency than intermediary-involved sales channels, *i.e.*, channel I and channel II in the unorganised market conditions of cut rose.

#### 4.2 Marketing Channels and Price Spread of Cut Rose under an Organised Market

Roses grown under open and protected conditions are sold as cut flowers (bunches containing 20 flowers in each bunch). The marketing analysis was carried out only in regulated markets (IFAB). In this case, two major channels were identified; channel I (Producer – IFAB – Wholesaler – Retailer – Consumer) was the most preferred channel, followed by channel II (Producer – IFAB – Retailer – Consumer) (Table 3).

Marketing charges incurred by producer growing rose under protected conditions, including grading and packing charges, commission paid for a market intermediary (21.73 %), transportation charges (10.26 %) and precooling charges (3.21 %). Marketing charges incurred by marketing intermediaries include transportation and storage charges, retailer bear packing, value addition charges, and quantity loss.

The details on price spread and efficiency of different channels followed for marketing of cut-flowers are presented in Table 4.

**Table 1. Marketing channels for rose marketed in unorganised markets**

Channels	Agents Involved	Farmers practicing	
		Number	Per Cent
I	Producer – Wholesaler – Retailer – Consumer	20	50
II	Producer – Retailer – Consumer	10	25
III	Producer – Commission agent – Retailer – Consumer	10	25
<b>Total</b>		<b>40</b>	<b>100.00</b>

**Table 2. Price spread in different channels followed for marketing rose grown under unorganised market**

		(Per Bundle)			
SI.No	Particulars	Channel I	Channel II	Channel III	Overall
a.	Net price received by the producer	80	100	110	96.67
	Marketing cost of producer	4.14	2.27	6.53	4.31
	The sale price of the producer	84.14	102.27	116.53	100.98
b.	Purchase price of commission agent	-	-	116.53	116.53
	Marketing cost	-	-	0.38	0.38
	Marketing margin	-	-	2.28	2.28
	The sale price of the commission agent	-	-	119.19	119.19
c.	The purchase price of the Wholesaler	84.14	-	-	84.14
	Marketing cost	3.29	-	-	3.29
	Marketing margin	4.207	-	-	4.21
	The sale price of wholesaler	91.637	-	-	91.64
d.	Purchase price of Retailer	91.637	102.27	119.19	104.37
	Marketing cost	1.66	2.24	1.2	1.70
	Marketing margin	4.58	5.8	3.04	4.47
e.	The sale price of the retailer	97.87	110.31	123.43	110.54
	The final price paid by a consumer	97.87	110.31	123.43	110.54
	Producer's share in consumer's rupee (PSCR) (%)	81.73	90.65	89.11	87.16
f.	Marketing efficiency (Acharya's method)	4.47	9.96	8.19	7.54
g.	Price spread	17.87	10.31	13.43	13.87

Note: Per bundle = 20 cut roses

**Table 3. Marketing channels for rose marketed in the organised market**

Channel	Agents involved	Farmers practicing	
		Number	Per cent
II	Producer – IFAB – Wholesaler – Retailer – Consumer	20	50
III	Producer – IFAB – Retailer – Consumer	20	50
<b>Total</b>		40	100

**Channel I:** Many farmers with small-rose farms under organised market follow Channel I. In this channel, the net price received by the producer was Rs. 150 per bundle. The farmers in this channel sell their produce through IFAB, where the commission is 3 per cent and farmers bear the transportation charges. Along with commission and transportation charges, grading and packing charges formed marketing expenses. In IFAB, produce is handed over to the wholesaler and then the produce is moved to the retailer. The retailer sold the produce to the consumer after adding value (as a bouquet) and incurring charges for various marketing operations. In this channel, farmers realised 90.3 per cent (PSCR) of the price paid by the consumer.

**Channel II:** In this channel, the producer sold cut flowers to retailers in IFAB and received a net

price of Rs. 150 per bundle. The produce reaches the ultimate consumer through the retailer at Rs. 165.50 per bunch. This channel had a lower price spread and showed a higher PSCR (90.63 %) than channel I.

The analysis revealed that selling of cut roses through IFAB (organised channel) yields a higher share of consumer spending for farmers and higher marketing efficiency than intermediary-involved sales channels (Table 5). Thus, the hypothesis stating farmers receive varying proportions of consumers' spending on cut roses across different marketing channels, influenced by intermediaries and market dynamics, is accepted and selling of cut roses through IFAB (organised market) is highly profitable for the producers [5,6].

### 4.3 Marketing Constraints Faced by Farmers for Selling Cut Roses in Unorganised Flower Markets over the Organised Markets

The results about constraints faced by farmers when selling cut roses in unorganised flower markets over organised markets have been

presented below. Major problems faced by farmers in marketing cut roses were identified using open-ended questions during the survey. Farmers were asked to rank the problems they faced in the respective cases. The opinions were documented and analysed using the Garrett's ranking technique.

**Table 4. Price spread in different marketing channels rose under organised market.**

(Per Bundle)				
Sl. No.	Particulars	Channel I	Channel II	Overall
a.	Producer's net price	150.00	150.00	150.00
	Marketing cost of producer	2.95	4.50	3.73
	The sale price of the producer	152.95	154.50	153.73
<i>Commission Agent</i>				
b.	Purchase price	-	-	-
	Marketing cost	-	-	-
	Margin	-	-	-
	Sale price	-	-	-
<i>Wholesaler (IFAB)</i>				
c.	Purchase price	152.95	-	142.95
	Marketing cost	3.36	-	3.36
	Margin	4.06	-	4.06
	Sale price	160.37	-	150.37
<i>Retailer (IFAB)</i>				
d.	Purchase price	-	154.50	185.63
	Marketing cost	-	5.00	6.43
	Margin	-	6.00	7.88
	Sale price	-	165.50	199.94
<i>Wholesaler</i>				
e.	Purchase price	-	-	-
	Marketing cost	-	-	-
	Margin	-	-	-
	Sale price	-	-	-
<i>Retailer</i>				
f.	Purchase price	160.37	-	150.37
	Marketing cost	2.32	-	6.32
	Margin	3.36	-	5.85
	Sale price	166.05	-	162.54
g.	Consumer price	166.05	165.50	165.78
	Producer's share in consumer's rupee (PSCR) (%)	90.33	90.63	90.48
h.	Marketing efficiency (Acharya's method)	9.35	9.68	9.51
i.	Price spread	16.05	15.50	15.78

Note: Per Bundle = 20 cut roses

**Table 5. Comparative marketing efficiency of unorganised and unorganised marketing structures**

Parameters	Unorganised Market	Organised Market
Producer's share in consumer's rupee (PSCR) (%)	87.16	90.48
Marketing efficiency (Acharya's method)	7.54	9.51
Price spread	13.87	15.78

**Table 6. Marketing constraints faced by farmers for selling cut roses in organised flower markets**

Sl. No.	Constraints	RBQ Score	Rank
1	Quality Standards	50.65	1
2	More Competition	35.8	2
3	Lack of information about prices	23.7	3
4	Lack of Market access	20	4
5	High cost of transportation	12.2	5
6	High Price fluctuations	2.2	6

Marketing constraints faced by farmers cultivating rose under open and protected conditions. The study reveals that Quality Standards (50.65) were found to be the major problem faced by farmers who prefer unorganised retailing to organising because the flowers marketed in organised marketing must meet the minimum prescribing quality for buying from the market, which will be exported to the market, followed by more competition (35.8) was observed in the IFAB as a result rejection of lot was more to farmers. Subsequently, lack of information about prices (23.7) to the needy farmers were the remaining constraints which affect main transformation. (Table 6)

The farmers in the region opined that the high cost of transportation (12.2), high price fluctuations (2.2) and difficult to access the market (20) were the remaining factors leading to farmers shifting towards the unorganised markets in the study area. Thus, the hypothesis stated regulatory and compliance hurdles significantly impede cut rose farmers from accessing and effectively participating in organised flower markets is accepted [7,8].

## 5. CONCLUSION

The farmers in the regions were using more traditional unorganised marketing channels, *i.e.*, marketed via local Krishna Raja Market, than the organised retail market via IFAB. The analysis revealed that selling of cut roses through IFAB (organised channel) yields a higher share of consumer spending for farmers and higher marketing efficiency than intermediary-involved sales channels. The quality standards of cut flowers are the major hindrance for the farmers to move towards organised retailing.

The following measure which helps to get more price realisation as follows:

1. **Promoting Direct Marketing through APMCs and FPOs:** The marketing of rose

flowers is highly unorganised and dominated by wholesalers and commission agents, leading to a lower producer's share in the consumer's rupee. Therefore, the promotion of direct marketing through APMCs, uniting through producer organisations and cooperative marketing need to be given importance, besides fixing commission charges and adhering to strict regulations on market intermediaries' practices.

2. **Government Intervention:** The Government needs to take measures to encourage exports as the country has more area under cut-rose production. This can be done by reducing export cess, subsidising freight charges and educating farmers about quality adherence.
3. **Market Information Systems** are set-in-place systems that provide farmers access to current market information. This includes data on price, consumer preferences and demand patterns. Farmers can decide when and where to sell their goods with this knowledge.
4. **Government Assistance and Subsidies:** Offer monetary assistance, tax breaks or subsidies to farmers who use contemporary methods, uphold quality standards or participate in cooperative marketing campaigns.
5. **Export Promotion:** Promote Karnataka's roses to customers worldwide by lowering trade obstacles, supporting market access and participating in international trade shows.

## COMPETING INTERESTS

Authors have declared that no competing interests exist.

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