



## **Factors Affecting the Promotion of Small Rural Food Industry Marketing in Tehran**

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### **Abstract**

The present study, aiming to investigate the factors affecting the promotion of small rural food industry marketing in Tehran, is done using questionnaires as its main tool. The questionnaires are completed through interviews with 160 managers from 133 companies in Tehran. We used SPSS software to analyze the data. The results showed that the marketing variables play the most important role in the promotion of livestock products marketing. Thus, by observing determination coefficient, it can be concluded that the variables in marketing agents account for about 48% of the variability belonging to the promotion of livestock products marketing.

**Keywords:** promotion, marketing, food industry, rural industries, Tehran province.

### **Introduction**

The recent challenging economic condition has caused serious problems for the Iranian small industries. According to the recent census obtained from the civil workshop industries, in spite of 50% increase of investment on small industries, the number of active companies in 2007 declined by 1.3% (Statistical Center of Iran, 2008). In rural areas, often small industries have higher limitations from viewpoint of infrastructure and market access (Laforet 2008). One of the main problems of small units is their negligence of scientific methods for fulfilling organizational duties including: planning, production and marketing. In fact, marketing plays a key role in managing small industries. American Marketing Association (AMA) defines marketing as a set of activities directing procedures of goods and services from

manufacturer until reaching to consumer (Efi 2010). In order to study the influence of marketing knowledge management on the performance of organizations at petrochemical industry of Iran, Khierkhah Asgarabad (2010) designed a questionnaire consisting of 42 questions and distributed them among employees of different departments including Foreign Commercial Dept, Domestic Affairs Dept, Marketing Dept of petrochemical commercial companies by relative classification method (according to the ratio of employees in each department). Results showed that there is significant positive relationship between assets and abilities of marketing knowledge management on general performance of the organizations (market performance, customer performance and financial performance).

- Golabi et al. (2010) studied the concept of marketing in the Iranian small- and medium-sized enterprises with the purpose of finding out effective correlation between marketing and obligations of such enterprises and describing methods and reasons of mixing marketing and key elements in these enterprises. Results of this study indicated that there are 5 main elements for mixed marketing items among small- and medium-sized enterprises (manager, product, price, place and promotion) and finally 49 elements were added to the first element in the procedure of executing the study as new elements.

- Soltani (2010) in his thesis designed a method for promotion of innovation management\* in small, rural food industry of Tehran province and his research methodology is mixed method. Considering marketing in farm animal industry, basically, farm animal products are safer. Besides, there are fewer requirements for changing and promoting this market in comparison with agricultural produce. In these companies, marketing innovation is available in 2 sections including: discovering new markets and new marketing methods. Results of Hamken Model showed that effective factors on the innovation of companies include customer relationship, access to special information, company properties, educational factors, properties of managers, environmental factors, financial resource factors as well as acknowledgment factors. Moreover, effective factors on innovation management level of managers include communication with customers, educational factors, contact with counselors, financial resources, customer-

oriented factors, inner communication and access to special information.

- In the study conducted by Verhoef & Leeflang (2009), the relationship between variables related to abilities of marketing units with level of influence of marketing on companies and marketing affairs of companies was studied. In order to measure the role of marketing in companies, such influence was examined from the viewpoint of perceived importance, presence of agent on Board of Directors and its influence on decision making. Thus, the hypothesis of having correlation relationship between innovation variable and responding at marketing units with the role of marketing in company was confirmed and there was no significant relationship between creativity and customer relation with the role of marketing in company.

- Sohn et al. (2007) did a research entitled "Anticipating financial performance by technological investment on small- and medium-sized enterprises" by using LISREL. It was concluded that many organizations have technologies which are evaluated by several factors. In this research, benefits have been taken from the structural equations for studying the relationship between technology evaluation and financial performance by using promoting index of financial performance. Researchers have recommended the following factors for obtaining technology evaluation: Technological and commercial risk-taking, innovation levels for manufacturing products, market segmentation criteria, promoting products, entrepreneurship opportunities and supporting competitive advantages. In many researches dealing with relationship between factors of technological evaluation and financial



performance, there is a positive, significant relationship between entrepreneurship experiences in the way of business and the profit making for the business.

- Dixie (2005) in his researches has referred to the factors including: key impediment, absence of markets, low prices, unsuitable roads and poor communication. He believes promotion employees and farmers are often afraid of markets and do not get used to direct negotiation with merchants. Moreover, not only performing market researches is vital for understanding market requirements, but also it is effective on enabling farmers and promotion employees for creating market related knowledge.

The general purpose of the current research is to study the effective factors on the promotion of marketing among small rural food industry in Tehran province by resorting to the viewpoints of the managers of this industry. To this effect, the specific goals are as such: recognizing economic, educational, social, technical, policy making, managerial and effective marketing affairs on the promotion of marketing among small rural food industry in Tehran province.

### **Materials and Methods:**

This article is the result of a quantitative research in relation to the effective factors on the marketing promotion of small rural food industry in Tehran province. In fact, small rural

food industries are those industries having fewer than 50 employees and are mainly located in rural areas being licensed by Ministry of Agriculture. The number of small farm animal food industries in Tehran province reached 83, officially registered at Ministry of Agriculture out of which there were only 23 active ones at the time of performing the present research (2010-2011). The research tools were questionnaires that were completed through interviews. Respondents were among company managers at different levels (managers, vice-managers, production managers, sales managers, managers of administrative affairs and persons in charge of technical affairs) belonging to each company which announced their readiness for participating in our research. The dependent variable was the promotion of marketing and independent variables which were: economic, educational, social, technical, policy making, managerial and marketing variables.

### **Discussion and Results:**

#### **A) Personal Properties of Managers**

According to table 1, it is observed that the managers' average age was 42.5 indicating a good level of their experience. Nearly 22.6% of the managers aged from 41 to 45 and the maximum service record of subjects in our study was between 6 to 10 years with the average of 10.5 years of service record.

**Table 1: Properties of managers**

Properties of respondents
Service record: average 10.5
Average service record in present job: 3
Education: PhD Degree 3.8%- Master's Degree 11.9%- Bachelor's Degree 43.1% Diploma and Associate Degree 38.8%
Level of compatibility of field of study with job: Completed relevant: 52.5%- Relatively relevant: 34.4%- Totally irrelevant: 10.6%
Average age: 42.5

**B) Results of Multi Regression**

Regression analysis enables the researcher to anticipate changes of dependent variable through independent variables and to describe the share of each independent variable on describing dependent variable. In order to study the role of research variables on dependent variable of promoting farm animal products, it benefits from multi regression by step-by-step method. At this stage, the first variable that is entered into equation is x7, i.e. marketing factors and the result of calculations is presented in Table 2. It shows that this variable has the most important role in promoting the marketing of farm animal products. Thus, through observing determining coefficient, it is claimed that the variable of marketing factor describes nearly 48% of changes in the dependent variable of promoting the marketing of farm animal products. Then educational variables and policy making variable are entered into

equation and according to the available findings for variables of marketing affairs, the educational and policy making variables describe nearly 55% of the changes of dependent variable of promoting marketing of farm animal products. Generally, it is concluded that the variables of marketing factors, educational factors, and policy making factors have positive influence on promoting the marketing of farm animal products.

**C) Confirmative Factor Analysis for Effective Factors on Promoting Marketing of Farm Animal Products**

In this section, it benefits from the factor analysis method and covariance of large set of variables. In fact, factor analysis deals with this issue; whether available data are compatible with strong limited pre-empirical structures of similar condition or not. Thus, in the present research, 49 factors related to

**Table 2: Summary of different stages of entering independent variables to research on promoting marketing of farm animal products (from viewpoint of managers)**

Stage	Variable	Correlation Coefficient	R <sup>2</sup> Coefficient	Balanced Coefficient	F	Sig Level
1	Marketing factors	0.697	0.486	0.483	142.78	0.000
2	Educational factors	0.732	0.536	0.530	86.60	0.000
4	Policy making factors	0.748	0.559	0.550	62.99	0.000

**Table 3: Coefficient of variables entered into multi regression equation**

Stage	Variable	Regression Coefficient (B)	Standard Error	Beta	T Level	Sig level
1	Marketing factor	0.058	0.005	0.697	11.94	0.000
	Fixed number	-0.213	0.294	-	-0.725	0.470
2	Marketing factor	0.049	0.005	0.598	9.82	0.000
	Educational factors	0.041	0.010	0.244	4.01	0.000
	Fixed number	-1.19	0.372	-	-3.20	0.002
3	Marketing factor	0.039	0.006	0.477	6.48	0.000
	Educational factor	0.039	0.011	0.189	3.01	0.000
	Policy making factor	0.018	0.006	0.215	2.80	0.003
	Fixed number	-1.36	0.368	-	-3.68	0.006



promoting marketing on small rural food industry by focusing on farm animal products from viewpoint of small rural food industry is examined and finally upon applying modifications on model by using LISREL software, the number of obvious variables is reduced to 33 variables for confirming that the model has a suitable level of fitting. Results of Table 4 show that there is a measurement equation according to the number of obvious variables. Each equation consists of the following items: standard coefficient between obvious variable and hidden change (route coefficient), observed standard error of variable or measured error, sig test based on T property and R2 that determines coefficient or ratio of the described variable by hidden change. According to the results, it is claimed that factor load for all indices at error level of 5% was significant; moreover, T level is larger than 1.96 that is significant at error level of 0.001 and amounts more than R2 in the table show that variables have a suitable level of fitting for this model. Results of Table. 5 in relation to prioritizing and grading importance of variables show that variables of economic factors, technical factors, marketing factors, social factors, educational factors, policy making factors and managerial factors are at 1st to 7th levels of priority that are arranged in the following table based on hidden and obvious variables and according to their priority and degree of importance (based on factor load and total percentage of described variance). Generally, through focusing on fitting index, it is possible to focus on fitting of the described model and empirical data. Thus, there is a suitable level of compatibility between structural model with empirical data

and this is regarded as a suitable model for the related structure to effective factors on promoting marketing among small rural food industries through focusing on farm animal products and suitable fitting refers to finding a suitable pattern of structural equations by focusing on economic factors, technical factors, marketing factors, social factors, educational factors, policy making factors and managerial factors.

### **Conclusion:**

The present research examines the effective factors on promoting marketing among small rural food industries. Recently, through increasing importance of food industry specifically marketing products, this issue is on the focal point of attention as factor for human promotion and like other sections in small food industries, the established companies in order to maintain the competitive ability in economy, require to have marketing skills that are very limited at the present time; since, still this additional industry of agricultural sector is not accepted as the addressees of promotion. Absence of clear and effective mechanism for management of marketing process, lack of understanding and recognizing managers from modern concepts of marketing, lack of mechanism for upgrading information of active groups in the field of production and marketing of farm animals due to the lack of defining specific duty for promotion, lack of equipping employees with modern instruments of marketing management with “marketing promotion” has created unsuitable status in this sector. Results showed that the average age of the managers was 42.5 indicating a good experience. Nearly 22.6% managers aged from

41 to 45 and the maximum service record was between 6 and 10 years and the average service record was 10.5 years. The facts and the figures

showed that the marketing variable plays the most important part in the promotion of marketing of farm animals.

**Table 4: Indices of structural equations in relation to effective factors on promoting marketing in small rural food industry on farm animal products**

Hidden Properties	Obvious Variables	Route Coefficient	Measurement Error	R2	T Level
Economic factors	Access to economic information	0.81	0.34	0.66	12.46
	Stability of prices of small food industry	0.98	0.05	0.95	16.98
	Competing with other food industry companies	0.97	0.07	0.93	16.64
	Access to low interest loans	0.84	0.29	0.71	13.12
	Increasing financial ability (afford)	0.98	0.04	0.96	17.04
	Stability of price of required raw materials	0.78	0.40	0.60	11.65
Social factors	Continuous relationship with customers for promoting product	0.86	0.26	0.74	13.46
	Strong and effective relationship with similar companies	0.87	0.24	0.76	13.62
	Customer orientation	0.87	0.25	0.75	13.59
	Activation of available associations in the field of small rural industries	0.90	0.19	0.81	14.37
	Enabling members, recognizing members from fundamentals and principles of marketing	0.79	0.38	0.62	11.70
Managerial factors	Ability of managers for making correct decisions while change in market	0.87	0.25	0.75	13.63
	Introduction to ICT skills among managers	0.83	0.32	0.68	12.60
	Promoting status of managers among small enterprises	0.89	0.21	0.79	14.18
	Informing about the market standards	0.94	0.12	0.88	15.47
Educational factors	Number of participating in educational courses	0.83	0.31	0.69	12.61
	Relationship of learners with experts of additional industries	0.91	0.17	0.83	14.79
	Necessity of educational expert in company	0.90	0.19	0.81	14.36
	Planning in relation to ways of access to market	0.89	0.21	0.79	14.20
Technical factors	Establishing local market	0.83	0.32	0.68	12.55
	Suitable transportation system	0.86	0.27	0.73	13.24
	Constructing warehouse storage	0.85	0.28	0.72	13.15
	Access to effective technology	0.85	0.28	0.72	13.04
	Level of technology (low level, medium level and high level)	0.88	0.22	0.78	13.90
Policy making factors	Stability of policies of government in relation to small companies	0.73	0.47	0.53	10.73
	Exemption of preventive and anti-development taxes for small industries	0.98	0.03	0.97	17.15
	Using suitable marketing strategies	0.77	0.41	0.59	11.50
	Preparing incentive and support policies for employment of people	0.99	0.01	0.99	17.54
Marketing factors	Customer is at center of attention while decision making by company	0.78	0.38	0.62	11.69
	Application of type of advertisement for selling products	0.77	0.41	0.59	11.29
	Attractive and beautiful package for company products	0.89	0.21	0.79	14.25
	Grading product and having access to product grading machines	0.93	0.13	0.87	15.46
	Appearing at small industries in national markets	0.91	0.17	0.83	14.83



**Table 5: Priority and degree of importance for promoting marketing at small rural food industry on farm animal products**

Hidden Variables	Obvious Variables	Factor Load	Specific Factor	Total Percentage for Variance of Describing factor
Economic factors	Increasing financial affordability	0.93		
	Prices stability of small food industry	0.93		
	Competing with other food industry companies	0.92	5.64	17.11
	Access to low interest loans	0.81		
	Access to economic information	0.79		
	Stability of price of required raw materials	0.70		
Technical factor	Level of technology (low level, medium level and high level)	0.84		
	Constructing warehouse storage	0.79	4.64	14.08
	Access to effective technology	0.78		
	Suitable transportation system	0.77		
	Establishing local market	0.76		
Marketing factor	Presence of small industries at local market	0.89		
	Grading product and having access to product grading machines	0.85	4.30	13.04
	Attractive and beautiful package for products of company	0.81		
	Customer is at the focal point of attention while decision making by company	0.74		
	Application of type of advertisement for selling product	0.72		
Social factors	Activation of available association in available industries in villages	0.84		
	Continuous relationship with customer for promotion of product	0.81		
	Effective and strong relationship with similar companies	0.80	3.70	11.23
	Customer orientation	0.80		
	Enabling members, recognizing members from fundamentals and principles of marketing	0.71		
Educationa l factors	Planning in relation to ways of access to market	0.87		
	Relationship of learners with experts of additional industries	0.85	3.17	9.61
	Necessity of educational expert in company	0.84		
	Number of participation at educational course	0.81		
Policy making factors	Preparing incentive and support policies for employment of people	0.92		
	Exemption of preventive and anti-development taxes for small industries	0.91	3.08	9.34
	Using suitable marketing strategies	0.76		
	Stability of policies of government in relation to small companies	0.75		
Managerial factors	Informing from market standards	0.88		
	Ability of managers for making correct decisions while a change in the market	0.83	2.53	7.67
	Promoting status of managers among small enterprises	0.82		
	Introduction to ICT skills among managers	0.78		
Sum				82.10

Thus, through observing coefficient, it is claimed that variable of marketing factor describes 48% of changes in dependent variable of the promoting marketing of farm animal products. Moreover, studies conducted by Kheirkhah Asgarabad (2010) showed that there is positive significant relationship between assets and abilities of marketing knowledge management and the total performance of organization and the present research has confirmed this issue. Meanwhile, Dixie (2005) in his research referred to the factors of marketing as key impediments, absence of market, low prices, unsuitable roads and poor communication. Results in relation to prioritizing and degree of importance for variables showed that variables including: economic factors, technical factors, marketing factors, social factors, educational factors, policy making and managerial factors are regarded as 1<sup>st</sup> to 7<sup>th</sup> levels of priority respectively. Moreover, studies performed by Leeflang & Verhoef (2009) proved there is a relationship between the marketing unit abilities simultaneous with the properties of company with the influence of marketing on company.

**Acknowledgment:** This article is the result of

my PhD dissertation entitled “Factors Affecting the Promotion of Small Rural Food Industry Marketing in Tehran” at Islamic Azad University, Science and Research Branch of Tehran. I appreciate Islamic Azad University for providing this opportunity for me to conduct the present research.

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