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# **Original Research Article**

## **‘THE IMPACT OF SALES PROMOTION BY COCOA LICENSED BUYING COMPANIES ON SALES OF FARMERS IN WASSA AMENFI EAST DISTRICT OF GHANA’**

### **ABSTRACT**

**Aims:** The study sought to assess the effects of sales promotional programmes on cocoa sales of farmers by Licensing Buying Companies (LBCs) in the district. The main aim of the research **was** to identify the influence of sales promotions on the purchases of LBCs inWassaAmenfi East Cocoa District. Specifically, the study sought to achieve the following objectives. (1)To identify the incentive programmes made available to cocoa farmers by Licensed Buying Companies in WassaAmenfi East District. (2) To analyse the sales trend of cocoa in the WassaAmenfi East District by the Licensing Buying Companies. (3) To identify the challenges associated with farmer incentive programmes as a marketing strategy in the WassaAmenfi East District. (4) To assess how incentive programmes affect the purchases of Licensing Buying Companies (LBC’s) in the District. (5) To propose ways of improving cocoa purchases in the WassaAmenfi East District.

**Study design:**A case study was used to investigate into this phenomenon to give **generalization** of that phenomenon. Again, the study did an in-depth review on the subject in Ghana to augment and validate empirical findings. Moreover, the study adopted a more scientific method in collecting and analyzing data for presentation.**The research used both qualitative and quantitative methods of analysis.** The intent of using quantitative method for this study was to establish, confirm, or validate relationships and to develop generalizations that contribute to theory. Qualitative method was used for this study because, it is less structured in description and it formulates and builds new theories. This made the findings of the study both valid and reliable.

**Place and Duration of Study:**The **study was** focused on cocoa marketing activities in the WassaAmenfi East District in the Western Region of Ghana between March 2013 and June 2013.

**Methodology:**Data for the study was obtained from both primary and secondary sources. **Purposive Sampling, Simple random sampling and Snow ball sampling techniques were used to select the purchasing clerks,cocoa farmers and district managers respectively.**The District has thirty three thousand, five hundred and twenty four (33,524) cocoa farmers, fourteen (14) Licensing Buying Companies and about two hundred and sixty-one (261) **purchasing clerks.**The data was collected from one hundred and fifty-five (155) respondents who were cocoa farmers in addition to ninety eight (98) Purchasing Clerks (PCs) and fourteen (14) district managers of the various Licensing Buying Companies.The data was collated, **synthesized** and **analyzed** with the use of SPSS and Excel. The study adopted the quantitative analyses (Regression Analysis)

**Results:**The analyses have shown that the provision of **fertilizer** to farmers by LBCs is one most important sales promotional package that greatly influences farmers’ decision to sell to a particular LBC. According to a Focus Group Discussion with Farmers, it was discovered that farmrelated sales promotional inputs such as fertilizers helps farmers to increase their

productivity. Sales promotional programmes also increase the purchases of cocoa by PCs of LBCs and influence the choice of LBCs by the cocoa farmer. Fertilizers assist farmers to reduce their expenditure and thus keep the providing LBC in remembrance during the cocoa seasons.

**Conclusion:**The study therefore recommended that there should be timely supply of Sales Promotional Programmes, development of mechanism to check default, motivation of PCs by LBCs and equity in the Distribution of Sales Promotional Packages.

*Keywords: fertilizers, productivity, mechanism, motivation, distribution, sales promotion*

## 1. INTRODUCTION

Liberalisation of the internal marketing of cocoa started in the early 1980's as a neoliberal panacea for economic growth in most cocoa-dependent countries in the world. This consisted of demolishing the states monopoly over the purchasing of cocoa beans from farmers and the fixing of cocoa prices. All cocoa producing countries in the developing world, particularly in West African sub-region undertook such a liberalisation reform to reduce parastatal operational costs and offer better prices for farmers. Countries such as Cameroon, Togo, Nigeria, Ivory Coast and Ghana liberalised their markets to include private buying companies in the cocoa marketing sector (Lundstedt and Pärssinen, 2009) [1].

Previously, cocoa marketing in the leading producing countries such as Ivory Coast, Ghana, Nigeria, Togo, Brazil, Indonesia and others was replete with state control and interference. The states established marketing boards to monopolize the purchasing and export of cocoa beans and price fixation in their respective countries. However, there was a shift in this form of cocoa marketing when as a neoliberal mechanism these countries began to liberalize their markets in the early to mid-1990 (ibid.). In West Africa, countries such as Nigeria, Togo and Cameroon fully liberalize their system while Côte d'Ivoire and Ghana adopted a partial and gradual liberalization process. In the former category, prices are not fixed while farmers are also able to sell their produce to exporters without going through middlemen (ibid: LMC International and UG. 2000 [2]). However, in the latter, the state still regulates the price of cocoa beans and the number of private buying companies in the system (ibid.).

It is undeniable that, liberalization has led to an influx of a multiplex of marketing companies to compete with cocoa marketing boards across the world. This has therefore resulted in an intense competition at the local level for an increased share in cocoa purchases. The ability to gain access to cocoa beans by these private buying companies is therefore a product of the companies' capital and strategies. Central to these strategies are farmer incentives in the form of sales promotions. Incentives in the form of sales promotions have become a major tool for eliciting compliance from farmers on many agricultural-related issues. Many researchers have studied the impact of farmer incentives as sales promotions on a number of these issues with positive results. For instance, Hobbs (2003) [3] has shown that farmers tend to adopt good agricultural practices if there are incentives (sales promotions) for adoption. Saenger, Qaim, Torero and Viceisza (2012)[4] reported in their study of the Vietnamese dairy sector that, smallholder farmers are able to produce high quality milk if processors are able to incentivise them. Similarly, Quarmin *et al.*, (2012) [5] posit that "[cocoa] farmers [in Ghana] sometimes are unable or unwilling to invest resources into the recommended farm practices [to produce high quality cocoa beans] because there are little or no incentives to do so". The above underscores the indispensability of incentives (sales promotion) in influencing the activities and decisions of farmers.

In Ghana's cocoa marketing sector, the effects of sales promotion are even more visible and usually evident in the willingness of farmers to sell to particular buying companies (Vigneri and Santos, 2007 [6] and Lundstedt and Pärssinen, 2009 [1]). Private buying companies –

55 known as Licensed Buying Companies (LBCs) in Ghana – use various incentive  
56 programmes (sales promotion) to increase their share of cocoa purchases and the number  
57 of farmers in their domain. Some of these sales promotional programmes include the  
58 provision of credit facilities; gifts in the form of clothes, soap, food items, building materials;  
59 and scholarship schemes among others (Owusu, 2010) [7]. Thus this study was designed to  
60 carry out an investigation into the specific effects these sales promotions have on cocoa  
61 purchases of LBCs in the WassaAmenfi East District in the Western Region.

## 62 **1.1 Problem Statement**

63 Until 1992, Ghana maintained a cocoa marketing system fully controlled by the state through  
64 the Cocoa Marketing Board. As a condition under the Structural Adjustment Program, Ghana  
65 liberalized its system to bring on board LBCs to participate in the marketing of cocoa beans  
66 in the country. Despite this reform, Ghana is the sole country in the world with a hybrid  
67 marketing system involving state control of the whole volume of exports, price fixation and  
68 an indomitable presence in the internal marketing of cocoa through the Produce Buying  
69 Company (PBC) and about 27 Licensed Buying Companies (Vigneri and Santos, 2007[6];  
70 COCOBOD, 2009 [8] ; Owusu, 2010)[7].

71 The increased number of LBC's in Ghana since the reforms has resulted in intense  
72 competition in the marketing of cocoa in the country. This competition is made more intense  
73 with the dominance of the PBC's in the market. PBC alone captures 36.8percent of the  
74 market share leaving less than 70 percent for the 27 LBC's (COCOBOD, 2009 [8]). Being  
75 the only state-owned company in the cocoa marketing business, the PBC is able to deploy  
76 the state machinery to outwit the other LBC's, creating a not conducive marketing  
77 environment for the LBCs (Lavern 2007 [9]; Laven and Baud, 2009 [15]). Despite the  
78 dominance of the PBC in the cocoa marketing business, private LBC's such as Olam,  
79 Adwumapa Buyers Limited, AkufoAdamfo are able to capture approximately 11 percent, 9  
80 percent and 12 percent of the market respectively(COCOBOD, 2009 [8]). These buying  
81 companies adopt strategies which are mainly in the form of sales promotions to attract  
82 farmers to sell their produce to them. It must be noted here that LBC's are not able to adopt  
83 "price- related" sales promotions since cocoa prices are fixed by the COCOBOD. This  
84 implies that sales promotional programmes play important roles in increasing the shares of  
85 LBC's in the marketing business and thus becomes a focal area of academic and policy  
86 research.

87 However, research on the cocoa marketing in Ghana has overly concentrated on areas such  
88 as the debate on the success of the cocoa marketing reforms (Zeitlin, 2005 [10]; Ruf,  
89 2007[11]; Williams, 2009[12]); liberalisation and cocoa quality (LMC International Ltd. 1996  
90 [13]; Sakyi-Bediako 2011) [14]; the economics and benefits of liberalisation (Vigneri and  
91 Santos, 2007 [6]; Kolavalli and Vignerin.d.;[15] ); the activities of LBCs (Lavern 2007 [9];  
92 Laven and Baud, 2009 [16]; Owusu, 2010 [7]); farmer incentives and productivity and cocoa  
93 quality (Takane 2000 [17]; 2002 [18]; Dormon et. al. 2004[19];Dormon and Sakyi-Dawson,  
94 2009 [20]; Quarmine et. al. 2012 [5])at the expense of how sales promotions affect cocoa  
95 purchases of LBC's in Ghana. However, the effects of sales promotions on cocoa purchases  
96 or choice of LBC's have only been treated as a subsidiary issue in a few research (Vigneri  
97 and Santos, 2007[6]. The lack of specific in-depth studies on the above issue is regrettable  
98 since such studies can inform the strategies and practices of LBC's and help improve cocoa  
99 marketing in Ghana and make it more competitive and also beneficial to farmers. To close  
100 this gap therefore, this study will depart from previous studies to look into how sales  
101 promotions influence their choice of LBC's and affect the purchases of such LBC's. To  
102 provide a district specific study, the research focused on the WassaAmenfi East Cocoa  
103 District in the Western Region.

104 The main aim of the research is to identify the influence of sales promotions on the  
105 purchases of LBCs in the WassAmenfi East Cocoa District. Specifically, the study seeks to  
106 achieve the following objectives.

107 1. To identify the incentive programmes (sales promotion) made available to cocoa  
108 farmers by Licensed Buying Companies in WassAmenfi East District.

109 2. To analyse the sales trend of cocoa in the WassAmenfi East District by the  
110 Licensing Buying Companies.

111 3. To identify the challenges associated with farmer incentive programmes (sales  
112 promotion) as a marketing strategy in the WassAmenfi East District.

113 4. To assess how incentive programmes (sales promotion) affect the purchases of  
114 Licensing Buying Companies (LBC's) in the District.

115 5. To propose ways of improving cocoa purchases in the WassAmenfi East District.

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## 117 **1.2 The relevance and effects of sales promotional strategies**

118 Sales promotion has been used as a tool by companies in beguiling consumers/producers to  
119 either sell or buy products or goods. This idea is supported by Maryam (2012) [21] who  
120 posited that sale promotion is one of the key elements used by companies in marketing mix  
121 in order to stimulate its customers or producers to purchase from them or to sell their  
122 produce to them. He further mentioned that promotions have been rapidly growing with  
123 marketers shifting their attention to sales promotional strategies more than other devices.  
124 The increasing use of sales promotions have influenced customer/consumers to become  
125 deal prone and it in turn stimulate marketers to rely more on sales promotions in order to  
126 respond to this consumer behaviour trends (Maryam, 2012) [21]. This implies that sales  
127 promotional strategies has become the main marketing strategy used by most companies  
128 across the world to win producers or suppliers of a particular product, meet the needs of the  
129 supplier, improve productivity, and finally increasing the profit of the company and thus it  
130 impact or effect could not be downplayed.

131 Sales promotions are comparatively easy to apply, and are likely to have immediate and  
132 considerable effect on the volume of sales/purchase (Hanssens *et al.*, 2001)[22]. Institutions  
133 use sales promotional strategies in order to entice their customers or suppliers to either buy  
134 their products or sell their produce to them. This research looks at using sales promotional  
135 programmes to influence producers or suppliers (cocoa farmers) to sell their produce to  
136 Licensing Buying Companies in Ghana. The quintessence of setting up a business  
137 organisation is to make profit. Without profit, a business is bound to fail (Okoli, 2011)[23].  
138 Loudon and Bitta (2002) [24] added that sales promotion plays a significant effect on  
139 decisions which help in achieving the organisational (company's) objectives. According to  
140 Anah(2008) [25], Kotler and Armstrong (2008) [26], sales promotion are used to; identify and  
141 attract new customers, establish fluctuating sales pattern, and to combat competitor's  
142 marketing efforts.

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## 144 **1.3 Cocoa Marketing Structures in Ghana**

145 Farmers take their cocoa to buying centres, operated by the Ghana Cocoa Board  
146 (COCOBOD). Cocobod operates subsidiary organisations throughout the marketing chain,  
147 including the Produce Buying Company (PBC) and Cocoa Marketing Company (CMC). The  
148 cocoa is weighed on certified scales. The Quality Control Division (QCD) then grades and  
149 seals it into export sacks. The cocoa is then taken to 'take-over points', such as Tema port,

150 where it is sold to the CMC at a fixed price. A few licensed companies may be able to export  
151 up to 30 percent of their crop directly. Farmers may also sell their cocoa to co-operatives,  
152 notably KuapaKokoo, that sell to the government in the same way (Anti-Slavery International  
153 report 2004) [27].  
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#### 155 **1.4Trend and impact of Cocoa Production in Ghana**

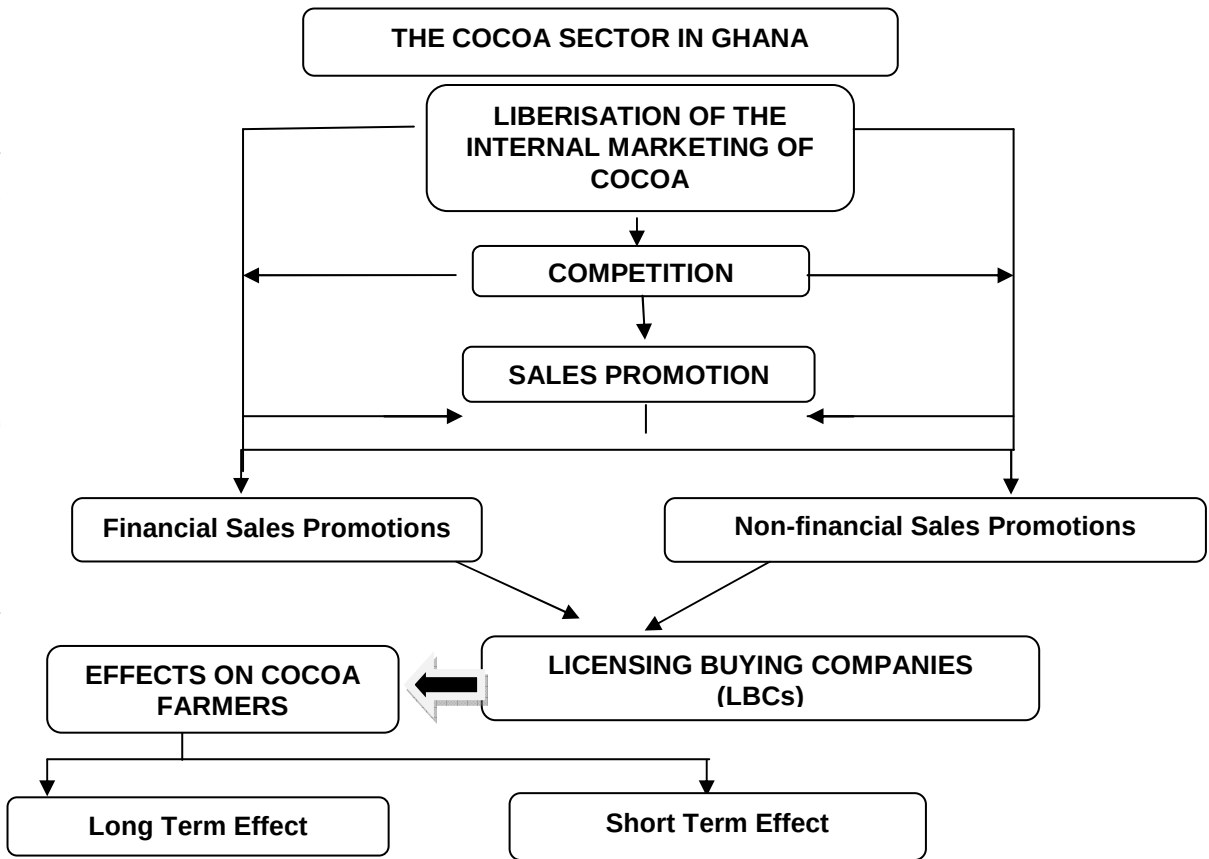
156 Cote D'Ivoire and Ghana continues to be the leading producing countries of Cocoa in the  
157 world market. The splendid performance of these two countries had been noticed since  
158 2000. For instance, over the last 10 years, Africa has firmly established itself as the leading  
159 cocoa supplier. Much of this growth has come from Ghana, which achieved the largest  
160 increase in output (up by 269,000 tons) and the second biggest producer after Cote d'Ivoire,  
161 representing 21% of global production (World Cocoa Foundation, 2010 [28]). In 2009 to  
162 2010, annual cocoa production has increased globally reaching 3.6 million to increasingly  
163 concentrate in a handful of countries (ICCO, 2010) [29] such as Ghana and Cote D'Ivoire.  
164 Another important recent contribution of the cocoa industry in the country is the development  
165 of cocoa products. In recent years, because of technology many products have been  
166 developed from cocoa. Both cosmetics and consumables alike have been developed from  
167 cocoa. A case in point is cocoa butter and chocolate of various kinds. It must be recognized  
168 that these aspects of the contribution of cocoa owe much to the technological advancements  
169 in the country according to the Institute of Statistical, Social and Economic Research  
170 (ISSER, 2005) [30].  
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#### 172 **1.5Development of Conceptual Framework for the Study**

173 The identified variables from the review of literature are used to develop the conceptual  
174 framework for the study. The framework is developed through the review of literature on  
175 liberalisation and sales promotional programmes by Licensing Buying Companies (LBCs) in  
176 Ghana. According to the diagram (figure 1), the Ghana Cocoa sector was liberalised to  
177 introduce competition in the marketing of cocoa by different Licensing Buying Companies  
178 (LBCs). The competitive nature of the marketing system had resulted to the adoption of  
179 promotional strategies as incentives to control the market. These promotion strategies are  
180 adopted by the LBCs in the form of financial and non-financial incentives to win the loyalty of  
181 farmers to sell their produce to them. These sales promotional strategies have a short and  
182 long term effect on the farmers. In the short term, farmers shift their attention to a particular  
183 LBC providing the incentives while the long term effect is for the cocoa farmer to stick to a  
184 particular company. Figure 1 depicts the conceptual framework for the study.

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**Figure 1: Conceptual Framework for the Study**



**Source: Authors Construct, March, 2013**

### 1.6 The effects of Sales Promotion on Customer Purchasing Decision

Sales promotional programmes have enormous effects or influence on purchasing decision of customers. It is used as an attraction by companies to win the loyalty of its producers (cocoa farmers). Companies use sales promotion as their purchasing power to acquire more cocoa beans from cocoa farmers. It is continuously said that most types of sales promotions affect the decision making and purchasing stages of the buying-process directly that is, effective in the long-run since it leads to increased sales/purchases and profit of the company Narasimhan *et al.*, (1996) [31] posited that promotions typically cause a large bump in short-term purchase or sales of goods. They added that sales promotional elasticity's are higher for categories with a relatively higher producer propensity to stockpile (supply the goods or product).

There is no doubt that sales promotions have a gigantic effect on the purchase and sales of goods. Companies use sales promotion as a strategy to achieve their goals, objectives, and win clients but the effectiveness of the strategy depends very much on the tendency of the supplier or producer to supply the products. Licensed Buying Companies (LBCs) in Ghana have found ways to ensure that farmers sell their cocoa beans to them alone and therefore have instituted incentives and sales promotional programmes. Some of the incentives in the form of sales promotions include credit facilities; gifts in the form of clothes, soap, food items, building materials; and scholarship schemes among others (Owusu 2010) [7]. Farmers in turn maintain loyalty to buyers who provide such incentives and cash rewards.

242 To add to the above, the use of sales promotion causes a switching of their clients or  
243 producers (cocoa farmers) from selling their produce (cocoa beans) from one company to  
244 another depending on the satisfaction receives from the company. Switching as used in this  
245 study is defined as a onetime decision taken by cocoa farmers to associate themselves with  
246 other companies (LBCs). When such a situation happens, then it becomes a cost to the  
247 company termed as 'switching cost'.

248 Some researches prove that sales promotions do not have a constant or continued effect on  
249 volume of purchase/sales which tend to diminish and come at the initial level at which it was  
250 before the sales promotion is being offered (Srinivasan *et al.*, 2000 [32]). Research conducted  
251 by Ailawadi and Neslin (1998) [33] revealed that sales promotions motivate the clients or  
252 producers (cocoa farmers) to make immediate sale/purchases of goods and also positively  
253 impacts the purchase/sales volume. A research was conducted by Dekimpe *et al.*, (1999)  
254 [34] on four different product categories to find out the permanent and temporary effects of  
255 sales promotions on sales volume. Their research has proved that there are rarely any  
256 permanent effects of sales promotions on the volume of purchase/sales of a product- thus,  
257 showing that sales promotion does not change the structure of purchase/sales over the long  
258 run.

259 It is learnt from the above that, sales promotion though it influences sales or purchase of  
260 products, it is not the stronghold of enticing producers (cocoa farmers) to stick to a particular  
261 company for a long period of time but it is only encouraged at the short term and  
262 discouraged at the long term.

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## 266 **2. MATERIAL AND METHODS**

267 In looking at the heterogeneous nature of the population, the research cannot study all the  
268 population and therefore it was limited to cocoa farmers, the Purchasing Clerks (PCs),  
269 Quality Control Division (QCD) and the Licensing Buying Companies (LBCs) in the  
270 WassAmenfi East District. The District has thirty three thousand, five hundred and twenty  
271 four (33,524) cocoa farmers, fourteen (14) Licensing Buying Companies and about two  
272 hundred and sixty-one (261) purchasing clerks.

273 For the purpose of this study, the formula below will be used to select Cocoa Farmers in the

274 district.

$$n = \frac{N}{1 + (Ne^2)}$$

275 Where  $n$  is the sample size,  $N$  is the sampling frame and  $e$  is the margin of error.

276  $N$ =Number of Cocoa Farmers (33,524)

277  $e$ = 8% margin of error (92% confidence interval)

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$$n = \frac{33,524}{1 + 33,524(0.08^2)} = 155, \text{ Therefore the sample size for cocoa farmers is 155}$$

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## Sample Size for Purchasing Clerks

$n = \frac{N}{1+(Ne^2)}$  Where  $n$  is the sample size,  $N$  is the sampling frame and  $e$  is the margin of error.

$N$ =Number of Purchasing Clerk (261)

$e$ = 8% margin of error (92% confidence interval)

$n = \frac{261}{1+261(0.08^2)} = 97.73$ , Therefore the sample size for Purchasing Clerk is 98 approximately

**Table 2.1 Categories of Respondents**

| Categories        | Frequency |
|-------------------|-----------|
| Farmers           | 155       |
| Purchasing Clerks | 98        |
| District Managers | 14        |
| QCD Officer       | 1         |
| Total             | 268       |

Data was collected from 155 farmers in the district on cocoa marketing, LBCs and their sales promotional programmes and their effects on their choice of LBCs. Again, 98 purchasing clerks were interviewed on their operations, relationship with farmers, competing strategies, performances, Sales Promotion activities and general challenges faced in cocoa marketing in the district. Moreover, data gathered from district managers concern their operations, sales promotion programmes and their effects on markets shares. Finally, the QCD officer responded to questions relating to quality of cocoa purchased by LBCs, LBCs' performance and the operations of the QCD in the district. These data are the bases for the issues discussed in this section.

Field survey instruments such as questionnaires, interview guides and checklists were designed to collect data relevant to the study. Open ended and close ended questionnaires were designed and used. The research used both qualitative and quantitative methods of analysis. The intent of using quantitative method for this study was to establish, confirm, or validate relationships and to develop generalisations that contribute to theory. Qualitative method was used for this study because, it is less structured in description and it formulates and builds new theories. Structured interview was used by the researcher. The interview was done through a Focus Group Discussion with farmers. The researcher conducted Focused Group Discussion with Cocoa Farmers in five communities on the effects of sales promotional programmes on the sales and purchase of cocoa. The communities were WassaGrumesa, Afranse, Saaman, Adesu and Adumako. The use of interviews in this study was deemed appropriate in order to get closer to the interviewee and be able to solicit information which was not divulged on the questionnaire. The use of interviews affords interviewee the opportunity to express themselves, the choice to ask other relevant questions pertinent to the study.

During the data collection, the researchers took into consideration ethical issues so the study did not encounter any crucial ethical problems. The researchers sought the consent of informants before interviews begun. Again, the researcher informed participants about the purpose of the study and ensure them of the confidentiality of their responses. The researchers anonymized responses to protect the interest of respondents.

317 Data from the field was edited, rationalised and collated. Qualitative data was coded with  
318 each sentence given a unique code using Statistical Package for Social Sciences (SPSS)  
319 software. Subsequently, data was categorised and tabulated to respond to the study  
320 objectives.

321 Qualitative research was used purposely for describing, explaining, and interpreting data  
322 collected from the field. Quantitative data collected was also coded using the SPSS  
323 software. It was analysed and used to support the qualitative data for clearer understanding  
324 of the subject. The data collected was analysed with the aid of Excel and Statistical Package  
325 for Social Scientists (SPSS) computer software to provide descriptive statistics and  
326 frequency tables, and bar graphs etc.

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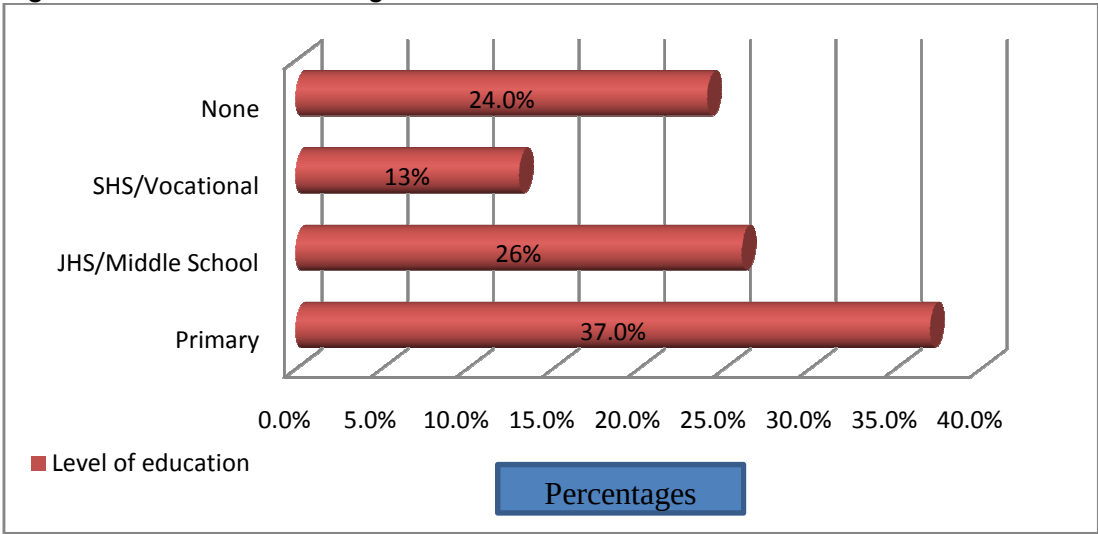
329 **3. RESULTS AND DISCUSSION**

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331 The survey revealed that majority (37 percent) of farmers interviewed has been to  
332 only primary school whiles 24 percent have never been to school. Figure 3.1 shows  
333 the educational background of cocoa farmers in the district.

334 Figure 3.1 indicates that only 13 percent of the farmers have attained Senior High  
335 School and/or vocational level of education. Also, 26 percent of farmers have been  
336 to Junior High School and/or Middle school. This implies that the level of education  
337 of farmers in the district is low and this could have effects on farming practices. The  
338 application of fertilizers and other chemicals such as weedicide and pesticide  
339 demands someone who can read so as to apply accordingly. Farmers could be  
340 influenced by the sales promotions if it goes with educating them on the use of  
341 those promotional items provided by the LBCs. For instance, the supply of fertilizers  
342 to farmers coupled with other services such as the use or its right application could  
343 influence farmers due to their low educational background.

344 **Figure 3.1: Educational Background of Cocoa Farmers in the District**



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### 347 **3.1 Incentive Programmes by LBCs in Cocoa Marketing in the District**

#### 348 **3.1.1 Sales Promotion Programmes of LBCs**

349 Responses from farmers, PCs and LBCs indicate that LBCs adopt various Sales  
350 Promotional Programmes to attract farmers to sell their produce to them. The sales  
351 promotional items include farm and non-farm related sales promotional programmes. The  
352 non-farm related sales promotional programmes take the form of services LBCs provide to  
353 their farmers. Some of these Programmes include

354 • Capacity Building Programmes for Farmers and PCs: KuapaKookoo has instituted  
355 capacity building programmes in the district to train and sensitize farmers and PCs to  
356 produce good quality cocoa beans. On the part of PCs, workshops are organized to train  
357 them on how to increase purchases and customer care, records keeping, banking services,  
358 and management of seed fund provided by the company. It also releases handouts to  
359 Purchasing Clerks concerning their operations in their various societies. Similarly,  
360 sensitization programmes are organized at the society (community) levels to educate  
361 farmers through the District managers and the PCs. During these sessions, farmers are  
362 taught application of agrochemicals, quality control of beans, COCOBOD and other  
363 government issues regarding farmers' welfare such as COCOBOD scholarship, NHIS,  
364 SSNIT scheme and mass spraying. These training programmes attract farmers since they  
365 are eager to gain yield improvement skills.

366 • Provision of Incentives to Farmers: The LBCs in the district provide incentives to  
367 farmers in the form of cloths, soaps, books, pencils and pens, salt, cutlasses, boots,  
368 spraying machines and so on. The most prominent in this is the Produce Buying Company  
369 and KuapaKookoo. Licensed Buying Companies such as PBC, Armajaro, AkufoAdamfo  
370 and KuapaKookoo supply subsidized fertilizers and other agrochemicals to farmers on credit  
371 basis. Responses from a Focus Group Discussion indicate that the (early) provision of  
372 fertiliser is the most important reasons why they sell their produce to particular LBCs in the  
373 district.

374 • Motivation of Purchasing Clerks: Purchasing Clerks of LBCs are provided with  
375 various incentive packages to boost their morale. For instance, PCs are paid commission on  
376 each bag of cocoa they purchase from farmers. Additionally, some companies such as  
377 AkufoAdamfo and PBC have instituted annual award schemes for best performing PCs in  
378 the district.

379 • Early Payment of Bonuses and Commissions: The survey revealed that the LBCs in  
380 the district embark on early payment of bonuses and commissions to farmers and PCs  
381 respectively. The PBC for instance supplies advance bonuses and commissions to farmers  
382 and PCs before the cocoa season. Armajaro and KuapaKookoo also provide additional  
383 bonuses to farmers, aside the government bonuses. Thus these farmers are always  
384 motivated to sell their produce to the companies. It also serves as a mechanism for  
385 attracting more farmers and PCs hitherto belonging to other companies.

386 • Timely Release of Funds for Purchase of Cocoa: Seed capital is needed by every  
387 PC to be able to offer advance payment or pay farmers instantly. The PBC, Armajaro,  
388 KuapaKookoo and AkufoAdamfo provide timely capital for PCs to work with. Most often, the  
389 PBC provides this seed capital in large amount as compared to the other LBCs in the district.  
390 By so doing, PCs are able to provide credit facilities and buy more of the cocoa beans ahead  
391 of their counterparts in companies such as Adwumapa, FEDCO, Diaby and other prominent  
392 LBCs.

393 • The PBC also assists cocoa farmers in getting COCOBOD Scholarships for their  
394 wards. This move usually elicits loyalty from farmers as they all want their wards to be  
395 awarded COCOBOD Scholarships. This partly accounts for PBC's large share of the market.

396 • Provision of Infrastructure: LBCs such as KuapaKookoo and PBC have been  
397 providing socio-economic infrastructure in the cocoa communities. KuapaKookoo has been  
398 providing boreholes and school buildings to some communities while PBC has also assisted  
399 communities to install solar panels to provide street lights in the communities.

400 • Formation of a five-member committee: PBC has formed a five member committee  
401 in each society to campaign for PCs in their communities. This committee helps individual  
402 farmers to harvest their crops, transport them from the farm and dry them at the house. This  
403 serves as a motivation for the beneficiary farmer to sell his/her produce to the PC of PBC at  
404 the particular society. Further, they gather information of the particular demands of farmers  
405 and advice the PC accordingly. This ensures that the PC tailors his/her incentive package  
406 towards the actual needs of the farmers so as to win them.

407 • Payment of additional bonuses: LBCs such as KuapaKookoo and Armajaro pay  
408 additional GH¢2 on every bag of cocoa a farmer sells to each company. This serves as a  
409 motivation to the farmers to sell their produce to the companies.

410 It was realised that LBCs adopt similar sales promotional programmes with the exception of  
411 few of them. LBCs such as Transroyal Ghana Limited, Armajaro Ghana Limited,  
412 AkuafAdamfo and Kuapa provide wrist watches, cloths, cooking utensils, hand and nose  
413 masks, spraying machines that other LBCs do not provide. In addition, companies such as  
414 Kuapa Koo provide free bonuses and pre-financing to farmers apart from those bonuses  
415 enjoyed from COCOBOD. Aside from these sales promotional packages, Licensing Buying  
416 Companies provide other incentives and services to their cocoa farmers. These include, but  
417 not limited to, the following; provision of solar streetlights, construction of bridges ,  
418 construction of school buildings and clinics for some communities, construction of boreholes,  
419 provision of technical advices on farming practices and inspection of farms. These activities  
420 are seen as the Corporate Social Responsibility (CSR) of LBCs in the district, beyond the  
421 provision of sales promotional programmes. LBCs extend their part of profit to the provision  
422 of the above mention activities to create a long-lasting image of the company so as to draw  
423 farmers' attention to them. Farmers in turn see these activities as helping them to meet their  
424 basic needs and thus influence them to sell their cocoa beans to a particular LBC.

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441 Table 3.1 gives the details of Sales Promotion Packages for each of the fourteen LBCs  
 442 operating in the district.

443  
 444 **Table 3.1 Sales Promotional Programmes by LBCs**

| Name of LBC | Type of Sales Promotional Items                                                                                                                                                                            |
|-------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>PBC</b>  | Salt, soap, scholarships and fertilizers, solar panel streetlights, construction of bridges, pre-financing, formation of five-member committee at the society level                                        |
| <b>OGI</b>  | Exercise books, scholarships, distribution of mosquito nets, cutlasses, fertilizers, wellington boots, payment of bonuses                                                                                  |
| <b>AGL</b>  | Fertilizer, soap, provision and repairs of spraying machines, wrist watches, clothing, wellington boots and mosquito nets                                                                                  |
| <b>TGL</b>  | Provision of credits (pre-financing), mosquito nets, fertilizers, and cooking utensils, wellington boots, wrist watches, pre-financing, nose and hand mask                                                 |
| <b>ABC</b>  | Fertilizers, soap, payment of bonuses, clothing, exercise books, pens, pencils, and salt                                                                                                                   |
| <b>DC</b>   | Annual distribution of soaps, exercise books and salt, Farm inspections and extension and technical advice                                                                                                 |
| <b>SACC</b> | Fertilizers, soap, cutlasses, weedicides, pesticides                                                                                                                                                       |
| <b>KKC</b>  | Soap, salt, fertilizers, payment of bonuses, exercise books, pens, pre-financing, pencils, spraying machines, T-shirts, farm inspection and extension, boreholes, capacity building programmes for farmers |

|        |                                                                                                                            |
|--------|----------------------------------------------------------------------------------------------------------------------------|
|        | and PCs, building of schools and clinics                                                                                   |
| AA     | Soap, salt, fertilizers, payment of bonuses, exercise books, pens, pencils, spraying machines, clothes, nose and hand mask |
| CC     | Soap, salt, fertilizers, payment of bonuses, exercise books, pens, pencils                                                 |
| FEDCO  | Soap, salt, fertilizers, exercise books, pre-financing                                                                     |
| CMC    | Soap, salt, fertilizers, payment of bonuses, exercise books, pens, pencils                                                 |
| MARRIE | Soap, Salt, books, pens, pencils, fertilizers                                                                              |
| DJ     | Soap, Salt, books, pens, pencils, fertilizers                                                                              |

445 *Types of sales promotional run by the farmers*

### 446 **3.2 Trend of Cocoa Sales from Farmers in the District**

447 Cocoa marketing is a vibrant business in the WassaAmenfi East District with about 33524  
 448 farmers selling their produce to 14 LBCs in the district. The total amount of cocoa beans sold  
 449 has been fluctuating since 2009/2010. Though the quantity (kg) of cocoa sold increased by  
 450 21.5 percent in 2010/2011 over the previous year, sales have been declining since last two  
 451 years as indicated in Table 3.2

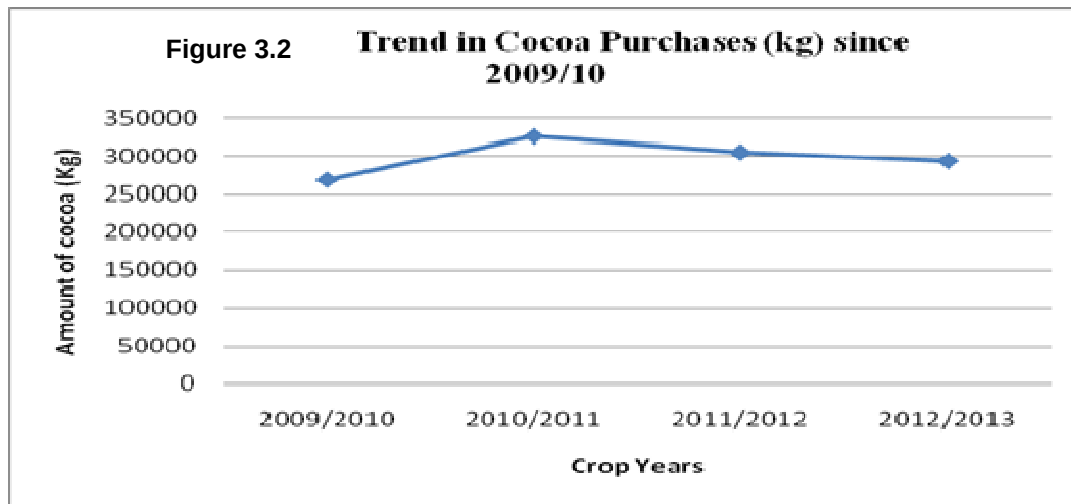
452 **Table 3.2 Cocoa sales in the district since 2009/10 Crop Season**

| Crop Years | Amount of cocoa sold (kg) | Percentage change |
|------------|---------------------------|-------------------|
| 2009/2010  | 268053                    | -                 |
| 2010/2011  | 325664                    | 21.5              |
| 2011/2012  | 304667                    | -5.8              |
| 2012/2013  | 293425                    | -3.7              |

453 *Table showing the decline in cocoa sales since 2009/2010*

454 Table 3.2 and Figure 3.2 indicate that cocoa purchases in the district declined by 5.8 percent  
 455 in 2011/2012 and further by 3.7 percent in 2012/2013. This decline in output can be  
 456 attributed to the general low production of cocoa in the years in question. The supply of  
 457 fertilizers to farmers was overly delayed by the LBCs and this affected productivity since  
 458 farmers had no alternative means to secure fertilizers for their crops.

459 **Figure 3.2: Trend in Cocoa Purchases (Kg) since 2009/2010**



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461

462 Following PBC are Transroyal Ghana Limited and AkuafAdamfo with each commanding  
463 more than 10 percent of the cocoa market in the district. The determinants of the positions or  
464 shares of these LBCs are their Sales Promotional Packages and that of their PCs. Table 3.3  
465 shows that percentage market shares of LBCs since 2009/2010.

466  
467  
468

**Table 3.3: Percentage Market Shares of LBCs since 2009/2010**

| LBC  | 2009/2010<br>(%) | 2010/2011<br>(%) | 2011/2012<br>(%) | 2012/2013<br>(%) | Current<br>Position |
|------|------------------|------------------|------------------|------------------|---------------------|
| PBC  | 31.1             | 26.9             | 31.4             | 32.6             | 1 <sup>st</sup>     |
| TGL  | 4.9              | 9.9              | 14.4             | 14.3             | 2 <sup>nd</sup>     |
| AA   | 13.7             | 14.6             | 13.3             | 13.5             | 3 <sup>rd</sup>     |
| AGL  | 8.9              | 9.6              | 7.7              | 7.9              | 4 <sup>th</sup>     |
| KKC  | 3.9              | 4.9              | 6.5              | 7.1              | 5 <sup>th</sup>     |
| ABL  | 13.5             | 8.3              | 6.1              | 6.0              | 6 <sup>th</sup>     |
| SACC | 2.1              | 4.5              | 4.6              | 4.5              | 7 <sup>th</sup>     |
| DC   | 10.5             | 7.3              | 4.7              | 4.4              | 8 <sup>th</sup>     |
| CML  | 2.8              | 3.7              | 3.5              | 3.6              | 9 <sup>th</sup>     |
| OGL  | 6.2              | 6.6              | 4.0              | 3.5              | 10 <sup>th</sup>    |

|        |       |       |       |       |                  |
|--------|-------|-------|-------|-------|------------------|
| DJ     | 0.8   | 1.3   | 1.3   | 0.9   | 11 <sup>th</sup> |
| CC     | 0.6   | 1.2   | 1.2   | 0.7   | 12 <sup>th</sup> |
| FEDCO  | 0.6   | 0.9   | 0.9   | 0.7   | 13 <sup>th</sup> |
| MARRIE | 0.4   | 0.3   | 0.4   | 0.3   | 14 <sup>th</sup> |
| Total  | 100.0 | 100.0 | 100.0 | 100.0 | -                |

*Market Share of the various LBCs*

469

470

### 471 **3.3 Effects of Sales Promotional Packages of LBCs on Cocoa Purchases**

#### 472 **3.3.1 Effects of Sales Promotional Programmes on Farmers Choice of LBCs**

473 The provision of sales promotional programmes has significant impact on farmer's decision  
 474 or choice to sell their cocoa beans to a particular LBC in the district. According to a Focus  
 475 Group Discussion with Farmers, it was observed that farmer's choice of LBC depends on the  
 476 particular sales promotional packages provided. Some sales promotional packages have  
 477 long term and short term effects on cocoa purchases. The sales promotional items identified  
 478 in the study are grouped under farm related sales promotional inputs and non-farm related  
 479 sales promotional inputs. Non-farm related sales promotional inputs such as salt, soap,  
 480 watches, cooking utensils etc have short term effects on cocoa purchase of farmers by  
 481 Licensing Buying Companies in the district. On the other hand, the farm related sales  
 482 promotional inputs such as fertilizers, weedicides, pesticides, cutlasses, and farm  
 483 inspections, capacity building programmes and spraying machines have long term effects on  
 484 cocoa purchase of farmers by LBCs.

485 According to a Focus Group Discussion with Farmers, it was discovered that farm related  
 486 sales promotional inputs helps farmers to increase their productivity. Fertilizers coupled with  
 487 spraying machines to spray their cocoa farms for instance, help farmers to increase their  
 488 yield. These items have high influence on cocoa purchases and choice of LBCs in the  
 489 district. It was also observed that LBCs such as Transroyal Ghana Limited, Armajaro Ghana  
 490 Limited, AkuafAdamfo and Kuapa supplies farm inputs such as spraying machines and  
 491 fertiliser to farmers without initial payment. This influenced farmers to sell their cocoa to  
 492 those companies. There is no doubt that Transroyal and AkuafAdamfo were the second  
 493 and third LBCs with the highest purchase of about 41,946 kg and 39,653 kg bags of cocoa  
 494 from farmers in the year 2013. However, Produce Buying Company (PBC) does not provide  
 495 enough and consistent sales promotional packages, but hold the highest share of cocoa in  
 496 the district. In 2013, PBC purchased about 95,677 kg of cocoa from farmers in the district.  
 497 The reason was attributed to the fact that PBC is a government company and that by selling  
 498 their cocoa to them, they feel secure. Also, PCs of PBC have good human relationship with  
 499 farmers. Some PCs provide incentives to their farmers without the support from their LBCs.  
 500 Farmers obtain loans from PCs without paying any interest, this enticed farmer to sell their  
 501 cocoa beans to a particular LBC through the PCs. According to a Focus Group Discussion  
 502 with farmers in Afranse, a community in the district, farmers of PBC for instance have made  
 503 their decision to sell their cocoa beans to another LBC if the PC is transferred or stops  
 504 working with them. This is strong evidence that some PCs have influence on cocoa  
 505 purchase of farmers in the district. According to farmers, sales promotional programmes  
 506 affect cocoa purchases and choice of LBC through various ways as shown in Table 3.4

507 **Table 3.4: Effect of sales promotion on cocoa sales**

| How Sales promotional Programmes Affect Cocoa Purchases of Farmers                             | Number of Responses from Cocoa Farmers | Ranking         |
|------------------------------------------------------------------------------------------------|----------------------------------------|-----------------|
| It is like a bait which trapped or forces them to sell cocoa beans to a particular LBC         | 57                                     | 1 <sup>st</sup> |
| It serves as motivations which convinced or encouraged them to sell their cocoa                | 48                                     | 2 <sup>nd</sup> |
| Sales promotional programmes reduces their expenditure and saves money                         | 34                                     | 4 <sup>th</sup> |
| It shows that LBCs care about farmers                                                          | 21                                     | 6 <sup>th</sup> |
| Sales promotional packages such as mosquito nets improve their health conditions               | 33                                     | 5 <sup>th</sup> |
| Farmers keep LBCs in remembrance during the cocoa seasons through sales promotional programmes | 44                                     | 3 <sup>rd</sup> |
| Farmers develop trust in LBCs through sales promotional programmes                             | 13                                     | 8 <sup>th</sup> |
| Sales promotional programmes are promising incentives                                          | 19                                     | 7 <sup>th</sup> |

508 *Responses showing how farmers perceive how sales promotional activities affecting cocoa purchases*

509 From the above discussion, it can be concluded that sales promotional programmes by  
 510 Licensing Buying Companies (LBCs) have much effect on cocoa sales of farmers in the  
 511 WassaAmenfi East District. Majority of farmers (57) said that sales promotional programmes  
 512 are like baits which attract them to sell their cocoa beans to a particular LBC.

### 513 **3.3.2 Effects of Sales Promotion Programmes on LBCs share of the Market**

514 The sales promotional programmes of Licensed Buying Companies (LBCs) affect their  
 515 marketing performances. As can be seen from Figure 3.3, some LBCs such as PBC,  
 516 AkufoAdamfo and KuapaKookoo have been increasing their market shares over the years  
 517 while the market shares of Adwumapa, Sika Aba and Diaby have been deteriorating over the  
 518 years.

519 The booming LBCs are increasing their shares of the market due to the use of extra and  
 520 unique sales promotional packages. Aside from being a subsidiary of the COCOBOD, the  
 521 PBC adopts a number of sales promotional packages that have maintained its lead in the  
 522 market. Being a state company, it has a major influence in the award of the COCOBOD  
 523 scholarship to farmers' wards and thus uses it agency to do so. As such more farmers sell  
 524 their cocoa to PBC to guarantee the acquisition of scholarship for their wards. Moreover,  
 525 PBC has been assisting communities to acquire solar lights and this has been instrumental  
 526 in gaining more framers. Moreover, KuapaKookoo has been increasing its share of the market  
 527 since 2009/10 due to the provision of extra facilities under its sales promotion programme.  
 528 Since 2011, KuapaKookoo has been providing boreholes, school buildings, clinics, capacity  
 529 building programmes for farmers and PCs and payment of extra bonuses to farmers.  
 530 According to the District Manager of the company, these services and packages have won  
 531 the hearts of many farmers and community leaders and these have pledged their loyalty to  
 532 the company for a very long time. Moreover, with Kuapa being a farmers' cooperative, every  
 533 farmer that sells to the company enjoys from the profit of the company and this retains them  
 534 for a very long period. A combination of all these promotional packages has served to  
 535 increase the share of the company every crop year.

536  
 537 Though AkufoAdamfo has not been providing extra promotional packages aside from the  
 538 conventional provision of fertilizer, salt, soap and spraying machine, it embarks on early  
 539 release of seed capital to its PCs to command a sizeable share of the market. The early

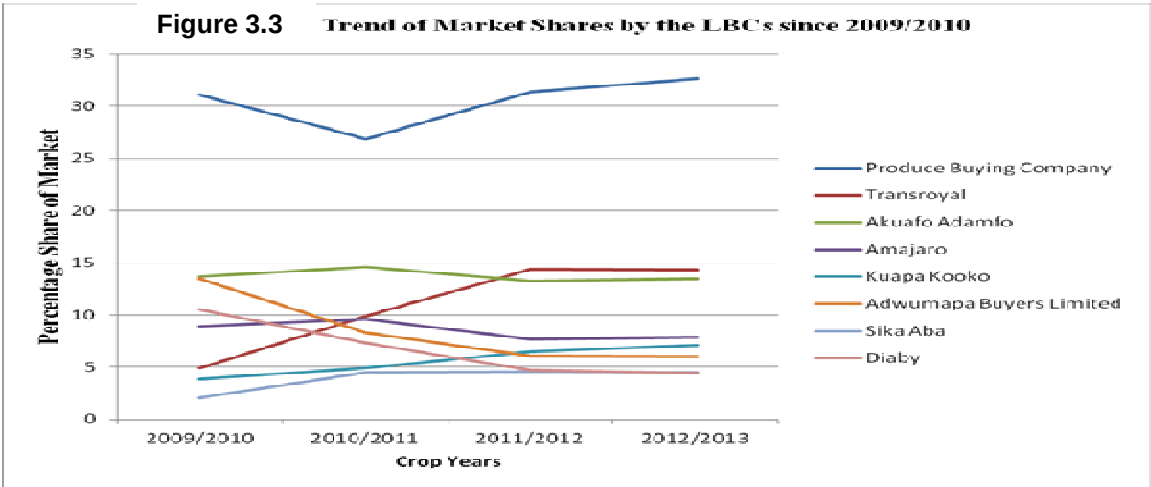
540 release of the seed fund helps PCs to pre-finance or provide loans to farmers before the  
541 seed funds of other LBCs arrive. This helps the PCs to buy more from farmers since the  
542 provision of loans to farmers pins them to the PCs.  
543

544 Contrary to the booming market for the companies discussed above, others have been  
545 losing their market shares due to some reasons relating to Sales Promotion. Firstly, though  
546 these LBCs provide (late) fertilizer and essential commodities to farmers, this is a  
547 conventional practice by all LBCs and has little impact on sales. Fertilizer is the only  
548 exception but the late arrival of these chemicals from the LBCs limits its potency to attract  
549 farmers. Secondly, Adwumapa used to supply early seed capital, early fertilizer, insecticides,  
550 provision of bikes and spraying machines and prompt payment of bonuses. This accounted  
551 for the promising performance in 2009/2010 and earlier. However, according to its PCs and  
552 the District Manager, the company has ceased the supply of all these promotional packages  
553 and that has resulted in its abysmal performances since 2010/2011. Thirdly, companies such  
554 as Diaby and Sika Aba do not provide any additional promotional packages apart from the  
555 conventional ones discussed above. This has therefore made these companies unattractive  
556 to farmers. In fact, farmers have been abandoning these LBCs for “better” ones.  
557

558 The analysis indicate that the use of Sales Promotion Packages such as early supply of  
559 seed funds, provision of infrastructure, early payment of bonuses and assistance in  
560 scholarship acquisition are very critical in affecting the sale of farmers' cocoa to LBCs and  
561 subsequently, the latter's share of the cocoa market.  
562

563 **Figure 3.3: Trend of Market Shares by the LBCs since 2009/2010**

564



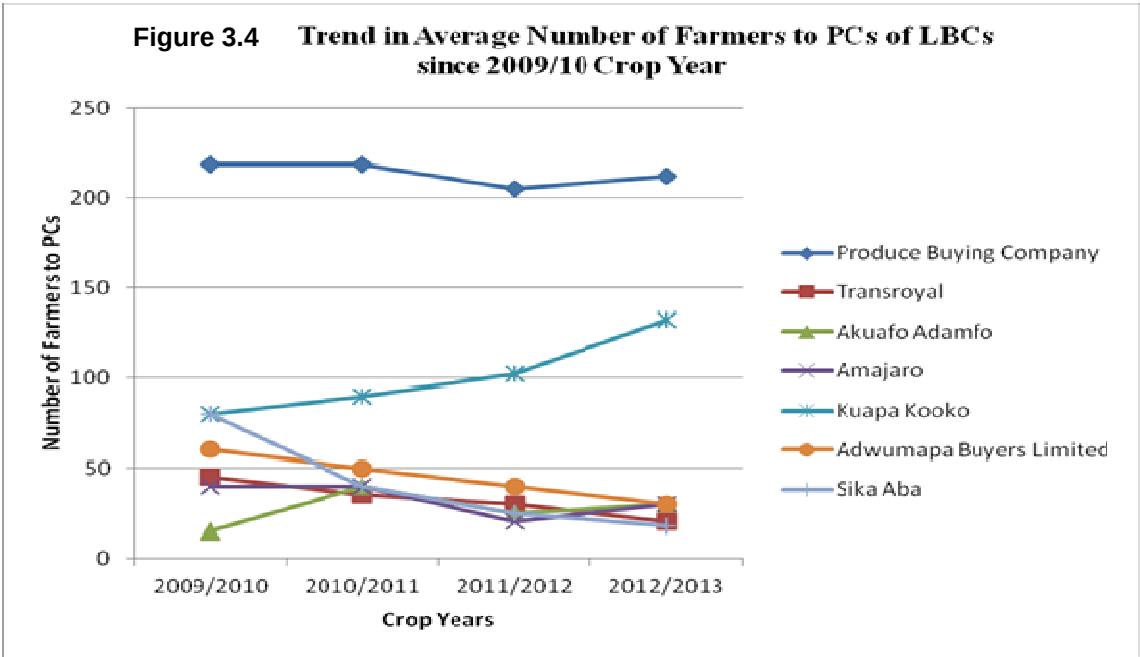
565 Market trends of LBCs  
566

567 **3.3.3 Effects of Sale Promotion Packages of PCs on Farmers' Choice of LBC**

568 Aside from the packages provided by LBCs, PCs have their own packages they use to  
569 influence their share of the local market. These strategies have been explained in previous  
570 subsections. In Figure 3.3 it can be seen that PCs of some LBCs have been increasing or  
571 maintaining their farmers' whiles others have been shedding farmers. The study revealed  
572 that the ability of a PC to attract or retain a farmer largely depends on the early supply of  
573 fertilizer, financial assistance or capacity and good interpersonal relationships. Only the PCs

574 of PBC and KuapaKookoo had a combination of all these factors and this accounts for the  
575 increasing numbers of farmers they have as depicted in Figure 3.3.

576 **Figure 3.4: Trend in Average Number of Farmers to PCs of LBCs since 2009/10 Crop**  
577 **Year**



578

579

580 Other PCs from LBCs such as Sika Aba, Adwumapa, Diaby and Transroyal lack the financial  
581 means to purchase fertilizer on their own for the farmers and also provide prompt financial  
582 assistance to farmers when the need arises and these accounts for their inability to attract  
583 more farmers and/or retain their loyal farmers. While PCs of KuapaKookoo and PBC see it  
584 expedient to supply farmers' fertilizers and loans from their own coffers early in the season,  
585 the PCs of other LBCs have relented in their efforts awaiting supplies from the companies  
586 and this has adversely affected their performances over the years. Table 3.4 provides the  
587 reasons for the performances of the PCs and goes to affirm the fact that it is the provision of  
588 sales promotional packages that affect the market shares of PCs and subsequently LBCs in  
589 cocoa marketing for every particular year in the district.

590

591 **3.3.4 Multiple Regression Analysis of Sales Promotional Packages and Farmer's**  
592 **decision to sell to LBCs in the WassaAmenfi District**

593 A multiple regression analysis was done to establish a linear relationship between the  
594 decision to sell to a particular LBC and the various sales promotion packages of LBCs. For  
595 this study, the number of farmers selling to a particular LBC is used as the measure of  
596 farmers' decision to sell to an LBC and is taken as the dependent variable (y). Three most  
597 prominent sales promotion packages affecting farmers' decision to sell to a particular LBC  
598 are supply of fertilizers, supply of spraying machines and provision of essential commodities.  
599 These are used as the independent variables. Table 3.5 gives the values of each variable  
600 from the field survey.

601 **Table 3.5: Values of Variables from the Field**

| <b>LBC</b>                | Number of Farmers | Supply of fertilizers | Provision of Spraying machines | Provision of essential commodities |
|---------------------------|-------------------|-----------------------|--------------------------------|------------------------------------|
| PBC                       | 51                | 51                    | 40                             | 23                                 |
| TGL                       | 22                | 22                    | 21                             | 8                                  |
| AA                        | 21                | 21                    | 19                             | 6                                  |
| AGL                       | 12                | 12                    | 11                             | 5                                  |
| KKC                       | 11                | 11                    | 7                              | 4                                  |
| ABC                       | 9                 | 2                     | 1                              | 0                                  |
| SACC                      | 7                 | 2                     | 1                              | 0                                  |
| DC                        | 7                 | 1                     | 0                              | 0                                  |
| CML                       | 6                 | 1                     | 0                              | 0                                  |
| OGL                       | 5                 | 1                     | 0                              | 0                                  |
| DJ                        | 1                 | 1                     | 0                              | 0                                  |
| CC                        | 1                 | 1                     | 0                              | 0                                  |
| FEDCO                     | 1                 | 1                     | 0                              | 0                                  |
| MARRIE                    | 1                 | 1                     | 0                              | 0                                  |
| <b>Total</b>              | 155               | 128                   | 100                            | 46                                 |
| <b>Mean</b>               | 11.071            | 8.714                 | 7.143                          | 3.286                              |
| <b>Standard Deviation</b> | 13.356            | 14.510                | 11.961                         | 6.318                              |

602 The regression analysis showed that Sales Promotional programmes have a strong and  
 603 direct relationship with the number of farmers who decide to sell to a particular LBC with a  
 604 strong linear trend in the normal probability plot shown in Figure 3.4. Moreover, the Multiple  
 605 Correlation Coefficient (R), Coefficient of Multiple Determination ( $R^2$ ) and Adjusted  
 606 Coefficient of Multiple Determination (Adj.  $R^2$ ) shown in Table 3.6 indicate that put together,  
 607 the correlation between all the predictor variables (sales promotional packages) and the  
 608 criterion variable (decision to sell to a particular LBC) is strong, with about 96.4% of variation  
 609 in decision attributable to the combination of Sales Promotional Programmes.

**Figure 3.5: Normal Probability Plot**

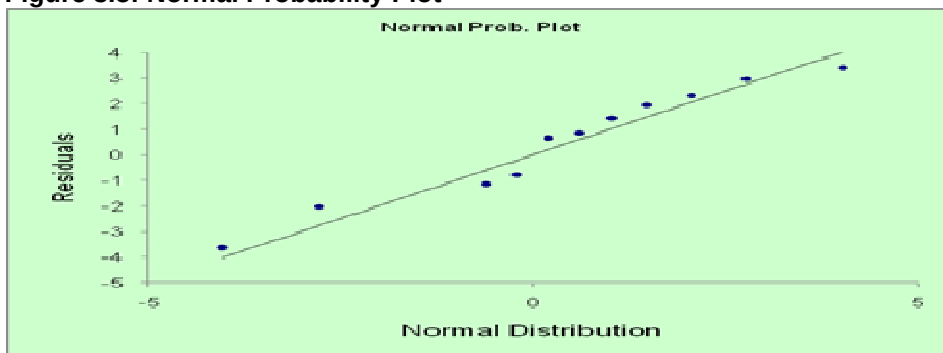


**Table 3.6 Summary of Regression on Farmers' Decision and Sales Promotional Programmes**

| $R^2$ | R     | Adj. $R^2$ | S.E. of Estimate |
|-------|-------|------------|------------------|
| 0.972 | 0.986 | 0.964      | 2.547            |

Source: Analysis of Data collected from the Field Survey, 2013

Again, The Snecdecor's F-Test of Significance or Analysis of Variance (ANOVA) in Table 3.7 is large (115.831) and this suggests that Sales Promotional Programmes are significant predictors of a farmer's decision to sell to a particular LBC. Again the *P-value* of 0.000 is an indication that these programmes have strong relationship with farmer's decision to sell to LBCs in the district.

**Table 3.7 Analysis of Variance on Farmers' Decision and Sales Promotional Programmes**

| Source     | Sum Sq.  | D.F. | Mean Sq. | F       | Prob. |
|------------|----------|------|----------|---------|-------|
| Regression | 2254.062 | 3    | 751.354  | 115.831 | 0.000 |
| Residual   | 64.867   | 10   | 6.487    |         |       |
| Total      | 2318.929 | 13   |          |         |       |

Sales promotional programmes are significant predictors of a farmer's decision to sell to a particular LBC

Furthermore, Table 3.8 shows the regression coefficients of the various Sales Promotional Packages considered in the study. The results indicates that for a unit change in the supply of fertilizers to farmers by LBCs, the decision to sell to a particular LBC is likely to change by 1.624 holding all other packages or components of Sales promotional Programmes constant. Moreover, a unit change in provision of spraying machines can change a farmer's decision to sell to a particular LBC by 0.704 whiles a unit change in the provision of essential commodities such as salt, soap, exercise books and others can change a farmer's decision by 0.328. This implies that the supply of fertilizer as a component of sales promotional programmes has higher impacts on farmers' decision than the other sales promotional packages used by the LBCs in the district.

638 **Table 3.8: Regression Coefficients**

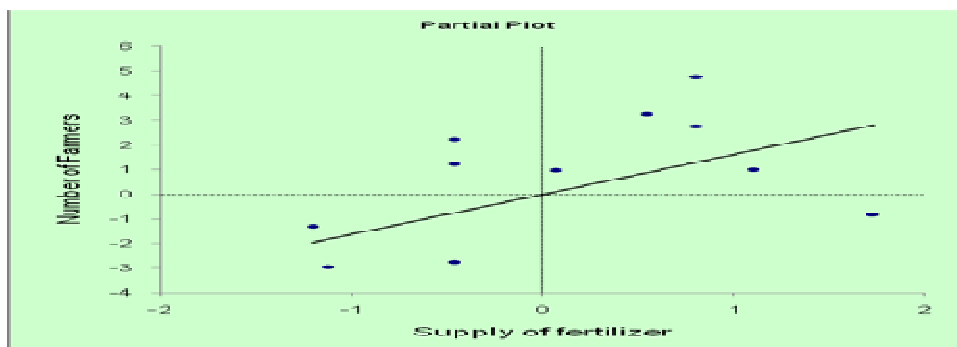
| Source                                   | Coefficient | Std Error | Std Beta | -95% C.I. | +95% C.I. | T      | Prob. |
|------------------------------------------|-------------|-----------|----------|-----------|-----------|--------|-------|
| Intercept                                | 3.026       | 0.903     |          | 1.013     | 5.039     | 3.349  | 0.007 |
| Supply of fertilizer                     | 1.624       | 0.814     | 1.764    | -0.190    | 3.438     | 1.994  | 0.074 |
| Provision of<br>Spraying<br>machines     | -0.704      | 0.650     | -0.630   | -2.153    | 0.746     | -1.082 | 0.305 |
| Provision of<br>essential<br>commodities | -0.328      | 0.895     | -0.155   | -2.323    | 1.666     | -0.367 | 0.721 |

639 *Fertilizer as a component of sales promotional programmes has higher impacts on farmers' decision than the other sales promotional*  
640 *packages*

641 Similarly, the partial plots shown in Figures 3.6 show the relationship between a predictor  
642 variable considered in this analysis and the dependent variable after accounting for the  
643 contribution of all the other predictor variables used in the analysis. By principle, a strong  
644 linear trend suggests a substantial contribution of the predictor variable in question to the  
645 explanation of farmers' decision to sell to a particular LBC over and above the other  
646 independent (predictor) variables. Thus a look at the partial plots below indicates that  
647 "Supply of Fertilisers" contribute substantially to the interpretation of farmers' decision to sell  
648 to particular LBCs followed by "supply of spraying machines" and "provision of essential  
649 commodities" which have weaker relationship with farmers' decisions

650 **Figure 3.6: Relationship between a Predictor variable Dependent Variable**

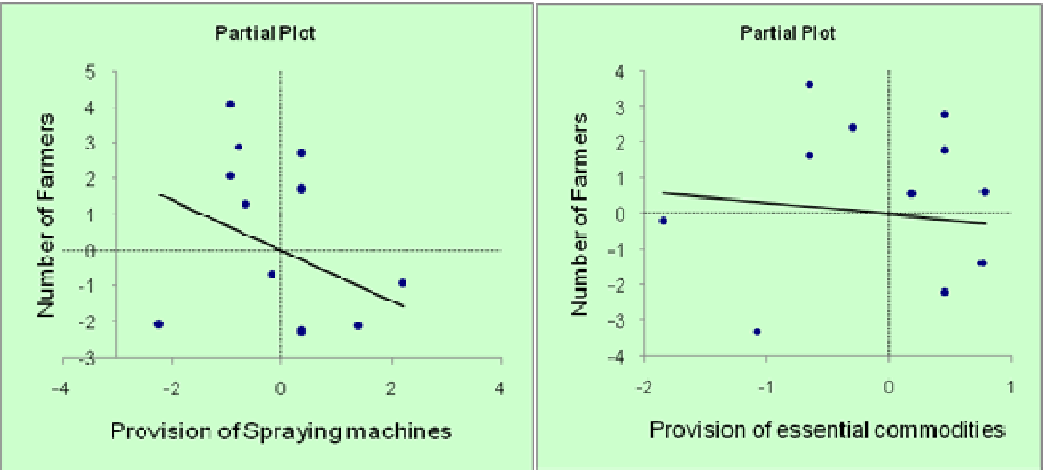
651



652 The quantitative analyses (ANOVA and Regression Analysis) established a strong and direct  
653 relationship between Sales Promotional Programmes of LBCs and the decision of farmers to  
654 sell to them in the district. The analyses have also shown that the provision of fertiliser to  
655 farmers by LBCs is one most important sales promotional package that greatly influences  
656 farmers' decision to sell to a particular LBC. Though farmers regard other packages as  
657 important, the analyses have shown that when LBCs increase the timely provision of  
658

659 fertilisers to farmers in the WassAmenfi East District, the tendency to attract more farmers  
660 and increase cocoa purchases is high. This accounts for the booming performance of LBCs  
661 such as PBC, KuapaKookoo and Transroyal, AkuafAdamfo and Armajaro which provide  
662 fertilisers to their farmers early in the season. It can therefore be concluded that if any LBC  
663 wishes to increase purchases in the district, it should focus more on timely supply of fertilizer  
664 and sometimes spraying machines to farmers since these sales promotional packages have  
665 been statistically proven to yield greater impacts on cocoa purchases in the WassAmenfi  
666 East district.

667



668

669

670 **3.4 Challenges Associated with Sales Promotional Programmes in the District**

671 Despite the overwhelming effects of sales promotional programmes on purchases of cocoa  
672 by Licensing Buying Companies (LBCs) from cocoa farmers in the district, the programme is  
673 faced with challenges. These challenges are categorized from the perspective of farmers,  
674 Purchasing Clerks (PCs) and Licensing Buying Companies (LBCs).

675 **3.4.1 Challenges of Farmers**

676 The challenge a farmer faces has to do with LBCs and PCs. Farmers complained that sales  
677 promotional programmes favor some cocoa farmers than others. For instance, the  
678 scholarship schemes provided by PBC favor more farmers in the urban communities than  
679 those in the rural communities. Farmers complained that people who are not farmers enjoy  
680 the scholarships. Also farmers with small sizes of farms enjoy the scholarship than farmers  
681 with large farm sizes. Linked to the above, there is limited quantity of sales promotional  
682 items supplied by PCs. There is also delay in their supply. To some farmers, the supply is  
683 done at the time they do not need. For instance, fertilizers are supplied in the month of June  
684 and July instead of March which becomes non-beneficial to farmers at that particular time.  
685 The inability of LBCs to supply fertilizers to PCs on time for further distribution serves as  
686 threat to the production of cocoa in the district since reduces the crop yields for those  
687 particular years. Others complained that PCs keep most of the items in their houses which  
688 does not augur well for farmers.

689 **3.4.2 Challenges of Purchasing Clerks (PCs)**

690 Purchasing Clerks (PCs) face challenges in receiving and distributing sales promotional  
691 packages to farmers. These problems or challenges have to do with their LBCs and farmers.

692 PCs complain that sales promotional packages are supplied late and sometimes they are  
693 inadequate. PCs are usually faced with the problem of unfaithfulness from farmers. PCs  
694 mostly, provide all incentives prior to the sale of cocoa. However during sales, farmers  
695 default and sell their produce to other PCs for cash. Farmers' default affects PCs  
696 commission since such financial loss from the seed fund is usually deducted from the  
697 commissions of PCs by the District Managers. There is also intensive competition among  
698 PCs in the various communities in the district. This forces PCs to device means of attracting  
699 farmers to increase purchase of cocoa beans but they are constrained by funds.

### 700 **3.4.3 Challenges of Licensing Buying Companies (LBCs)**

701 The challenges LBCs face have to do with the company and their LBCs. LBCs receive  
702 reports from farmers that the sales promotional items are not of good quality. LBCs  
703 resentfully emulate marketing strategies of other LBCs, restructure and use against them to  
704 attract their cocoa farmers. LBCs also experience higher operational cost in the distribution  
705 of sales promotional packages to farmers. Lastly, there is high risk in seed funds provided by  
706 LBCs to their PCs during cocoa seasons. LBCs face the risk of PCs running away with seed  
707 funds thereby resulting in losses to the company.

## 708 **4. CONCLUSION**

709 Ghana has liberalised the internal marketing of cocoa beans in the country and this has seen  
710 an influx of many LBCs into the system. This has generated intense competition in the  
711 district. The study has therefore made recommendations to help solve these problems. The  
712 LBCs and the PCs should consider adopting these recommendations to reap the full benefits  
713 of Sales Promotion in cocoa marketing in the district and Ghana as a whole.

### 714 **4.1 Recommendation for Effective Sales Promotional Programmes in the District**

715  
716 Findings from the study indicate that recommendation could be made to enhance the  
717 effectiveness of sales promotional programmes by Licensing Buying Companies (LBCs) in  
718 the district to increase sales of cocoa and to improve the livelihood of farmers. The following  
719 recommendations should be given much attention;

720  
721 It is recommended that sales promotional items should be released on time to PCs for  
722 further distribution to farmers. Moreover, sales promotional packages such as financial  
723 assistance, bonuses should be executed after the cocoa season.

724  
725 As part of the Corporate Social Responsibility (CSR) of LBCs in the district, efforts should be  
726 made to link farmers to international agencies and Non-Governmental Organisations (NGOs)  
727 operating within or outside the district. It is also recommended that PCs should develop  
728 pragmatic measures to reduce the high default. The PCs should get a disciplinary action to  
729 tackle the problem. PCs could form an association where incidence of default could be  
730 reported and recorded so that when a farmer default a loan, he/she cannot sell the cocoa  
731 beans to another PC.

732  
733 Annual award schemes, bonuses to PCs on each bag of cocoa purchased and increase in  
734 commission of PCs are all motivational packages that could be adopted and implemented by  
735 LBCs to their PCs to boost cocoa purchases. There should be regular visiting and inspection  
736 of farms and also sales promotional packages such as scholarships should benefit farmers  
737 who are located in the more remote areas.

741

LBCs could institute capacity building programmes in the district to train and sensitize farmers and PCs to produce good quality cocoa beans. On the part of PCs, workshops could be organised to train them on how to increase purchases and customer care, records keeping, banking services, and management of seed fund provided by the company.

## **COMPETING INTERESTS**

Authors have declared that no competing interests exist.

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|-----|---------------------------------------------|--------------------------------------------------------|------|
| 866 | <b>DEFINITIONS, ACRONYMS, ABBREVIATIONS</b> |                                                        |      |
| 867 | LBCS                                        | LICENSED BUYING COMPANIES                              |      |
| 868 | PBC                                         | PRODUCE BUYING COMPANY                                 |      |
| 869 | COCOBOD                                     | GHANA COCOA BOARD                                      |      |
| 870 | ISSER                                       | INSTITUTE OF STATISTICAL, SOCIAL AND ECONOMIC RESEARCH |      |
| 871 | SSNIT                                       | SOCIAL SECURITY AND NATIONAL INSURANCE TRUST           |      |
| 872 | QCD                                         | QUALITY CONTROL DIVISION                               |      |
| 873 | PCS                                         | PURCHASING CLERKS                                      |      |
| 874 | NHIS                                        | NATIONAL HEALTH INSURANCE SCHEME                       |      |
| 875 | SPSS                                        | STATISTICAL PACKAGE FOR SOCIAL SCIENCES                |      |
| 876 | WAED                                        | WASSA AMENFI EAST DISTRICT                             |      |
| 877 | OGI                                         | OLAM GHANA LIMITED                                     |      |
| 878 | AGL                                         | ARMAJARO GHANA LIMITED                                 |      |
| 879 | TGL                                         | TRANSROYAL GHANA LIMITED                               |      |
| 880 | ABC                                         | ADWUMAPA BUYER COMPANY                                 |      |
| 881 | DC                                          | DIABY COMPANY                                          |      |
| 882 | SACC                                        | SIKA ABA COCOA COMPANY                                 |      |
| 883 | KKC                                         | KUAPA KOKOO COMPANY                                    |      |
| 884 | AA                                          | AKUAFO ADAMFO                                          |      |
| 885 | CC                                          | CDH COMMODITY                                          |      |
| 886 | FEDCO                                       | FEDERATED COMMODITY LIMITED                            |      |
| 887 | CMC                                         | COCOA MERCHANT COMPANY                                 |      |
| 888 | MARRIE                                      | MARRIE                                                 |      |
| 889 | DJ                                          | DIO                                                    | JEAN |

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