

**THE IMPACT OF SALES PROMOTION BY LICENSED BUYING
COMPANIES ON COCOA SALES OF FARMERS-A CASE STUDY OF
WASSA AMENFI EAST DISTRICT**

BY

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**A THESIS SUBMITTED TO THE SCHOOL OF BUSINESS-COLLEGE OF ARTS AND
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DECLARATION

I, **Adamu Fuseini**, hereby declare that this thesis is my own work toward the award of the Masters in Business Administration Degree and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgments has been made in the text.

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A work of this nature would not be successfully completed by any one person without the help of other people. A few of them however, come up for special mention.

In the first place, I thank the Almighty God for his divine help and blessing to enable me reach this level of education.

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DEDICATION

This work is dedicated to my wife, Hagar Adu-Poku, my son, Kwabena Lare-Adams and my unborn child.

KNUST



ABSTRACT

The 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. Liberalisation has led to an entry of multiples of marketing companies to compete with cocoa marketing boards in Ghana and particularly in the Wassa Amenfi East Cocoa District through the adoption of marketing strategies such as the implementation of sales promotional programmes. Thus, the study sought to assess the effects of these sales promotional programmes on cocoa sales of farmers by Licensing Buying Companies (LBCs) in the district. The study identified fourteen (14) different LBCs in the district. 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 respondents. 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 LBCs. The data was collated, synthesised and analysed with the use of SPSS and Excel. The study adopted the quantitative analyses (Regression Analysis) which established a strong and direct relationship between Sales Promotional Programmes of LBCs and the decision of farmers to sell to them in the district. The analyses have shown that the provision of fertiliser 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 farm related 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. The study also revealed

challenges in the implementation of sales promotional programmes by PCs and LBCs. The challenges included default of farmers, delay in distribution of the packages among others. 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.



TABLE OF CONTENTS

CONTENT	PAGE
Title Page.....	i
Declaration.....	ii
Dedication.....	iii
Acknowledgement.....	iv
Abstract.....	v
Table of Contents.....	vii
List of Tables.....	x
List of Figures.....	xi
List of Abbreviations.....	xii
CHAPTER ONE: BACKGROUND TO THE STUDY	
1.1 Introduction.....	1
1.2 Problem Statement	3
1.3 Research Objectives	5
1.4 Research Questions.....	5
1.5 Scope.....	6
1.6 Justification of the Study.....	6
1.7 Organisation of the study.....	7
CHAPTER TWO: LITERATURE REVIEW	
2.1 Introduction.....	9
2.2 Sales Promotion in the Marketing of Goods.....	9
2.2.1 Defining Sales Promotions.....	9
2.2.2 Types of Sales Promotions.....	10
2.3 The relevance and effects of sales promotional strategies	11
2.3.1 Cocoa Farmer's choice of LBC	13
2.4 Trend and impact of Cocoa Production in Ghana	15
2.5 Liberalisation of the Internal Marketing of Cocoa in Ghana	17

2.6 Licensing Buying Companies (LBCs) in Ghana	19
2.7 Role of Licensing Buying Companies in Ghana	21
2.8 Cocoa Marketing Structures in Ghana	23
2.9 Development of Conceptual Framework for the Study.....	23
2.10 The effects of Sales Promotion on Customer Purchasing Decision	24

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction.....	27
3.2 Research Design	28
3.3 Research Population.....	29
3.4 Sample Size and Technique	29
3.4.3 Categories of Respondents	30
3.5 Research Instruments.....	31
3.5.1 Data Collection Instruments	31
3.5.2 Source of Data Collection.....	32
3.7 Report Generation and Presentation	34
3.8 Profile of Wassa Amenfi East District	35
3.8.1 Geo-Physical Characteristics	35
3.8.2 Population Characteristics.....	35
3.8.3 The District Economy (Production and Gainful Employment)	36

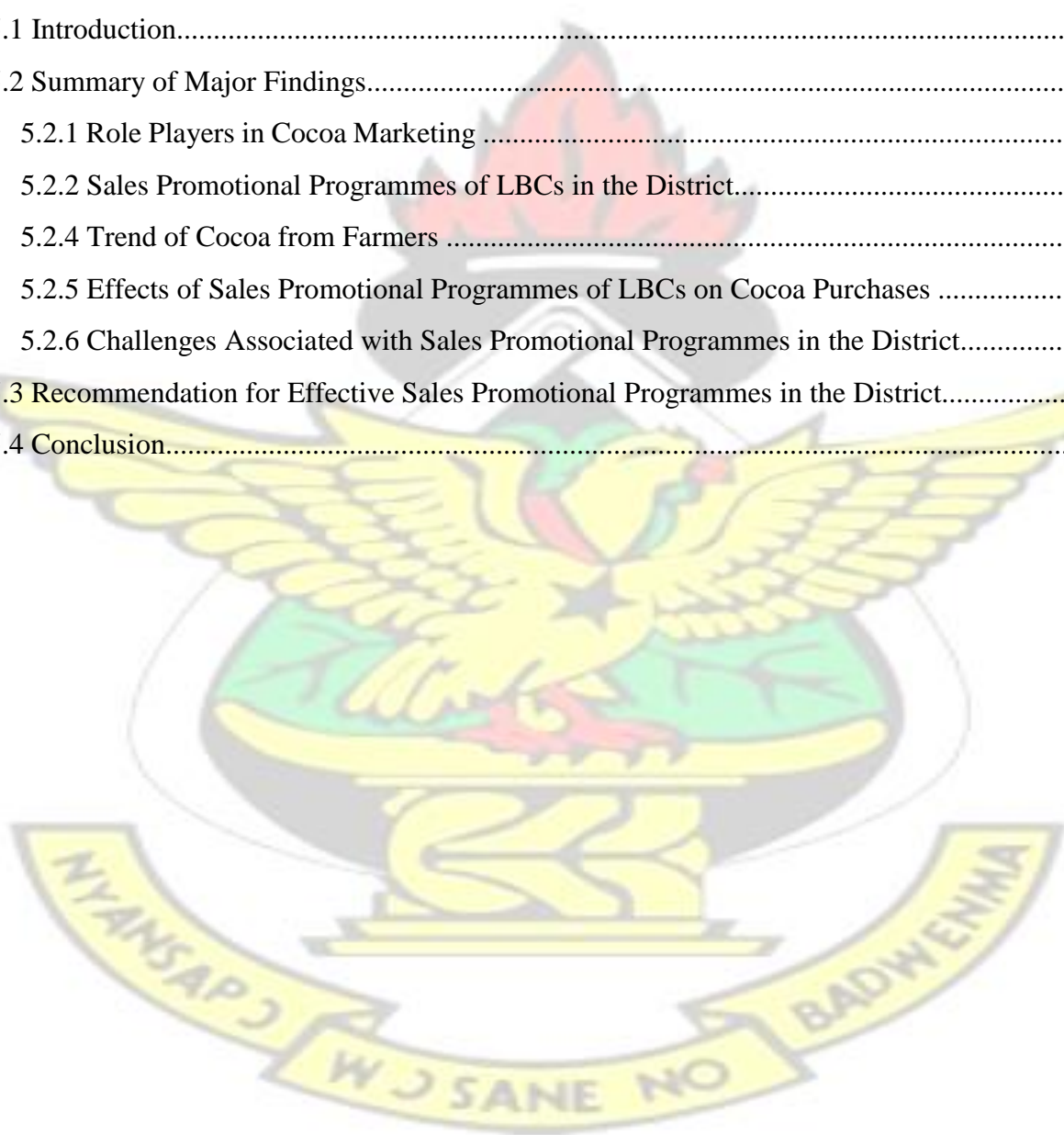
CHAPTER FOUR: DATA PRESENTATION AND ANALYSIS

4.1 Introduction.....	37
4.2 Operations of Farmers in Cocoa Marketing in the District	37
4.3 The Operations of Purchasing Clerks (PCs) in the District.....	40
4.4. Incentive Programmes by LBCs in Cocoa Marketing in the District	43
4.4.1 Sales Promotion Programmes of LBCs	43
4.4.2 Sales Promotional Programmes of PCs.....	47
4.5 Trend of Cocoa Sales from Farmers in the District	52
4.7.1 Number of Farmers to LBCs in the District.....	55
4.8 Effects of Sales Promotional Packages of LBCs on Cocoa Purchases	57
4.8.1 Effects of Sales Promotional Programmes on Farmers Choice of LBCs	57

4.8.2 Effects of Sales Promotion Programmes on LBCs share of the Market	59
4.8.3 Effects of Sale Promotion Packages of PCs on Farmers' Choice of LBC	61
4.9 Multiple Regression Analysis of Sales Promotional Packages and Farmer's decision to sell to LBCs in the Wassa Amenfi District	64
4.10 Challenges Associated with Sales Promotional Programmes in the District	69

CHAPTER FIVE: SUMMARY OF FINDINGS, RECOMMENDATION AND CONCLUSION

5.1 Introduction.....	71
5.2 Summary of Major Findings.....	71
5.2.1 Role Players in Cocoa Marketing	71
5.2.2 Sales Promotional Programmes of LBCs in the District.....	72
5.2.4 Trend of Cocoa from Farmers	73
5.2.5 Effects of Sales Promotional Programmes of LBCs on Cocoa Purchases	73
5.2.6 Challenges Associated with Sales Promotional Programmes in the District.....	75
5.3 Recommendation for Effective Sales Promotional Programmes in the District.....	75
5.4 Conclusion.....	78



LIST OF TABLES

Table	Page
2.1: Key Indicators for Choice of LBCs by Cocoa Farmers (2002 and 2004)	14
2.2: Share of Cocoa Purchases by LBCs (2008-2009)	20
3.1: Categories of Respondents	30
3.2: Data needs and Source	33
4.1: Age and Gender of Respondents	38
4.2: Farm Size and Yearly Output of Cocoa	39
4.3: Age-Sex distribution of PCs.....	40
4.4: Working Experience of Purchasing Clerks in the Wassa Amenfi East District.....	41
4.5: Average Number of Farmers to PCs of LBCs	42
4.7: Sales Promotion Activities of PCs of some major LBCs	49
4.8: Reasons for the Choice of LBCs by Cocoa Farmers	51
4.9: Cocoa sales in the district since 2009/10 Crop Season	52
4.10: Percentage Market Shares of LBCs since 2009/2010.....	53
4.11: Number of Farmers to LBCs, 2012/2013 Crop Year.	55
4.12: Sales Promotions and their Effects on Cocoa Purchases	58
4.13: Reasons for the Performances of PCs of major LBCs in the district.....	63
4.14: Values of Variables from the Field	64
4.15 Summary of Regression on Farmers' Decision and Sales Promotional Programmes	66
4.16 Analysis of Variance on Farmers' Decision and Sales Promotional Programmes	66
4.17: Regression Coefficients.....	67

LIST OF FIGURES

2.1: Trends in Cocoa Production (2005-2012)	16
2.3: Conceptual Framework for the Study.....	24
3.1: Major Agricultural Produce	36
4.1: Educational Background of Cocoa Farmers in the District	39
4.2: Farmers Choice of LBCs operating in the District.....	50
4.3: Trend in Cocoa Purchases (Kg) since 2009/2010.....	52
4.6: Trend of Market Shares by the LBCs since 2009/2010.....	59
4.7: Trend in Average Number of Farmers to PCs of LBCs since 2009/10 Crop Year	62
4.8: Normal Probability Plot.....	66
4.9: Relationship between a Predictor variable and Dependent Variable	68



LIST OF ABBREVIATIONS



UG	University of Ghana
LBCs	Licensed Buying Companies
PBC	Produce Buying Company
COCOBOD	Ghana Cocoa Board
GDP	Gross Domestic Products
BoG	Bank of Ghana
ISSER	Institute of Statistical, Social and Economic Research
CMC	Cocoa Marketing Company
DFM	Domestic Financial Markets
SSNIT	Social Security and National Insurance Trust
QCD	Quality Control Division
ONCC	Office National du Cafe' et du Cacao
PCs	Purchasing Clerks
NHIS	National Health Insurance Scheme
SPSS	Statistical Package for Social Sciences
WAED	Wassa Amenfi East District
CMB	Cocoa Marketing Board
FEDCO	Federated Commodities Limited
AAP	Agricultural Sector Adjustment Program
NIT	National Insurance Trust

CHAPTER ONE

BACKGROUND TO THE STUDY

1.1 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).

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 monopolise 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 liberalise their markets in the early to mid-1990 (ibid.). In West Africa, countries such as Nigeria, Togo and Cameroon fully liberalise their system while Côte d'Ivoire and Ghana adopted a partial and gradual liberalisation 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). 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, liberalisation 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) has shown that farmers tend to adopt good agricultural practices if there are incentives (sales promotions) for adoption. Saenger, Qaim, Torero and Viceisza (2012) 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, Quarminet al., (2012: p. 14) 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 (see Vigneri and Santos, 2007; Ananget, al., 2011 and Lundstedt and Pärssinen, 2009). Private buying companies – known as Licensed Buying Companies (LBCs) in Ghana – use various incentive programmes (sales promotion) to increase their share of cocoa purchases and the number of farmers in their domain. Some of these sales promotional programmes include the provision of credit facilities; gifts in the form of clothes, soap, food items, building materials; and scholarship

schemes among others (see Owusu 2010). Thus this study was designed to carry out an investigation into the specific effects these sales promotions have on cocoa purchases of LBCs in the Wassa Amenfi East District in the Western Region.

1.2 Problem Statement

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

The increased number of LBC's in Ghana since the reforms has resulted in intense competition in the marketing of cocoa in the country. This competition is made more intense with the dominance of the PBC's in the market. PBC alone captures 36.8percent of the market share leaving less than 70 percent for the 27 LBC's (COCOBOD, 2009). Being the only state-owned company in the cocoa marketing business, the PBC is able to deploy the state machinery to outwit the other LBC's, creating an uncondusive marketing environment for the LBCs (Lavern 2007; Laven and Baud, 2009). Despite the dominance of the PBC in the cocoa marketing business, private LBC's such as Olam, Adwumapa Buyers Limited, Akuafu Adamfo are able to capture approximately 11 percent, 9 percent and 12 percent of the market respectively(COCOBOD, 2009). These buying companies adopt strategies which are mainly in the form of sales promotions to attract farmers to sell their

produce to them. It must be noted here that LBC's are not able to adopt "price- related" sales promotions since cocoa prices are fixed by the COCOBOD. This implies that sales promotional programmes play important roles in increasing the shares of LBC's in the marketing business and thus becomes a focal area of academic and policy research.

However, research on the cocoa marketing in Ghana has overly concentrated on areas such as the debate on the success of the cocoa marketing reforms (Zeitlin, 2005; Ruf, 2007; Williams, 2009); liberalisation and cocoa quality (LMC International Ltd. 1996; Sakyi-Bediako 2011); the economics and benefits of liberalisation (Vigneri and Santos, 2007; Kolavalli and Vignerin.d.;); the activities of LBCs (Lavern 2007; Laven and Baud, 2009; Owusu 2010); farmer incentives and productivity and cocoa quality (Takane 2000; 2002; Dormon et. al. 2004; Zeitlin 2006; Dormon and Sakyi-Dawson2009; Quarmine et. al. 2012)at the expense of how sales promotions affect cocoa purchases of LBC's in Ghana. However, the effects of sales promotions on cocoa purchases or choice of LBC's have only been treated as a subsidiary issue in a few research (see Vigneri and Santos, 2007; and Anang et. al 2011). The lack of specific in-depth studies on the above issue is regrettable since such studies can inform the strategies and practices of LBC's and help improve cocoa marketing in Ghana and make it more competitive and also beneficial to farmers. To close this gap therefore, this study will depart from previous studies to look into how sales promotions influence their choice of LBC's and affect the purchases of such LBC's. To provide a district specific study, the research focused on the Wassa Amenfi East Cocoa District in the Western Region.

1.3 Research Objectives

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

1. To identify the incentive programmes (sales promotion) made available to cocoa farmers by Licensed Buying Companies in Wassa Amenfi East District.
2. To analyse the sales trend of cocoa in the Wassa Amenfi East District by the Licensing Buying Companies.
3. To identify the challenges associated with farmer incentive programmes (sales promotion) as a marketing strategy in the Wassa Amenfi East District.
4. To assess how incentive programmes (sales promotion) affect the purchases of Licensing Buying Companies (LBC's) in the District.
5. To propose ways of improving cocoa purchases in the Wassa Amenfi East District.

1.4 Research Questions

The study tries to provide answers to the following questions:

1. What incentive programmes (sales promotion) are provided to cocoa farmers by Licensed Buying Companies in the Wassa Amenfi East District?
2. What is the sales trend of cocoa in the Wassa Amenfi East District by the Licensing Buying Companies?
3. What are the challenges associated with farmers' incentives programmes (sales promotion) in the Wassa Amenfi East District?

4. How do these incentive programmes (sales promotion) affect purchasing of cocoa in the Wassa Amenfi East District?
5. What measures could be adopted to improve on cocoa purchases in the Wassa Amenfi East District?

1.5 Scope

The study is focuses on cocoa marketing in the Wassa Amenfi East District in the Western Region. Contextually, the study focuses on the effects of sales promotions on the purchases of the various LBC's in the District. Specifically it examines the share of the various companies in cocoa marketing in the district and identifies the specific incentives (sales promotion) provided to farmers as attractors. Moreover, the study examines the influence such sales promotions have on the farmer's choice of LBC's and the purchases of LBC's. The study concludes by proposing plausible recommendations to improve the purchases of LBC's in the Wassa Amenfi East District.

1.6 Justification of the Study

Cocoa is the mainstay of the Ghanaian economy in terms of foreign exchange, employment and income generation. The sector accounts for 30 percent of total export revenue and 4 percent of GDP (BoG, 2009). The cocoa sector also offers livelihood to more than 700, 000 farmers mostly located in the rural areas (Kolavalli and Vigneri n.d.). Thus any study on the sector, especially those focusing on the marketing of the crop, helps academicians and policy makers to track how the sector is performing in all areas.

Moreover, research on the effects of farmer incentives in the form of sales promotions on purchases of LBC's is lacking. This is not favourable since sales promotions programmes are widely used as a market mechanism by all LBC's in the country to attract cocoa beans from farmers. As such this study is particularly important since it will provide extensive information on how this infamous strategy affects farmer's sales choices and the performances of LBC's in the District. More importantly, findings from the study will also provide information that will help LBC's to determine the efficacy and effectiveness of their incentive packages and act accordingly. Again the study will inform the various LBC's in and outside the district as to the nature of marketing and competitive environment within which they find themselves and how to benefit from it.

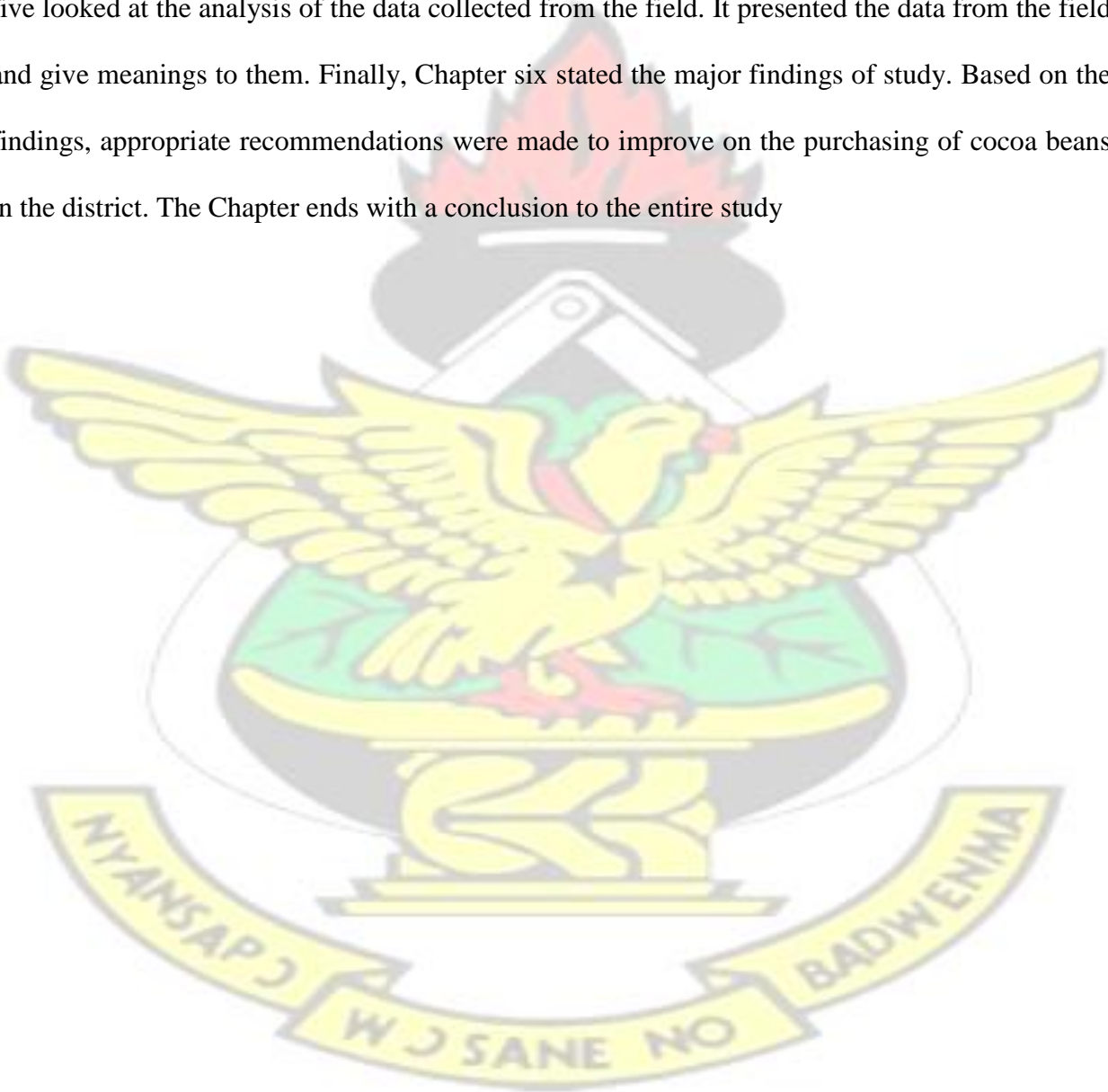
The study will also serve as a source of data for researchers in the cocoa sector. It will provide data for students and academics on the activities of LBC's in the Wassa Amenfi East District. Other researchers can build upon the findings of the research. Again, the research can serve as a source of reference for academics in the same area.

Finally, the recommendations of the study can be adopted to improve market performance by LBC's. Policy makers and decision-makers in these LBC's can use the study findings and recommendations as an empirical justification for their decisions.

1.7 Organisation of the study

The study will be organised into six chapters. Chapter one outlined the introduction of the study, which consists of the background to the study, statement of the problem, research questions, objectives of the study, scope of the study, justification of the study, and organization of the report. Chapter two reviewed related literature and defines some key terms on liberalisation, sales promotions and cocoa marketing in Ghana. Issues considered included the nature of market

liberalisation in Ghana as compared to other West African countries; internal marketing of cocoa; strategies of LBCs and their effects on purchases. Chapter three presented the research approach and methodology. It described the research design, data requirements and sources, population and sampling techniques and data collection techniques employed in carrying out the study. The fourth Chapter of the report relate to the contextual profile of the Wassa Amenfi East District. Chapter five looked at the analysis of the data collected from the field. It presented the data from the field and give meanings to them. Finally, Chapter six stated the major findings of study. Based on the findings, appropriate recommendations were made to improve on the purchasing of cocoa beans in the district. The Chapter ends with a conclusion to the entire study



CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter depicts review of literature on concepts and definitions of sales promotions as incentive packages in the sales of cocoa. Issues considered include the types of sales promotions programmes in the marketing of cocoa, the impact of the incentives or sales promotion on the purchases of cocoa from cocoa farmers, the roles of Licensing Buying Companies (LBCs) and Quality Control Division (QCD). In this study, a customer or consumer is referred to as the Licensing Buying Companies while the supplier or producer is referred to as the cocoa farmer. The concern of this review is to bring to light pertinent issues related to the topic and provide answers among others the following questions: what have authors said about this topic? What research has been done previously about the topic? These will serve as the bases of understanding the specifics of the topic under study.

2.2 Sales Promotion in the Marketing of Goods

2.2.1 Defining Sales Promotions

There have been many definitions of sales promotion from divergent views. Definitions of sales promotion have overly concentrated on influencing consumers to purchase goods from a company or a producer. In this study, the customer is the Licensing Buying Company while the producer is the cocoa farmer. This research delved into sales promotion as a device to entice producers more specifically, cocoa farmers to sell their produce (cocoa) to customers/consumers (Licensing Buying Companies).

According to Obi (2004) sales promotion consists of related promotional activities that are necessary to supplement selling. Sales promotional programmes influence sales and purchase of

goods or products and it makes a producer/consumer become loyal to an organisation offering the promotion (Banabo and Koroy, 2011) hence, sales promotion in marketing represents those tools that companies used to persuade their prospective producers. Blythe (2006) viewed sales promotion as any activity intended to generate a temporary boost in sales or purchase. This includes several communications activities pursued in an attempt to provide added value or incentives to producers, wholesalers, retailers, to stimulate immediate sales or purchase. Kotler (2003) defined sales promotion as a key ingredient in marketing campaigns which consists of diverse collection of incentive tools, mostly short term designed to stimulate quicker sales/purchase of a particular product or service.

From the definition given by Blythe, sales promotion looks at companies selling to consumers but not customers buying from producers. In applying this definition to this research, sales promotion is defined as communication activities pursued in an attempt to provide incentives to producers (cocoa farmers) through the retailers and wholesalers (purchasing clerks) to encourage immediate purchase/sales of their product.

2.2.2 Types of Sales Promotions

From literature, sales promotion are of three different types namely; consumer/customer promotion, retailer promotion, and trade promotion (Blattberg and Neslin, 1990). These types of sales promotions are overly concentrated on a company selling their products to consumers rather than buying from their customers. Therefore the research concentrated more on producer promotions which define promotion in the context of providing incentives in order to win producers to sell their produce to the customer (LBCs).

Customer/ Consumer promotions are those efforts aimed at influencing the customer/consumer (Bamiduro, 2001). They are promotions offered by companies directly to their

customers/consumers (Blattberg and Neslin, 1990). Such promotions are designed to motivate customers/consumers to immediate action. This research looks at the customer who is also the LBC thereby adopting the customer promotion as a type of sales promotion to increase purchase of cocoa beans from farmers. From the definition above, it could be further explained that customer promotion are promotions offered by companies (LBCs) to their producers (cocoa farmers) to motivate them to sell their produce (cocoa beans) and at the same time increase the purchasing power of the company. These sales promotions are mostly channelled through the purchasing clerks to the cocoa farmers. Two main sales promotion strategies were employed in this research namely: *Push, Pull*. A push strategy involves convincing trade intermediary channel members to "push" the product through the distribution channels to the ultimate consumer through promotions and personal selling efforts (Dave Dolak, 2010). A pull strategy attempts to get consumers to "pull" the product from the company through the marketing channel (Dolak, 2010).

In this study, a pull strategy imply a company, (LBC) using more demanding incentives on cocoa farmers while a push strategy involves winning or increasing more purchase or sales from cocoa farmers.

2.3 The relevance and effects of sales promotional strategies

Sales promotion has been used as a tool by companies in beguiling consumers/producers to either sell or buy products or goods. This idea is supported by Maryam (2012) who posited that sale promotion is one of the key elements used by companies in marketing mix in order to stimulate its customers or producers to purchase from them or to sell their produce to them. He further mentioned that promotions have been rapidly growing with marketers shifting their attention to sales promotional strategies more than other devices. The increasing use of sales promotions have

influenced customer/consumers to become deal prone and it in turn stimulate marketers to rely more on sales promotions in order to respond to this consumer behaviour trends (Maryam, 2012). This implies that sales promotional strategies has become the main marketing strategy used by most companies across the world to win producers or suppliers of a particular product, meet the needs of the supplier, improve productivity, and finally increasing the profit of the company and thus its impact or effect could not be downplayed.

Sales promotions are comparatively easy to apply, and are likely to have immediate and considerable effect on the volume of sales/purchase (Hanssens et al., 2001). Institutions use sales promotional strategies in order to entice their customers or suppliers to either buy their products or sell their produce to them. This research looks at using sales promotional programmes to influence producers or suppliers (cocoa farmers) to sell their produce to Licensing Buying Companies in Ghana. According to Khandwalla (1995), sales promotion is the ability of an organisation to achieve its objectives and meet the needs of its various stakeholders. The quintessence of setting up a business organisation is to make profit. Without profit, a business is bound to fail (Okoli, 2011). Loudon and Bitta (2002) added that sales promotion plays a significant effect on decisions which help in achieving the organisational (company's) objectives. According to Anah, (2008), Kotler and Armstrong (2008), sales promotion are used to; identify and attract new customers, establish fluctuating sales pattern, and to combat competitor's marketing efforts. Chandon et al., (2000) showed that monetary promotions provide more utilitarian benefits whilst non-monetary promotions provide more hedonic benefits.

2.3.1 Cocoa Farmer's choice of LBC

Farmer's choice of Licensing Buying Company (LBCs) in Ghana is influenced by sales promotional strategies and other incentives packages adopted and used by the LBCs. This is as a

result of the increasing competitions in the marketing of cocoa nowadays in Ghana which have given the mandate to cocoa farmers to have access to one or more Licensing Buying Companies (LBC) outlets; giving them a choice of buyers. This encourages LBC to offer incentives to gain access to farmers' cocoa and loyalty (Tetteh, 2011). Rather than by offering higher prices, LBCs typically compete through the provision of value-added services to farmers. This can sometimes take the form of credit, enabling liquidity constrained farmers to invest in productive inputs. However, this practice is becoming increasingly rare among localised LBC buying clerks due to high default rates and associated losses (Tetteh, 2011).

Despite the increase in number of buyers at the village level, farmers' choice of buyer seems to be increasingly restricted to only one buyer (Vigneri and Santos, 2009). The main reason given by farmers for their choice of LBCs was prompt payment, followed by social relationship with the purchasing clerk and the provision of credit (Laven, 2007). The absence of price competition between buyers as a result of the partial liberalization of the internal marketing of cocoa in Ghana has meant that selection of LBCs by farmers is based on a variety of non-price factors including the mode of payment and the provision of other services (Vigneri and Santos, 2009). In spite of the fixed purchasing price, it is argued that, competition for producers' output by LBCs remains an important institutional feature, driving productivity growth in the Ghanaian cocoa sector (Zeitlin, 2005). The choice of LBCs is largely driven by the offer of prompt cash by any LBC, with credit supply reported as the second reason for choosing a buyer. Cash constrained farmers may choose buyers based on their ability to get full cash payment for their produce and, possibly, some loan to finance productive activities (Vigneri and Santos, 2009). Analysis of farmers choice of LBC has shown that non-cash constrained farmers do not seem to benefit from selling to different buyers while the provision of additional resources to farmers seems to matter to cash-

constrained farmers in their choice of LBCs (Vigneri and Santos, 2009). Hence access to full payment and possibly credit advances enhances the production potential of those who are financially constrained. Competition therefore offers some benefits to resource-constrained farmers. The introduction of internal competition has led to several benefits to farmers attesting that privatization is beneficial to farmers (Akiyama et al., 2003; Gilbert, 2009). Private competition has benefitted farmers because LBCs have sought to win producer loyalty by providing services such as inputs on credit, subsidies for inputs as well as the provision of loans (Varangis and Schreiber, 2001).

It can be deduced from the above that sales promotion and other incentives in the marketing of cocoa is intrinsically linked to the decision of Cocoa farmers in deciding which company to sell their produce to. This is supported by the research conducted by Vigneri and Santos (2008), on farmers' choice of LBCs in the four (4) main cocoa regions in Ghana namely; Western Sefwi, Western Wassa, Brong Ahafo and Ashanti region depends on certain factors other than sales promotion. This is represented in Table 2.1.

Table 2.1: Key Indicators for Choice of LBCs by Cocoa Farmers (2002 and 2004)

Main LBCs in Ghana	Number of villages where LBCs were active		Number of Cocoa Farmers interviewed		Main reason for choice of LBCs by Cocoa Farmers
	2002	2004	2002	2004	
PBC	25	25	274	260	-Prompt Payment of cash -Means of Payment
KuapaKokoo	22	25	70	61	- Prompt Payment of cash
					-Means of Payment
Olam	12	23	11	27	- Prompt Payment of cash -Means of Payment

Armajaro	10	20	9	27	- Prompt Payment of cash -Means of Payment
Cocoa Merchants	12	9	12	8	- Prompt Payment of cash -Means of Payment
Federated Commodity	15	10	16	13	- Prompt Payment of cash -Means of Payment
Transroyal Ltd	9	4	5	3	- Prompt Payment of cash -Means of Payment
Adwumapa Buyers Ltd	17	25	27	28	- Prompt Payment of cash -Means of Payment
Akuafu Adamfo Marketing Company	6	23	1	10	- Prompt Payment of cash -Means of Payment

Source: Vigneri and Santos (2008)

Table 2.1 shows the choice of Licensing Buying Companies by cocoa farmers and the reason for such a decision. It is evidenced that selection of LBCs is based on a variety of non-price motives, chiefly among them are the means and prompt payment (cash/ check), and the provision of other services, namely cash and to a lesser extent credit. This implies that, non-cash incentive programmes also have effects on the choice of LBCs by cocoa farmers in Ghana. Prompt payment of cash and means of payment have influenced on farmers decision.

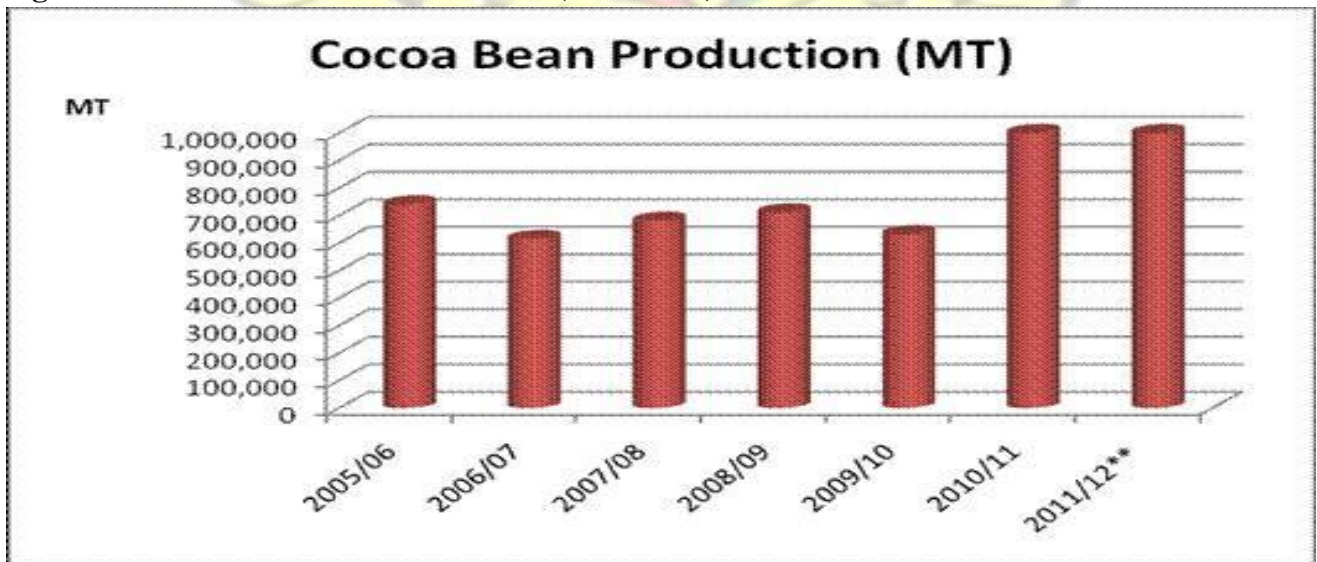
2.4 Trend and impact of Cocoa Production in Ghana

Cote D'Ivoire and Ghana continues to be the leading producing countries of Cocoa in the world market. The splendid performance of these two countries had been noticed since 2000. For instance, over the last 10 years, Africa has firmly established itself as the leading cocoa supplier.

Much of this growth has come from Ghana, which achieved the largest increase in output (up by 269,000 tons) and the second biggest producer after Cote d'Ivoire, representing 21% of global

production (World Cocoa Foundation, 2010). In 2009 to 2010, annual cocoa production has increased globally reaching 3.6 million to increasingly concentrate in a handful of countries (ICCO, 2010) such as Ghana and Cote D'Ivoire. Another important recent contribution of the cocoa industry in the country is the development of cocoa products. In recent years, because of technology many products have been developed from cocoa. Both cosmetics and consumables alike have been developed from cocoa. A case in point is cocoa butter and chocolate of various kinds. It must be recognized that these aspects of the contribution of cocoa owe much to the technological advancements in the country according to the Institute of Statistical, Social and Economic Research (ISSER, 2005). The ICCO forecasts that annual global production will reach 4.5 million tons by 2013 which it expects will be primarily driven by West Africa (ICCO, 2008). To buttress the fact that Ghana is performing well in the production of cocoa, Figure 2.1 shows the trend in cocoa production from 2005/2006 to 2011/2012.

Figure 2.1: Trends in Cocoa Production (2005-2012)



Source: Ghana Cocoa Board 2009: **Projections

Figure 2.1 depicts that; cocoa production has increased over eight years (from 2005/2006 to

2011/2012). From the figure, cocoa production has been increasing from over 700, 0000 tons in 2005/2006 to over 900,000 tons in 2011/2012.

2.5 Liberalisation of the Internal Marketing of Cocoa in Ghana

In looking at the increasing production of cocoa in Ghana, various governments have implemented reforms in the cocoa industry aimed at reducing waste in the Ghana Cocoa Board (COCOBOD) system and passing on Savings in the form of higher producer prices to cocoa farmers. For instance, under the Agricultural Sector Adjustment Program (AAP), the Government implemented additional reforms also aimed at creating a competitive domestic cocoa marketing system to further reduce marketing costs and consequently improve producer incentives and thereby increase output and exports (Anon, 1999). In June 1993, COCOBOD adopted the multiple cocoa purchasing systems for internal marketing of the commodity as a means of introducing competition. The legal framework for this was spelt out in the “Regulations and Guidelines for the Privatisation of the Internal Marketing of Cocoa” (Essegbey and Gyamfi, 2002). The decision to adopt the multiple buying systems was really a major step in the reformation of the cocoa sector which was at that time being buffeted by certain challenges making it slide down in competitiveness (Essegbey and Gyamfi, 2002). The Government settled on allowing LBCs to export 30 percent of their purchases with the remaining 70 percent handled by Cocoa Marketing Company (CMC). This option was on pilot basis to determine whether complete liberalization of the external market would be in Ghana’s interest. The LBCs that were permitted to export 30% of their purchases during the 2001/2002 main crop season all decided to channel their exports through CMC since they did not have the required capacity to undertake the exercise.

Until 1992, Ghana’s cocoa sector was characterised by a marketing system fully controlled by the state owned Cocoa Marketing Board. This system has since been internally deregulated, with a

number of local and foreign owned trading companies, known as LBCs, emerging in all growing areas of cocoa in Ghana. During the 1993/94 light crop season, private buyers were licensed to compete with the Produce Buying Company, a subsidiary of COCOBOD in buying cocoa from farmers. Under the reforms, the Licensed Buying Companies (LBCs) were expected to: raise funds from the Domestic Financial Markets (DFM) to purchase cocoa from farmers; and transport purchased cocoa to designated Points for the Cocoa Marketing Company (CMC) to takeover for reimbursement. It turned out that the LBCs were unable to raise enough funds for their operations due to their inability to put up adequate collateral for their funding requirements. To circumvent this problem, COCOBOD decided to give LBCs seed fund which was redeemed with cocoa purchased from farmers. Thus the internal marketing of cocoa has been liberalised since then while the external marketing remained the preserve of CMC (Anon, 1999).

A key feature of the Ghanaian cocoa marketing system is that the COCOBOD continues to fix the floor price for all domestic purchases of the crop: although all LBCs are legally entitled to buy the crop at a price above the one announced by the board, the premium prices are rarely paid and of little value. Competition among buying companies comes from the volume of total purchases, and is generated mainly through non-price strategies (for example, prompt cash payment and greater, but ad hoc, provision of input subsidies and credit) (Anthonio and Aikins, 2009). Currently, the Ghana Government only holds about 37% share of PBC. The Social Security and National Insurance Trust (SSNIT) holds 38% of the shares and others comprising institutions and individuals hold 25%. In Ghana, there are approximately 2,700 locations where cocoa is bought by the LBCs, then checked, graded, bagged and uniquely sealed by the stateowned Quality Control Division (QCD). These buying centres are geographically located in approximate proportion to the quantity of cocoa produced in each region. They have regular opening hours and

are operated by the LBCs, who employ purchasing clerks from the local communities to pay farmers the official producer price. From the centres, the cocoa is taken to the district depots (collection points). Once an adequate quantity of sealed cocoa is available, the LBCs will transport cocoa to one of three takeover points where, subject to passing a final quality control, the beans are bought by the government-owned export subsidiary, the Cocoa Marketing Company (CMC), at a fixed price and buyers' margin. Ghana stands out for its high export margins, nearly double the Ivorian ones, and almost five times higher than those applied in the rest of the world. This could partly explain why Ghanaian cocoa farmers have been receiving a lower share of the world price than farmers in other regions (Vigneri and Santos, 2007).

2.6 Licensing Buying Companies (LBCs) in Ghana

Farmers sell their cocoa to Licensed Buying Companies (LBCs) regulated by COCOBOD. These privately owned and operated businesses are responsible for purchasing the cocoa at farmgate at a guaranteed floor price (i.e., the 'producer price') and for transporting it to one of three takeover points to sell at a fixed price to COCOBOD for export. They also share responsibility in delivering only cocoa that meets COCOBOD's stringent quality standards. Strict rules govern their buying activities. Quality Control Division (QCD) are required to grade the beans for size and quality. They are also required to ensure that the beans have been properly dried after fermentation. Once the bag is sealed, the cocoa remains in the custody of the buyer until it is taken over by COCOBOD (World Bank, 2011).

LBCs' revenues are based on volumes of cocoa marketed. Since LBCs face a floor price for farmers and a fixed sale price from COCOBOD, they effectively receive a set amount of revenue per quantity of cocoa delivered. Under this system, LBCs seek to maximize their profits by maximising the bean volumes they purchase while minimising 'turnaround' times, or the period

from the purchase of the beans at farmgate to the selling of the beans at the takeover centers. At the start of the buying season, each LBC receives a subsidized rate-loan based on their market share from COCOBOD to be used exclusively for cocoa marketing purposes (World Bank, 2011).

The number of registered LBCs has been steadily growing since domestic marketing was opened up to competition beginning in the early 1990s. Today, there are 28 registered LBCs in Ghana (COCOBOD, 2009). PBC remain the largest buyer of cocoa in Ghana. It also acts as a buyer of ‘last resort’ since it has been mandated to procure cocoa even from low production areas. Table 2.1 shows the share of cocoa purchase by LBCs (2008-2009).

Table 2.2: Share of Cocoa Purchases by LBCs (2008-2009)

Licensing Buying Company (LBCs)	Percentage
Producing Buying Company Ltd	35%
Adwumapa Buyers Ltd	8%
Federated Commodity Ltd	6%
Akuafo Adamfo Marketing Company Ltd	23%
Olam	8%
Others	20%

Source: COCOBOD Annual Report, 2009

The purchasing of cocoa and its evacuation from the cocoa villages is a daunting task which has implications for the political economy of the crop. The role of the LBCs in tackling this task determines to a large extent the success of reaching the global market with Ghana’s cocoa. The largest Licensed Buying Company, the Produce Buying Company Ltd. (PBC) used to be a subsidiary of the COCOBOD. It used to enjoy monopoly in the purchasing of all cocoa produced by the farmers. However, the reforms which began in the 1990s came with the de- regulation of the cocoa sector and liberalized cocoa purchases (Essegbey and Gyamfi, 2002).PBC remains a formidable enterprise and was in 2011 adjudged the topmost company in Ghana’s Club 100 which

ranks the top 100 companies in the country including the banks and industrial companies whether local or international (Essegbey and Gyamfi, 2002).

2.7 Role of Licensing Buying Companies in Ghana

Licensing Buying Companies (LCBs) in Ghana play a major role in improving the livelihood of farmers. Their roles are seen in the provision of sales promotions to increase the purchase of cocoa.

The following are the roles of LBCs in cocoa purchases in Ghana.

2.7.1 Provision of Credit Union to Farmers:

Fold (2008) provides a detailed account of how these companies operate and compete with one another across the cocoa belt. One of these is KuapaKokoo, which is unique in that it operates on fair trade principles, and has had an impressive geographical expansion since its foundation in 1993. One of the direct benefits that this LBC has brought about is its Credit Union scheme which has promoted the level of savings among farmer members by enabling them to access credit at competitive rates (Tiffen et al., 2004).

2.7.2 Capacity Building Programmes for Farmers and PCs:

According to Owusu (2010), LBCs such as the Adwumapa Buyers Limited has instituted capacity building programmes in cocoa communities to train and sensitise farmers to produce good quality cocoa beans. Sensitisation programmes are organised at the society (community) levels to educate farmers through District managers and the purchasing clerks (PCs). During these sessions, farmers are taught application of agrochemicals, quality control of beans, COCOBOD and other government issues regarding farmers' welfare such as COCOBOD scholarship, NHIS, SSNIT scheme and mass spraying.

2.7.3 Provision of Incentives to Farmers:

LBCs such as the Adwumapa Buyers Limited, PBC, Armajaro, OLAM and Akuafo Adamfo provide incentives to farmers in the form of cloths, soaps, books, pencils and pens, salt and so on. The most prominent in this is the Produce Buying Company. Some of these incentives also include the timely supply of subsidised fertilizers and other agrochemicals to farmers on credit basis. They also provide credit facilities and community facilities to farmers. The PCs also supplement the efforts of the companies by providing tokens and gifts to farmers who sell more of their produce to them. Since most of the incentives come from the companies, farmers have the feeling of sustainability of these incentive packages and thus sell their produce to them (Owusu 2010).

2.7.4 On-farm Support:

Conventional cocoa spraying in Ghana lies in the hands of the government. However, to attract farmers in some cocoa district, LBCs such as the Adwumapa Buyers Limited, through its Purchasing Clerks, buys chemicals and sprays the cocoa farms of farmers in their respective societies. Again, to facilitate the marketing process, PCs help farmers in harvesting and drying their cocoa (Owusu, 2010).

2.7.5 Kuapa Kookoo and its Fair Trade venture:

Another Corporate social activity in the cocoa marketing subsector is the Fair Trade cocoa venture between the Ghanaian cooperative KuapaKokoo and Cadbury Chocolate Company in the U.K. (Jones 2002; Tiffen, 2002). In this Fair Trade arrangements, the farmers in the cooperative receive a 'fair' minimum (floor) farmgate price and their community's a 'social premium' that is invested in community development projects through the KuapaKokoo Farmers Trust (Jones et. al., 2002; Oxfam, 2004b). Higher prices and funded community projects presumably increase the welfare of the cocoa farmers and their communities (Abbott et. al. 2005).

2.8 Cocoa Marketing Structures in Ghana

Farmers take their cocoa to buying centres, operated by the Ghana Cocoa Board (COCOBOD).

Cocobod operates subsidiary organisations throughout the marketing chain, including the Produce Buying Company (PBC) and Cocoa Marketing Company (CMC). The cocoa is weighed on certified scales. The Quality Control Division (QCD) then grades and seals it into export sacks.

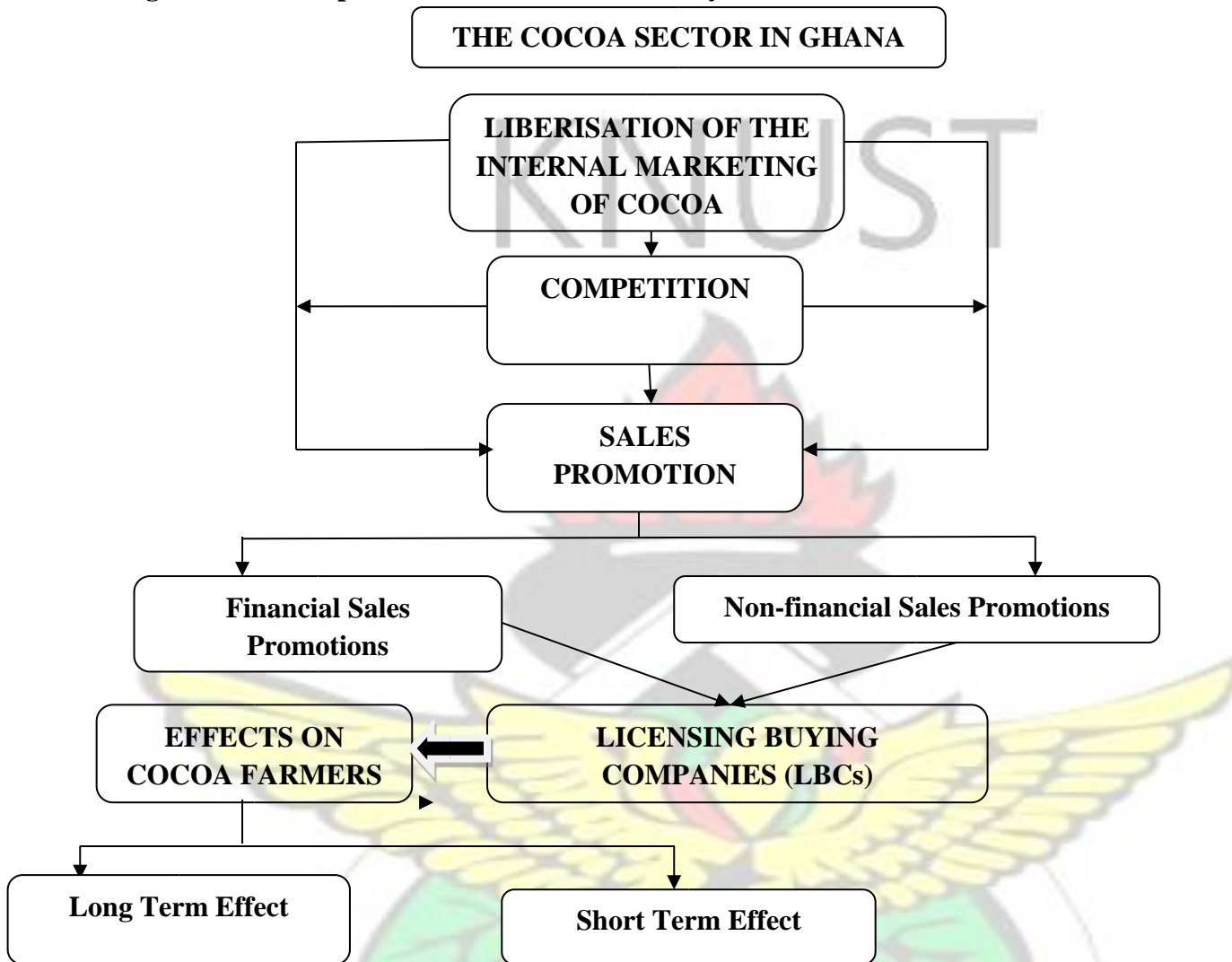
The cocoa is then taken to 'take-over points', such as Tema port, where it is sold to the CMC at a fixed price. A few licensed companies may be able to export up to 30 percent of their crop directly.

Farmers may also sell their cocoa to co-operatives, notably KuapaKokoo, that sell to the government in the same way (Anti-Slavery International report 2004).

2.9 Development of Conceptual Framework for the Study

The identified variables from the review of literature are used to develop the conceptual framework for the study. The framework is developed through the review of literature on liberalisation and sales promotional programmes by Licensing Buying Companies (LBCs) in Ghana. According to the diagram (figure 2.3), the Ghana Cocoa sector was liberalised to introduce competition in the marketing of cocoa by different Licensing Buying Companies (LBCs). The competitive nature of the marketing system had resulted to the adoption of promotional strategies as incentives to control the market. These promotion strategies are adopted by the LBCs in the form of financial and non-financial incentives to win the loyalty of farmers to sell their produce to them. These sales promotional strategies have a short and long term effect on the farmers. In the short term, farmers shift their attention to a particular LBC providing the incentives while the long term effect is for the cocoa farmer to stick to a particular company. Figure 2.3 depicts the conceptual framework for the study.

Figure 2.3: Conceptual Framework for the Study



Source: Authors Construct, March, 2013

2.10 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 (Kwok and Uncles, 2005). Narasimhan et al., (1996) posited that promotions typically cause a large bump in shortterm 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). Farmers in turn maintain loyalty to buyers who provide such incentives and cash rewards.

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

Some researches prove that sales promotions do not have a constant or continued effect on volume of purchase/sales which tend to diminish and come at the initial level at which it was before the sales promotion is being offered (Pauwels et al. 2002; Srinivasan et al. 2000). Research conducted

by Ailawadi and Neslin (1998) revealed that sales promotions motivate the clients or producers (cocoa farmers) to make immediate sale/purchases of goods and also positively impacts the purchase/sales volume. A research was conducted by Dekimpe et al., (1999) on four different product categories to find out the permanent and temporary effects of sales promotions on sales volume. Their research has proved that there are rarely any permanent effects of sales promotions on the volume of purchase/sales of a product- thus, showing that sales promotion does not change the structure of purchase/sales over the long run.

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



CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Methodology is a body of knowledge that enables researchers to explain and analyse methods – indicating their limitations and resources, identifying their presumptions and consequences, and relating their potentialities to research advances. Moreover, it underpins the types of questions that can be addressed and the nature of the evidence that is generated (Saunders *et al.*, 2007). Thus, the issue of research methodology is important to any study. This chapter presents the scientific and analytical framework for the study. The chapter involves the approaches and methods used for the study. The research design adopted and the processes involved in conducting the research are presented and discussed in this chapter. Data collection tools and instruments as well as methods of presentation and reporting of findings are also presented. This chapter is relevant to the study because it shows how the research would be conducted to obtain empirical evidence from the field.

In trying to assess the effects of sales promotion on the sales of cocoa in Ghana demands an approach that combines fieldwork, uses multiple sources of data (triangulation) and gives a holistic account. All these are more characteristic of qualitative research (Creswell, 2011), hence the adoption of a more qualitative approach for this study. Qualitative research is used if a concept or phenomenon needs to be understood because little research has been done on it (Creswell, 2009). This study identified research gaps on studies of Sales promotions on the purchase of cocoa by farmers in Ghana. Moreover, Qualitative research is seen as a social phenomenon being investigated from the participant's viewpoint. In this study, the researcher works at the cocoa industry and therefore knows more about farmers incentive programmes used by Licensing Buying Companies.

3.2 Research Design

One of the important components of a methodology is the research design as it provides an overall guidance for the collection and analysis of data of a study (Churchill, 1998). With regards to this, the case study was used as a research design for this study. A case study was used to investigate into a phenomenon to give generalisation of that phenomenon. The use of case study has generated critical opprobrium from “conventional wisdom” that holds that “general, theoretical (context-independent) knowledge is more valuable than concrete, practical (contextdependent) knowledge”; case studies are not generalisable; there is “bias toward verification”; and difficulty in trying “to summarize and develop general propositions and theories on the basis of specific case studies” (Flyvbjerg 2006: p. 221). However, in refuting such claims, Flyvbjerg (2006: p. 224) indicates that context-dependent knowledge (case study) is “more valuable than the vain search for predictive theories”, which are impossible to achieve in social science disciplines. He also indicates that the received wisdom that case studies are non-generalisable is unfounded citing the use of single cases by Newton, Galileo and others for scientific generalisation and that “[even if] knowledge cannot be formally generalized [it] does not mean that it cannot enter into the collective process of knowledge accumulation in a given field or in a society” (ibid.: p. 227). Thus the choice of the case study design is justified by the above, and reinforced by the case in question.

The Wassa Amenfi East District is a cocoa district sharing similar characteristics with the other districts in the region and most of the cocoa producing areas in Ghana. Again, the district used the same marketing structure, system and process and thus findings from the district may not deviate from the nationwide trend as to render it non-generalisable. Again, the study did an indepth review on the subject in Ghana to augment and validate empirical findings. Moreover, the study adopted

a more scientific method in collecting and analysing data for presentation. This made the findings of the study both valid and reliable.

3.3 Research Population

In looking at the heterogeneous nature of the population, the research cannot study all the population and therefore it was limited to cocoa farmers, the Purchasing Clerks (PCs), Quality Control Division (QCD) and the Licensing Buying Companies (LBCs) in the Wassa Amenfi East District. 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.

3.4 Sample Size and Technique

The study used four main units of enquiries as indicated in Table 3.1. Three sampling techniques were used to select the sample for data collection. These included Purposive, Simple Random Sampling and Quota Sampling techniques. Purposive Sampling was used to select officers from the Quality Control Division (QCD) in the district and LBCs for interviews. Here, the district manager and staff were interviewed. Quota Sampling was used to select the Purchasing Clerks (PCs) for the various LBCs. Here, the sample was calculated using the mathematical formula below and then selected proportionally. Also, simple random sampling was used to select cocoa farmers in the District. Here, the sample for the cocoa farmers was determined using the formula below. Simple random sampling technique involves giving every subject a chance of being interviewed and hence, the selection was done irrespective of the religion, sex or the socioeconomic status of the person.

3.4.1 Sample size for Cocoa Farmers

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

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

KNUST

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

N =Number of Cocoa Farmers (33,524) e = 8%
margin of error (92% confidence interval)

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

4.4.2 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)

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

approximately

3.4.3 Categories of Respondents

Data for the study was collected from four types of respondents. These include Cocoa Farmers, Purchasing Clerks, District Managers of LBCs and the office of the Quality Control Division. In all, 268 respondents were interviewed during the field survey. The categories of respondents interviewed for the study are indicated in Table 3.1.

Table 3.1: Categories of Respondents

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

Source: Field Survey, WAED, June, 2013.

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 chapter.

3.5 Research Instruments

This section of the study looks at the research instrument used to collect data. These include questionnaires and interviews.

3.5.1 Data Collection Instruments

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 Wassa Grumesa, 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 researcher took into consideration ethical issues so the study did not encounter any crucial ethical problems. The researcher sought the consent of informants before interviews began. Again, the researcher informed participants about the purpose of the study and ensure them of the confidentiality of their responses. The researcher anonymised responses to protect the interest of respondents.

3.5.2 Source of Data Collection

The study used both primary and secondary data. Primary data was collected through a field survey. Here, formal interviews were conducted to obtain empirical data from the field. Primary data contributed to the researcher's ability to address the most important issues in the present context carried out. Secondary data was collected through desk studies and internet exploration. Here libraries and the internet were visited to collect secondary data relevant to this study. The

secondary data provides solid theoretical foundation for the study. Primary data used for this study are summarised in Table 3.2.

Table 3.2: Data needs and Source

Unit of Enquiry (Data Sources)	Categories of Data	Survey Instrument	Number of Respondents
Farmers	<ul style="list-style-type: none"> <input type="checkbox"/> LBCs patronised in by farmers and reasons for patronage <input type="checkbox"/> Forms and frequencies of promotional packages <input type="checkbox"/> Effects sales promotions <input type="checkbox"/> Problems associated with sales promotions 	Questionnaires and Interview Guide	155
Purchasing Clerks	<ul style="list-style-type: none"> <input type="checkbox"/> LBCs PCs work for and reasons <input type="checkbox"/> Number of trusted farmers (customers) <input type="checkbox"/> Forms and Frequencies of sales promotions <input type="checkbox"/> Procedure for incentivegiving <input type="checkbox"/> (sales promotion) Effects of Sales promotions <input type="checkbox"/> Challenges of sales promotions 	Questionnaires and Interview Guide	98

LBCs	<ul style="list-style-type: none"> <input type="checkbox"/> Market share of LBCs <input type="checkbox"/> Roles in cocoa buying in the district <input type="checkbox"/> Number of farmers and PCs under LBCs <input type="checkbox"/> Types and frequencies of sales promotions <input type="checkbox"/> Procedure of incentive giving (sales promotions) <input type="checkbox"/> Institutional structures/mechanisms for providing incentives (sales promotions) to farmers <input type="checkbox"/> Monitoring of incentives (sales promotions) to track effects <input type="checkbox"/> Effects of sales promotions <input type="checkbox"/> Challenges of sales promotions <input type="checkbox"/> Ways of dealing with challenges 	Questionnaires and Interview Guide	14
Quality Control Division of COCOBOD	<ul style="list-style-type: none"> <input type="checkbox"/> LBCs in the district <input type="checkbox"/> Market share of LBCs <input type="checkbox"/> Incentive packages of LBCs and their effects <input type="checkbox"/> Challenges of the use of incentives in the district. 	Questionnaires and Interview Guide	1

Source: Author's Construct, May 2012.

3.6 Data Presentation and Analysis

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

Qualitative research was used purposely for describing, explaining, and interpreting data collected from the field. Quantitative data collected was also coded using the SPSS software. It was analysed and used to support the qualitative data for clearer understanding of the subject.

The data collected was analysed with the aid of Excel and Statistical Package for Social Scientists (SPSS) computer software to provide descriptive statistics and frequency tables, and bar graphs etc.

3.7 Report Generation and Presentation

Findings from the research were reported using a combination of varied approaches and techniques. Results from the study were discussed in line with the research aims and objectives. Qualitative analysis was done for each main theme and was supported with statistical presentation of actual results of responses in frequency tables and charts. The major findings were also summarised in line with objectives of the study and recommendations made for the improvement of cocoa marketing.

3.8 Profile of Wassa Amenfi East District

The Wassa Amenfi East District was established by legislative Instrument (LI) 1788 and was inaugurated on 27th of August 2004. It has Wassa Akropong as its District Capital.

3.8.1 Geo-Physical Characteristics

Location and Size

The District is located in the middle part of the Western Region of Ghana. It lies between latitudes 5, 30` N, 6, 15` N, longitudes 1, 45` W, and 2, 11` W. It has an estimated total land area of about 16000 square kilometers; about 8% of the size of the region. It is bounded to the west by Wassa Amenfi West; to the East by Mpohor Wassa East, to the North by Upper and Lower Denkyira and to the south by Wassa West District.

Climate

The district falls within the wettest part of the Country. Average annual rainfall ranges between 140 mm to 173 mm. Occasional extremes may reach 211 mm. There are two main rainfall regimes. The first one starts from March and ends in July. The second starts from September to early part of December. Temperatures are generally high in most parts of the year ranging from 24⁰ – 29⁰ (75⁰f – 83⁰f). The maximum temperatures are experienced in March and the coolest month is August.

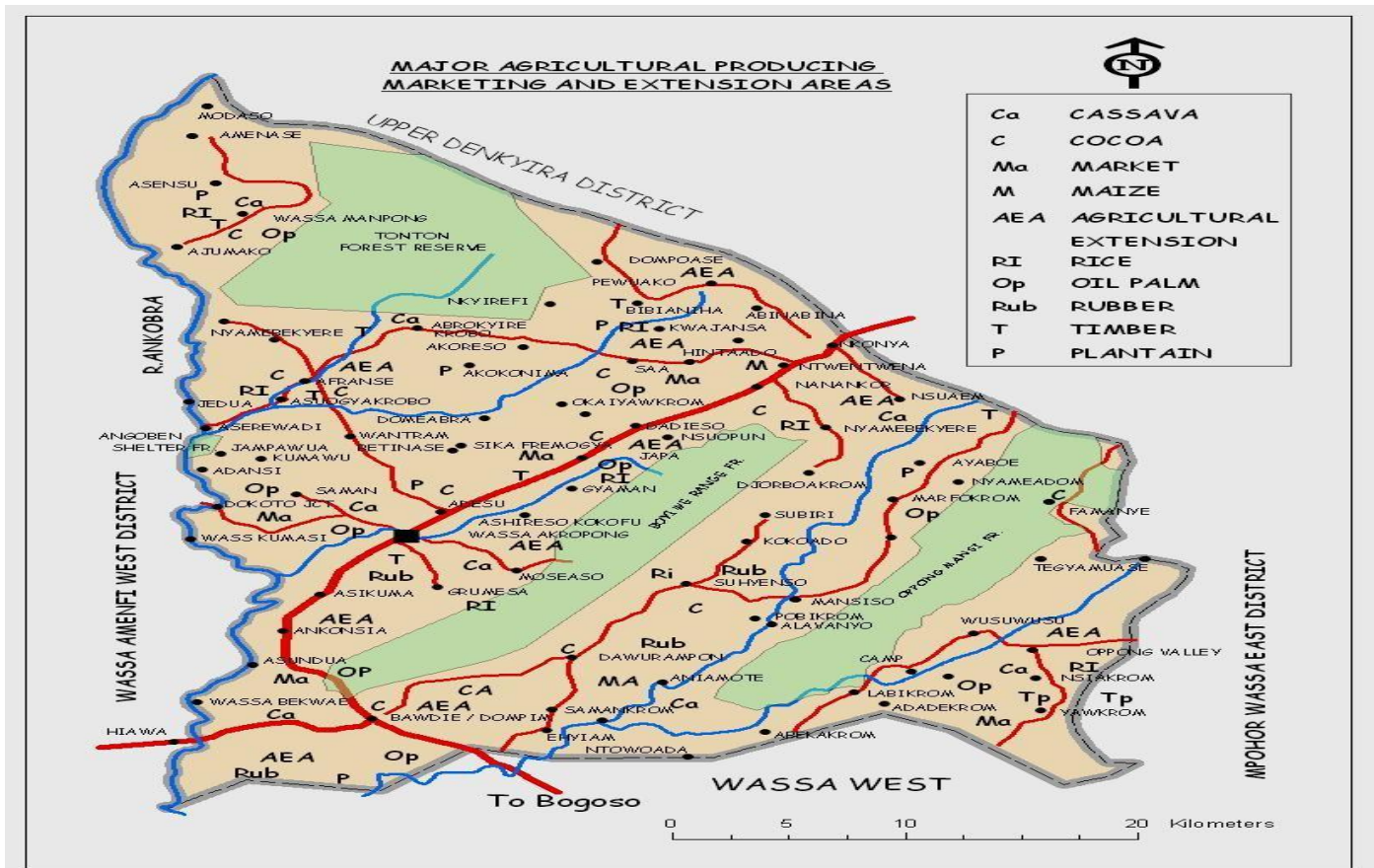
3.8.2 Population Characteristics

The District has an estimated total population of about 115,092(i.e. 41% of the total population of the former Wassa Amenfi District). The population of the District is very youthful (under 15), accounting for about 42% of the total population. This reveals a common characteristic of rural communities in third world countries.

3.8.3 The District Economy (Production and Gainful Employment)

Agriculture is the mainstay in the District coupled with mining activities. Agriculture alone employs about 80% of the active labour-force. Cash crops grown are mostly cocoa, coffee, oil palm, plantain, and cassava. Major food crops include plantain, cassava, cocoyam, maize, rice, garden eggs, tomatoes, and pepper. About 70% of farmers use family hands for farming, the rest using hired labour and the 'Nnobia' system. There is not much of mechanized agriculture. The common farm practices are the traditional slash and burn. Indigenous methods like bush fallowing and shifting cultivation are rampant. Figure 3.1 shows the major agricultural produce in the district.

Figure 3.1: Major Agricultural Produce



Source: District Medium Term Development Plan (2010-2013),



CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter narrows down the discussion of the issue of Sales Promotion in cocoa marketing in Ghana using data from the field. The major components of the chapter include key role players in cocoa marketing and their operations, Sales Promotion Packages of LBCs in the District, the effects of these packages and the challenges faced in Sales Promotion in the Wassa Amenfi East District. The analysis done in this chapter helped in answering the research questions posed by the study and thus the chapter forms the fulcrum of the study. The participation level of the respondents was satisfactory. The farmers, Purchasing Clerks and managers of the Licensing Buying Companies gave us the maximum co-operation in answering the questionnaires. In all, the response rate for the fourteen (14) LBCs in the District was 100%. Also, for the Purchasing Clerks (PCs), the response rate was 95% while that of farmers was 98%.

4.2 Operations of Farmers in Cocoa Marketing in the District

4.2.1 Demographic Characteristics of Cocoa Farmers

Demographic characteristics consist of the age, sex and educational background of respondents. This section of the chapter is relevant to the study because it gives a true picture of cocoa farmers interviewed in the various communities in the Wassa Amenfi East district. The respondents (cocoa farmers) were from diverse background with different characteristics and therefore the researcher wanted to know a little more about the respondents in terms of their ages, and gender. Table 4.1 presents the age and sex characteristics of farmers interviewed in the district.

Table 4.1: Age and Gender of Respondents

Age	Gender	Total	
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	Male	Female		Percentages (%)
20 years and below	3	1	4	2.5
21-30 years	24	15	39	25.2
31-40 years	33	37	70	45.2
41-50 years	14	9	23	14.8
51-60 years	11	8	19	12.3
Total	85	70	155	100

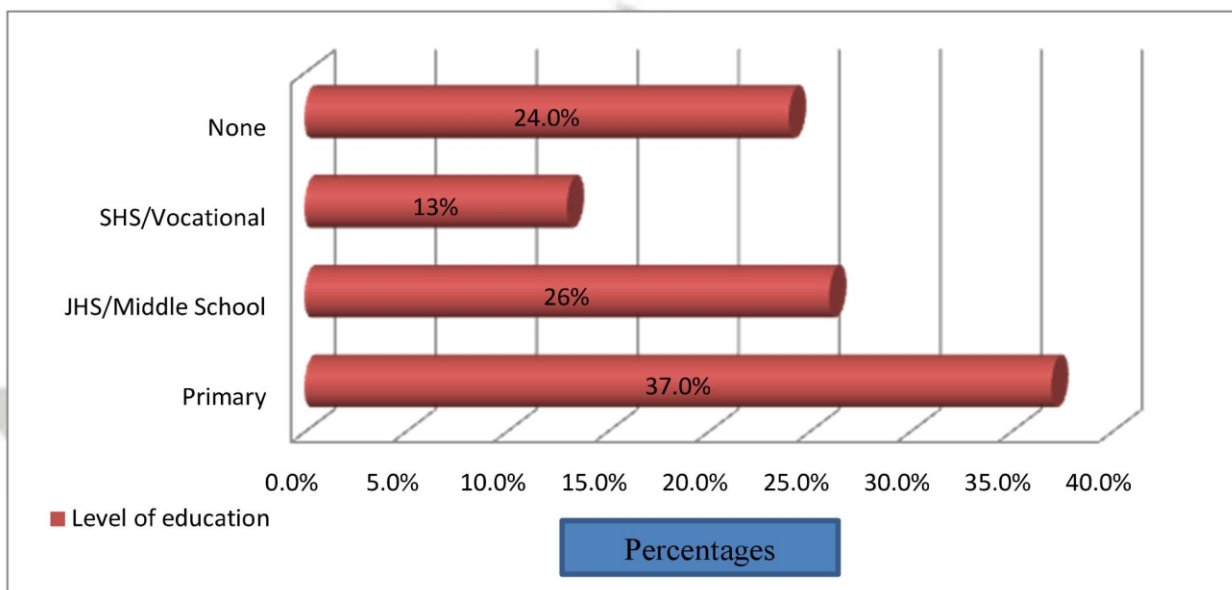
Source: Field Survey, WAED, June, 2013.

Out of one hundred and fifty-five (155) farmers interviewed, it was realised that more farmers are in the cohort of 31-40 years with only 4 percent in the age cohort of 20 years and below. Though the district has a youth population of about 42 percent of the total population, it can be inferred from the above that more youths are not engaged in cocoa production in the district and this could have a negative implication on cocoa production should the trend remain the same for a long period. The survey conducted also revealed that 54 percent of the respondents are males with the remaining 46 percent being females. This clearly portrays the true picture of a district with a population of about 115,092 people comprising of about 56% of males. The situation can partly be attributed to the fact that the district is a cocoa and mining district and these activities (especially, galamsey) attract more males to the district. Moreover, the survey revealed that majority (37 percent) of farmers interviewed has been to only primary school while 24 percent have never been to school. Figure 4.1 shows the educational background of cocoa farmers in the district.

Figure 4.1 indicates that only 13 percent of the farmers have attained Senior High School and/or vocational level of education. Also, 26 percent of farmers have been to Junior High School and/or Middle school. This implies that the level of education of farmers in the district is low and this could have effects on farming practices. The application of fertilizers and other

chemicals such as weedicide and pesticide demands someone who can read so as to apply accordingly. Farmers could be influenced by the sales promotions if it goes with educating them on the use of those promotional items provided by the LBCs. For instance, the supply of fertilizers to farmers coupled with other services such as the use or its right application could influence farmers due to their low educational background.

Figure 4.1: Educational Background of Cocoa Farmers in the District



Source: Field Survey, WAED, June, 2013

4.2.2 Farm Size and Yearly Outputs of Cocoa of Farmers

Since the study investigates into cocoa marketing of LBCs and farmers, it was necessary to look at the farm size each farmer cultivates and the average number of bags produced in the two cocoa major seasons. Table 4.2 shows the size of farms of cocoa farmers and yearly output.

Table 4.2: Farm Size and Yearly Output of Cocoa

Farm size	Number of Cocoa Farmers	Percentage (%)	Average Output per year (Bags)

1-2 acres	33	21.3	1-5 bags
2-3 acres	29	18.7	5-10 bags
3-5 acres	34	21.9	10-20 bags
5-10 acres	31	20.0	30-50 bags
10 acres above and	28	18.1	More than 50 bags
Total	155	100	

Source: Field Survey, WAED, June, 2013

It can be deduced from Table 4.2 that there is correlation between the size of farms and production of cocoa. Majority (21.9) of farmers cultivate on 3-5 acres of land with an average output of 10-20 bags of cocoa. Farmers who cultivate on more than 10 acres of land averagely produce more than 50 bags of cocoa annually. On the other hand, a farmer who cultivates on 5-10 acres of land produces an average of 30-50 bags of cocoa yearly. Also, farmers who cultivate on 1-2 acres of land produce an average of 1-5 bags of cocoa yearly.

4.3 The Operations of Purchasing Clerks (PCs) in the District

4.3.1 Demographic characteristics of PCs

The purchase of cocoa at the society level is a predominantly male business. Of the 98 PCs interviewed, only three (3) were females. The situation is mainly due to the difficulty involved in the business. Moreover, most PCs are adults aged 30 years and above. The business requires initial capital which only the adults – and mostly men – can afford. Table 4.3 below summarises the age and sex of the PCs interviewed for the study.

Table 4.3: Age-Sex distribution of PCs

Age	Male	Female	Total	Percent
20-29	12	0	12	12.2
30-39	27	1	28	28.6
40-49	29	2	31	31.6
50+	27	0	27	27.6
Total	95	3	98	100.0

Source: Field Survey, WAED, June, 2013

4.3.2 Selection and experience of PCs

As indicated above, the Purchasing Clerks are the field staff of the LBCs that actually do the purchasing of the cocoa beans. This implies that on the field, more purchasing clerks for a company guarantees high purchase. However, this assertion is not wholly true since the market share depends on the number and capacities of farmers to Purchasing Clerks.

Purchasing Clerks are the foot soldiers of the LBCs and thus the quality of such personnel cannot be overlooked during their selection. For this matter, the District Managers of the LBCs have instituted some criteria for the choice of Purchasing Clerks. Paramount among these criteria is the ability to provide farms and or/buildings as collateral. For Kuapa Kooko, the PCs are elected every four years. The use of criteria here ensures that companies have the right people who will either stabilize their market stands or better still improve upon it.

Most PCs are able to buy more produce from farmers due to their experience in the cocoa marketing business. That is, the PCs who have been in business for a long time have more experience and could apply the appropriate and timely strategies to buy more per season. Moreover, the number of years a PC has been in the business, among other things, determines the amount of capital the PC has to be able to command a sizeable share of the market. The experience of the PCs of some of the LBCs can be found in Table 4.4. It could be inferred from Table 4.4 that the Produce Buying Company (PBC) has PCs with the highest level of experience. Due to the fact that it is a state company, it has the ability and capacity to retain committed Purchasing Clerks over a long period. Moreover, PBC is a subsidiary of the then Cocoa Marketing Board (CMB), the sole buying company before liberalisation and thus it was able to retain the existing PCs of CMB after liberalisation. Due to this, some of the PCs of PBC in Wassa Amenfi East District have been working since the 1960s. As could be seen later in this chapter, this has reflected in the market share of this LBC.

Table 4.4: Working Experience of Purchasing Clerks in the Wassa Amenfi East District

LBCs	Average number of years spent by PCs in business
Produce Buying Company	18
Adwumapa Buyers Limited	5
Kuapa Kooko	4
Akuafo Adamfo	5
CDH Commodities	4
FEDCO	4
Olam	6
Armajaro	3
Transroyal	3
Sika Aba	6
Diaby	4
Cocoa Merchants Limited	4
Dio Jean	2
Marraie	2

Source: Field Survey, WAED, June, 2013

4.3.3 Average Number of Farmers to PCs

Data from the field indicate that there are variations in terms of the number of farmers PCs trade within the district. The numbers of farmers that are attracted to a particular PC are determined by factors that are discussed later in this chapter. Table 4.5 gives the average number of farmers to PCs for all the LBCs in the district.

Table 4.5: Average Number of Farmers to PCs of LBCs

LBCs	Average number of Farmers per PC
Produce Buying Company	212
Adwumapa Buyers Limited	40
Kuapa Kooko	132
Akuafo Adamfo	30
CDH Commodities	15
FEDCO	14
Olam	31
Armajaro	30
Transroyal	35
Sika Aba	18
Diaby	32
Cocoa Merchants Limited	21

Dio Jean	10
Marraie	11

Source: Field Survey, WAED, June, 2013

Analysis from the field revealed that PCs of PBC have more farmers than all the other PCs in the district. Aside from the PBC, PCs of Kuapa Kookoo have also captured a sizeable share of farmers in the district. PCs indicated that the ability to attract farmers is largely dependent on the PC and depends less on the LBC since most LBCs provide the same types of sales promotion packages.

4.4. Incentive Programmes by LBCs in Cocoa Marketing in the District

4.4.1 Sales Promotion Programmes of LBCs

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

- Capacity Building Programmes for Farmers and PCs: Kuapa Kookoo has instituted 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 are organized to train them on how to increase purchases and customer care, records keeping, banking services, and management of seed fund provided by the company. It also releases handouts to Purchasing Clerks concerning their operations in their various societies. Similarly, sensitization programmes are organized at the society (community) levels to educate farmers through the District managers and the PCs. During these sessions, farmers are taught application of agrochemicals, quality control of beans, COCOBOD and other government issues regarding farmers' welfare such as COCOBOD

scholarship, NHIS, SSNIT scheme and mass spraying. These training programmes attract farmers since they are eager to gain yield improvement skills.

- **Provision of Incentives to Farmers:** The LBCs in the district provide incentives to farmers in the form of cloths, soaps, books, pencils and pens, salt, cutlasses, boots, spraying machines and so on. The most prominent in this is the Produce Buying Company and Kuapa Kookoo. Licensed Buying Companies such as PBC, Armajaro, Akoafo Adamfo and Kuapa Kookoo supply subsidized fertilizers and other agrochemicals to farmers on credit basis. Responses from a Focus Group Discussion indicate that the (early) provision of fertiliser is the most important reasons why they sell their produce to particular LBCs in the district.
- **Motivation of Purchasing Clerks:** Purchasing Clerks of LBCs are provided with various incentive packages to boost their morale. For instance, PCs are paid commission on each bag of cocoa they purchase from farmers. Additionally, some companies such as Akoafo Adamfo and PBC have instituted annual award schemes for best performing PCs in the district.
- **Early Payment of Bonuses and Commissions:** The survey revealed that the LBCs in the district embark on early payment of bonuses and commissions to farmers and PCs respectively. The PBC for instance supplies advance bonuses and commissions to farmers and PCs before the cocoa season. Armajaro and Kuapa Kookoo also provide additional bonuses to farmers, aside the government bonuses. Thus these farmers are always motivated to sell their produce to the companies. It also serves as a mechanism for attracting more farmers and PCs hitherto belonging to other companies.
- **Timely Release of Funds for Purchase of Cocoa:** Seed capital is needed by every PC to be able to offer advance payment or pay farmers instantly. The PBC, Armajaro,

Kuapa Kookoo and Akuafu Adamfo provide timely capital for PCs to work with. Most often, the PBC provides this seed capital in large amount as compared to the other LBCs in the district. By so doing, PCs are able to provide credit facilities and buy more of the cocoa beans ahead of their counterparts in companies such as Adwumapa, FEDCO, Diaby and other prominent LBCs.

- The PBC also assists cocoa farmers in getting COCOBOD Scholarships for their wards. This move usually elicits loyalty from farmers as they all want their wards to be awarded COCOBOD Scholarships. This partly accounts for PBC's large share of the market.
- Provision of Infrastructure: LBCs such as Kuapa Kookoo and PBC have been providing socio-economic infrastructure in the cocoa communities. Kuapa Kookoo has been providing boreholes and school buildings to some communities while PBC has also assisted communities to install solar panels to provide street lights in the communities.
- Formation of a five-member committee: PBC has formed a five member committee in each society to campaign for PCs in their communities. This committee help individual farmers to harvest their crops, transport them from the farm and dry them at the house. This serves as a motivation for the beneficiary farmer to sell his/her produce to the PC of PBC at the particular society. Further, they gather information of the particular demands of farmers and advice the PC accordingly. This ensures that the PC tailors his/her incentive package towards the actual needs of the farmers so as to win them.
- Payment of additional bonuses: LBCs such as Kuapa Kookoo and Armajaro pay additional GH¢2 on every bag of cocoa a farmer sells to each company. This serves as a motivation to the farmers to sell their produce to the companies.

Table 4.6 gives the details of Sales Promotion Packages for each of the fourteen LBCs

operating in the district.

Table 4.6: Sales Promotional Programmes by LBCs

Name of LBC	Type of Sales Promotional Items
Produce Buying Company	Salt, soap, scholarships and fertilizers, solar panel streetlights, construction of bridges, pre-financing, formation of five-member committee at the society level
Olam Ghana Limited	Exercise books, scholarships, distribution of mosquito nets, cutlasses, fertilizers, wellington boots, payment of bonuses
Armajaro Ghana Limited	Fertilizer, soap, provision and repairs of spraying machines, wrist watches, clothing, wellington boots and mosquito nets
Transroyal Ghana Limited	Provision of credits (pre-financing), mosquito nets, fertilizers, and cooking utensils, wellington boots, wrist watches, pre-financing, nose and hand mask
Adwumapa Buyer Company	Fertilizers, soap, payment of bonuses, clothing, exercise books, pens, pencils, and salt
Diaby Company	Annual distribution of soaps, exercise books and salt, Farm inspections and extension and technical advice
Sika Aba Cocoa Company	Fertilizers, soap, cutlasses, weedicides, pesticides
Kuapa Kokoo Company	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
Akuafu Adamfo	Soap, salt, fertilizers, payment of bonuses, exercise books, pens, pencils, spraying machines, clothes, nose and hand mask
CDH Commodity	Soap, salt, fertilizers, payment of bonuses, exercise books, pens, pencils
Federated Commodity Limited (FEDCO)	Soap, salt, fertilizers, exercise books, pre-financing
Cocoa Merchant Company	Soap, salt, fertilizers, payment of bonuses, exercise books, pens, pencils
MARRIE	Soap, Salt, books, pens, pencils, fertilizers
Dio Jean	Soap, Salt, books, pens, pencils, fertilizers

Source: Field Survey, WAED, June, 2013

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

4.4.2 Sales Promotional Programmes of PCs

About 98 percent of farmers revealed that the ability to buy more from farmers has shifted from the popularity of the LBCs to how dynamic, experienced, sociable and resourceful a PC is in a particular society. Thus, apart from the promotional packages LBCs used to attract farmers through the PCs, the PCs independently adopt sales promotional packages to increase their share of the market. These include the following;

- Regular Payment of bonuses; The payment of farmers bonuses are made by the LBCs through the PCs. Some PCs withhold farmers' bonuses or at best delay the release of such bonuses. However, to attract more farmers, other PCs take advantage of this

situation to release bonuses early so as to win more farmers for the next season. Since farmers anticipate that their bonuses will be paid earlier by such PCs they tend to sell their produce to those PCs.

- Supply of fertilizers beside that supplied by the government: The LBCs supply fertilizers to farmers every season. For most of the times, these fertilisers arrive late therefore affecting crop yield. Some PCs therefore use their own resources to supply farmers with bags of fertilisers earlier. With supply of fertiliser being one of the most important determinants of farmers' choice of LBCs, farmers tend to sell their produce to PCs who supply them fertilisers early in the season.
- Pre-financing: The lean season is characterised by widespread financial difficulties for farmers. Farmers usually need some financial assistance right after the lean season to send their wards to school and also for housekeeping. They also need money to manage and prepare their crops for the major season. Thus the PC who is able to provide such financial assistance to such farmers has an upper hand in securing the produce of the farmers in the main season since farmers use their cocoa beans as a surety/collateral for the loans. Though this is not always the case, about 95 percent of PCs interviewed confirmed that the provision of financial assistance do help them to attract and/or retain farmers.
- Good interpersonal relationship: Humans are social beings and the more sociable a PC is to a farmer, to a larger extent, increases the possibility of retaining such a farmer.
- On-farm Support: Conventional cocoa spraying in Ghana lies in the hands of the government. However, to attract farmers in the district, some PCs buy chemicals, spraying machines and spray the cocoa farms of farmers in their respective societies.

Again, to facilitate the marketing process, PCs help farmers in harvesting and drying their cocoa.

- **Good Scaling:** On the national arena, this is the fourth most important reason farmers sell their produce to LBCs. Similarly, in the Wassu Amenfi district, this forms the fourth reason. To some PCs, though the PCs of some LBCs such as Sika Aba Buyers Limited have adjusted their weighing scales, they are relatively better compared to the PCs of the other LBCs. This strategy has brought some level of fairness on the side of the PCs and thus farmers wish to trade with them.
- **Supply of Essential commodities:** It was gathered from the field that LBCs have stopped the provision of essential commodities such as salt, soap, exercise books and so on since, at least, last year. However, some PCs continue to provide such commodities on their own to attract and retain farmers. Items supplied include soap, salt, books, calendars, boots, cutlasses, spraying machines and so on to about 74 percent of PCs; this is a major motivator of farmers. Table 4.7 gives details of the specific Sales Promotion Packages adopted by the PCs for the various LBCs.

Table 4.7: Sales Promotion Activities of PCs of some major LBCs

Name of LBC	Sales promotional Programmes of PCs of LBCs
Produce Buying Company (PBC)	Regular payment of bonuses, supply of fertilizers apart from ones from the government, educational sponsorships, assistance in securing COCOBOD scholarships, good interpersonal relationship, financial assistance, support the improvement of transportation routes, assist in harvesting and transporting cocoa pod, prompt payment and pre-financing
OLAM	Supply of bags of rice
Diaby	Supply of wellington boots and aprons to farmers, early provision of fertilizers

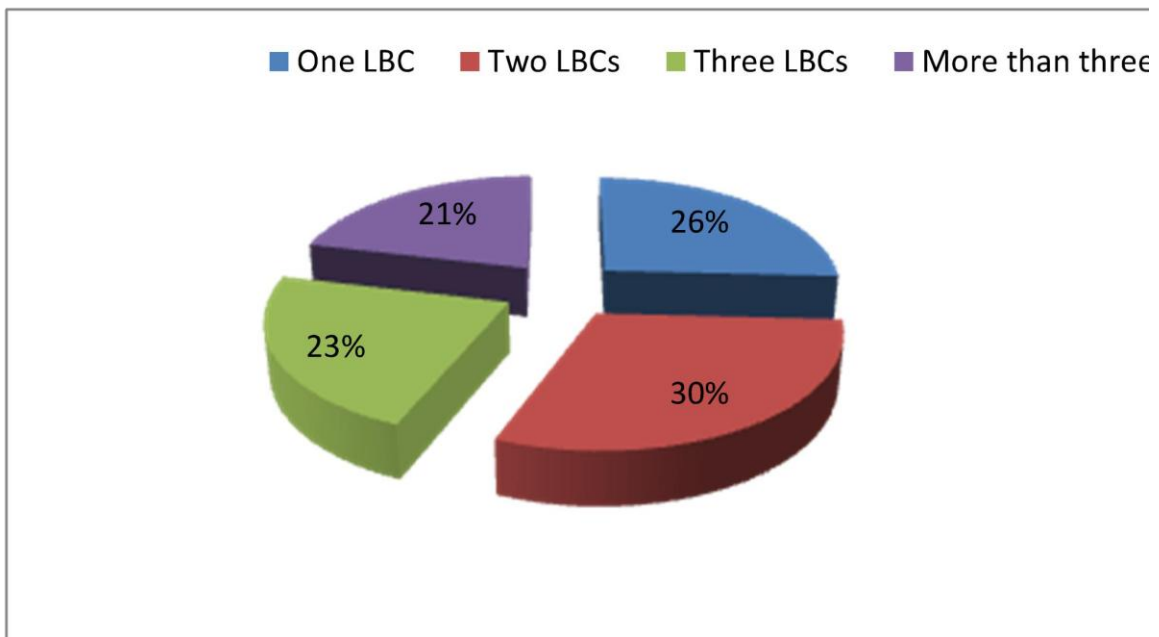
Kuapa Kokoo	Provision of boreholes, wellington boots, cutlasses, bicycles, early supply of fertilizer, link farmers to NGOs, financial assistance
Akuafu Adamfo	Early supply of fertilizer, supply of soaps, prompt payment, financial assistance
Armajaro	Assist farmers in weeding farms, financial assistance, assist in application of scholarships, supply of materials such as calendar and soaps, top-up on bags brought especially during the lean season (15 per bag)
Sika Aba	Financial assistance, good scaling
Adwumapa	Good inter-personal relationship, good scaling, provision of exercise books
CDH Commodity	Good inter-personal relationship, good scaling, provision of exercise books
Federated Commodity Limited (FEDCO)	Good inter-personal relationship, good scaling,
Cocoa Merchant Company	good scaling, provision of pens, soaps, Good inter-personal relationship,
MARRIE	Good inter-personal relationship, good scaling, provision of exercise books
Dio Jean	Good inter-personal relationship, good scaling, provision of exercise books, soaps, pens, pencils
Transroyal Ghana Limited	wellington boots, , pre-financing, Good interpersonal relationship, good scaling, provision of exercise books

Source: Field Survey, WAED, June, 2013

4.4.3 Farmers Choice of Licensing Buying Company (LBCs)

This section of the chapter looks at the number of LBCs farmers usually sell their cocoa to, the reason(s) for choice of LBCs of farmers, what farmers LBCs do that other LBCs do not, and what other LBCs do that farmers' LBCs do not. The study indicated that farmers sell their cocoa beans to different companies (LBCs). Figure 4.3 shows farmer's choice of LBCs in the district.

Figure 4.2: Farmers Choice of LBCs operating in the District



Source: Field Survey, WAED, June, 2013

The study revealed that 40 farmers (26 percent) sell their cocoa beans to only one LBC. On the other hand, 47 farmers (30 percent) sell their cocoa beans to two LBCs while 35 farmers (23 percent) sell their cocoa beans to three LBCs. It was also discovered that 33 farmers (21 percent) sell their cocoa beans to more than three LBCs operating in the district. It was revealed from the survey that farmers sell their cocoa beans to different LBCs. This could imply that farmers' decision to sell to more than one LBC is influenced by the sales promotional strategies adopted by the companies. However, farmers also have some particular LBCs they usually sell their cocoa beans to. It was realised from the survey that farmers usually sell their cocoa beans to companies such as Producing Buying Company

(PBC), Olam, Armajaro Ghana Limited (AGL), Kuapa Kokoo Company, Adwumapa Buyers Limited (ABL), Sika Aba Cocoa Buying Company, Transroyal, and Diaby. Out of these LBCs, the study revealed that about 65 percent of farmers sell their cocoa beans to Produce Buying Company (PBC). The decision of a farmer to sell to a particular LBC is determined by

choice. However, choice or preference is also determined by what a farmer deems important and is provided by a particular LBC. Various reasons were given by farmers concerning their choice of a particular LBC. The reasons are grouped into sales promotional and non-sales promotional incentives. Table 4.8 clearly shows the reasons for farmer’s choice of LBCs.

Table 4.8: Reasons for the Choice of LBCs by Cocoa Farmers

Reasons	Number of Cocoa Farmers	Ranking
Good Human Relation from PCs	56	2 nd
Sales promotional Programmes	122	1 st
Ownership of LBCs	43	3 rd
Proximity to warehouse of PCs	25	5 th
Good Scaling	36	4 th

Source: Field Survey, WAED, June, 2013

Table 4.8 indicates that farmer’s choice of LBC is attributed to factors such as good human relation of Purchasing Clerks (PCs), sales promotional programmes provided by PCs and LBCs, ownership type of LBC, proximity to warehouse of PCs and good scaling. It could be realised that sales promotional programmes is the prominent reason why farmers sell their cocoa beans to LBCs – this forms the crux of the study. This is followed by good human relation of PCs and ownership type of LBC. The other non-promotional programmes could imply that farmer’s decision or choice to sell to a particular LBC is not influenced by only sales promotional programmes.

4.5 Trend of Cocoa Sales from Farmers in the District

Cocoa marketing is a vibrant business in the Wassa Amenfi East District with about 33524 farmers selling their produce to 14 LBCs in the district. The total amount of cocoa beans sold has been fluctuating since 2009/2010. Though the quantity (kg) of cocoa sold increased by 21.5 percent in 2010/2011 over the previous year, sales have been declining since last two years as indicated in Table 4.9.

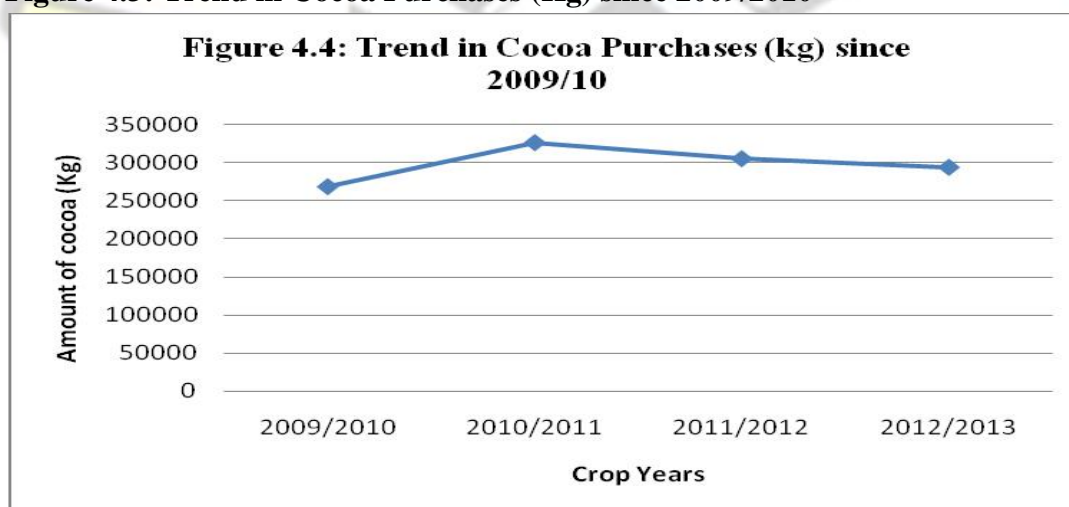
Table 4.9: Cocoa sales in the district since 2009/10 Crop Season

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

Source: Field Survey, WAED, June, 2013

Table 4.9 and Figure 4.4 indicate that cocoa purchases in the district declined by 5.8 percent in 2011/2012 and further by 3.7 percent in 2012/2013. This decline in output can be attributed to the general low production of cocoa in the years in question. The supply of fertilizers to farmers was overly delayed by the LBCs and this affected productivity since farmers had no alternative means to secure fertilizers for their crops.

Figure 4.3: Trend in Cocoa Purchases (Kg) since 2009/2010



Source: Field Survey, WAED, June, 2013

Following PBC are Transroyal Ghana Limited and Akafo Adamfo with each commanding more than 10 percent of the cocoa market in the district. The determinants of the positions or shares of these LBCs are their Sales Promotional Packages and that of their PCs. Table 4.10 shows that percentage market shares of LBCs since 2009/2010.

Table 4.10: Percentage Market Shares of LBCs since 2009/2010

LBC	2009/2010 (%)	2010/2011 (%)	2011/2012 (%)	2012/2013 (%)	Current Position

Produce Buying Company	31.1	26.9	31.4	32.6	1 st
Transroyal	4.9	9.9	14.4	14.3	2 nd
Akuafo Adamfo	13.7	14.6	13.3	13.5	3 rd
Armajaro	8.9	9.6	7.7	7.9	4 th
Kuapa Kooko	3.9	4.9	6.5	7.1	5 th
Adwumapa Buyers Limited	13.5	8.3	6.1	6.0	6 th
Sika Aba	2.1	4.5	4.6	4.5	7 th
Diaby	10.5	7.3	4.7	4.4	8 th
Cocoa Merchants Limited	2.8	3.7	3.5	3.6	9 th
Olam	6.2	6.6	4.0	3.5	10 th
Dio Jean	0.8	1.3	1.3	0.9	11 th
CDH Commodities	0.6	1.2	1.2	0.7	12 th
FEDCO	0.6	0.9	0.9	0.7	13 th
Marraie	0.4	0.3	0.4	0.3	14 th
Total	100.0	100.0	100.0	100.0	-

Source: Field Survey, WAED, June, 2013

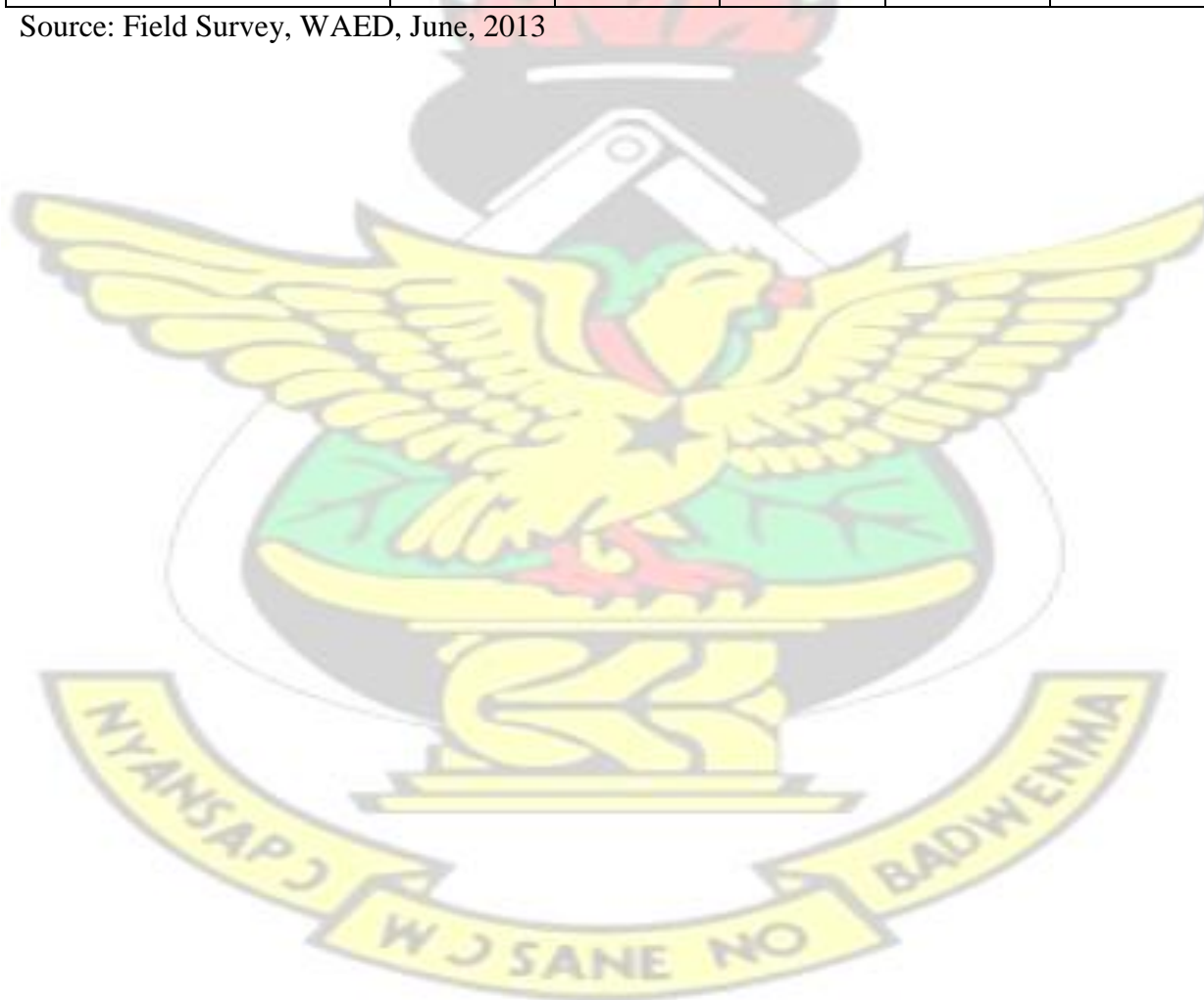
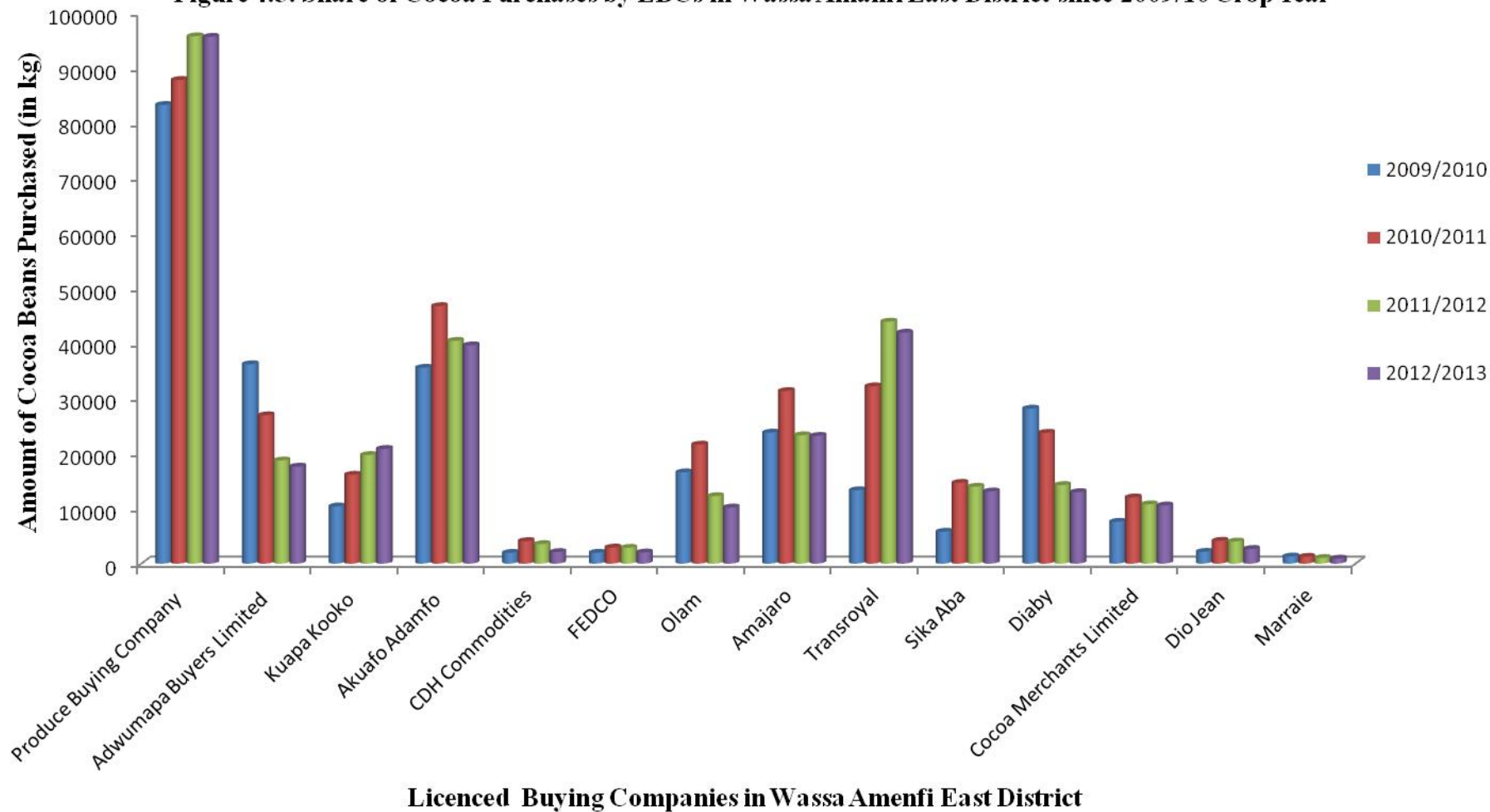


Figure 4.5: Share of Cocoa Purchases by LBCs in Wassa Amanfi East District since 2009/10 Crop Year



Source: Field Survey, WAED, June, 2013



54 KNUST



4.7.1 Number of Farmers to LBCs in the District.

The number of farmers to a particular LBC also determines the amount of cocoa the LBC can buy from a particular cocoa district though this is not always the case since outputs of farmers vary. Table 4.11 below gives the number of farmers LBCs can count as loyal farmers in the district.

Table 4.11: Number of Farmers to LBCs, 2012/2013 Crop Year.

LBC	Number of Farmers
Produce Buying Company	10929
Transroyal	4794
Akuafo Adamfo	4526
Armajaro	2648
Kuapa Kooko	2380
Adwumapa Buyers Limited	2011
Sika Aba	1509
Diaby	1475
Cocoa Merchants Limited	1207
Olam	1173
Dio Jean	302
CDH Commodities	235
FEDCO	234
Marraie	101
Total	33524

Source: Field Survey, WAED, June, 2013

It was revealed from the field that PBC has the highest number of loyal farmers in the district. A comparison of Table 4.11 and Table 4.5 indicates that there is a correlation between the number of farmers an LBC has and the position of that particular LBC in the district. This attraction and retention of farmers can be attributed to the Sales Promotion programmes of the LBC and the marketing strategies of a PC for a particular society. Table 4.12 shows the number of farmers to LBCs and PCs for 2012/2013 crop year.

Table 4.12: Number of farmers to LBCs and PCs for 2012/2013 Crop Year

LBCs	Average number of Farmers to LBCs	Average number of Farmers per PC
Produce Buying Company	10929	212

Adwumapa Buyers Limited	2011	40
Kuapa Kooko	2380	132
Akuafo Adamfo	4526	30
CDH Commodities	235	15
FEDCO	234	14
Olam	1173	31
Armajaro	2648	30
Transroyal	4794	35
Sika Aba	1509	18
Diaby	1475	32
Cocoa Merchants Limited	1207	21
Dio Jean	302	10
Marraie	101	11

Source: Field Survey, WAED, June, 2013

From Table 4.12, it can be deduced that the number of farmers a PC has accumulate to give the total number of farmers to an LBC which invariably determines the position of a particular LBC. By implication, the more farmers a PC has the more the LBC will buy from cocoa farmers and the more the purchases increases all other things being equal. It is indicated from Table 4.12 that Produce Buying Company has the largest number of farmers to PCs and this is also influenced by the number of farmers to PBC. However, the study further indicated that some PCs of LBCs do not have more farmers but the number of farmers to their LBC is more. For instance, Armajaro has thirty (30) farmers per PCs but it is the second largest in terms of number of farmers to the company. This could be implied that Armajaro has more PCs in the district. It could also be attributed to sales promotional strategies and programmes of these LBCs.

4.8 Effects of Sales Promotional Packages of LBCs on Cocoa Purchases

4.8.1 Effects of Sales Promotional Programmes on Farmers Choice of LBCs

The provision of sales promotional programmes has significant impact on farmer's decision or choice to sell their cocoa beans to a particular LBC in the district. According to a Focus Group Discussion with Farmers, it was observed that farmer's choice of LBC depends on the particular sales promotional packages provided. Some sales promotional packages have long term and

short term effects on cocoa purchases. The sales promotional items identified in the study are grouped under farm related sales promotional inputs and non-farm related sales promotional inputs. Non-farm related sales promotional inputs such as salt, soap, watches, cooking utensils etc have short term effects on cocoa purchase of farmers by Licensing Buying Companies in the district. On the other hand, the farm related sales promotional inputs such as fertilizers, weedicides, pesticides, cutlasses, and farm inspections, capacity building programmes and spraying machines have long term effects on cocoa purchase of farmers by LBCs.

According to a Focus Group Discussion with Farmers, it was discovered that farm related sales promotional inputs helps farmers to increase their productivity. Fertilizers coupled with spraying machines to spray their cocoa farms for instance, help farmers to increase their yield. These items have high influence on cocoa purchases and choice of LBCs in the district. It was also observed that LBCs such as Transroyal Ghana Limited, Armajaro Ghana Limited, Akuafu Adamfo and Kuapa supplies farm inputs such as spraying machines and fertiliser to farmers without initial payment. This influenced farmers to sell their cocoa to those companies. There is no doubt that Transroyal and Akuafu Adamfo were the second and third LBCs with the highest purchase of about 41,946 kg and 39,653 kg bags of cocoa from farmers in the year 2013. However, Produce Buying Company (PBC) does not provide enough and consistent sales promotional packages, but hold the highest share of cocoa in the district. In 2013, PBC purchased about 95,677 kg of cocoa from farmers in the district. The reason was attributed to the fact that PBC is a government company and that by selling their cocoa to them, they feel secure. Also, PCs of PBC have good human relationship with farmers. Some PCs provide incentives to their farmers without the support from their LBCs. Farmers obtain loans from PCs without paying any interest, this enticed farmer to sell their cocoa beans to a particular LBC through the PCs. According to a Focus Group Discussion with farmers in Afranse, a community in the district, farmers of PBC for instance have made their decision to sell their cocoa beans to

another LBC if the PC is transferred or stops working with them. This is strong evidence that some PCs have influence on cocoa purchase of farmers in the district. According to farmers, sales promotional programmes affect cocoa purchases and choice of LBC through various ways as shown in Table 4.12.

Table 4.12: Sales Promotions and their Effects on Cocoa Purchases

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 st
It serves as motivations which convinced or encouraged them to sell their cocoa	48	2 nd
Sales promotional programmes reduces their expenditure and saves money	34	4 th
It shows that LBCs care about farmers	21	6 th
Sales promotional packages such as mosquito nets improve their health conditions	33	5 th
Farmers keep LBCs in remembrance during the cocoa seasons through sales promotional programmes	44	3 rd
Farmers develop trust in LBCs through sales promotional programmes	13	8 th
Sales promotional programmes are promising incentives	19	7 th

Source: Field Survey, WAED, June, 2013

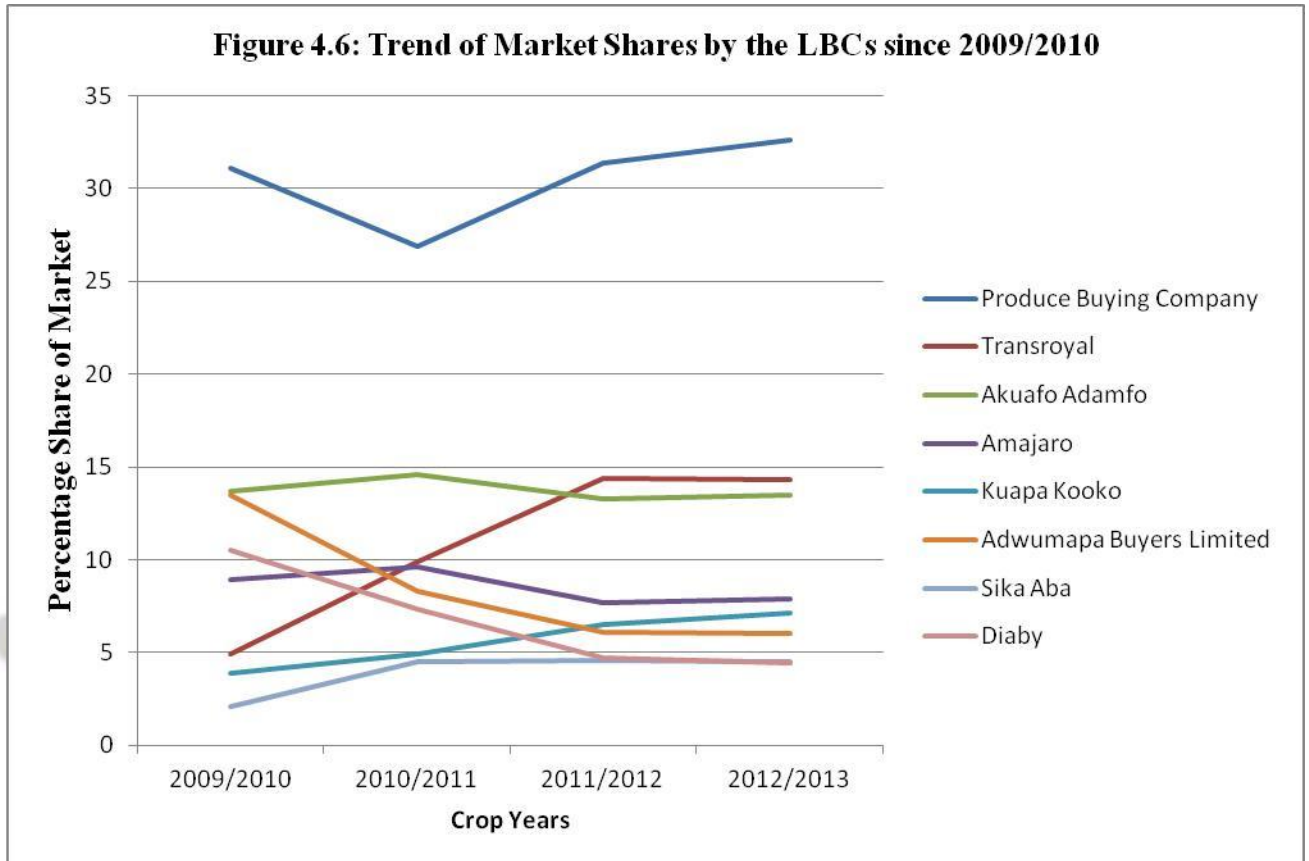
From the above discussion, it can be concluded that sales promotional programmes by Licensing Buying Companies (LBCs) have much effect on cocoa sales of farmers in the Wassa Amenfi East District. Majority of farmers (57) said that sales promotional programmes are like baits which attract them to sell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

4.8.2 Effects of Sales Promotion Programmes on LBCs share of the Market

The sales promotional programmes of Licensed Buying Companies (LBCs) affect their marketing performances. As can be seen from Figure 4.6, some LBCs such as PBC, Akuafio

Adamfo and Kuapa Kookoo have been increasing their market shares over the years while the market shares of Adwumapa, Sika Aba and Diaby have been deteriorating over the years.

Figure 4.6: Trend of Market Shares by the LBCs since 2009/2010



Source: Field Survey, WAED, June, 2013

The booming LBCs are increasing their shares of the market due to the use of extra and unique sales promotional packages. Aside from being a subsidiary of the COCOBOD, the PBC adopts a number of sales promotional packages that have maintained its lead in the market. Being a state company, it has a major influence in the award of the COCOBOD scholarship to farmers' wards and thus uses its agency to do so. As such more farmers sell their cocoa to PBC to guarantee the acquisition of scholarship for their wards. Moreover, PBC has been assisting communities to acquire solar lights and this has been instrumental in gaining more farmers. Moreover, Kuapa Kookoo has been increasing its share of the market since 2009/10 due to the provision of extra facilities under its sales promotion programme. Since 2011, Kuapa Kookoo

has been providing boreholes, school buildings, clinics, capacity building programmes for farmers and PCs and payment of extra bonuses to farmers. According to the District Manager of the company, these services and packages have won the hearts of many farmers and community leaders and these have pledged their loyalty to the company for a very long time. Moreover, with Kuapa being a farmers' cooperative, every farmer that sells to the company enjoys from the profit of the company and this retains them for a very long period. A combination of all these promotional packages has served to increase the share of the company every crop year.

Though Akuatso Adamfo has not been providing extra promotional packages aside from the conventional provision of fertilizer, salt, soap and spraying machine, it embarks on early release of seed capital to its PCs to command a sizeable share of the market. The early release of the seed fund helps PCs to pre-finance or provide loans to farmers before the seed funds of other LBCs arrive. This helps the PCs to buy more from farmers since the provision of loans to farmers pins them to the PCs.

Contrary to the booming market for the companies discussed above, others have been losing their market shares due to some reasons relating to Sales Promotion. Firstly, though these LBCs provide (late) fertilizer and essential commodities to farmers, this is a conventional practice by all LBCs and has little impact on sales. Fertilizer is the only exception but the late arrival of these chemicals from the LBCs limits its potency to attract farmers. Secondly, Adwumapa used to supply early seed capital, early fertilizer, insecticides, provision of bikes and spraying machines and prompt payment of bonuses. This accounted for the promising performance in 2009/2010 and earlier. However, according to its PCs and the District Manager, the company has ceased the supply of all these promotional packages and that has resulted in its abysmal performances since 2010/2011. Thirdly, companies such as Diaby and Sika Aba do not provide

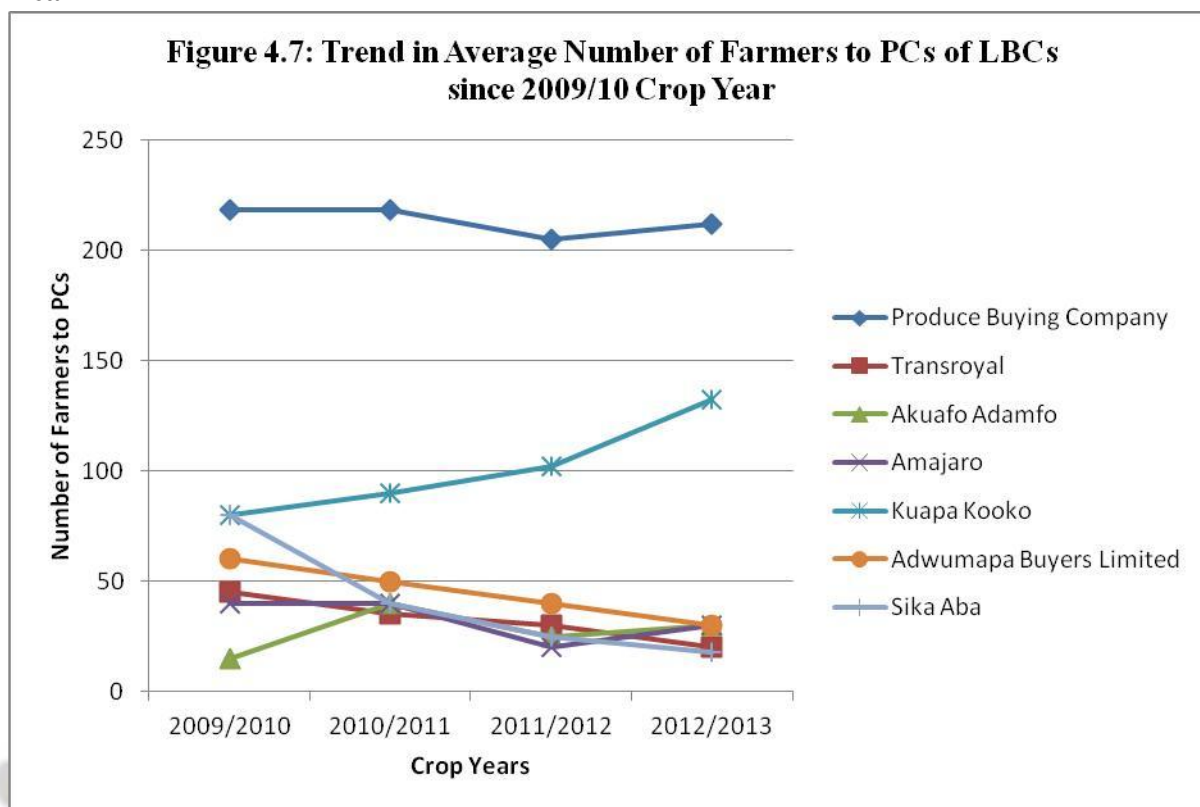
any additional promotional packages apart from the conventional ones discussed above. This has therefore made these companies unattractive to farmers. In fact, farmers have been abandoning these LBCs for “better” ones.

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

4.8.3 Effects of Sale Promotion Packages of PCs on Farmers’ Choice of LBC

Aside from the packages provided by LBCs, PCs have their own packages they use to influence their share of the local market. These strategies have been explained in previous subsections. In Figure 4.7 it can be seen that PCs of some LBCs have been increasing or maintaining their farmers’ while others have been shedding farmers. The study revealed that the ability of a PC to attract or retain a farmer largely depends on the early supply of fertilizer, financial assistance or capacity and good interpersonal relationships. Only the PCs of PBC and Kuapa Kookoo had a combination of all these factors and this accounts for the increasing numbers of farmers they have as depicted in Figure 4.7.

Figure 4.7: Trend in Average Number of Farmers to PCs of LBCs since 2009/10 Crop Year



Source: Field Survey, WAED, June, 2013

Other PCs from LBCs such as Sika Aba, Adwumapa, Diaby and Transroyal lack the financial means to purchase fertilizer on their own for the farmers and also provide prompt financial assistance to farmers when the need arises and these accounts for their inability to attract more farmers and/or retain their loyal farmers. While PCs of Kuapa Kookoo and PBC see it expedient to supply farmers' fertilizers and loans from their own coffers early in the season, the PCs of other LBCs have relented in their efforts awaiting supplies from the companies and this has adversely affected their performances over the years. Table 4.13 provides the reasons for the performances of the PCs and goes to affirm the fact that it is the provision of sales promotional packages that affect the market shares of PCs and subsequently LBCs in cocoa marketing for every particular year in the district.

Table 4.13: Reasons for the Performances of PCs of major LBCs in the district

LBC	Years/Reasons for Performance
-----	-------------------------------

	2009/10	2010/11	2011/12	2012/13
Produce Buying Company (PBC)	Provision of fertilizer and bonuses Provision of financial assistance Good interpersonal relationship	Delay in the supply of fertilizer Provision of financial assistance Good interpersonal relationship	Delay in the supply of fertilizer	Provision of financial assistance Good interpersonal relationship
Diaby	Provided free soaps, exercise books and fertilizers, farm inspection and extension	Stopped providing services such as farm inspections and extension	Stopped providing services such as farm inspections and extension	Stopped providing services such as farm inspections and extension
Kuapa Kokoo	Supply of cutlasses, fertilizers and provision of bonuses after the cocoa season. Provision of financial assistance Good interpersonal relationship	Supply of cutlasses, fertilizers and provision of bonuses after the cocoa season. Provision of financial assistance Good interpersonal relationship	Supply of cutlasses, fertilizers and provision of bonuses after the cocoa season. Provision of financial assistance Good interpersonal relationship	Supply of cutlasses, fertilizers and provision of bonuses after the cocoa season. Provision of financial assistance Good interpersonal relationship
Akuafo Adamfo	PC was new in the business	Regular provision of fertilizer	Farmers were defaulting in the payment of loans so I stopped prefinancing	Regular provision of fertilizer
Armajaro	Armajaro used to provide more motivations and seed funds to farmers through PCs	Armajaro used to provide more motivations and seed funds to farmers through PCs	Armajaro stopped the provision of sales promotional items because farmers were not paying loans granted to them	Armajaro started providing sales promotions but limited to specific items

Sika Aba	Early supply of cutlasses, fertilizers and provision of bonuses after the cocoa season	Stopped the supply of bonuses	Sika Aba has stopped the supply of bonuses and delays in	Sika Aba has stopped the early supply of cutlasses, fertilizers and
			fertilizer provision	provision of bonuses after the cocoa season
Adwumapa	The number of PCs of Adwumapa increased	PCs were constrained with resources to offer financial assistance to farmers	Non-supply of fertilizers to farmers	Non-supply of fertilizers and financial assistance to farmers
Transroyal Ghana Limited	Some PCs used fertilizer to attract farmers	Some PCs used fertilizer to attract farmers	Farmers default in paying fertilizer	Farmers failed to pay bonuses

Source: Field Survey, WAED, June, 2013

4.9 Multiple Regression Analysis of Sales Promotional Packages and Farmer's decision to sell to LBCs in the Wassa Amenfi District

A multiple regression analysis was done to establish a linear relationship between the decision to sell to a particular LBC and the various sales promotion packages of LBCs. For this study, the number of farmers selling to a particular LBC is used as the measure of farmers' decision to sell to an LBC and is taken as the dependent variable (y). Three most prominent sales promotion packages affecting farmers' decision to sell to a particular LBC are supply of fertilizers, supply of spraying machines and provision of essential commodities. These are used as the independent variables. Table 4.14 gives the values of each variable from the field survey.

Table 4.14: Values of Variables from the Field

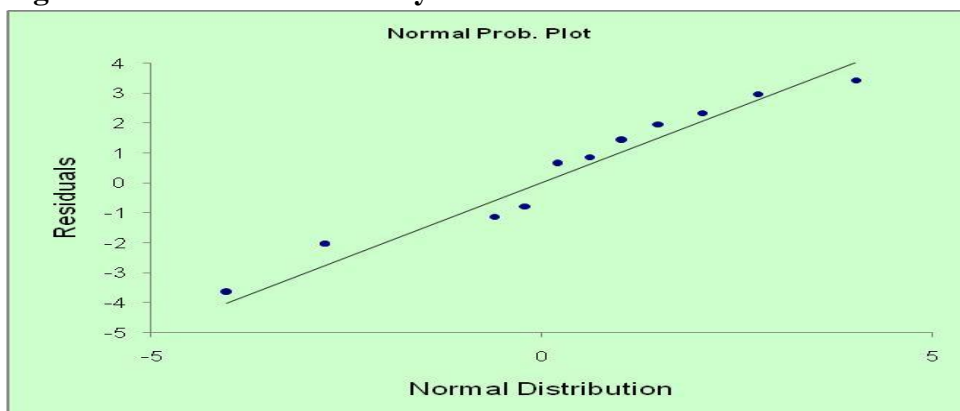
LBC	Number of Farmers	Supply of fertilizers	Provision of Spraying machines	Provision of essential commodities
Produce Buying Company	51	51	40	23
Transroyal	22	22	21	8

Akuafu Adamfo	21	21	19	6
Armajaro	12	12	11	5
Kuapa Kooko	11	11	7	4
Adwumapa Buyers Limited	9	2	1	0
Sika Aba	7	2	1	0
Diaby	7	1	0	0
Cocoa Merchants Limited	6	1	0	0
Olam	5	1	0	0
Dio Jean	1	1	0	0
CDH Commodities	1	1	0	0
FEDCO	1	1	0	0
Marraie	1	1	0	0
Total	155	128	100	46
Mean	11.071	8.714	7.143	3.286
Standard Deviation	13.356	14.510	11.961	6.318

Source: Field Survey, WAED, June, 2013

The regression analysis showed that Sales Promotional programmes have a strong and direct relationship with the number of farmers who decide to sell to a particular LBC with a strong linear trend in the normal probability plot shown in Figure.4.8. Moreover, the Multiple Correlation Coefficient (R), Coefficient of Multiple Determination (R^2) and Adjusted Coefficient of Multiple Determination (Adj. R^2) shown in Table 4.15 indicate that put together, the correlation between all the predictor variables (sales promotional packages) and the criterion variable (decision to sell to a particular LBC) is strong, with about 96.4% of variation in decision attributable to the combination of Sales Promotional Programmes.

Figure 4.8: Normal Probability Plot



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

Table 4.15 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 4.16 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 4.16 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			

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

Furthermore, Table 4.17 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 while 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 fertiliser 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.

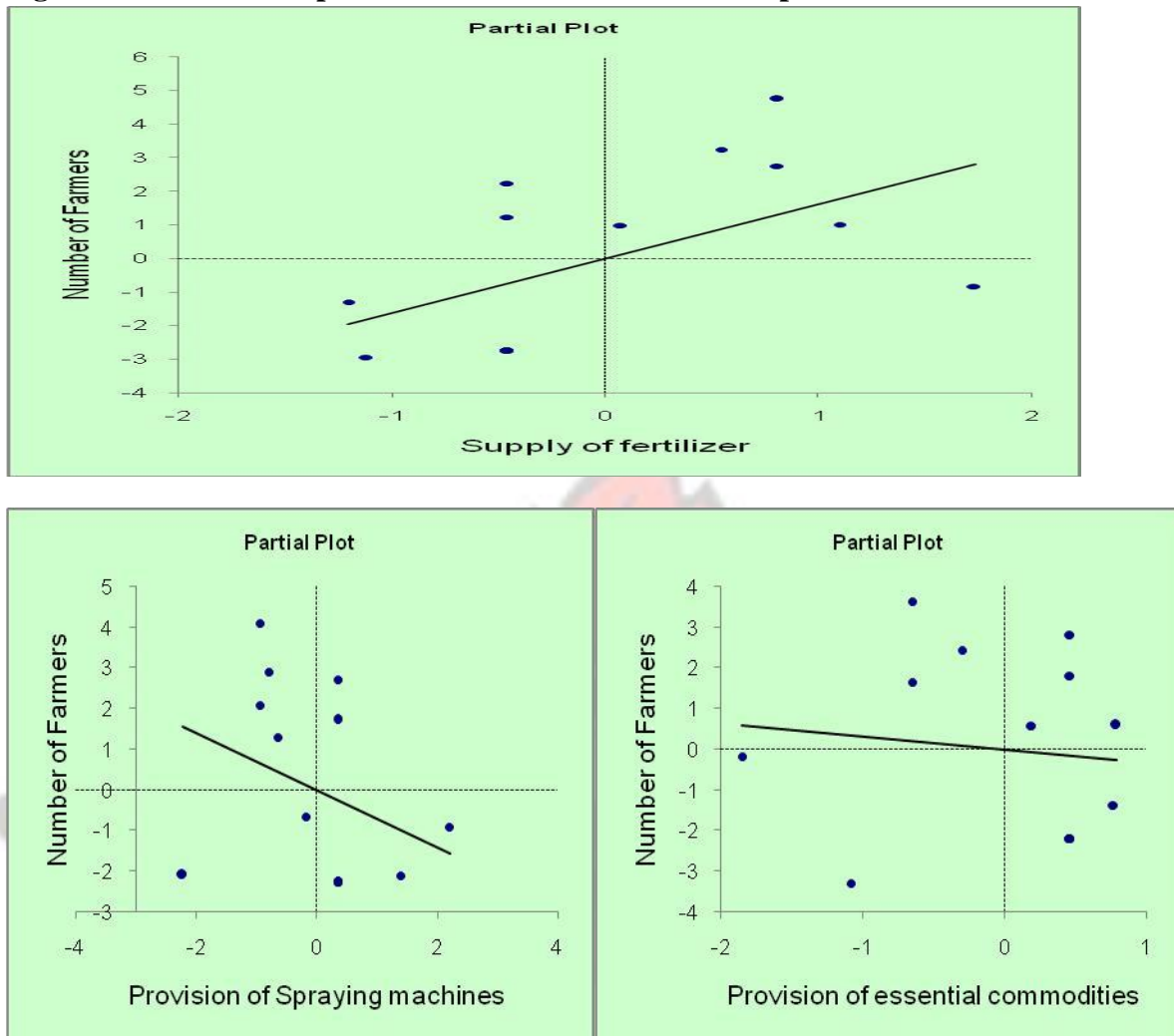
Table 4.17: Regression Coefficients

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 Spraying machines	-0.704	0.650	-0.630	-2.153	0.746	-1.082	0.305
Provision of essential commodities	-0.328	0.895	-0.155	-2.323	1.666	-0.367	0.721

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

Similarly, the partial plots shown in Figures 4.9 show the relationship between a predictor variable considered in this analysis and the dependent variable after accounting for the contribution of all the other predictor variables used in the analysis. By principle, a strong linear trend suggests a substantial contribution of the predictor variable in question to the explanation of farmers’ decision to sell to a particular LBC over and above the other independent (predictor) variables. Thus a look at the partial plots below indicates that “Supply of Fertilisers” contribute substantially to the interpretation of farmers’ decision to sell to particular LBCs followed by “supply of spraying machines” and “provision of essential commodities” which have weaker relationship with farmers’ decisions

Figure 4.9: Relationship between a Predictor variable Dependent Variable



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

The quantitative analyses above (ANOVA and Regression Analysis) established a strong and direct relationship between Sales Promotional Programmes of LBCs and the decision of farmers to sell to them in the district. The analyses have also shown that the provision of fertiliser to farmers by LBCs is one most important sales promotional package that greatly influences farmers' decision to sell to a particular LBC. Though farmers regard other packages as important, the analyses have shown that when LBCs increase the timely provision of fertilisers to farmers in the Wassu Amenfi East District, the tendency to attract more farmers and increase cocoa purchases is high. This accounts for the booming performance of LBCs such as PBC, Kuapa Kookoo and Transroyal, Akuafu Adamfo and

Armajaro which provide fertilisers to their farmers early in the season. It can therefore be concluded that if any LBC wishes to increase purchases in the district, it should focus more on timely supply of fertilizer and sometimes spraying machines to farmers since these sales promotional packages have been statistically proven to yield greater impacts on cocoa purchases in the Wassa Amenfi East district.

4.10 Challenges Associated with Sales Promotional Programmes in the District

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

4.10.1 Challenges of Farmers

The challenge a farmer faces has to do with LBCs and PCs. Farmers complained that sales promotional programmes favour some cocoa farmers than others. For instance, the scholarship schemes provided by PBC favour more farmers in the urban communities than those in the rural communities. Farmers complained that people who are not farmers enjoy the scholarships. Also farmers with small sizes of farms enjoy the scholarship than farmers with large farm sizes. Linked to the above, there is limited quantity of sales promotional items supplied by PCs. There is also delay in their supply. To some farmers, the supply is done at the time they do not need. For instance, fertilizers are supplied in the month of June and July instead of March which becomes non-beneficial to farmers at that particular time. The inability of LBCs to supply fertilisers to PCs on time for further distribution serves as threat to the production of cocoa in the district since reduces the crop yields for those particular years (refer to Section 4.2). Others complained that PCs keep most of the items in their houses which does not augur well for farmers.

4.10.2 Challenges of Purchasing Clerks (PCs)

Purchasing Clerks (PCs) face challenges in receiving and distributing sales promotional packages to farmers. These problems or challenges have to do with their LBCs and farmers. PCs complain that sales promotional packages are supplied late and sometimes they are inadequate. PCs are usually faced with the problem of unfaithfulness from farmers. PCs mostly, provide all incentives prior to the sale of cocoa. However during sales, farmers default and sell their produce to other PCs for cash. Farmers' default affects PCs commission since such financial loss from the seed fund is usually deducted from the commissions of PCs by the District Managers. There is also intensive competition among PCs in the various communities in the district. This forces PCs to device means of attracting farmers to increase purchase of cocoa beans but they are constrained by funds.

4.10.3 Challenges of Licensing Buying Companies (LBCs)

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

CHAPTER FIVE

SUMMARY OF FINDINGS, RECOMMENDATION AND CONCLUSION

5.1 Introduction

The chapter presents the general findings of the research in the context of the central ideas supporting the research objectives. The perspective of this chapter does not only recommend solutions but presents the findings in relationship to how ways of transforming policies into practices to ensure effectiveness in sales promotional programmes in increasing the purchases of cocoa from farmers. The key components of the chapter include summary of major findings from the analysis, recommendations and conclusion for the entire study.

5.2 Summary of Major Findings

The summary of findings is presented in the light of the research objectives. Major issues such as key players in the marketing of cocoa, incentive programmes by LBCs, trend of cocoa from farmers, effects of incentives programmes by LBCs on cocoa purchase are all summarised in this section.

5.2.1 Role Players in Cocoa Marketing

Cocoa marketing in the Wassa Amenfi East District is conducted through a three-tier chain which includes cocoa farmers, Purchasing Clerks (PCs), District Managers of the Licensed Buying Companies (LBCs) and the Quality Control Division of COCOBOD. There is an inter-organisational linkage between cocoa farmers, Purchasing Clerks and the Licensing Buying Companies. The cocoa farmers are the producers of the cocoa whiles the PCs and the LBCs are the buyers or customers. The District Managers of the LBCs purchase the cocoa beans through the PCs who are the grassroot agents of the LBCs. The activities of the LBCs are regulated by the Quality Control Division (QCD) which is the branch of COCOBOD at the district level. The study revealed that the educational background of cocoa farmers is low and this could have effects on farming practices and productivity. The application of fertilizers and other chemicals

such as weedicide and pesticide demands someone who can read so as to apply accordingly. The study revealed there is a correlation between the size of farms and productivity of cocoa in the district. Farmers who cultivate on a larger farm size produced large volume of cocoa. For instance, a farmer who cultivate on 5-10 acres of land produces an average of 30-50 bags of cocoa yearly while farmers who cultivate on 1-2 acres of land produce an average of 1-5 bags of cocoa yearly.

5.2.2 Sales Promotional Programmes of LBCs in the District

Responses from farmers, PCs and LBCs indicate that LBCs adopt various Sales Promotional Programmes to attract farmers to sell their produce to them. The sales promotional items include farm related and non-farm related packages. The non-farm related sales promotional programmes are the non-physical items which takes the form of service provision such as capacity building programmes for farmers and PCs, provision of sales promotional incentives to farmers, motivation of PCs, early payment of bonuses and commission to farmers and PCs, timely release of funds for purchases of cocoa, provision of assistance to farmers to obtain COCOBOD scholarships, provision of infrastructure, formation of committees at the community level and payment of additional bonuses. The farm related sales promotional programmes are seen in the provision of items such as fertilizer, weedicides, pesticides, spraying machines, wellington boots, nose and hand mask.

5.2.3 Farmers Choice of Licensing Buying Company (LBCs)

The study indicated that farmers sell their cocoa beans to different companies (LBCs). It was realised from the survey that farmers usually sell their cocoa beans to companies such as Producing Buying Company (PBC), Olam, Armajaro Ghana Limited (AGL), Kuapa Kokoo Company, Adwumapa Buyers Limited (ABL), Sika Aba Cocoa Buying Company, Transroyal, and Diaby. The study further revealed that the decision of a farmer to sell his/her cocoa to a

particular LBC depends on farm-related sales promotional and non-farm related sales promotional incentives/programmes. However, the study indicated that farmer's choice of LBCs is influenced by sales promotional programmes.

5.2.4 Trend of Cocoa from Farmers

The study indicated that cocoa purchases in the district declined by 5.8 percent in 2011/2012 and further by 3.7 percent in 2012/2013. This decline in output can be attributed to the general low production of cocoa in the years in question. The supply of fertilizers to farmers was overly delayed by the LBCs and this affected productivity since farmers had no alternative means to secure fertilizers for their crops. The study indicated that there are fourteen (14) Licensing Buying Companies in the Wassa Amenfi East District. Due to the availability of these LBCs in the district, there is high competition for market share of cocoa. Despite the competitions, PBC has captured more than 30 percent of the market, leaving less than 70 percent to the remaining 13 LBCs to share. Following PBC are Transroyal Ghana Limited and Akafo Adamfo with each commanding more than 10 percent of the cocoa market in the district. The study further revealed that PBC has the highest number of loyal farmers in the district followed by Kuapa Kookoo. It was observed from the study that there is correlation between the number of farmers an LBC has and the position of that particular LBC in the district. This attraction and retention of farmers can be attributed to the Sales Promotion programmes of the LBC and the marketing strategies of a PC for a particular society.

5.2.5 Effects of Sales Promotional Programmes of LBCs on Cocoa Purchases

The study revealed that sales promotional programmes have effects on cocoa purchases and sales of LBCs, PCs and cocoa farmers. The provision of sales promotional programmes has significant impact on farmer's decision to sell their cocoa beans to a particular LBC in the

district. According to a Focus Group Discussion with Farmers, it was discovered that farm related sales promotional inputs helps farmers to increase their productivity. Fertilizers coupled with spraying machines to spray their cocoa farms for instance, help farmers to increase their yield. These items have high influence on cocoa purchases and choice of LBCs in the district. The study clearly showed that sales promotional programmes influenced cocoa farmers to sell their cocoa to a particular LBC through the following ways; it is like bait which traps or forces them to sell cocoa beans to a particular LBC, it serves as motivations which convinces or encourages them to sell their cocoa, and farmers keep LBCs in remembrance during the cocoa seasons through sales promotional programmes. Sales promotional programmes also help LBCs to increase the purchase or share of cocoa. LBCs such as PBC, Akuafu Adamfo and Kuapa Kookoo have been increasing their market shares over the years while the market shares of Adwumapa, Sika Aba and Diaby have been deteriorating over the years. The booming LBCs are increasing their shares of the market due to the use of extra and unique sales promotional packages.

Notwithstanding this, PCs of LBCs have their own sales promotional packages they use to influence their share of the local market. The study revealed that PCs of some LBCs have been increasing or maintaining their farmers' while others have been shedding farmers. The ability of a PC to attract or retain a farmer largely depends on the early supply of fertilizer, financial assistance or capacity and good interpersonal relationships. Only the PCs of PBC and Kuapa Kookoo had a combination of all these factors and this accounts for the increasing numbers of farmers. The above analysis indicate that the use of Sales Promotion Programmes such as early supply of seed funds, provision of infrastructure, early payment of bonuses and assistance in scholarship acquisition are very critical in affecting the sale of farmers' cocoa to LBCs and subsequently, the latter's share of the cocoa market.

5.2.6 Challenges Associated with Sales Promotional Programmes in the District Though

sales promotional programmes have extremely large effect on the sales and purchase of cocoa by Licensing Buying companies, it is constrained with challenges. Farmers, PCs and LBCs are confronted with challenges in the distribution of sales promotional items. Prominent among the challenges include the following;

i. Challenges of Farmers

Farmers complained that sales promotional programmes favour some cocoa farmers than others. For instance, the scholarship schemes provided by COCOBOD favour more farmers in the urban communities than those in the rural communities. There is also limited quantity of sales promotional items supplied by PCs. There is also delay in their supply.

ii. Challenges of Purchasing Clerks (PCs)

PCs complain that sales promotional packages are supplied late and sometimes they are inadequate. PCs are usually faced with the problem on unfaithfulness from farmers. PCs mostly, provide all incentives prior the sale of cocoa. However, during sales, farmers default and sell their produce to other PCs for cash.

iii. Challenges of Licensing Buying Companies (LBCs)

LBCs resentfully emulate marketing strategies of other LBCs, restructure and use against them to attract their cocoa farmers. The ability of LBCs to supply sales promotional packages to PCs for further distribution to farmers is a problem and a threat to their marketing strategy of increasing purchases of cocoa. LBCs also experience higher operational cost in the distribution of sales promotional packages to farmers. Lastly, there is high risk in seed funds provided by LBCs to their PCs during cocoa seasons.

5.3 Recommendation for Effective Sales Promotional Programmes in the District Findings

from the study indicate that recommendation could be made to enhance the effectiveness of

sales promotional programmes by Licensing Buying Companies (LBCs) in the district to increase sales of cocoa and to improve the livelihood of farmers. The following recommendations should be given much attention;

5.3.1 Timely supply of Sales Promotional Programmes

One specific area farmers and PCs complained was the delay in the release and distribution of sales promotional items in the district. Fertilizers for instance, are supplied in the month of June and July instead of March which does not benefit farmers. It is therefore recommended that sales promotional items should be released on time to PCs for further distribution to farmers. Moreover, sales promotional packages such as financial assistance, bonuses should be executed after the cocoa season. This is because after cocoa season, farmers pass through hardship. This could be used to attract more farmers to a particular LBC. In addition, sales promotional packages should be enough to supply to all farmers of LBCs.

5.3.2 Strengthening of Institutional Collaboration of LBCs

As part of the Corporate Social Responsibility (CSR) of LBCs in the district, efforts should be made to link farmers to international agencies and Non-Governmental Organisations (NGOs) operating within or outside the district. This would help to increase their support to farmers and therefore used as a conduit to win farmers and increase their market share of cocoa. The study revealed that only Kuapa Kokoo Company Limited has adopted this strategy.

5.3.3 Mechanism to check default

LBCs and PCs have reduced the distribution of sales promotional packages such as financial assistance and loans among others. This is because farmers default in payment of the loans and sell their cocoa beans to other LBCs. It is therefore recommended that PCs should develop pragmatic measures to reduce the high default. The PCs should get a disciplinary action to

tackle the problem. PCs could form an association where incidence of default could be reported and recorded so that when a farmer default a loan, he/she cannot sell the cocoa beans to another PC. This will make farmers pay for their loans. PCs should also agree on any PC that accepts or purchase from a default farmer could be punished.

5.3.4 Motivation of PCs by LBCs

It was unveiled from the study that the decision of a farmer to sell to a particular PC is not always depended on sales promotional packages from LBCs but the PCs. With regards to this, PCs of LBC should motivate PCs to encourage them do an effective work. Annual award schemes, bonuses to PCs on each bag of cocoa purchased and increase in commission of PCs are all motivational packages that could be adopted and implemented by LBCs to their PCs to boost cocoa purchases.

5.3.5 Regular visiting and inspection of farms

Farmers are influenced by farm related sales promotional programmes such as the provision of extension services. This service is only practiced by Diaby Company and Kuapa Kokoo Company Limited in the district. Other LBCs could adopt that strategy to win more farmers.

5.3.6 Equity in the Distribution of Sales Promotional Packages

Sales promotional packages such as scholarships should benefit farmers who are located in the more remote areas. There should be equity in the distribution of sales promotional packages. The distribution of these packages should go to those who merit it. There should not be bias in the distribution of those packages.

5.3.7 Capacity Building for PCs and Farmers

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.

5.4 Conclusion

Ghana has liberalised the internal marketing of cocoa beans in the country and this has seen an influx of many LBCs into the system. In the Wassa Amenfi East District, there are 14 LBCs currently purchasing cocoa from farmers. The Produce Buying Company has dominated cocoa marketing in the district with over 30 percent share of the market. This has generated intense competition in the district. Thus to attract more purchases, LBCs including their PCs have adopted sales promotion programmes to attract and retain farmers. Some of these programmes include capacity building programmes, supply of fertilizer, and provision of essential commodities, financial assistance, assistance in scholarship acquisition and provision of socio-economic facilities. The study revealed that these sales promotion programmes have greater impacts on cocoa purchases by the various LBCs in the district.

Sales promotional programmes influence farmers' choice of LBCs, the market shares of LBCs for a particular crop year and the ability of a PC to attract and retain farmers. Empirical data from the field confirm that LBCs such as PBC, Kuapa Kookoo, Armajaro and Transroyal have been able to obtain a sizeable share of the market due to the provision of Sales Promotion programmes other LBCs do not provide. Despite the promising effects of sales promotion packages in the district, LBCs, PCs and farmers have been faced with so many challenges in this area. Undue competition, low quality of cocoa, late and inadequate supply of packages, loan payment default on the part of farmers and risk of losing seed funds supplied by the companies are some of the major problems faced by these three categories of respondents. The study has therefore made recommendations to help solve these problems. The LBCs and the PCs should consider adopting these recommendations to reap the full benefits of Sales Promotion in cocoa marketing in the district and Ghana as a whole.

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APPENDIX I: RESEARCH INSTRUMENT

QUESTIONNAIRE FOR FARMERS

“THE IMPACT OF SALES PROMOTION BY LICENSED BUYING COMPANIES ON COCOA SALES OF FARMERS-A CASE STUDY OF WASSA AMENFI EAST DISTRICT”

This survey instrument is designed to seek empirical data for the conduct of the above stated purely academic exercise. This will be submitted for the partial fulfilment of a Masters in Business Administration. Your support and co-operation is very much anticipated and your responses will be treated with maximum confidentiality.

CATEGORY A: DEMOGRAPHIC CHARACTERISTICS

1. Gender () Male () Female

2. Age () Below 20 years

() 20 – 29

() 30 – 39

() 40 – 49

() 50 years and above

3. Education Background

() Primary School

() Junior High School

() Senior High School

() Polytechnic

() First Degree

() Second Degree

() None

4. Farm Size () 1-2 acres

() 2-3 acres

() 3-5 acres

() 5-10 acres

() 10 acres and above

5. Yearly Output (bags/kg).....

6. Name of Community.....

CATEGORY B: LBCs AND THEIR ROLE IN MARKETING ACTIVITIES OF COCOA

6. How many LBCs do you sell your cocoa beans to?.....
7. Which of the LBC(s) do you usually sell your cocoa beans to?

.....

.....

8. What accounts for your choice of LBC(s)?

.....

.....

9. What does your LBC do that other LBCs don't?

.....

.....

10. What do other LBCs do that your LBC doesn't?

.....

.....

CATEGORY C: INCENTIVE PROGRAMMES AND THEIR EFFECTS ON COCOA PURCHASES FROM COCOA FARMERS

11. What types of incentives do your LBC provide?

.....

.....

12. How do these incentives affect your choice of LBCs for your cocoa beans?

.....

.....

13. Which of the incentive programmes have **long term** or **short term effects** on the sale of cocoa beans to your LBCs

Short term effect Incentive	Long Term Effects Incentives

14. What types of incentives do other LBCs provide to their farmers?

.....

.....

15. How do these incentives affect your choice of LBCs for your cocoa beans?

.....

.....

16. What problems are associated with the incentives these LBCs provide?

.....

.....

17. How can these problems be solved?

.....

.....

QUESTIONNAIRE FOR THE LBCs

“THE IMPACT OF SALES PROMOTION BY LICENSED BUYING COMPANIES

ON COCOA SALES OF FARMERS-A CASE STUDY OF WASSA AMENFI EAST DISTRICT”

This survey instrument is designed to seek empirical data for the conduct of the above stated purely academic exercise. This will be submitted for the partial fulfilment of a Masters in Business Administration. Your support and co-operation is very much anticipated and your responses will be treated with maximum confidentiality.

CATEGORY A: ORGANISATIONAL BACKGROUND OF LBC

1. What is the name of LBC?.....
2. When was the company Established?.....
3. What are the types of logistics the company has?

.....

4. How adequate are the types of logistics in the company (number of logistics)

.....

5. What are the conditions of the logistics?

.....

6. Staffing Capacity (What is the staffing capacity of the company)-Provide answers to the table below

Position	Qualification	Number

CATEGORY B: SALES PROMOTIONAL PROGRAMMES- ITS EFFECTS ON COCOA PURCHASES AND CHALLENGES

7. What Sales Promotional Programmes do you use to increase your purchases?

Category	Specific Sales Promotional Programmes
Purchasing Clerks	
Farmers	

Communities	

8. What are the effects of these Sales Promotional Programmes on the purchase of cocoa?

Type of Sales Promotional Programmes	Short term effect	Long Term Effects

9. What challenges do you face in your efforts to increase your market shares (Purchase of cocoa beans)?

.....

.....

.....

10. What problems are associated with the provision of Sales Promotional Programmes in the district?

.....

.....

11. How can these problems be solved?

.....

.....

CATEGORY C: LBCs AND THEIR ROLE IN MARKETING ACTIVITIES (SALES TREND OF COCOA)

12. What has been the sales trend of cocoa in cocoa marketing in the district since 2008?

Years	Amount (tonnes/kg)	Reasons for such a performance

2007/2008		
2008/2009		
2009/2010		
2010/2011		
2011/2012		
2012/2013		

13. How many Purchasing Clerks do you have? Please complete the table below.

Years	Number of PCs	What accounts (ed) for their loyalty?
2007/2008		
2008/2009		
2009/2010		
2010/2011		
2011/2012		
2012/2013		

14. How many cocoa farmers can you count as loyal customers? Please complete the table below.

Years	Number of farmers	What accounts (ed) for their loyalty?
2007/2008		

2008/2009		
2009/2010		
2010/2011		
2011/2012		
2012/2013		

15. How do you rate the performance of your company among the LBCs in the district in terms of marketing performance?

- i. Very Good [] ii. Good []
 iii. Satisfactory []

16. What accounts for the position of your company in your rating above?

.....

.....

17. What marketing strategies do you use to attract farmers?

.....

.....

18. What marketing strategies do you use to keep farmers?

.....

.....

19. What are the marketing strategies of other LBCs in the district?

Name of LBC	Marketing Strategies

QUESTIONNAIRE FOR PURCHASING CLERKS (PCs)

“THE IMPACT OF SALES PROMOTION BY LICENSED BUYING COMPANIES

ON COCOA SALES OF FARMERS-A CASE STUDY OF WASSA AMENFI EAST DISTRICT”

This survey instrument is designed to seek empirical data for the conduct of the above stated purely academic exercise. This will be submitted for the partial fulfilment of a Masters in Business Administration. Your support and co-operation is very much anticipated and your responses will be treated with maximum confidentiality.

CATEGORY A: SOCIO-DEMOGRAPHIC CHARACTERISTICS

- 1. Gender () Male () Female

- 2. Age () Below 20 years
 - () 20 – 29
 - () 30 – 39
 - () 40 – 49
 - () 50 years and above

- 3. Education Background () Primary School
 - () Junior High School
 - () Senior High School
 - () Polytechnic
 - () First Degree
 - () Second Degree
 - () None

- 4. Name of Community.....

CATEGORY B: LBCs AND THEIR ROLE IN COCOA MARKETING ACTIVITIES

- 5. What is the name of LBC you work with?.....
- 6. How long have you been working for this LBC?
- 7. Have you ever worked with other LBC(s) before? a. Yes [] b. No []
- 8. If **Yes to Q.3** why did you leave that/those LBC(s) to join your current LBC?

- 9. How many farmers can you count as loyal customers? Please complete the table below (as applicable)

Years	Number of Farmers	What accounts (ed) for their loyalty?
2007/2008		

2008/2009		
2009/2010		
2010/2011		
2011/2012		
2012/2013		

10. How do you rate the performance of your company among the LBCs in the district in terms of marketing performance?

- i. Very Good []
- ii. Good []
- iii. Satisfactory []

11. What accounts for the position of your company in your rating above?

.....

.....

12. What marketing strategies do you use to attract farmers?

.....

.....

13. What are the marketing strategies of PCs of other LBCs in the community/district?

Name of LBC	Marketing Strategies

CATEGORY C: SALES PROMOTIONAL PROGRAMMES- ITS EFFECTS ON COCOA PURCHASES AND CHALLENGES

14. What kinds of Sales Promotional Programmes does your company provide to its PCs?

Sales Promotional Programmes	Effects
------------------------------	---------

15. What kinds of Sales Promotional Programmes does your company provide to farmers?

Type of Sales Promotional Programmes	Short term effect	Long Term Effects

16. What types of Sales Promotional Programmes do you provide to farmers?

Type of Sales Promotion Programmes	Short term effect	Long Term Effects

17. What challenges do you face in your efforts to increase your market shares?

.....
 18. What problems are associated with Sales Promotional Programmes in the district?

.....
.....
19. How can these problems be solved?
.....
.....

QUESTIONNAIRE FOR THE QUALITY CONTROL DIVISION

**“THE IMPACT OF SALES PROMOTION BY LICENSED BUYING COMPANIES
ON COCOA SALES OF FARMERS-A CASE STUDY OF WASSA AMENFI EAST
DISTRICT”**

This survey instrument is designed to seek empirical data for the conduct of the above stated purely academic exercise. This will be submitted for the partial fulfilment of a Masters in Business Administration. Your support and co-operation is very much anticipated and your responses will be treated with maximum confidentiality.

CATEGORY A: FUNCTIONS AND QUALITY ASSURANCE

1. What functions do you perform in the district?
.....
.....

2. What is the general quality of cocoa in the district?
.....
.....

3. What account for the quality of cocoa in the district?
.....
.....

4. How do you ensure that cocoa beans are of good quality?
.....
.....

CATEGORY B: COCOA PRODUCTION AND MARKETING

5. What has been the total amount of cocoa produced in the district since 2008

Years	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
Amount (tonnes/kg)						

--	--

CATEGORY C: SALES PROMOTIONAL PROGRAMMES IN COCOA MARKETING, THEIR EFFECTS ON COCOA PURCHASES AND CHALLENGES

8. What types of Sales Promotional Programmes do LBCs provide to the following;

Type	Sales Promotion Programmes	Notable LBCs
Farmers only		
Communities		

9. What are the effects of these Sales Promotional Programmes on cocoa purchases of LBCs in the District?

.....

10. How do these Sales Promotional Programmes affect the quality of cocoa in the district?

.....

11. What challenges are associated with the use of Sales Promotional Programmes as sale promotion by LBCs in the district?

.....
