

ANALYSIS OF THE MARKET ATTRACTIVENESS AND PROFITABILITY OF BREAD BAKING IN YOLA NORTH LOCAL GOVERNMENT AREA OF ADAMAWA STATE, NIGERIA

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ABSTRACT

This study was conducted to analyze the attractiveness and profitability of bread baking in Yola North Local Government Area of Adamawa State, Nigeria. The specific objectives were to determine the attractiveness of bread enterprises and evaluate potential profit associated with bread baking enterprise. Data were collected from 71 bread bakeries using complete census technique. Buffet Index (BI) was used to determine market attractiveness, while Budgetary analysis was applied in evaluating the profit associated with bread baking. The BI (183.84) results revealed that bread baked in Yola North Local Government Area is fairly attractive to consumers. The results from the budgetary analysis unveil that the venture is fairly profiting with low profit percentage of (5.57). To improve the attractiveness of the market, it is recommended that the business owners should prioritize their resources, hire expertise that would demonstrate expert knowledge by making sure that consumer demand, cost structure, government regulations are taken in account. This will aid the products be more appealing and attractive thus, higher profit margin. **Keywords:** market, attractiveness, profitability, bread, baking

INTRODUCTION

Bread is a staple fermented confectionery produced by baking dough recipes largely based on or containing significant quantities of wheat or other cereal flour which are blended with other ingredients. Bread consumption in Nigeria is on a steady increase because it is convenient and ready-to-eat food. The product is the most staple bakery food eaten by the low-, middle-, and high-income households in Nigeria. It is relatively cheap, affordable and easy to find in the streets and is widely consumed all over the country by almost all citizens, ethnics, and religious groups (Olumuyiwa and Ellawule, 2020). Bread is consumed in different forms; once baked, it can subsequently be toasted and eaten or as a carrier for other foods. It can be spread with butter, dipped into liquids such as gravy, olive oil, or soup. it can be topped with various sweet and savory spreads, or used to make sandwiches containing meats, cheeses, vegetables, and condiments. Market attractiveness is quite

essential when the companies are being launched newly in the market. The extent of attractiveness of a product in market makes it easy for the firm to know whether investing in such a market will prove to be profitable or not. Also, the market attractiveness reflects several other factors which can determine how successful a particular product which is newly launched in that particular market will be successful in the long run. The measure of market attractiveness is used to describe the various possibilities of profit that a firm or organization can obtain in a competitive market place. it is always preferred to have a better market attractiveness, because the better the market attractiveness, the more the chances of obtaining high profit from the investments (Hitesh, 2019). Study conducted by Olaniyan *et al.* (2021), identified taste, flavor and texture as the most common factors that make bread attractive to Nigerian consumers. Bread Consumers are also becoming increasingly health-conscious, and they are more likely to

purchase bread that is made from high-quality ingredients and is free from harmful additives.

In spite of the fact that bread is popular food and highly demanded by all social classes particularly in Yola North Local Government Area, there have been the recurrent loss of market share and dropping of sales volume in the bakery enterprises (Onwumere *et al.*, 2019). As a result, the supply of bread becomes very low in comparison to demand. This inability to meet the domestic demand could be attributed to low productivity, inefficiency in the use of resources, disincentives from macro-economic environment and traditional technologies. The level and structure of the Nigerian bread industry reflects that bread production is mainly constrained due to lack of productivity augmenting technologies. The study therefore, had the following objective s:

- i) to determine the attractiveness of bread enterprises and
- ii) to evaluate profit potentials of bread baking

The Study Area

Yola North Local Government is located at the central part of Adamawa State, Nigeria. It lies between latitude 9°13'to 9°19'N of the equator and longitude 12°19'to 12°19'28'E of the Greenwich Meridian. It shares boundary with Girei Local Government Area to the North and Yola South to the west, south and east. The Local Government has a land area of 111.85 km² with a population of 282,786 people (Adebayo *et al.*, 2020). The populace is predominantly bread consuming households.

Sampling Procedure

Complete Census was employed for this study. In this survey, information was collected from each and every unit of the population, questionnaires were distributed to all 71 bakers of bread in the study area.

Analytical Techniques

Data collected were analyzed using descriptive statistics, Buffett index and budgetary techniques.

Buffet Index

To determine the attractiveness of bread, the study adopted and modified Buffett index as used by Lowenstein (2008). The index is expressed as:

$$BI = \frac{\sum(Xi)}{\sum(Yi)} \times 100 \dots \dots \dots (1)$$

BI = Buffet Index

Yi = Annual income of bakeries

Xi =Present of Bakeries

BI of 70% –

129.99% indicates attractiv venture

BI of 130% –

189.99% indicates fairly attractive venture

BI of above 130% indicates unattractive venture

Budgetary Techniques

Profit analysis which is the difference between total revenue and total cost is expressed as:

$$\pi = TR - TC$$

Where:

π = profit realized

TR = total revenue

TC = total cost

RESULTS AND DICUSSION

Socio Economic Attributes of Bread Bakers

Age distribution in this study shows the number of bread bakers belonging to different age class. Active age is the age range that engage in the performance of either paid or unpaid baking activities. The result in Table 1 revealed that 69.02% of the bread bakers are below the age of 46 years. This implies that bread baking enterprise is mostly owned by young ones who are more active and stronger considering the heavy tax involves in processing and marketing of the product. The result depicts that the productivity of the enterprise is expected to be high since they are energetic and could still perform rigorous baking and marketing activities. This result is similar with the finding of Yahaya (2015) which states that youths are mostly engaged in actively economic activities.

Gender refers to the socially-constructed roles and relationships between men and women. It concerns men and women, including conceptions of both femininity and masculinity. The knowledge and other information embodied in different functions of value chain are gender specific. In some cases, women or men are

entirely responsible for a whole value chain or significant aspect of it. The result in Table 1 indicated that 95.8% of bread bakers were male. This means bread baking enterprise are mostly undertaken by male. The reason behind females being fewer than males could be attributed to their femininity nature, limited access to credited facilities, finance and large ware housing.

Educational level is the highest level of schooling that a person has reached. It has been known to be a powerful tool for shaping people's life and making life meaningful. Education plays a key role in enterprise development process through its effects on productivity as well as a vital tool in technology adoption. Distribution based on educational levels of the Respondents (Table 1) revealed that more than half (50.67%) of the bakery owners had one form of formal education or the other. One can deduce from this that with preponderance of educated entrepreneurs, the ability to deal with or adjust successfully to technological change for better performance is likely to be easy. This confirms the work of Giroh *et al.* (2008) which revealed that Education improves the potentials and productivity of economic agents.

The distribution of monthly income among the respondents is shown in Table 1 which shows that the majority (90.14%) of the respondents earn more than ₦300,000 per month. This means that the enterprise is dominated by middle- and high-income earners. The preponderance of high-income earners in bread baking enterprise confirms why only 71 bread bakeries are operating in the entire study area. It could be linked to low capital and inadequate credit facilities at the disposal of the low-income earners which is grossly inadequate to cater for the operations of the enterprise. This means that

lack of or inadequate capital and credit facilities limit the capacity of bakers to take advantage of economies of scale to embark on large scale purchase, transportation and sales of bread which cut down cost and increase income. This result compliments the finding of Ogondele, (2013) who attested that low capital is one of the factors militating against businesses in Nigeria. Also, the result is in consonance with (Ilu, 2015) which states that inadequate credit facilities is a major challenge to entrepreneurs in Nigeria.

The results in Table 1 show that credit facilities at the disposal of the bakers which would aid them to cater for their marketing needs. Access to credit facilities improves the capacity of business enterprises to take advantage of economies of scale and embark on large scale purchase, transportation and sales of bread which cut down cost and increase income. The reason why most of the respondents are having access to credit facilities could be associated to them being in the high-income class. This means that the have assets on ground that can serve as collateral in case of default.

The result of membership to an association revealed that 90.14% of the respondents are members of an association. The high prevalence of association membership suggests that there is a strong culture of collective action and social support among the existing bread baking enterprises in Yola North Local Government Area. Associations play a crucial role in promoting social cohesion, providing networking opportunities, and advocating for the interests of their members. This widespread membership also suggest that individuals recognize the value and benefits associated with belonging to an association.

Table 1: Distribution of Respondents based on Socio - economic attributes

Attributes	Frequency	Percentage
Age (Years)		
25 – 30	15	21.13
31 – 35	9	12.68
36 – 40	11	15.49
41 – 45	14	19.72
above 45	22	30.99
Total	71	100
Gender		
Male	68	95.8
Female	3	4.2
Total	71	100.0
Level of education		
Tertiary	3	4.23
Secondary	33	46.47
No formal education	35	49.30
Total	71	100.00
Monthly income (₦)		
50, 000- 100,000	2	1.41
101,000- 150,000	1	1.41
151,000-200,000	1	4.22
250,000-300,000	3	90.14
Above 300,000	64	
Total	71	100.00
Access to credit facilities		
Yes	54	76.06
No	17	23.94
Total	71	100.00
Membership of association		
Yes	64	90.14
No	7	9.86
Total	71	100.00

Source: field survey, 2023

Buffet Index Analysis of Market Attractiveness

The measure of market attractiveness is vital in describing the various possibilities of profit that a firm or organization can obtain in a competitive market place. It is preferred to have a better market attractiveness, because the better the market attractiveness, the more the chances of obtaining high profit from the investments. Results in Table 2 revealed a buffet index of 183.84 This indicates that bread baking business is a fairly

attractive venture in the study area. The implication of this is that, bread baking business is proved to be fairly profitable and investing in it requires more improvement in the operations so as to retain and attract more consumers for long run success. The fairly attractiveness of the enterprise could be attributable to economic meltdown experienced in the country where inflationary trend is high which adversely affected consumers purchasing power. Another problem could be high cost of bakery inputs affecting their scale of operation.

Table 2: Buffet Index for Market Attractiveness

Variables	Value (₦)
Present worth of bakeries (X)	2,913,000,000
Annual income of bakeries (Y)	1,584,500,000
Buffet index (BI)	183.84

Budgetary Analysis

The results of budgetary techniques in Table 3 presents the overall profit of bread baking enterprises under study. The analysis reveals a monthly profit of ₦108,006.90 per enterprise and profit percentage of 5.57. This shows that bread baking is a profitable venture with low profit margin as only 5.57 percent of the amount invested is accrued as profit. This confirms why bread baked in the study is fairly attractive to

customers as revealed by the result in buffet index analysis. Therefore, the business owners need to prioritize their resources, hire expert that would demonstrate expert knowledge by making sure that consumer demand, cost structure, government regulations are taken in account. This will aid the products be more appealing and attractive to present and prospective consumers, hence more return on investment.

Table 3: Average Profit of Bread Bakers per Month

Variables	Values (₦)
Total cost	1,938,9219.0
Total revenue	2 0,469,288.0
Profit	1, 080, 069.
Profit percentage	5.57%

CONCLUSION AND RECOMMENDATIONS

This study revealed that bread baking in the study area is fairly attractive with low profit margin. Most of the respondents were male, young and married. Also, they had one form of formal education or the other with monthly income of above ₦300,000. The opportunities and potentials to develop this enterprise abound deriving from their literacy level and the fact that they have already formed themselves in to cooperative groups. The study recommended that these cooperatives only need to be registered in order to mobilize them for baking and marketing purposes and for them to benefit more from group savings and loan facilities from financial institutions.

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