It is my pleasure to have written this book which I believe will be useful to all the trainers and trainees tackling marketing in general and specifically marketing of agricultural produce. This book has nine chapters depicting a conceptual framework from unknown to known concepts in marketing. The chapters are sequentially arranged such that a chapter covered leads to the beginning of the next chapter. The content is has questions and answers. In order to bring out practical aspects of marketing, this book has incorporated short case studies about real life issues. Reflections and additional reading books are suggested.

Caren Ouma

Caren has also published the following books: .My.coop of Co-operative Agricultural Produce .Organizational Development Intervention for the Marketing strategies within higher learning institutions in Kenya. •Enterprise Development Sensitization Manual for Farmers and Farmer groups and many other training manuals.
Caren Ouma

Marketing of agricultural produce

This book contains short case studies, reflections and solutions

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MARKETING OF AGRICULTURAL PRODUCE

THE CASE OF AFRICA CONTINENT

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DEDICATION

This book is dedicated to my two loving daughters, Eleanor and Ada who are my inspiration to work hard for their better lives.
ABOUT THE AUTHOR

Currently, Caren Ouma is an Assistant Professor of Management and International Business at the United States International University. She is engaged in developing proposals and undertaking various reaches. She has worked as a consultant for over 17 years within various public, NGOs and private Organizations. She holds PhD in Organizational Development and transformation, MBA in Business and Administration, and B.com-Marketing.
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Special thanks go to the faculty of United States International University who reviewed the conceptual framework of this book and offered comments and valid critiques during the faculty colloquium. In particular, special thanks go to Prof. Damary Sikalieh, Prof. Jimmy Macharia, Mr. John Otsola and Prof. Wambalaba who offered suggestions and comments to this book during the United States International University colloquium session.

The stakeholders who were met to provide valuable information are greatly appreciated. These included; organized agricultural producers in Kenya, Ministry of Agricultural produce Development and Marketing, and National Agriculture and Livestock Extension Programme (NALEP) officers.
PREFACE

Agriculture forms the backbone of many African countries and successful agricultural activities are easier said than done. Few farmers intentionally undertake farming in order to market the produce, but rather to consume. Yet, it is important to undertake farming in order to market the surplus which is not consumed.

Marketing For Agricultural Produce Conceptual Map/Visual Overview

Marketing for produce has been considered to be the most important aspect of a successful agricultural production. Many producers have not taken the aspect of marketing very seriously for a long time and only laying more emphasis on production. Marketing should be seen as the starting point in any successful agricultural production. There are 9 chapters in this book. The chapters are interrelated in such a way that a chapter covered leads to the next chapter. There are short case studies presented to elaborate on the various aspects of chapters and sub-chapters. In this way, marketing for agricultural produce can be successful. This is relationship is presented graphically as below:
CHAPTER 1: INTRODUCTION TO MARKETING OF AGRICULTURAL PRODUCE

Overview
Marketing can be viewed from different perspectives. It can be understood from the context of Agriculture, Services, Information and Ideas. From whichever perspective, it is very important to underscore the importance of Marketing in relation to its operating conditions/environment. The content map of the introductory part of marketing is shown below.
Introduction of Marketing involves the definition of marketing. In order to understand the meaning of Marketing, it is necessary to know the environment within which marketing operates. The Marketing environment affects the kind of marketing mix which agricultural farmers may want to use to achieve the marketing objectives. The marketing environment also dictates the various states of demand for the produce, which calls for specific marketing tasks to be used. All these factors lead to the requirements of quantity, quality, frequency, and price for the agricultural produce as shown in the diagram above. These aspects are further explained in the content in this session.
Learning Objectives

After studying this chapter, the participants should be able to:

- Explain the meaning and importance of marketing in relation to agricultural produce.
- Identify marketing tasks under various states of demand.
- Identify the marketing environmental factors.
- Discuss the elements of marketing mix.
Frequently Asked Questions

Do you consider the following as the frequently asked questions?

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
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<tbody>
<tr>
<td>What is marketing in relation to agriculture</td>
<td>![Question Mark]</td>
</tr>
<tr>
<td>What are the qualities, Quantities and frequency in which the agricultural produce should be delivered to the customers</td>
<td>![Question Mark]</td>
</tr>
<tr>
<td>What are the conditions/environment affecting marketing of Agricultural Produce</td>
<td>![Question Mark]</td>
</tr>
<tr>
<td>What are the current marketing tools which can be used to achieve marketing objectives</td>
<td>![Question Mark]</td>
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</tbody>
</table>
The meaning of marketing can take the following three forms of explanation.
1. Marketing involves finding out what your customers want and supplying it to them at a profit. This stresses two important points, that the marketing process has to be **customer oriented**, and Marketing, as a **commercial process**, has to provide farmers, transporters, traders, processors, etc. with a profit or they will be unable to stay in business. Marketing therefore involves, identifying buyers, understanding what they want in terms of products and how they want to be supplied, operating a production-marketing chain that delivers the right products at the right time, and making enough profit to continue to operate. Consumers of agricultural products are very much concerned about what can satisfy their consumption needs. Their needs should be observed by the agricultural producers. For example, any farmer producing fruits should know the variety, color, and weight of the fruit needed by the consumers.
2. The second useful definition is that marketing involves a series of services that starts with moving a product from the point of production to the point of consumption. This definition emphasizes that marketing is a series of interconnected activities. The activities should be perceived by the potential consumers to be of high quality and useful to enhance their satisfaction.

**Case study example in horticulture**

*In the case of horticultural marketing, these services include; planning production, growing and harvesting, grading, packing, transport, storage, processing, distribution and sale. It also involves sending information from production area to market (e.g. products available, volumes) and from market back to producing areas (e.g. prices and supply levels, consumer preferences and changes in taste). All of these activities are links in the production-marketing chain. Like any chain, it is only as good as its weakest link. Marketing of the horticultural produce will take the form of an investigation of all input requirements, processing and movement of the produce to the intended buyers. Every step will form major point of focus for the producer to become successful in getting the expected revenue.*
3. Marketing is a social and managerial process through which individuals and groups exchange products of value with one another to satisfy human needs and wants. This explanation emphasizes that, Marketing is a social process because there must be deliberate interaction between the seller and the buyer. The interaction process is what makes marketing to be a social process. Secondly, the explanation implies that, Marketing is a managerial process based on the various management functions e.g. planning, organizing, controlling, coordinating, directing and staffing which must be undertaken for the various actions to be achieved. In this explanation, a product is anything, which can be presented in the market place to satisfy human, needs and wants. It can be a good, service, an idea or information, or money. Value is perceived to be equivalent to the desired satisfaction. Value can be perceived from two points of views. From the seller’s point of view, it is the amount of money received from the buyer which is encompassing the cost of production, plus the desired profit. From the buyer’s point of view, value is perceived to the products conformance to the desired expectations. A need is a basic requirement, which can satisfy a desire. A want is a
requirement for some satisfiers (Philip Kotler, Marketing Management, 1997)

In summary, we can say that, marketing systems are dynamic. They are competitive and involve continuous change and improvement. Suppliers, who have lower costs, are more efficient and can deliver quality products are those who can survive and prosper. Those who have high costs do not adapt to changes in market demand they provide poorer quality and are often forced out of business.

Reflections

Apply the three elements for the definition of marketing indicating clearly how they can be incorporated in agricultural produce. Imagination and creativity in the production process is necessary.

Quantity, Quality and Frequency (Q.Q.F)

The following operational definitions may be used in regard to Q.Q.F.
Quantity refers to the **volume** of the agricultural produce taken to the market place for the intended target market. The right quantity is necessary for both the seller and the buyer. The buyer cannot buy what is not necessary. Agricultural produces should not overproduce or under produce the products, but should establish what should be enough for the consumers.

Quality is perceived be the **Benefit/Value** of the produce. From the agricultural produce perspective, it is the cost of producing the agricultural produce plus the desired profit. From the buyers’ point of view, quality is the produce conformance with the desired expectations.

Frequency is the **number** of times/period that the agricultural produce is expected to reach the intended consumers, for example once, twice.....a week etc.

*Emphasis should be that: Quantity=VOLUME, Quality=VALUE and Frequency=Times/Period*
Agricultural businesses operate within many forces that affect and direct their operations. These forces are referred to as marketing environmental factors. The success of every agricultural business is largely determined by these factors. In agricultural businesses, there are equally many forces that dictate how farmers should operate their businesses and these factors should not be ignored. To understand them better, marketing environments are classified into two categories as discussed below.

**Classification of Marketing Environments**

1. **Internal Marketing Environment**
   These are factors within agricultural business that affects its performance. These factors can be managed by the agricultural enterprise to suit its objectives at any given condition.

   Internal business environment can be divided into three broad categories as below:
a) The agricultural enterprise environment: These are environmental factors found within the agricultural enterprise. They can be managed by the farmer or farmer groups. They can be referred to as the “5MS” They include:

Man/Staff – Refers to the staff/farmers working for the agricultural enterprise. They should be committed to achieve the agricultural produce goals. If they are not committed then, the agricultural produce goals cannot be achieved. The staff should be experienced and qualified to undertake various activities for the agricultural produce organizations.

Money - Refers to the funds which the Agricultural produce org’nization can use in its operations. The funds should be enough. This implies that the Agricultural produce should always invest in income generating activities in order to have adequate funds all the time.

Materials - Refers to the inputs which the agricultural produce should use in the production of the produce. The materials should be the right high quality materials as perceived buy
the consumers. This will lead to the perceived high quality finished products by the same consumers.

**Market**-Refers to the forecasted target market who should be the right market for the product. For example, if an agricultural produce organization is to produce a product which is meant for the high income class, then the same product cannot be sold to the low income class because the low income class will not afford to buy as their purchasing power is low.

**Machinery**-This refers to the tools and equipment used by the agricultural produce organization to process the produce into finished products. The machinery used should be the right kind which is efficient to enhanced quality production and enable the finished product to be ready at the right time.

**Case study on mangoes production.**

*Beauty Agricultural produce has been producing mangoes for the last 30 years. The mangoes have been sold in the local market in their raw form. Now, the owner of the farm had just met one of his cousins who has been staying abroad. In their meeting, the farm owner expressed the*
concern for his mangoes that they need to find other markets which can offer better prices for the mangoes. From this short story, the conversation between the owner and his cousin is as below:

Owner: What do you think I should do to sell my mangoes at better prices?

Cousin: You know, where I stay abroad, the raw mangoes cannot be bought.

Owner: How do they want the mangoes to be?

Cousin: The consumers there prefer the processed mangoes.

Owner: How can I be assisted to process my mangoes?

Cousin: You just buy an efficient and effective mango processor.

Owner: You think this will work for my mangoes?

Cousin: Oh yes. Just contact me one of these days to show you where you can buy the processor.

Owner: I must do that.
Reflection

From the above case, think about the kind of machine in terms of quality which any of the agricultural produce farmers may want to buy to process the mangoes.

b) Operating environment: These are immediately outside the enterprise environment, but they can be still managed by the agricultural produce organization. They include:

Customers-Refers to the target market who buys the product. Their needs and wants should always be monitored from time to time through customer satisfaction surveys.

Competitors-Refer to those organizations/groups/individuals who produce similar or substitute products which can compete with the agricultural produce. Competitors can be managed by producing high quality products for the right market.

Labor market-Refers to the organizations or institutions where the agricultural produce can get their employees. The agricultural produce organizations are therefore expected to engage in fair and transparent recruitment and selection
procedures. In this way, the agricultural produce’s corporate image can be enhanced. This is a very strong marketing tool for any organization.

**Distributors**-Refers to the middlemen who form close contacts with the final consumers. The distributors should be chosen carefully who should not exploit the final consumers. When consumers are exploited they will not buy the agricultural produce again, but rather will switch on to the substitute products. Sometimes the distributors buy at a very low price from the farmers and sell to the final consumers more than twice the price of purchase *(One day I wanted to buy pineapple from a nearby local market, as I stopped to buy the fruit, the farmers declined to sell to me the fruit and instead directed me that I had to buy from the middlemen who sold to me twice the price the farmers could sell to me).* This scenario indicates the kind of exploitation and cartel that the distributors have managed to put in place for all agricultural producers. This kind of cartel can be eliminated if the small and medium agricultural farmers can form associations and sell their produce directly to the final consumers.
Suppliers-Refers to independent organizations who can possibly supply the agricultural inputs to the farmers. They should be selected carefully so as to end up with suppliers who can supply the right quality, quantity, and at the right time. It is better when farmers buy in groups so that they can benefit from quantity discounts. They can also receive high quality inputs from the suppliers.

Assignment: How can agricultural produce farmers deal with each of the operating environmental factors covered above? Choose one enterprise you are familiar with to answer the question.

c) Industry environment: An industry is a composition of various Agricultural produces and other organizations producing the same or substitute products. The variables within the industry can be managed by the agricultural produce farmer. They include:

Competitive Rivalry-This refers to the competition within the various agricultural produces and organizations producing similar or substitute product. Each organization will compete in terms of promotion, distribution, pricing,
introduction of new products etc. The agricultural produce organization/farmer should follow suit what the rival competitors are doing and even make perfections of the same.

**Substitute Availability**-Refers to the products which can offer the same performance with the agricultural produce the farmer has produced. The agricultural produce organization/farmer should produce high quality products which should out-compete the substitute products.

**Entry barriers**-Refers to the tactics which the agricultural produce organization/farmer may use in order to prevent an entry into the industry. Such tactics may include but not limited to; discovery of new markets which other competitor may have no idea about, raw materials, favorable locations as regards where the product is to be produced and sold, access to raw materials and social amenities etc. Agricultural produce organizations/farmers should be alert on such entry barriers.

**Buyer powers**-Refers to the immense powers of buyer groups for the Agricultural produce. When buyers are very powerful, they can force prices to go down and demand for
high quality products. When this condition happens to the agricultural produce organization/farmer, it is important to have negotiation with the buyers and come up with an agreement. However, if negotiation cannot work, then finding out new markets can be the best solution.

**Supplier powers**-Refers to the immense powers of supplier groups for agricultural supply inputs. When suppliers are very powerful, they can force prices to go up and provide low quality inputs. When this condition happens to the agricultural produce organization, it is important to have negotiation with the suppliers and come up with an agreement. However, if negotiation cannot work, then finding out new suppliers can be the best solution.

**2. External Business Environment**

These are factors outside a business that affect business operations. These factors cannot be controlled by an agricultural produce organization/farmer and the only thing an agricultural produce should do is to change its operations to fit them. These factors include the following:
Economic Environment

Agricultural marketing requires purchasing power as well as people. The available purchasing power within an economy depends upon the following factors: Income level, Savings level, Credit availability, Prices of various commodities, Income per capital, and Investments levels.

For Example:

According to World Bank report, in 1998, countries such as Japan were able to save 18% of their total income; US saved 6% of their total income while Kenya had borrowed 21% of their total income. These figures indicated mean that Japanese and Americans’ financial institutions were able to give loans to their potential business mega at lower interest rate than Kenya, hence variation in purchasing power.

Agricultural produce organizations/farmers should pay close attention to the major trends of shifts of these economic variables so as to device appropriate marketing strategies such as product design, pricing strategies, etc.
Technological Environment

This refers to the technological advancements, which can create business opportunity or stagnate it. Many of today’s products were not available long time ago. For example, some decades ago, people did not know personal computers, video recorders, fax machines and digital wristwatches. Through the use of personal computers and fax machines, people have been able to telecommute i.e. work at home instead of travelling many kilometers away to the offices. This can avoid wastage of time and make workers productive.

Agricultural producers should be aware of the various technological advancements, which may create business opportunities for the organization and foresee the various social evils, which may be associated with such
technological advancements and possibly advise the agricultural produce about these adverse effects, which are associated with the advancements. This will enable the organization to put in place safety nets to eradicate the social evils attached to the technological advancement.

Political-legal Environment

Agricultural Marketing decisions are strongly affected by the development in the political legal environment. The Political-legal environment is composed of laws, government agencies, pressure groups and individuals who may pressurize businesses to pay close attention to consumer rights. These laws can also create business opportunities for example; liberation of trade has created business opportunities within many countries. Business legislation has the following purposes:
- Protect the businesses from unfair competition.
- Protect the consumers from unfair business practices.
- Protect the Co-operative Society from unbecoming business behavior.

Growth of special interest groups has increased worldwide to lobby government offices and pressure business executives to pay close attention to customer rights.

These laws can also create agricultural produce business opportunities. However, if agricultural products are weak due to the countries’ political system, it may not effectively carry out its objectives. Competitive advantage cannot be realized. Such agricultural businesses can be phased out of business.

Because the business communities including agricultural producers have not been adhering to the consumer rights, various pressure groups have formed up in various countries to force the business organizations including the agricultural producers to pay close attention to the rights of the consumers. For example, producers should not use chemicals which are banned on agricultural products.
For Example:

**In Kenya, the Kenya Bureau of Standards has won the right to know the following:**
- True standard cost of the product
- True ingredients and nutritional value of the product
- True manufacture date and expiry date of a product, etc
- True quality of a product

In response to consumerism, several organizations have formed consumer affairs department or Public Relations department concerned with the following issues:
- Handling of complaints arising from the consumer’s point of view and
- Formulation of policies aimed at protecting the consumers’ rights.

Agricultural producers should be aware about the political-legal issues, which may affect the organizations operations. To adapt to this environment, Agricultural produces must pay extra attention to the laws and regulations governing their business activities.
Demographic Environment

This is concerned with the population because agricultural producers require people to become farmers. Analysis should be on the various demographic variables such as: population growth rate in terms of birth rate and death rate. The analysis should also be on education level and age distribution, etc. The implication to an agricultural producer is to analyze these variables and design appropriate marketing strategies.

Socio-cultural Environment

This is concerned with the Co-operative Society within which people live. This will shape the target markets’ preferences, attitudes and values concerning Agricultural produce. High core socio-cultural values, norms, beliefs, preferences and attitudes are passed from parents to children and they are reinforced by major social institutions such as churches, schools, government agencies, etc.
The implication to an agricultural producer is to understand the socio-cultural factors of the target market and enhance these factors by designing appropriate marketing strategies.

**Natural/ecological Environment**

This is concerned with the natural environment. It is specifically concerned with the usage of raw materials whether renewable or non-renewable. The renewable resources are food, tress or forests. The non-renewable ones are coal, gold, silver, zinc, copper, oil, etc. Emphasis should be placed on economic use of the resources.

Natural environment is also concerned with the pollution level, which may be caused by the agricultural producers during the process of production. The pollution level, whether water, air or surface should be minimized. Agricultural producers may also contribute to the environmental pollution arising from their production activities. The agricultural producers should have appropriate policies aimed at economic usage of raw materials and minimization of pollution.
Summary of the Marketing environment can be depicted by the diagram below:

The diagram above shows that, it is important for the agricultural produce to start managing the internal marketing environment by starting with the 5MS before sequentially moving to the rest of the other environmental factors.

**REFLECTIONS**

What do you think are the best ways in which the agricultural producers can protect the environment?
REFLECTIONS

It is considered that the Marketing environment is dynamic. What is the position of your agricultural produce organization/farm in each of the marketing environmental factors considered above?

Marketing problems for agricultural produce

From the problem analysis, the core marketing problem addressed in this book is “Disorganized Farmers and Farmer Groups”, which has given rise to; limited opportunities to training, limited access to credit facilities, low production, and low incomes from the subsistence crops.

Low prices, poor management and leadership, exploitation by the middlemen/brokers, negative attitude towards farming as a business, low quality yield, limited access to market, lack of appropriate inputs, unfavorable policies, and lack of knowledge and skills.
The farmers lack organized groups and well established business oriented viable agricultural-based micro and small enterprises especially in the developing countries. From the problem Analysis perspective, the core problem is unorganized agricultural farmers and farmer groups. This core problem has given rise to three main problems which are explained below:

1. Limited opportunities to training: When farmers are not organized into groups, it becomes very difficult for the service providers to train them as individual farmers. This disorganization status has made farmers to have lack of knowledge and skills making them have negative attitude towards Farming as a Business (FAAB), poor management and leadership skills, lack of tactics in lobbying and advocacy for policy formulation and review-hence unfavorable policies.

2. Low production: The disorganized farmers engage in subsistence farming producing small quantities for the market. It is therefore impossible for the small holder farmers to have market for the small quantity produce making opportunities for the middlemen to exploit the farmers by paying low prices-hence low income.
3. Limited Access to credit facilities: Very many financial institutions would prefer to deal with the groups of organized agricultural farmers when it comes to lending. This acts as security/guarantee for repayment of loans for the lending institutions. Since the agricultural farmers are not organized, it is very difficult for them to get credit from the financial institutions.

The farmers will therefore use the small income they have to purchase inadequate farm inputs and sometimes low quality because they cannot afford the expensive inputs. They cannot qualify to be given quantity discounts.

This condition gives rise to inappropriate inputs, hence low yield and consequently low prices on the agricultural produce. The ultimate result is low income hence vicious cycle of poverty.
Figure 1 below depicts the above problems and how they have the multiplier effects.

**FIGURE 1: PROBLEM TREE**
The conceptual framework or the hypothesis which can be used to overcome the problems above can be framed that if farmers form strong associations, they can become organized and benefit from marketing front in regard to; adequate training opportunities, high production of agricultural produce, and adequate access to credit facilities.

Solutions to most of the agricultural marketing problems are based on strong farmers associations. The associations can become strong because of their bargaining power. This can lead to the development of the nation. The illustrations can be depicted in figure 2 below about the objective tree.
Marketing objectives for agricultural produce

FIGURE 2: OBJECTIVE TREE

- Increased income levels among the smallholder agricultural producers
  - Organized farmer groups
    - Trained farmers and farmer groups
      - Adequate knowledge and skills
        - Favourable Policies
        - Appropriate Management and Leadership Skills
      - Positive attitude towards FAAB
        - Limited broker exploitation
        - Appropriate farm inputs
      - High quality and quantity farm produce
        - High farm produce prices
        - High quality yields
    - High farm production
      - Adequate access to credit facilities
        - Strong Lobbying and Advocacy
        - Adequate Capital

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Assignment: As agricultural farmer/farmer organizations, critically evaluate whether the problems and the suggested objectives presented above are common to your situation.

Marketing Mix

Marketing Mix are tools used to achieve agricultural produce marketing objectives.

Hypothetical Example:

When one is preparing to go to the garden, the needed tools may include gumboots, hoe, gloves, cap, water, food, handkerchief, sunglasses, overall coat, etc. All these are needed by the person to have comfort in tilting the garden.

Therefore, agricultural producers also need marketing tools to be used to achieve marketing objectives. The marketing tools used are also referred to as the elements of marketing mix. These elements include; people, physical evidence, process, product, price, promotion, and place. These elements can be referred to as the 7PS. The marketing
elements when used in an appropriate manner can lead to
the achievement of the Marketing objectives. The diagram
below shows these marketing elements

**Explanation of the above**

The above marketing mix elements are called the 7Ps
because they start with letter P. However, it should be noted
that the elements considered above are the most common
once.

1. **People**: This refers to the human beings within the
agricultural groups who produce should be innovative and
experienced to produce better quality product. The
forecasted target market is also considered as people whose
needs and wants should be established before the production of the product. The question here is, “who are my target consumers for the Agricultural produce?”

2. **Physical Evidence**: This is considered as the place where the Agricultural produce product has to be produced. Emphasis should be on the accessibility of the place by the target consumers or appropriate distribution channel should be considered.

3. **Process**: This is considered as the technological steps which should be undertaken before the product becomes a finished product. Emphasis should be on the effectiveness and reliability of the tools used in the production of the product.

**Case study on tea production**

Consider this example where farmers who are producing tea are using obsolete machines to process the tea leaves. The final produce would be very dirty and first quality tea would not be obtained. The competitors would out-compete such a tea producing Agricultural produce. In addition, the obsolete machinery would take a very long time to produce the desired product.
quantity of tea at the right time.

**Assignment:** Does your Agricultural produce farm have efficient and effective producing equipment/tools to enhance the production process? If the answer is NO, consider if there are better equipment/tools which you can use in the farm.

**Product:** This is the produce which the agricultural farm has produced and has to be presented to the market place for the intended consumers. The product should be the right one for the consumers based on their needs and wants. *Consider whether your Agricultural product is the right one for the consumers based on the needs and wants of those consumers.*

Case study on poultry farming

*A group of farmers realized that there was a demand for high quality eggs among the expatriate community and the rich people in the city. They paid in average 50% more for a dozen of first grade eggs. The farmers jointly set up a stall near the bus stop where buses from their area unloaded in the city, and stocked it with first grade eggs hoping for some*
good business. Unfortunately, very few eggs were sold, and the farmers soon stopped their marketing effort.

**Reflections**

What kind of advice would you give to the farmers?

**Price:** This is the value of the product from the Agricultural produce point of view which incorporates the cost of producing the product plus the desired profit. From the consumers' point of view, this is the amount of money which the consumer will have to part with in order to obtain the product from the agricultural produce. *Does the price of your agricultural product cover the total cost plus the desired profit? Do consumers frequently afford to buy the agricultural product?*
Case study on dairy farming

A dairy Co-operative Society wished to sell its milk in a city. They arranged for churns to be delivered to selected shops, so that people could bring their own containers and buy what they wished. The milk was cheaper per litre than at competitive suppliers, but it was often spilt or polluted. After a while customers refused to buy it and the shopkeepers stopped buying as a result.

Reflections

What do you think the Dairy agricultural producer could do in order to remain in business?

Promotion: This is considered as the activities which the Agricultural produce organization can use to create awareness about the existence of the product to the intended consumers. This may include advertising, sales promotion, personal selling, public relations, and direct marketing.
Case study on oranges production

Fruit growers agricultural produce vigorously and expensively advertised their very high quality oranges in a new market; shopkeepers bought large initial stocks of the oranges, but since they did not look any different from other oranges from other sources, which were slightly less expensive, the shopkeepers sold the other type to customers who asked for the agricultural produce fruit. The sales results were after a while quite insufficient to cover the costs of the promotion.

Assignment: In your own opinion what do you think is the best way for the fruit growers to promote their fruits if your Agricultural produce was to venture into such an activity?

Place: This is the activity which ensures that the Agricultural produce product is made available and accessible to the consumers. Agricultural produces should emphasis on the convenience of accessibility of their produce to the intended consumers.
A group of farmers started to raise improved beef cattle, and they wished to market the surplus meat. They persuaded some local butchers to stock the meat, but customers were put off by the flies and the meat soon went bad in the heat. A great deal was wasted and the farmers regretted that they had lost their money on these new cattle.

**Assignment:** In light of the case above, what do you think are the considerations which your Agricultural produce should take into account when choosing retailers/wholesalers to store and sell their produce?

**Marketing tasks and states of Demand**

Marketing tasks refer to the various strategies which the Agricultural produce Organization can use to tackle the
various states of demand. This can be summarized as follows:

<table>
<thead>
<tr>
<th>STATES OF DEMAND</th>
<th>MEANING</th>
<th>MARKETING TASKS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Irregular Demand</td>
<td>This refers to the kind of demand for Agricultural produce which fluctuate very often and is very unpredictable</td>
<td>Use flexible marketing mix, that is prices, promotion, and distribution strategies should be flexible</td>
</tr>
<tr>
<td>Declining Demand</td>
<td>When demand level falls and profits decline</td>
<td>Use aggressive promotion and check on pricing strategy</td>
</tr>
<tr>
<td>Overfull Demand</td>
<td>When the demand level is very high than the supply</td>
<td>Produce more of the product and sell more to the customers</td>
</tr>
<tr>
<td>Unwholesome Demand</td>
<td>When demand attracts a segment of the market to discourage its consumption. For example if the</td>
<td>Use aggressive promotion to advocate for the advantages of the product</td>
</tr>
<tr>
<td><strong>Full Demand</strong></td>
<td>This is when the product supply is equal to the demand level.</td>
<td>Continuously measure the customers’ satisfaction level overtime</td>
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<td>-------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Negative Demand</strong></td>
<td>This is when the market does not like the product and even pays a price to avoid the consumption of the product. For example, when a Agricultural produce is offering a cheap</td>
<td>Do a marketing research to establish why the market does not like the product and use the research results to implement the marketing strategies</td>
</tr>
</tbody>
</table>
transport business and the commuters are ready to pay more for another transport to avoid the Agricultural produce transport.  

| Latent Demand | This is when the consumers demand an attribute in the Agricultural produce product which cannot be fulfilled by the Agricultural produce in the short run. For example, if a coffee Agricultural produce can have a situation where consumers may want coffee which does not have nicotine content, and this demand can be Involve the consumers as partners to help look for the solution for the situation, and continuously inform the consumers on what has been done about the product. |
| Regular Demand | This is a situation when the demand level can be predicted. | Maximize production process. |

**ASSIGNMENT**

*Using the table above, fill in the corresponding Marketing tasks applicable for your Agricultural produce organization for each state of demand. The tasks maybe multiple for each state of demand.*

---

**Key Learning Points**

In this learning tablet you have learnt the following:

- The various ways in which Marketing can be defined.
- The Elements of marketing mix which are composed of the 7PS.
The Marketing environment highlighting the internal and external factors.
The various demand states and the corresponding marketing tasks

**ADDITIONAL READING**
Marketing Management By Philip Kotler,
CHAPTER 2: MARKETING RESEARCH

OVERVIEW
Marketing Research is used to identify the needs and wants of the Customers. This should be the first step in any organization aspiring to be successful. The Research results should direct the organization to produce what the customers need and want. The content map of Marketing Research is shown below.
Learning Objectives

At the end of this chapter, the participants should be able to:
Explain the meaning of Marketing Research.
Explain the process of Marketing Research.
Formulate strategies on how to handle competitors.
Devise appropriate marketing decisions

Frequently Asked Questions

Do you consider the following as the frequently asked questions?

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is marketing Research in relation to agriculture</td>
<td>?</td>
</tr>
<tr>
<td>What is the process of Marketing Research</td>
<td>?</td>
</tr>
<tr>
<td>What are the factors considered in the competitors Analysis</td>
<td>?</td>
</tr>
<tr>
<td>What does Marketing Intelligence involve</td>
<td>?</td>
</tr>
<tr>
<td>What are the marketing Decision Support Systems</td>
<td>?</td>
</tr>
</tbody>
</table>
The meaning of Marketing Research as maybe understood in Agricultural produce organizations can be defined as follows:

It involves the process of systematic gathering of data related to agricultural produce issues; recording, interpreting and reporting to the Agricultural produce stakeholders to make informed decision. The key words in this definition are; Process, systematic, gathering, data, recording, interpretation and reporting. The essence of marketing research is to provide information that will help in managerial decision making. It is done in order to understand customers, dealers, competitors, government regulations etc. The customer's characteristics can be known.
Process of Marketing Research

Consider the following case in the table below where a
Coffee Agricultural produce organization in Kenya
wanted to establish why the consumers in the Western
world do not buy coffee.

Case study on coffee farming

<table>
<thead>
<tr>
<th>The committee farmers of Nkumberi Coffee Agricultural produce Co-operative Society convened a meeting to find out the steps they can undertake to make their coffee in the Western countries. In their meeting, they came up with the following steps to be done:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visit various Western Countries and find out whether the consumers are consuming their coffee</td>
</tr>
<tr>
<td>Try to lobby the consumers to start consuming their coffee</td>
</tr>
<tr>
<td>Come back and tell the farmers what they found out in the Western Countries in regard to the consumption of their coffee.</td>
</tr>
<tr>
<td>Follow up the farmers whether they producing according to the expectations of the Western country consumers.</td>
</tr>
<tr>
<td>Evaluate after sales whether the consumers are satisfied from time to time.</td>
</tr>
</tbody>
</table>
Assignment: In light of the case above, Evaluate the process of Marketing Research which the Committee farmers of Ndumberi Agricultural produce have done.

The answers to the case above can include the process of Marketing Research which involves:

**Defining the problem:** The problem should be clearly stated. Uses of research should be stated. All these are stated in order to make the research become meaningful and help in decision making process. The managers will use the information gathered to undertake their managerial decisions. The cost of the research is related to the total amount of information gathered. However, the value of the research is related to the proportion of the information that is useful. The problem definition should lead to clear research objectives.

**Designing the Research:** The researcher has to make a choice among the many ways that will have to satisfy the research objectives. He has to decide on:
The data collection methods {secondary data or primary data}. Secondary data exist in accessible form. The sources of secondary data are internal and external.

The research instruments used to gather the information, for example; tape recorder, interview, questionnaire etc

**Designing the sample**: Sampling plan. Answers the questions; who is to be surveyed?{sampling unit}, how many are to be surveyed?{the sample size to be used}, how they are to be selected{the sampling procedure}, and how they are to be reached, for example; by phone, mail, personal contact etc

**Collecting the data**: This is the stage of collecting the data. It is the most expensive phase of research and liable to error. The researcher has a choice. He can choose to supervise data collection or contract another person who is qualified to collect the data. Problems which may occur are; respondents refusal to cooperate, respondents may be biased, the interviewer may be biased.

**Processing and analyzing the data**: An attempt is made to attract meaningful information from the data collected. The raw data is interpreted to be understood. The type of data
collected will determine the choice of the tool to be used for interpretation. Statistical tools can be used as well as computer packages

**Writing the report:** The report should indicate major findings, recommendations, suggestion for further research.

**Assignment:** Has your Agricultural produce organization ever carried out any research? If the answer is YES, Explain the steps which your Agricultural produce went through to carry out the exercise

The meaning of competitors can be considered as the organizations/groups/individuals producing similar/substitute products as the Agricultural produce organization and selling in the same market.

In your opinion, what are the factors which should be considered in the competitors' analysis?
Now, consider the following factors which can be looked into when analyzing competitors whether they are applicable to your Agricultural produce organization:

The competitors’ product attributes such as quality, features, styling, color packaging, etc. Other issues considered include:

- Who are the markets of the competitors
- When the competitors sell to the market
- The price that the competitors are charging
- The promotion techniques used by the competitors
- The distribution strategy used by the competitors

**Reflections**

*Here is some of the information about marketing research data for you to reflect on. Read it through carefully and think about other information and where they can be obtained.*
<table>
<thead>
<tr>
<th>Information</th>
<th>How Obtained</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>a) Final Customers (individuals)</strong></td>
<td>- Published census information.</td>
</tr>
<tr>
<td>- How many households are there?</td>
<td>- Common sense (e.g. upper, middle level income in urban and sub-urban areas, i.e. four groups).</td>
</tr>
<tr>
<td>- Into how many groups must households be divided for the purpose of obtaining information about their milk consumption?</td>
<td>- Ask a sample of about 40 people in each group, that is 160 people altogether, using school children or voluntary members and their families to produce the necessary information.</td>
</tr>
<tr>
<td>- How much milk does each household consume?</td>
<td>- Personal visits by the manager to each institutional customer are likely to be very valuable, and an information gathering visit can also be an initial selling visit.</td>
</tr>
<tr>
<td>- Where do they buy milk?</td>
<td>- Preferably by personal visit, since shops may well be important customers. If there are too many, suitably selected committee members might assist.</td>
</tr>
<tr>
<td>- What do they pay for milk?</td>
<td></td>
</tr>
<tr>
<td>- What milk supply problems do they have?</td>
<td></td>
</tr>
<tr>
<td><strong>b) Final Customers (institutions)</strong></td>
<td></td>
</tr>
<tr>
<td>- What and where are the institutional purchasers? (Schools, Hospitals, Government Offices, etc.)</td>
<td></td>
</tr>
<tr>
<td>- How much milk do they buy?</td>
<td></td>
</tr>
<tr>
<td>- Where do they buy it and who decides on the source? (i.e. Central Government purchasing officers, etc.)</td>
<td></td>
</tr>
<tr>
<td>- What do they pay for milk?</td>
<td></td>
</tr>
<tr>
<td>- What milk supply problems do they have now?</td>
<td></td>
</tr>
<tr>
<td><strong>c) Marketing Outlets</strong></td>
<td></td>
</tr>
<tr>
<td>- What shops are there which presently sell milk or might do so in the future?</td>
<td></td>
</tr>
<tr>
<td>- How much milk do they buy?</td>
<td></td>
</tr>
<tr>
<td>- What price do they pay?</td>
<td></td>
</tr>
<tr>
<td>- What price do they sell milk for?</td>
<td></td>
</tr>
<tr>
<td>- What problems do they have with buying their milk?</td>
<td></td>
</tr>
</tbody>
</table>
Marketing Decision support systems (MDSS) is an Information system that helps with decision-making in the formation of a Marketing Plan. The reason for using an MDSS is because it helps to support the Agricultural produces in planning strategy for marketing products; it can help to identify advantageous levels of pricing, advertising spending, and advertising copy for the Agricultural produce (Arinze, 1990). This helps determines the Agricultural produce’s marketing mix for the product.

Both methodological and technological options are available in an MDSS such as statistical science models, managerial models, and decision-making support for managers. It includes information from customer analysis and industry analysis as well as general market conditions. This decision support system combines external data obtained from market analysis with internal data to form a comprehensive marketing plan of action for advertising and price setting.

**Assignment:** In your own opinion, do you think your Agricultural produce organization has included the MDSS in
their Marketing planning process? If the answer is YES, explain the kind of MDSS which has been used in your Agricultural produce organization within the last 3 years.

**Reflections**

Consider whether MDSS is an important tool to be used by Agricultural produces.

**Key Learning Points**

In this Learning Tablet, you have learnt Factors considered in Marketing Research that leads to effective Marketing Decision as:

- The Process of Marketing Research.
- Strategies on how to handle competitors
- Appropriate Marketing decision Systems
**ADDITIONAL READING**

Marketing Management By Philip Kotler.
CHAPTER 3: PRODUCT DEVELOPMENT

Overview

Products are developed for purposes of fulfilling the specific needs and wants of the specific customers. The development of the products should carefully be undertaken for the customers to appreciate such products and have repeat purchase of the same. It is true that products which are well developed in accordance with the customer’s specifications can generate high profits for the organization.
Explanation of the Content Map

This content map can be explained that Products can fail to generate enough profits because of some critical reasons. The most obvious reasons are that, the product was not developed appropriately for the intended market. Another reason is that the Agricultural produce has not used appropriate strategy in the Product Life Cycle. It is expected that if the Agricultural produce can develop products which are needed by the intended consumers and use appropriate strategies in each stage of the PLC, then high profits can be realized.

Learning Objectives

At the end of this chapter, the participants should be able to:

Explain the meaning of Agricultural produce.
Give reasons why products fail to generate profits.
Explain the stages in the development of a new product.
Analyze the stages of a Product Life Cycle

Frequently Asked Questions

Do you consider the following as the frequently asked questions?
What are agricultural Products?

What are some of the reasons why Agricultural produce may fail to generate sufficient surplus?

What are the stages in the development of a new product?

What is a Product Life Cycle (PLC)?

Content

Meaning of Agricultural produce

The definition of Agricultural produce can vary from one agricultural produce to another depending on the activity being engaged in. Here below is a general meaning of any agricultural produce.

Agricultural produce is anything which agricultural producer can be presented in the market place to satisfy human, needs and wants. It is the Agricultural produce’s offer into the market place, which can satisfy human needs and wants. It has to be valuable.
Value is perceived to be equivalent to the desired satisfaction. Value can be perceived from two points of views. From the agricultural producer’s point of view to be the amount of money received from the agricultural produces which is encompassing the cost of production, plus the desired profit. From the consumers’ point of view, value is perceived to the products conformance to the desired expectations.

**A need** is a basic requirement, which can satisfy a desire. A want is a requirement for some satisfiers of the Agricultural produce.

![Stages in the Development of Product](image)

Ideally, there are 8 stages in the development of a product. Consider the stages presented below;
Stage 1: Idea Generation
This is the 1st stage in the development of a new product. This is concerned with the gathering of ideas about the development of the new product. Ideas can come from customers, competitors, middlemen, employees, sales representatives, investors, colleges, universities, top management, marketing research firms, media agencies, etc. at this stage, the organization should be satisfied with the ideas gathered.

Stage 2: Idea Screening
At this stage, the ideas gathered from the various constituent groups will be submitted to the idea committee headed by the idea chairman. The idea committee will send out the ideas and categorize them into three groups namely:
Promising ideas, which are useful ideas to be incorporated in the development of the new product.
Marginal ideas, which the organization will have to undertake further research or to establish their viability whether, they can be incorporated under the promising ideas or be dropped down as rejects.
Rejects are useless ideas, which should not be incorporated in the development of the new product. However, the organization should avail to commit two important errors:
A go error which occurs when the organization incorporates a useless idea in the development of the new product and yet it could have been dropped down.

A drop error which occurs when the organization leaves a worthwhile idea which could have been used in the development of the new product.

The organization should be satisfied that proper screening has been fulfilled.

**Stage 3: Concept Development and Testing**

Concept development is the process of transforming the promising ideas into consumer understandable terms. The purpose is to develop the new product according to the desires of the customers.

Concept testing is the process of developing the product image or picture for the purposes of getting a sample of the consumers to view what the organization is intending to produce.

Today organizations can use virtual realities to come up with a model of the product through the use of computer programs or the use of toys can suffice the purpose.
The organization must be satisfied with concept development and testing of the product if it is to be satisfied with this stage.

**Stage 4: Marketing Strategy Development**

A strategy is a general statement indicating how an organization will achieve its objectives. Marketing strategize therefore refer to how the organization or ways or means through which an organization can achieve its marketing objectives. They are:

Description of the target consumers in terms of the following:
- Size or number of the target market
- Location of the consumers
- Age distribution, family circumstances, etc
- Economic circumstances
- Socio-cultural background
- Psychographic variables such as motives, perception, educational level, attitude and beliefs.

Outlining the marketing programmes to be used would include an outline of price, distribution, promotion, physical evidence, the number of units to be produced, etc.
Stage 5: Business Analysis
This involves the analysis of the business potentials and specifically the organization will have to estimate total costs and total profits in relation to the new product development. The estimation of these variables can be done through the use of various financial tools such as the bread-even point analysis, the payback period, cash flow statements and the net present value, etc.

Those factors must be considered to be positive in order for the organization to continue with the idea of developing the new agricultural product.

Stage 6: Product Development
This involves movement to the research and development department or production department to ensure that the product performs safely and effectively. The product will have to be developed in its physical features/cues such as sizes, tastes/flavors, weight, and colors, etc. Then the product will have to undergo two tests: Functional tests which will have to be conducted under laboratory conditions to ensure that the product performs safely and effectively. If it is a new drug, the product will
have to be subjected to the animal test before it can be subjected to the human beings test.
The second test is consumer test where the organization will have to give free samples for testing purposes.

Stage 7: Market Testing
The product will be dressed with the brand name packaging and the preliminary marketing programmes will be applied such as pricing, promotion and distribution. The purpose is to learn how the market is reacting to the product.

Stage 8: Commercialization
At this stage, the organization will engage in full blast effort to produce many units of the product to sell to the customers. However, the organization should consider the following decision:
Geographical location of the customers should be defined
Through description of the target customers should be known
When to enter the market, whether to gain parallel entry with the competitors or late entry or early entry.

Note: To sequence the many stages in the development of a new product, the management can use network planning
techniques such as the critical path scheduling by developing a master chart.

The master chart is able to show the simultaneous and sequential activities that must take place to launch the product. It will involve the estimation of how much time the entire activity is going to take and will show the completion time of each and every activity. Any delay in any of the activities will cause the delay in the completion of the product.

Reflections
Has your Agricultural produce developed a new product? Consider whether the stages in the development of a new product explained above had been taken into consideration.

**ASSIGNMENT:** Now, assume that you have been involved in the committee discussing ways and means to develop a new a product for the farmers, advise the rest of the committee farmers on how to go about the development of the new product.
Product Life Cycle (PLC)

Products are expected to have a life cycle which can be compared to a human being's life cycle. Human beings are born, they grow, and they mature, then reach old age and die. However, the death of a human being can be at any stage of his life time. This means that human beings start from childhood stage, teenage stage, adulthood stage, and old age stage. This phenomenon can also be equated to a product life cycle. Products are introduced into the market, they grow in terms of sales and profits, they mature at certain stage, then finally decline in terms of sales and profits and are phased out of the market if not managed.

Therefore, to say that a product has a life cycle is to assert that products have distinct sales and profit levels at each stage of their life cycle. Secondly, that different marketing strategy is required at each stage of the product life cycle.
Now, consider the following stages in the product Life Cycle.

Introduction stage
This is a period of slows sales growth rate and profits are non-existing because of the heavy marketing outlays which the organization has increased with the product introduction. Many products can stay at the introduction stage for a very long time because of various factors such as:

Technological problems
- Customers’ resistance to change from their established brands
- Unexpected stiff competition, etc

This is not a desirable stage for any Agricultural produce. The agricultural producer must use various marketing strategies to move to growth stage.

Now, consider the following marketing strategies for the introduction stage:

Rapid skimming strategy: This involves increasing promotion activities and charging high prices on the product. The assumptions are:
- Majority of the potential consumers are not aware about the existence of the products.
- Majority of the consumers are not price sensitive and they can buy the product at any price.
- Competition is not very eminent.

With the increase of the promotion activities, the organization will be able to make the product known to the majority of the potential consumers who would possibly purchase the product. With the high price, the organization will be able to generate sufficient revenue and recover as much costs as possible.

These conditions can enable the product to move from introduction stage to growth stage.

**Slow skimming strategy:** Involves reducing promotion activities but charging high prices on the product. The assumptions are:
- Majority of the target consumers are aware about the existence of the product.
- Majority of the target consumers are not price sensitive

Competition is not eminent.

With the reduction on promotion activities, the organization will be able to cut down on the expenses for such activities.
With the high price, the organization will be able to generate sufficient revenue to enable the product move from introduction stage to growth stage.

**Rapid penetration strategy**: Involves increasing promotion activities but reducing the price of the product. The assumptions are:

- Majority of the potential consumes are not aware of the existence of the product.
- Majority of the consumers are very price sensitive
  
  Competition is very stiff.

With the high promotion activities used, the product will be able to attract customers who have not become aware of the existence of the product. With the low price of the product, the organization will be able to attract the next layer of price sensitive customers who will have to purchase the product.

These conditions will enable the product to move from introduction stage to growth stage.

**Slow penetration strategy**: Involves reducing the promotion activities and charging lower prices on the product. The assumptions are:
- Majority of the target consumers are aware about the existences of the product.
- Majority of the target consumers are very price sensitive.
- Competition is not very eminent.

When lower prices are charged on the product, the assumption is that the product will attract the most price sensitive customers and many will start buying the product. In this way, the cost of production will be covered and the product will move to the desirable growth stage.

**Reflections**

*What would you consider to do if the above strategies do not work out to move the product from the undesirable introduction stage?*

**Growth stage**

A product can only reach this stage if it has successfully moved from the introduction stage. The period it takes a product to move from the introduction stage to the growth stage can vary from one product to another.
This is a period of rapid market acceptance as most of the consumers have now started buying the product. Profits are positive and the sales growth rate increases. However, competitors start to enter into the market, being encouraged with the successful opportunities which the organization is enjoying.

Now, consider the following marketing strategies which can be used by the Agricultural produce organization to retain the product under the growth stage.

Awareness advertising to product preference advertising
Reduce the improvement of product quality according to the decision of the consumers.
Improving the features, sizes, flavors and even packaging of the product
Enter new market segments to increase the market share
Shift from product price of the product to attract the next layer or price sensitive customers especially if the organization is targeting price sensitive customers.
REFLECTIONS: What would you consider to do if the above strategies do not assist the Agricultural produce product to be retained within the growth stage?

Maturity stage

Now, note that, the product can only move to the maturity stage if the growth stage has not been managed successfully.

This is a period of slow sales growth rate because of stiff competition. Most consumers have tried the product and the organization cannot find additional consumers purchasing the product. This stage is divided into three:

- Growth maturity which is a period when sales level starts to decline.

- Stable maturity when sales stabilizes become of market saturation

- Decaying maturity when sales show a tremendous decline because some of the organizations' consumers have started switching to the competitors’ products.
Now, consider the following marketing strategies for the maturity stages:

**Market modification**
*Here the organization will try to alter the number of consumers purchasing the product by finding out new users of the product or converting non-users to users of the product.*

_Finding out new uses of the product and encouraging more frequent usage._

Entering new market segments with the same product.

**Product modification**
*This is done by improving product quality commensurate to the desires of the consumers.*

Improving product features, styling, tastes/flavors, etc according to the desires of the consumers.

**Marketing mix modification**
*The other marketing tools apart from the product, should be reviewed accordingly to suit the customer’s interests e.g._
effective pricing, effective distribution, effective promotion, etc.

**REFLECTIONS:** What would you consider to do if the strategies used above do not make the product move back to the desirable growth stage?

**Decline Stage**

The product can only move to this stage if the agricultural produce has not managed the maturity stage to enable the product move back to the growth stage. This is a period when sales show a downward drift and profits erode because most consumers have switched to the competitor’s products. The competition is still very stiff which may be either foreign or/and domestic.

**Now, consider the following marketing strategies to be used in the decline stage:**

**Step 1:** Identify weaknesses of the product

**Step 2:** Design marketing strategies to address the weaknesses
Step 3: Diversify to unrelated products, which will result into the death of the old product.

Step 4: Divert the whole business (sell the business) which also leads to the death of the old product.

A summary of the Product Life Cycle can be shown by the following diagram

**ASSIGNMENT:** Consider one of the products which your Agricultural produce organization is currently offering to the
farmers/consumers and indicate the stage of the Product Life Cycle (PLC) in which it is found. Explain some of the marketing strategies which you think the Agricultural produce should use to retain the product at the growth stage.

**REFLECTIONS:** In your opinion, how would you deal with the employment aspect if the Agricultural produce product has reached decline stage?

**Key Learning Points**

In this learning tablet you have learned the following:

- The meaning of agricultural produce.
- You can give reasons why products fail to generate profits.
- You can explain the stages in the development of a new product.
- You can analyze the stages of a Product Life Cycle
ADDITIONAL READING

Marketing Management By Philip Kotler
CHAPTER 4: PRICING AND NEGOTIATION

Overview
Careful Pricing leads to motivation of the customers to buy the products as well as profitability realized by the organization. A product is produced by the organization for the purposes of serving the customers but also for the purposes of covering the total cost. Appropriate pricing is perceived as value to both the seller and the buyer. The content map of Pricing and negotiation is shown below:
Explanation of the Content Map

The content map above has given a relationship considered under pricing and negotiation. In this chapter, it is considered that in order to have good pricing and negotiation, the method of pricing should be considered. The method should take into account the marketing costs and some negotiation skills should be known. This leads into better pricing strategies and decisions.

Learning Objectives

At the end of this chapter, the participants should be able to:

- Explain the meaning of a Product Price.
- Identify Pricing Approaches/Methods
- Evaluate Pricing strategies
- Acquire good negotiation skills.
Frequently Asked Questions

Do you consider the following as the frequently asked questions?

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. What is the meaning of a product price</td>
<td></td>
</tr>
<tr>
<td>What are the methods or approaches of pricing</td>
<td></td>
</tr>
<tr>
<td>What are the pricing strategies</td>
<td></td>
</tr>
<tr>
<td>What are the factors considered in good negotiation skills</td>
<td></td>
</tr>
<tr>
<td>How can I negotiate</td>
<td></td>
</tr>
</tbody>
</table>

Content

Meaning of a Produce Price

From marketing point of view, the price is the value placed on a product by a customer at some time. This is the value of the product encompassing the cost of pricing the product plus the desired profit. From the customers’ point of view, it is the amount of money that the customer will have part with in order to obtain the product.
Approaches and methods of pricing a produce

Approaches or Methods of pricing

Cost pricing approach: This involves consideration the total cost of producing a unit of the product plus the desired profit (Fundamentals of marketing by F.N. Kibera and B. Chege Waruingi, 1998)

Now, consider the information below:

The total cost of producing 1 litre bottle of milk is Kenya Shillings 20
The producer desires to make 20% profit on cost
Based on the information above, the price of the product can be arrived at as follows:
Unit cost=C$. 20
Desired profit=20x20%= C$.4
The total price would be C$.24, where the profit gained is C$. 4
Value Based Pricing Approach
This is a method which is based on the customers’ point of view of what they consider as value. In the provision of what the customers consider as value, producer will incorporate this in the cost of the product and still charge the desired profit. The calculation of the price would be the same as the one for the cost based pricing approach, but will be based on the customers' perspective of value. Therefore when the producer is purchasing the materials and going through the production process to provide the customer with what is considered as value, the producer will exactly charge the product based on the cost of the materials or inputs used.

For example if customers of agricultural produce Z want first quality instant coffee, then the agricultural produce will have to consider getting the instant coffee at all the costs involved. For the customers, this would be considered as value, but the agricultural produce will consider this as cost of offering the first quality instant coffee.

Competition based pricing approach
This is an approach based on what the competitors are charging. Therefore in this approach, the agricultural produce will wait to see what other competitors of similar or
substitute products charge and charge the same price as the competitors.

This approach is not suitable because the cost of production used by the competitors may not be the same. Following the competitors blindly may not be a good idea. However, it is the best approach to avoid competition. *For example if agricultural produce X is charging 600 shillings per kilogram of coffee, agricultural produce Y will also charge the same price.*

**Demand Oriented pricing approach**

The approach is based on the demand level of the consumers of the product. The agricultural produce has to gauge the level of demand and tag a price on the product based on the level of demand. When there is high demand, the agricultural produce will charge high price to generate high revenue. When there is low demand, the agricultural produce will charge low price to attract the price sensitive customers and the low income class and generate more revenue as well. Therefore, in both cases, the agricultural produce will gain more revenue if the assumption in each case is valid in the market situation.
**Break Even Analysis approach:**

This is used to establish the point at which the total revenue is equal to total cost, that is, where no profits or losses are incurred. If a agricultural produce has incurred one million Kenya Shillings in producing the produce and has sold the same produce at one million Kenya shillings, then the agricultural produce has broken even.

In the process of determining the cost of production, it is important to distinguish between Variable costs which include cost elements which vary with the volume of production, and fixed cost which remains constant regardless of the volume of production.

Now you know what the breakeven point is. Can you now try to think about the various kinds of costs for your agricultural produce? To help you, consider the costs listed below:

<table>
<thead>
<tr>
<th>Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments to Farmers for Produce</td>
</tr>
<tr>
<td>Officers’ Salaries</td>
</tr>
<tr>
<td>Fuel</td>
</tr>
<tr>
<td>Committee Expenses</td>
</tr>
<tr>
<td>Casual Labour</td>
</tr>
</tbody>
</table>
Have you now noted that all costs are variable at the extreme of production? If the agricultural produce did no business at all there would be no costs, and if the volume was multiplied by say two or ten times the present figure, it would be necessary to employ extra officers, to rent extra space and possibly even to have more committee farmers.

The figure below help can help you to know how the Break Even Point (BEP) appears in graphic form. The table below gives the information to be used in the drawing of the BEP.

<table>
<thead>
<tr>
<th>Fixed Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>wages and salaries C$ 8,000,</td>
</tr>
<tr>
<td>Depreciation C$ 500,</td>
</tr>
</tbody>
</table>
office supplies C$300,
insurance C$200,
interest charges C$2,500,
member education C$500,
telephone C$200,
electricity C$300,
tax C$100,
audit fees C$200,
committee member allowance C$200
TOTAL FIXED COST C$13,000.
Variable Costs :
Costs of produce paid to farmers
C$80,000,
transport hire C$1,000,
casual labour C$1,000,
fumigation C$1,000,
bags of fertilizer C$5,000
TOTAL VARIABLE COST C$88,000.

Note: Variable Cost per ton C$88.

If we use the information in the box above, The BEP in a graph form can look like the one below:
As you can see in the graph above, the total cost curve includes both the variable cost elements and the fixed cost. The fixed cost is represented by the horizontal line. The average variable cost is assumed to be constant. The BEP is where total revenue just equals the total cost at 1050 units.

The formula below can be used in establishing the BEP in units if you don’t want to use the graph:
BEP (in units) = \[
\frac{\text{TOTAL COST PER UNIT PRODUCED}}{\text{PER UNIT CONTRIBUTION OF FIXED COST}}
\]

Now, consider the example below

<table>
<thead>
<tr>
<th>The total fixed cost of a product is Kenya shillings 500,000</th>
<th>The price of the per unit produce is 50 shillings</th>
</tr>
</thead>
<tbody>
<tr>
<td>The total variable cost is 30 shillings</td>
<td>Then, the BEP in Units would be:</td>
</tr>
</tbody>
</table>
|                                                            | \[
\text{BEP units} = \frac{500,000}{50} = 25,000 \text{ units}
\]
|                                                            | 50-30                                           |
|                                                            | 20                                              |
| Therefore, the BEP in shillings or value would be 25,000x50=1,250,000 shillings. | |

Assignment: Consider a product for your Agricultural produce, and calculate the BEP, and also draw up a graph representing the BEP.

Reflection

In considering all these pricing approaches, under what conditions would you think each approach would be suitable.
Marketing Costs

In calculating the price of the agricultural produce, it is important to take into consideration the marketing costs as well. You may want to know what marketing costs are all about. These are costs related to the sales of the produce after production of the final and the produce is now ready to be taken to the market. For example, if you are in an agricultural produce that engage in tea production, the marketing cost would be considered to be costs related to: transport, marketing levies, insurance and advertising.

All the marketing costs should be considered in pricing the agricultural produce and they can vary from one agricultural produce to another. Therefore in the calculation of price we have to include all the total cost which are; fixed cost, variable costs and marketing costs plus the desired profit.
For the consumers of the agricultural produce, you have to bargain for better prices. This is what is called negotiation. The question is, how do you negotiate? First of all, you have to remember that in a negotiation process there must be a win-win situation, that is, both the agricultural produce and the consumer benefits. Your agricultural produce will win by getting the best price, and the consumer will win by getting the best product at affordable price. *These are some tips you can use to negotiate according to*. [http://www.paulstips.com](http://www.paulstips.com).

**Be willing to negotiate in the first place.** Some people are too shy to talk about money. Others think it's rude or demeaning and in many cases they're right. However, when it comes to doing a deal - and we all have to sometimes - being unwilling to engage in "money-talk" can be a very expensive business. There are a lot of experienced negotiators out there. If you're buying a house or a car, or taking a new job, you can be sure you'll have to deal with such a person. If they can see you're timid about the whole business, many will take advantage of that fact.
You also shouldn't be shy about turning something that may not immediately appear to be a negotiation into one. If I'm buying a few expensive things from the same store, I'll often ask them to throw something in for free or reduce the price. Just because there's no sign saying you can do that, doesn't mean you can't. Often, simply by asking for something extra I'll get a better deal.

2. Don't get emotionally involved.

One big mistake many amateur negotiators make is to become too emotionally attached to winning. They shout, threaten and demand to get their way. This is all counter-productive.

Most deals are only possible if both people feel they're getting something out of it. If the person across the table feels attacked, or doesn't like you, they probably won't back down. Many people hate bullies, and will be more willing to walk away from a transaction if it involves one.

Keep calm, patient and friendly, even if the other person starts losing their cool. Make sure you leave any pride or ego at the door. You're much more likely to do well that way.
3. Don't get suckered by the "rules" trick.

When someone sends me a contract to sign, if there's something on there I don't like, I'll cross it out. I'm also happy to write things I want added in if I think they should be there. Sometimes, the other party will come back to me and say "You're not allowed to make changes to our contracts like that". Oh really?

Since I'm the one signing the thing, I'll make any changes I want, thank you very much. There's no law that says they're the only one allowed to add things to a contract. If they're not happy with my changes, let me know and we can work it out, but don't simply tell me I don't have permission.

This highlights a common tactic used by experienced negotiators such as real estate agents, employment agents, car salespeople and the like. They know many people are sticklers about following rules. So they'll make up official sounding pronouncements and insist that "this is the way it's done" or "you're not allowed to do that". If someone starts trying to box you in by adding rules to the deal, ask them to provide proof that such rules really exist.
4. **Never be the first person to name a figure**

This is an expensive lesson to have to learn, but a good one. I do a lot of contract work, and one of the first questions I'm usually asked is "What's your hourly rate?". This is a high pressure question, and I often found myself blurting out a figure that was lower than what I really wanted.

These days, I've learned the importance of getting the other person to say a number first. Now, I respond to that question by asking "What's the budget for this contract?". Often, I'm surprised to discover they're offering me a better deal than I thought they were.

5. **Ask for more than you expect to get**

Once the other person's given their figure, even if it's much better than you expected, say something like "I think you'll have to do better than that". Don't be arrogant or aggressive. Just say it calmly.

When they enquire about your expectations, ask for more
than you expect to get. Few people will walk away from a deal once it's commenced, and you can let the other person feel as if they're winning by lowering your "unrealistic expectations" a bit at a time.

6. Let them believe the final decision doesn't rest with you

Once a negotiation starts, most people want to get it over with as quickly as possible. Let their impatience beat them. One great way of doing this is to let them believe the person they're negotiating with isn't actually you, but some other "authority figure".

Say something like "Well, I'll have to talk it over with my boss / spouse / partner before I can give you a definite yes".

A skilled negotiator will always want to talk to the person who has the final decision, but don't let them do it. Say the person with the authority over the deal wants you to sort things out but still needs to have the final say. Tell them you'll discuss it and get back with an answer tomorrow. Ask them to make sure that's their best offer you can take to your "authority figure".
This is also a great strategy for preventing people rushing you.

7. Don't act too interested.

Just giving the impression that you're willing to walk away can do wonders for getting a better deal. Always play the reluctant buyer or seller.

8. Don't leave the other person feeling as if they've been cheated.

Many people try to screw every last drop of blood from any negotiation. This is a mistake. If the other person feels they've been cheated, it can come back to bite you. They may not fulfill their part of the deal, or refuse to deal with you in the future.

Now, we can conclude that most negotiations should leave both parties feeling satisfied with the outcome. Be willing to give up things that don't really matter to you in order to create a feeling of goodwill. For example, if I'm renegotiating my rent downwards, I'll often offer to sign a longer-lease.
That way, the landlord knows his property will have tenants for a longer time, and I get a cheaper rent.

**Pricing Strategies and Decisions**

The pricing strategies used are to assist the Agricultural produce generate sufficient profits. There are various strategies which can be use to achieve high profits. Here are some of the strategies for you to consider.

**New product pricing strategy:** When a agricultural produce introduce a new product in the market, the strategies to be used are either skimming or penetration. Skimming strategy means the product is priced high to yield high initial profit. This strategy can only work when the consumers are not sensitive about the product price and they can buy the product at any price. Secondly, when buyers associate high price with quality. Thirdly, when competitors will not enter into the market immediately. In penetration strategy, the initial price will be very to attract the price sensitive customers. It is used when the competitors are expected to
enter into the market very quickly. This will attract a large volume of sales.

**Psychological pricing strategy:** This pricing strategy is used when the consumers have different perceptions on what constitute the quality of the product. Hence, high prices may mean high quality for the consumers, and low prices, low quality for the consumers. Psychological pricing are used for emotional buyers, that is, those buyers who do not plan for the purchase of an item.

Now, consider this case.

| An agricultural producer may want to price its tea or coffee produce can use this strategy of pricing for the different qualities of the produce. |

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**Reflections**

Has your agricultural produce used the psychological pricing in the past? If the answer is YES, how do you think the Agricultural produce dealt with issue of the low income class who may have wanted to buy the produce but the price was higher than what they can afford?
Professional pricing strategy: This is used for consumers who have great skills, qualifications and experience in a particular field. The professionals such as doctors, lawyers, marketing researchers and management consultants. Their price for various services may be standardized regardless of the time spent in doing the work.

Now, consider this example below.

Doctors are normally visited by patients who pay for consultation fee which is the same regardless of the type of consultation and time spent by the patient.

Promotional pricing strategy: This pricing strategy involves, charging low prices on the produce than the market price or even sometimes lower than the cost price. This strategy attracts price sensitive customers to buy the produce. It is commonly used by the supermarkets and other producers who deal with retail and wholesale business.

Reflection: What are the considerations in promotional pricing in terms of revenue growth if the
agricultural produce charge prices which are lower than the cost of production?

5. Geographical pricing strategy: This strategy is used when the agricultural produce has consumers spread in various regions. The agricultural producer will consider in this case that the purchasing power of the consumers differ in the regions, therefore considers to charge different prices. For example, if the agricultural produce has products some products being sold to the in the developed countries and the same product is also being sold in the developing countries, then the price for the unit in the developed country will be higher than the price for the unit of the product in the developing country.

6. Discounts: Discounts are deductions from the price lists. For example if the price is 40 shillings per kilo of tea, then the agricultural produce can decide to give a price of 35 shillings per kilogram of tea. The discount given in this case is 5 shillings. There may be quantity discounts, that is when a consumer buys in large volume and given price deductions to encourage the consumer to order in large volume, cash discount, that is when the consumer has a price reduction on
the product for having paid the bills on time, seasonal discounts, that is when the consumer buys a product during off season for the usage of the product. For example, buying an umbrella during dry season, the price may be lower than the price charged during the rainy season.

In conclusion, it is important to note that, an agricultural producer can use combinations of pricing strategies depending on the type of customers being served.

Assignment: Think about a product which your agricultural produce is currently producing, and explain the pricing strategies being used. Do you think the pricing strategies are the appropriate once? If the answer is NO, Please suggest the alternative pricing strategies for the product.

Key Learning Points

In this chapter, you have learned the following:

- The meaning of a Product Price.
- Identified Pricing Approaches/Methods
- Pricing strategies for agricultural produce
- How to apply good negotiation skills.

Additional Reading
Marketing Management By Philip Kotler,
CHAPTER 5: PROMOTION DECISIONS

Overview
Products can be developed, but customers must be aware of the existence of such products. The various tools used to create awareness can vary from customer to customer. Appropriate choice of such tools is critical in Marketing. The content map of promotion decisions is shown below:
Explanation of the content map

This content map shows that the promotion decisions can result in appropriate marketing communication. In the consideration of appropriate marketing communication, the various elements considered are: Advertising, Personal Selling, Sales Promotion, and Public Relations.

Learning Objectives

At the end of this CHAPTER, you should be able to:
Explain the meaning of Promotion
Discuss various promotion tools.
Initiate relevant Networking and Strategic Collaborations.

Frequently Asked Questions

Do you consider the following as the frequently asked questions?

1. How do I promote the agricultural produce
   What form of marketing communication should I use to promote the agricultural produce
   Who are the players in the market to collaborate with
Content

Explain the meaning of Promotion

Do you know what promotion means? When the agricultural produce has ready products to be sold to the consumers, how do the consumers become aware about the availability of the produce? Note that in the consideration of how to get consumers to know that the produce exists, their characteristics are very important, such as where they are found, what language they understand best, their education background, their social and cultural set ups, their beliefs and values, their age bracket, their buy habits, their income levels etc. All these factors will help in the appropriate choice of the message to be used and the promotion tools that can be used.

Consider whether you have bought any product in the past. How did you get the information about the item you bought? Possibly, some of the information that you used may have been the following:
**Visual Display:** fruit in a market, cigarettes on a roadside stall or kiosk.

**Voice:** a newspaper vendor shouts to announce his presence or a music shop plays tapes or records to encourage customers to purchase.

**Print:** the owner of a second-hand car advertises it in a newspaper.

If you bought a packet of tea recently, what are the forms of promotion/communication that you saw? Consider whether you may have seen the following?

- Newspaper advertisements for the tea.
- Posters advertising the tea.
- Radio or television commercials.
- The package itself displayed by the seller.
- The seller's voice calling attention to his presence.
- Other people's opinion of the cigarettes or verbal information about where it could be obtained (particularly in the case of scarce commodities).

By getting the above information, you may now want to know the possible list of various forms of communication that exist.
Reflection

Have you ever seen the following forms of promotion anywhere?

| Newspapers | - Shouting |
| Magazines | - Sales |
| Posters | - Representatives |
| Leaflets | - Sponsorship of |
| Mail Circulars | - Sporting Events |
| Radio | - Information Given to |
| Television | - Journalists |
| Shop Display | for Inclusion in |
| Printing on Packages | Editorial |
| Painted Vehicles | - Demonstration |
| Cinema Advertisements | - trials |
| Loud Speaker Vans | - Free Samples |
| Fairs and Exhibitions | - Competitions |
| | - T-Shirts |
| | - Carrier Bags |

Assignment: List down the promotion tools that your agricultural produce has used for a particular product.
Discuss various promotion tools.

There are various promotion tools. The list shown above can fall under the following categories. The ones considered below are the most commonly used. Before you study the content below, can you try to give category of promotion out of the list given above?

Your list may include the following categories:

Advertising: Advertising is the most commonly used form of marketing communication, but all forms of marketing communication are advertising. To differentiate advertising from other forms of marketing communication, we must note the following:

Advertising is paid for, that is, to the media (printed eg newspapers, or broadcast eg radio and television) to do advertising for the product.

It is non-personal, that is, there is no face to face communication.

There is no immediate feedback for the information delivered to the consumers.
Therefore, are we now able to define advertising? Can we consider that, it is non-personal marketing communication of the agricultural produce product through any paid media to the target audience? Can you also give your own definition of advertising?

What do you think are the advantages of using advertising? Can we consider the following to be some of the advantages?

Can reach many consumers when well circulated
Can be repeated several times in the same way because, the information is recorded or printed in soft copy.
Can be very entertaining when well designed
Can be used to demonstrate the effectiveness of the agricultural produce product.

Now, having known some of the advantages of advertising, are there some disadvantages of advertising? Can we consider the following to be some of the disadvantages?
It is very expensive because the media has to be paid for advertising. The media is very expensive to afford in any country.

It is not a face to face marketing communication, so there is no immediate feedback. In addition, advertisements cannot gather "feedback" from customers about their preferences, as a basis for future marketing activities.

Advertisements are a "one way" form of communication. There is no opportunity for the advertiser to tailor make the message for each individual customer, or to deal with objections.

The message content can reach a market not intended for the product. For example a product meant for the adults can reach children. Advertisers cannot be sure that the advertisement will reach the people for whom it is intended. Can you give an example of a product in the market which can solely be meant for adult's usage? What if the agricultural producer uses advertising for such a product for example radio or newspaper which the children can get hold of?
Except for products which can be sold through mail-in orders, advertisements cannot deliver products, take orders or collect money: the finalizations of a sale must actually depend on other means. Advertisements cannot physically demonstrate the merits of the product.

If we accept the disadvantages of advertising listed above, then we have to give appropriate situations under which advertising can be considered suitable form of marketing communication by the agricultural producers. The following can be regarded as the conditions that a Agricultural produce may consider advertising to be appropriate.

When the agricultural producer is dealing with geographically scattered consumers
When the agricultural producer is introducing a new product in the market
When the agricultural producer is faced with stiff competition
When the agricultural producer product is almost reaching the late maturity or decline stage of its life cycle.

**Personal selling:** Now you have considered advertising. Can we now talk about the opposite of advertising which is
personal selling? To differentiate personal selling from other forms of marketing communication, we must note the following:

Personal selling involves face to face communication with the customers
It is a presentation of the agricultural produce by a sales representative. In this case a sales representative is any member, staff, or official of the Agricultural produce.
There is immediate feedback for the information delivered to the consumers.

Therefore, are we now able to define personal selling? Can we consider that, it is a presentation of the agricultural produce product by the either the member, staff or official?

What do you think are the advantages of using personal selling? Can we consider the following to be some of the advantages?

It is a face to face marketing communication, so there is immediate feedback. In addition, in personal selling, we can gather “feedback” from customers about their preferences, as a basis for future marketing activities.
Personal selling is a “two way” form of communication. There is an opportunity for the advertiser to tailor make the message for each individual customer, or to deal with objections.

The message content can reach a market intended for the product. For example a product meant for the adults can reach them the way it has been intended.

Products finalizations of a sale can be immediate if there is proper tactics used by the sales representative to reach the consumers.

Sales representatives can physically demonstrate the merits of the product.

Now, having known some of the advantages of advertising, are there any disadvantages of personal selling? Can we consider the following to be some of the disadvantages?

Sales representatives are expensive than even advertising. Consider the case below to compare the cost of the two:

In the comparison of Advertising and personal selling, study the following information:

Advertisement case:
C$500 for an advertisement reaching 50,000 people.
Cost per Contact = 1 cent

**Sales Representative case**
Salary and Expenses = C$5,000 per year.
Meetings: 6 per day x 20 days per month x 12 months per year =

C$1,440
Cost, per Meeting = approximately C$3.50

Do you now see that the sales representative's contact costs 350 times as much as contact through an advertisement.

Sales representatives cannot be directly and continuously controlled by the agricultural produce. When farmers, staff or officials promote the agricultural produces product, no one is there with them when they individually do so.
Sales representatives can only reach a very small number of people within a given time. This is as compared to advertising where the message can reach very many groups of people.
Sales calls must only be made if they are an integrated part of a total marketing approach, supported by appropriate products, delivery, promotion or whatever else is appropriate.

Whoever is making a sales call must be totally prepared, with all the necessary information. This may not be the case in some situations; the answers to the various questions may not be at fingertips.

The sales representative must have a clearly defined objective; he or she must know the reason for the sales call before making it.

Sales representatives must be trained in personal selling skills.

The work of sales representatives must be carefully planned in order to minimize traveling time and avoid calls on customers who are out.

If we accept the disadvantages of personal selling listed above, then we have to give appropriate situations under which personal selling can be considered suitable form of marketing communication by the agricultural producer. The following can be regarded as the conditions that a Agricultural produce may consider personal selling to be appropriate.
When the agricultural producer is dealing with geographically confined consumers. That is if the consumers are found within the same region.

When the agricultural producer is introducing a new product in the market which requires explanation concerning how the product should be used.

When the agricultural producer is faced with stiff competition

**Assignment:** If your agricultural produce is to consider using personal selling as a form of marketing communication for its product, what do you consider should be the characteristics of the sales representatives which should be stressed within the agricultural produce?

3. **Sales Promotion:** Now you have considered personal selling. Can we now talk about another promotion tool called sales promotion? To differentiate sales promotion from other forms of marketing communication, we must note the following:

Sales promotion involves the use of incentives to encourage customers to buy the product
The incentives can include free samples, coupons, discounts and allowances, and any other good treatment that the customer can receive when purchasing the product. For example even carrying the product up to the customers place.

Therefore, are we now able to define sales promotion? Can we consider that, it involves the use of incentives in the short run to encourage the customers to buy the product presented?

What do you think are the advantages of using sales promotion? Can we consider the following to be some of the advantages?

It leads to instant purchase of the agricultural produce product, because if the consumer likes the product, purchase will be done immediately.

It is a face to face marketing communication, so there is immediate feedback. In addition, in personal selling, we can gather “feedback" from customers about their preferences, as a basis for future marketing activities. Personal selling is a "two way" form of communication. There is an opportunity for the advertiser to tailor make the
message for each individual customer, or to deal with objections.
The message content can reach a market intended for the product. For example a product meant for the adults can reach them the way it has been intended.
Products finalizations of a sale can be immediate if there is proper tactics used by the sales representative to reach the consumers.
Sales representatives can physically demonstrate the merits of the product.

Now, having known some of the advantages of sales promotion, are there some disadvantages of sales promotion? Can we consider the following to be some of the disadvantages?
Sales promotion is expensive when dealing with expensive products and the customers need free samples.
Sales promotion cannot be directly and continuously controlled by the agricultural produce. Some target consumers can get more samples and may end up not buying the product.
It can lead to long lasting negative evaluation of the organization’s product especially if the product does not fulfill the needs of the consumer instantly. For example, if a
consumable product has been given as a free sample and it causes stomach upset to the consumer, the negative evaluation which such a person will have on the same kind of product will be long lasting even if the product has been revised.

The effects of sales promotion is short lived. Some of the consumers will only buy the product during the period the incentives are being given. When the incentives are withdrawn, the consumers will stop purchase of the product.

If we accept the disadvantages of the sales promotion listed above, then we have to give appropriate situations under which sales promotion can be considered suitable form of marketing communication by the Agricultural produces. The following can be regarded as the conditions that a Agricultural produce may consider sales promotion to be appropriate.

When the agricultural produce is introducing a new product in the market which requires that the consumers should taste the product to judge whether it is good for them.

When the agricultural produce is faced with stiff competition so that the product can be differentiated from the other products/substitutes.
Reflection:

Consider whether your agricultural produce has used sales promotion and the situations under which it has been used.

Now you have considered sales promotion. Do you know of any other marketing communication tool which your agricultural produce can use to promote the product? Have you ever considered public relations to be one of the marketing communication tools to be used? Therefore, the fourth promotion tool is public relations

4. Public Relations: To differentiate public relations from other forms of marketing communication, we must note the following:

Public relation is considered all the time.
It deals with various groups of people/organizations which the agricultural produce has direct or indirect contact with
It starts from the initial stages when a agricultural produce is being registered up to the time the agricultural produce ma wind up its operations.
The agricultural produce must establish the needs and wants of the various groups who have direct or indirect contact with it.

Therefore, are we now able to define public relations? Can we consider that, it involves the establishment of long lasting good relationship with the various groups whom the agricultural produce can have direct or indirect contact with. The groups that the agricultural produce can have direct contact with are the farmers, the staff and the officials. The groups whom the agricultural produce can have indirect contact with are the external groups such as the Government, suppliers of inputs, the middlemen, the labor market, research institutions, the community, etc.

For example, if the agricultural produce would like to have good relationship with the farmers, then the farmers’ needs must be observed so that the farmers can be satisfied. If the Agricultural produce wants to have good relationship with the Government, then, the Agricultural produce must observe the various laws and regulations governing its operations.
What do you think are the advantages of using public relations to your agricultural produce? Can we consider the following to be some of the advantages?

- It leads to long lasting relationship with the agricultural producer
- It leads to good co-operate image established by the agricultural producer
- It leads to enhanced market share of the agricultural producer market
- It is believable because the various publics will experience on their own efforts the agricultural producer is making to address their needs.

*Now, having known some of the advantages of public relations, are there some disadvantages that can be associated with it? Can we consider the following to be some of the disadvantages?*

Public Relation is expensive because it requires the agricultural producer to pay close attention to a large group who are not customers of the agricultural producer. In the process of paying close attention to these other groups the agricultural producer will incur some expenses. The process
of establishing the needs of the various direct and indirect groups who have contact with the agricultural producer requires marketing research which involves money to be committed to the exercise.

Public Relations cannot be used on its own. It has to be used in combination with other marketing communication tools in order for it to make sense. For example, it will be very difficult to for the agricultural producer to tell the community what has been done, may be the construction of roads using public relations alone. This has to be done by the use of advertising or personal selling. Therefore public relations cannot be used on its own.

If we accept the disadvantages of public relations listed above, then we have to give appropriate situations under which public relations can be considered suitable form of marketing communication by the agricultural producers. The following can be regarded as the conditions that an agricultural producer may consider public relations to be appropriate.

Public relations should be used all the time, starting from the initial stages when the agricultural producer was being
registered up to the time the agricultural producer will be winding up its business activities. For example, when your agricultural produce was being registered it paid close attention to the requirements of the Government in terms of conditions for registration and still observing the laws and regulations to operate its activities.

**Assignment:** List down the groups of direct and indirect publics whom your agricultural producer has fulfilled their needs in the past and indicates the needs which have been fulfilled in each case.

**Direct Marketing:** Now you have considered public relations to be one of the important marketing communication tools. Can we now talk about another promotion tool called direct marketing? Have heard of this tool before? To differentiate direct marketing from other forms of marketing communication, we must note the following:

- It involves direct communication with the consumers
• It has to make use of the addresses of the consumers, that is, the addresses of the consumers must be known.

Therefore, are we now able to define direct marketing? Can we consider that, it involves the use of the customers' addresses to communicate to the customers directly? Therefore, the addresses such as emails, fax numbers, box numbers, websites, internet, and telephone numbers etc. are very important in direct marketing.

What do you think are the advantages of using direct marketing? Can we consider the following to be some of the advantages?

• It leads to instant purchase of the agricultural products, because if the consumer likes the product, purchase will be done immediately after receiving the communication.

• It is a face to face marketing communication, so there is immediate feedback especially if the agricultural produce is using telephone to market the product.
In addition, in direct marketing, we can gather “feedback” from customers about their preferences, as a basis for future marketing activities.

It allows for a "two way" form of communication. There is an opportunity for the agricultural producer to tailor make the message for each individual customer, or to deal with objections.

The message content can reach a market intended for the product. For example a product meant for the adults can reach them the way it has been intended because the communication will only be directed to such people through the addresses gathered.

Now, having known some of the advantages of direct marketing, are there some disadvantages of that can be associated with it? Can we consider the following to be some of the disadvantages?

- It is very difficult to know the physical addresses of all the consumers for the agricultural products
- Can be very expensive especially if the market is very big.
- The agricultural producer’s market share can tremendously decrease because not all the
consumers will be aware about the agricultural produce product. Those whom the agricultural producer does not have their contacts will not be reached.

If we accept the disadvantages of the direct marketing listed above, then we have to give appropriate situations under which direct marketing can be considered suitable form of marketing communication by the agricultural producers. The following can be regarded as the conditions that an agricultural producer may consider direct marketing to be appropriate.

When the agricultural produce is introducing a new product in the market which is very expensive. The attention which the consumers may want to have requires that their addresses should be known in advance.

When the agricultural producer has knowledge of the addresses of the majority of the consumers it is very easy to have communication directed to them individually.

**Reflection:** Consider whether your agricultural produce has used direct marketing in the past.
Networking and strategic Collaborations

Sometimes you can’t do everything yourself. For example, you don’t have the budget to launch a big marketing campaign. Or you don’t even know where to start. One of the best ways to promote your Agricultural produce is to work together with others to achieve mutually beneficial outcomes.

Do you know the legal form of this arrangement? It is known as a joint venture, where two or more parties create a new entity by contributing equity and sharing revenue, expenses and control. Can you try to think about another form of this arrangement? It is called strategic alliance, whereby the parties involved pursue common goals while remaining as independent organizations.
Assignment: Can you think about situations where your agricultural producer may need some collaboration? Please list them down.

No matter what you call it, collaboration with others will benefit you in ways that go beyond what you can do on your own. Think about it. Each involved party comes with their own established audience, reputation, brand, networks and strengths. Some of them may overlap with your own but usually, they'll reach people or own assets you don't. Some people may have more media contacts. Some may have a specific skill (e.g. design, programming) and others have an audience or customer base that you’re trying to reach. Partnering with them for short or long-term initiatives is a smart way to promote your agricultural producer.

How can you collaborate? The possibilities are endless. For example, you can run joint contests/competitions, promote an agricultural producer website product, create content together, exchange ad space or trade skills for exposure. There are many ways to collaborate for mutual benefits. It’s just about finding what works for your agricultural produce.
So how do you get started? Four simple steps illustrated in the box below:

**Identify your agricultural produce goals.** This is what you want to get out of the collaboration. The agricultural producer’s goals will determine whom he/she should work with and having a clear idea of what is wanted from the beginning will give an immediate idea of what kind of marketing strategy to be taken, and hence who is most suitable to work with.

**Determine what your agricultural produce can offer.** Make a list of benefits you can offer to the opposite party. For example the agricultural producer might have specific personal skills or a website with a built-in audience. Perhaps the agricultural producer is launching a new product and gives away free samples. In other words, this list consists of what you can do for the other parties.

**Create a List of Potential Collaborators.** Start writing down a list of people or organizations you want to work with based on goals, what you can offer and whom the you think will be potentially interested. Make the list broad: there’ll always be people or organizations that will turn you down so you want as many secondary options as possible.
Pitch the people involved. Draft up an email template/letter/fax and send it off to the people on your list. Try to customize your pitch by using each recipient’s name and including unique information/comments. Keep the emails short and frame them in terms of benefits. Alternatively, try talking over the phone or a face-to-face meeting. Remember to follow up before permanently striking a recipient off from your collaborators list.

Assignment: If you are to follow the steps explained in the box above, describe how you can engage in collaboration to solve a marketing problem for your agricultural produce. From this sub-chapter, it can be noted that nothing ventured, nothing gained. There’s no harm in reaching out to people or organizations, all the agricultural producer have to risk is its pride.

If you had never tried any strategic collaboration before as an agricultural producer, why not start today?

Key Learning Points
In this chapter, you have learned the following:
• The meaning of Promotion in relation to agricultural produce.
• You have also discussed the various promotion tools.
• You have also known how to apply/Initiate relevant Networking and Strategic Collaborations.

**Additional Reading**
Marketing Management By Philip Kotler,
CHAPTER 6: MARKET SEGMENTATION

Overview

Target Markets are different in their needs and wants. They are also different in terms of geographic location, demographic variables, economic classes, social-cultural aspects, behavioral patterns and psychographic traits. In order to satisfy these varied markets, the above characteristics should be taken into consideration. The content map of customer care is shown below:
Explanation of the content map

The content map above indicates that market segmentation can be done when the agricultural produce is dealing with specialized markets and marketing arrangements. The specialized markets deal with issues concerning Fair Trade certification, Organic market, Genetically Modified Organism (GMO) etc. Marketing arrangements concerns contract farming, Auction, free selling etc. When the agricultural produce is in a position to know all these as they apply in various markets, it will be fulfilling the requirements of that market.

Learning Objectives

- At the end of this CHAPTER, the participants should be able to:
  - Identify Specialized Markets
  - Organize for various Marketing arrangements

Frequently Asked Questions

Do you consider the following as the frequently asked questions?
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<td><strong>1. What are the specifications of my market</strong></td>
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<td><strong>2. What are the considerations in Contract Farming, Auction and free selling</strong></td>
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<td><strong>3. What are the aspects in Fair Trade Certification, Organic Market, Genetically Modified Organism (GMO)</strong></td>
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### Content

**The meaning of market segmentation**

Have you ever come across this aspect of market segmentation before? In this subchapter, it is important to understand the meaning of market segmentation before we continue with other aspects of segmentation.

Consider this case below as you try to think about how we can define market segmentation.

**Case study on market segmentation**
An agricultural producer had been wanting to sell its product to various countries using different groups of people as the market for the product. The producer realized that the market had different characteristics such as age bracket, income levels, social set up, geographical coverage, and buying habits. The manager now is confused on how to fulfill the needs of this market.

Reflection
How do you think the manager should deal with this situation?

To answer the above question, the manager needs to understand the meaning of market segmentation and how to go about it. Therefore, let us now define market segmentation to help the manager. Let us consider this definition below:

Market Segmentation is a process of defining and subdividing a large homogenous market into clearly identifiable units having similar needs, wants, or demand characteristics. Its objective is to design a marketing mix (The 7S that you had covered in chapter 1) that precisely matches the expectations of customers in the targeted segment. Few
firms are big enough to supply the needs of an entire market, most of them must breakdown the total demand into segments and choose the one or few that the firm is best equipped to handle.

This definition clearly indicates that there must be some factors which affect market segmentation. Do you know these factors? Let me help you here to know them. There are four basic factors that affect market segmentation (http://www.marketsegmentation.co.uk/segmentation_tmsc.htm). They are:

- Clear identification of the segment,
- Measurability of its effective size,
- Its accessibility through promotional efforts, and
- Its appropriateness to the policies and resources of the firm.

Let us observe that the four basic market segmentation strategies are based on (a) behavioral (b) demographic, (c) psychographic, and (d) geographical differences.

**Note:** Little of what is best in marketing theory and practice works without correct market segmentation. It is one of the most fundamental concepts in marketing and your choice of
which approach to adopt will directly affect the impact of segmentation on your agricultural produce.

Market segmentation, correctly applied, is about understanding the needs of customers and, therefore, how they decide between one offer and another. This insight is used to form groups of customers who share the same or very similar value criteria. An agricultural producer is then able to determine which groups of customers it is best suited to serve and which product and service offers will both meet the needs of its selected segments and outperform the competition.

The primary objective of segmentation, therefore, must be how to win and retain the customers you want to serve. To the customers, the agricultural produce or organization which meets their needs will be the one which will be preferred.

On its own, this approach to segmentation, while able to provide you with an invaluable insight into how to win a customer, it still requires you to know how to reach them. The input to this part of a winning deal, provided by a detailed understanding of who the customers are and where
they are to be found, is clearly very important and plays a crucial part in the segmentation process.

Assignment: What are the aspects of market segmentation that your Agricultural produce has done within the last 5 years?

As you think about what your organization has been doing on market segmentation, let us also note that there are specialized markets which require that the agricultural produce must meet some quality standards before selling to them the products. Do you know some of these standards? In the next subchapter below, we are going to look at some these standards.

- Specialized Markets:
- Fair Trade Certification
- Organic Market
- Genetically Modified Organism (GMO)
We talk of specialized markets to refer to the fact that there are some markets which require the agricultural produce product must meet some quality standards before the products can be sold. Do you know of these standards? Let us have explanations of some of these standards:

**Fair Trade Certification**

Fair Trade is a tool for reducing poverty in developing nations. It’s a form of trade that builds equitable and long-term partnerships between producers in developing regions of the world and consumers in the north (http://www.firstfairtradetownusa.org/fair-trade).

Fair Trade guarantees many things including the following: *Producers* receive a minimum set price for their goods, financial and technical support, healthy and safe working conditions, economic development of their communities, and educational opportunities for their children.

*Consumers* receive excellent products plus the peace of mind that comes with knowing they are actively addressing poverty, preserving the environment, and promoting an end to child labor.
The planet receives a chance at health and healing since Fair Trade actively promotes sustainable farming techniques, biodiversity, and bird and animal habitat preservation.

Fair Trade Certified products receive third party certification by Trans-Fair USA. In the US, it is mostly the foods that are Certified, and they include: coffee, tea, chocolate, cocoa, honey, sugar, vanilla, molasses, rice and quinoa, olive oil, avocados, bananas and other tropical fruits, and also flowers. Products that use certified items also carry the Trans-Fair Certified label such as somebody lotions and ice creams. Look for this label to know that your products have been Fair Trade Certified:

Many products such as crafts, jewelry, and clothing are not yet Fair Trade Certified. The Fair Trade Federation (FTF) establishes fair trade criteria that member businesses commit to following. Look for businesses, such as Ten Thousand Villages, that are farmers. Most post the FTF logo in their windows or on their websites:

Other products on the market that are not Fair Trade Certified or sold through Fair Trade Federation farmers may
also be "fairly traded" thanks to retailers, who purchase directly from artisans, pay fairly, and ensure that fair trade standards are met. When you know your retailers well, you can trust this process.

Reflection: Is your agricultural produce Fair Trade Certified.

Assignment: What do you think are the marketing benefits which your agricultural produce may enjoy by being a fair trade certified?

Do you know the next certification which your agricultural produce may consider for its product? Let us look at this number 2 of the certifications.

Organic Market
Organic farming uses the earth’s natural resources for sustainability. It emphasizes appropriate land management and aims to ecologically achieve the balance between animal life, the natural environment and food crops. Organic farmers do not use pesticides, herbicides, genetically modified foods, growth promotors or hormones. Organic meat, poultry, eggs, and dairy products come from animals
that are given no antibiotics or growth hormones. The produce that is produced through organic farming is thus at its most natural form.

We can therefore see that organic farming is not only more humane, but also better for the environment than conventional farming. There has been evidence of widespread environmental damage due to conventional farming and the use of pesticides, herbicides and synthetic fertilizers. Salinity, blue-green algae in waterways and soil fertility decline are just some of the examples of and degradation.

Before a product can be labeled "organic," a Government-approved certifier inspects the farm where the food is grown to make sure the farmer is following all the rules necessary to meet organic standards.

Therefore, we can summarize organic market as follows: Like any other farming system, organic farming is complex and not easily defined. Most farmers implement some practices that would be considered 'organic', such as crop rotations. The key characteristics of organic farming are:
• Long-term soil fertility through the management of organic matter.
• Slow-release nutrient sources such as composites and crop residues.
• Biological nutrient sources such as nitrogen 'fixing' crops.
• Cultural practices such as natural predators, crop rotations, and manual weed control.
• Avoiding highly intensive livestock production by ensuring animals have sufficient space to meet their needs.
• Being mindful of off-farm impacts such as biodiversity and sedimentation.

**Reflection:**

*Does you emphasize on the above key characteristics of organic farming?*

Organic farming is more than agricultural production without the use of synthetic chemicals or genetically modified organisms. Organic farming emphasizes a holistic farm management approach, where rotations and animals play an integral role to the system.
You may now want to ask this question. “What is ‘Certified-Organic’ Produce?” Let me advise you here that, Certified organic produce has been organically grown, harvested, prepared and transported in systems that guarantee the produce is not contaminated by synthetic chemicals, fumigation or irradiation. Organic produce exported must meet the standards and any requirements of the importing nation.

To guarantee that a product is organic it must be labeled as ‘certified-organic’ with the registration number and certifying body’s logo. No matter how ‘organic’ or free from pesticides your produce may be, it is an offence to sell it as 'certified-organic' without the necessary certification.

**Reflection:** Is your agricultural produce organic market certified.

**Assignment:** What do you think are the marketing benefits which your agricultural produce may enjoy by being organic market certified?
Do you know the next certification which your agricultural produce may consider for its product? Let us look at this number 3 of the certifications.

3. Genetically Modified Organism (GMO)

This means an organism whose genetic characteristics have been altered by the insertion of a modified gene or a gene from another organism using the techniques of genetic engineering (The American Heritage® Medical Dictionary Copyright © 2007, 2004 by Houghton Mifflin Company. Published by Houghton Mifflin Company)

The acronym (GMO) can apply to plants, animals or microorganisms, whereas the term genetically engineered microorganism (GEM) refers only to bacteria, fungi, yeast or other microorganisms. In both cases, however, these terms refer to a living organism that has been genetically altered using molecular genetics techniques such as gene cloning and protein engineering.

GMOs can be produced by gene cloning methods in which a non-native gene is introduced and expressed in a new organism. Generally the new protein has also been
somewhat modified, or engineered, for proper expression in the new host

(http://biotech.about.com/od/faq/f/GMOs.htm)

The introduction of bacterial genes into cash crops, to enhance their growth, nutritional value or resistance to pests, is becoming rather commonplace in plant technology.

One example that has made frequent headlines is the introduction of bacterial genes for natural pesticides into plants, in order to eliminate the need for chemical pesticide use. The drawback to this technology is public concern over the consequences of injecting these natural pesticides. Problems such as these might be alleviated by site-specific expression of the gene, or control of expression throughout the lifecycle. For example, it might cause less concern if expression of a pesticide gene in the leaves of young plants could be used to prevent foliage from being destroyed early on, without expression in the fruit later in the lifespan.

Despite efforts to control gene expression there are many unanswered questions and issues that arise and stand in the way of full acceptance of GMOs by the public. Fear of the unknown is one cause of public reluctance to use GMOs and
GEMs. However, this concern is validated whenever a specific case proves the technology has gone awry, and is widely publicized. Examples of this are products that have allegedly caused the mass destruction of non-target insect populations by genetically modified cash crops or bioethical issues surrounding questions of seed ownership once a crop has been harvested, and issues over the cost of seeds and availability to farmers.

**Reflection:** Is your agricultural produce concerned about GMOs?

**Assignment:** What do you think your agricultural produce is doing about the GMOs?

If you are sure that your Agricultural produce is certified for most of the standards and can attract both the domestic market and international market, what do you think are the marketing arrangements which should be taken into consideration? In the next subchapter below, we are going to look at some of the arrangements which your agricultural produce may opt for.
Marketing Arrangements

Contract Farming
Auction
Free Selling

There maybe many marketing arrangements which consumers may want your agricultural produce to provide for them. Let us look at a few of these arrangements.

**Contract Farming**

*It is important for us to know what contract farming is all about as relates to agricultural products. Have you ever heard of contract farming for your agricultural produce? Let us now see whether the meaning below is familiar to you.*

Contract farming is a written agreement between an agricultural produce and a buyer, in which the agricultural producer agree to produce certain produce for the buyer who undertakes to pay an agreed price for the goods. In this sentence the important points about contract farming can be outlined as follows:
• That a contract involves an offer and an acceptance.
• The parties in the contract must have contractual capacity.
• There must be some payment (consideration) for the products exchanged.
• It is a legal binding relationship that contains rights and obligations for all parties involved.
• The contract should be written in a language that is understood,
• Identify the parties involved in the contract, and
• The adjustment of a contract should be downwards or upwards.

**Note:** If your agricultural produce is to engage in contract farming, then it is required to keep and produce records of farming activities that may include; type of product-breed variety, production procedures, and spraying undertaken etc.

**Reflection**

*Do you engage in contract farming in any way?*

**Assignment:** *If you have ever engaged in contract farming, what are the modalities that you have been taking into consideration?*
Do you know of any other marketing arrangement which you can opt for? Let us have the next possible one which is auction.

**Auction**

*I know that what you want to know now is the meaning of auction. In your opinion, what is auction in regard to selling the agricultural produce? Let us have some operational definition of this term.*

An auction is where a property is offered at a price beyond its value and the price is lowered gradually until someone makes a bid. It is the a process of buying and selling agricultural produce by offering them up for bid, taking bids, and then selling the item to the highest bidder. In economic theory, an auction may refer to any mechanism or set of trading rules for exchange.

There are several variations on the basic auction form, including time limits, minimum or maximum limits on bid prices, and special rules for determining the winning bidder(s) and sale price(s). Participants in an auction may or may not know the identities or actions of other participants. Depending on the auction, bidders may participate in person or remotely through a variety of means, including telephone...
and the internet. The seller usually pays a commission to the auctioneer or auction company based on a percentage of the final sale price.

**Reflection:** Do you engage in auction in any way for the agricultural produce?

**Assignment:** If you have ever engaged in auction, what are the advantages that you can associate and auction with?

Do you know of any other marketing arrangement which you can opt for? Let us have the next possible one which is free selling.

**Free Selling**

Selling means offering the agricultural produce at a price. When we add the word free selling it means that there is no charge on the produce. The produce can sometimes be offered at cost price to the consumers. Have you ever thought of this situation happening to you? What do you think are the circumstances under you can have this form of arrangements for your agricultural produce?
Reflection: Does you engage in free selling in any way?

Assignment: If you have ever engaged in free selling, what are the advantages that you can associate with it?

Key Learning Points

- In this chapter, you have learned the following in connection to market segmentation:
  - The aspects of market segmentation
  - The factors considered in specialized markets
  - How your agricultural produce can have marketing arrangements

Note: If you have incorporated the market segmentation factors, then, a question which can be asked is how the agricultural produce can enter the international market. In the next chapter, we are going to cover international marketing.

Additional Reading

Marketing Management By Philip Kotler,

http://www.davekahle.com/salestrainingprogramsonCD.html
CHAPTER 7: INTERNATIONAL MARKETING

Overview
Agricultural producer groups/individual can produce products which are to be sold in the International Markets across the borders. It is important to have knowledge of the prevailing conditions for trade in the International Market. In this way, the products will gain acceptance and the organization will abide by the international requirements. The content map of international marketing is shown below:
Explanation of the content map
The content map above indicates that there factors affecting international marketing. In order to analyze these factors, the agricultural produce should know the buyers. The knowledge of the buyers would assist in knowing; the terms of trade, terms of delivery, and terms of payment. These factors are known as the terms and conditions of international trade.

Learning Objectives
At the end of this chapter, the participants should be able to:

- Explain the meaning of International Marketing
- Identify the factors affecting International Trade
- Explain the Terms and Conditions of International Trade.

Frequently Asked Questions
Do you consider the following as the frequently asked questions?

1. How do I sell the agricultural produce to the international market

2. If I am to sell the agricultural produce in the international market, what are the factors to be considered
3. What kind of Agricultural produce should I sell in the international market

4. Where is the boundary of international market

Content

**Meaning of international marketing**

In the first chapter you learnt about the meaning of marketing, but now, we have added the word international. Do you know what international marketing means? Let us think about this for a second. As you are thinking about this, consider whether all products produced by the agricultural producers can be exported to some foreign market in their current form.

Let us now define international marketing as the process of selling agricultural produce to a foreign country which has got its own laws and regulations about trade, and customers’ preferences and tastes may be different. The agricultural produce in some cases will have undergo some changes in
terms of quality, color, flavor, variety, size, grading, packaging, labeling, etc. in order to make the products more acceptable to foreign markets. For example, different agricultural produce can be sold in different forms to the foreign market. It will really depend on what the customers in that foreign market wants.

Now, read the case in the box below and analyze the various forms in which a agricultural produce product may be sold in the foreign market

1. **Mangoes**: Can be sold fresh in different varieties, in bulk or packaged or peeled and frozen, or canned as mango nectar, juice, pulp, slices, or incorporated in fruit cocktails.

2. **Spices**: can be sold in bulk, in grain, ground into powder, mixed with other spices, packaged in small dispensers, etc.

**Reflection**

*Have you ever considered the forms in which your agricultural produce product can turn out to be for different markets?*
It is good that you acknowledge the need to develop products which are now marketed and consumed domestically to suit the needs, tastes, preferences, habits of the foreign markets. Different markets have different social customs, purchasing and consumption habits. Also, the way products are sold and consumed on the local market may be totally different from sales and consumption habits on the foreign market. Packaging may have to be adapted to reflect different metric or imperial systems (kg/lbs - cm/inches - metre/feet - yards). Health and safety regulations vary from country to country. Some markets will require top quality and be ready to pay higher prices, while others will only buy cheap products.

**Case study on banana production**

*A ship-owner specializes in the transport of bananas from tropical countries to Europe and the USA. He equips a ship with special storage facilities in which the ripening process of green bananas can be monitored; he hires a specialized crew to man the ship. Specialization allows the banana shipper to; assemble small lots of bananas from various suppliers until he has a whole shipload, thereby bringing down transporting costs, overcome the deterioration problem of bananas by controlling the ripening process.*
Reflection:

Considering the case above, what do you consider are the terms and conditions of trade?

The subchapter below has considered the importance of terms of trade reflected in the case above. Let us now define terms of trade in relation top agricultural produces.

Terms of trade

In a lay mans language, terms of trade may mean the conditions upon which sales are made between the seller and the buyer. In international terms, terms of trade or TOT is the relative prices of a country's export to import. An improvement in a nation's terms of trade (the increase of the ratio) is good for that country in the sense that it has to pay less for the products it imports. That is, it has to give up fewer exports for the imports it receives. In other words, terms of trade is the relationship between the prices of imports and exports. These prices vary from one country to another.
I believe now you know the meaning of terms of trade. Let us have a case study here to help us further understand this term.

**Case study on potatoes production**

You have sold a consignment of your potatoes to a European customer under CIF – Cost, Insurance and Freight. CIF (named destination port) which is Rotterdam agreement. During transit, however, a large share of the potatoes was spoiled. The customer wants to pay you only for the share of the consignment which arrived in a usable state because, he says, you were responsible for the shipment because you were responsible for paying the freight charges. **Is he right?**

**Couldn’t your insurance pay for this?**

You know, the case above has introduced you to other costs which may affect the prices of various agricultural products. While products are on transit to other destinations there are costs which are incurred and either the seller or the buyer must bare such costs. There has to be an agreement made in this case. In either case, the price will be affected by this agreement.
Another cost which is also very common is FOB – Free on board (named loading port). The seller must load the goods on board the ship nominated by the buyer, cost and risk being divided at ship's rail. The seller must clear the goods for export. It also includes Air transport when the seller is not able to export the goods on the schedule time mentioned in the letter of credit. In this case the seller allows a deduction of sum equivalent to the carriage by ship from the air carriage.

**In regard to FOB, consider the case below:**

You have made a sales contract with FOB Jakarta for a consignment of 100 tons of tomatoes to be shipped by 15th May. On that date, however, your customer has still not yet notified you of the details of the vessel. What are you going to do?

**Reflection**

If your agricultural produce is to consider international marketing, how will the agricultural produce product prices be affected?

Now that you have considered terms of trade, we should also consider terms of delivery to be part and parcel of terms
of trade. The question is, what is this terms of trade? In this next subchapter, we want to know more about terms of delivery.

Terms of delivery in international marketing, refers to an agreement between the seller and the buyer as to who is responsible for the cost and risk of delivering the goods. Cost and risk may rest exclusively with either party, or may be split at a certain point.

I believe that it is clear to you now what terms of delivery means. Can we now consider the following situations where terms of delivery can be applied?

**Cost of (C&F) Freight at a named port of destination:**
Under this situation, the following conditions for terms of delivery may apply.

Seller pays all costs so far listed, plus the freight charges and any charges for unloading at the port of discharge that might be levied at the time freight is paid. This includes:
• The expense of furnishing the buyer with a clean, negotiable bill of lading for the agreed port of destination.
• Delivery takes place when the buyer receives the goods at the agreed port of destination.
• The goods and their transit risks pass to the buyer when the goods shall have effectively passed to the ship's rail at the port of shipment.

Cost, Insurance, Freight At A named port of destination.
Under this situation, the following conditions for terms of delivery may apply.

As with a C&F contract but with an added Marine Insurance Policy or Certificate procured by the seller in a transferable form. The insurance should cover the CIF plus some percentage cover the landed contract.

3. Delivered Duty Paid at a named place of destination in the country of importation (may be used for any mode of transportation). Under this situation, the following conditions for terms of delivery may apply:
In its broadest sense, means all charges shall be at the seller’s expense, including Customs duties, loading charges and internal freight costs.

Delivery takes place when the seller puts the goods at the disposal of the buyer at the named place of destination and within the stipulated period in the contract of sale.
Goods and their transit risks pass when the goods are delivered as above.

4. **Ex-works.** Under this situation, the following conditions for terms of delivery may apply:
   - The seller must pack and prepare for dispatch
   - Delivery takes place usually at the works or warehouse
   - The goods and their transit risks are passed to the buyer when the goods have been placed at his/her disposal.

5. **FOB airport at a named port of destination:** Under this situation, the following conditions for terms of delivery may apply:
   - The seller pays all costs up to the point at which the goods are handed over into the charge of the air
carrier or his agent or any other person named by the buyer. If the buyer does not nominate any one, then the seller will choose an air carrier or his agent.

- The seller will contract at the buyer's expense for the carriage of the goods, unless otherwise stipulated.
- Delivery takes place when goods are handed to the air carrier on the date or within the period agreed for delivery at the named airport of departure "in the manner customary at the airport." Or delivery may take place at any stage designated by the buyer in the contract.
- Risks pass at the same time as delivery takes place.

6. Free On Rail, Free On Truck (FOR, FOT), as a method of delivery at a named departure point, to be used only when goods are carried by rail. Under this situation, the following conditions for terms of delivery may apply:

- The seller pays all charges and loads the goods onto a wagon or truck.
- Delivery takes place when the goods have been delivered into custody of the railway or carrying agent.
- The goods and their transit risks are passed to the buyer when the goods or wagon on which the goods
are loaded passes into the custody of the railway or carrying agent.

7. **Free Alongside Ship (FAS)**, at a named port of shipment. Under this situation, the following conditions for terms of delivery may apply:

- Seller pays all costs up to and including delivery of the goods alongside the vessel, and provides at his/her own expense all documents necessary.
- Delivery takes place alongside the vessel nominated by the buyer at the loading berth and at the named port of shipment. The expense of putting the goods on board ship is the buyer's.
- The goods and their transit risks pass to the buyer when the goods are delivered at the date or within the period stipulated in the contract of the sale. (Delivery by lighter is subject to the same conditions).

7. **Free On Board (FOB)** at a named port of shipment. Under this situation, the following conditions for terms of delivery may apply:
• The seller pays all the costs so far incurred and the cost of loading goods on a vessel named by the buyer at the named port of shipment.
• Delivery takes place when the goods are placed on board the vessel.
• The goods and their transit risks are transferred to the buyer when the goods shall have effectively passed the ship's rail.

8. **Free Carrier (FRC)** at a named point-designed for multi-modal transport-containers, roll-on, roll-off. Under this situation, the following conditions for terms of delivery may apply:

• Seller pays all costs to the point where goods are handed over to the carrier at the named place.
• Delivery takes place when the goods are handed into the custody of the carrier (by road, rail, air, sea, or a combination of these) at a named point.
• The goods and their transit risks transfer to the buyer when delivery takes place.

Now I believe you have covered a lot of information in connection to terms of delivery in international marketing. **Can we now, look at this case below?**
Assume that you have calculated the selling price of your produce, seaworthy packing included, at C$500 per metric ton, ex-go down. Asked to prepare c.i.f., C&F, and FOB quotations for a shipment of 100 tons to customers in Alpha-City port and Beta-City harbor, you have found out about the following costs:

- Transport and Insurance from go down to port of shipment. C$ 30 per ton
- Loading charges C$5 per ton
- Seaworthy packing C$ 20 per ton
- Export documentation C$ 40 per shipment
- Sea freight to Alpha-City port C$ 80 per ton
- Sea freight to Beta-City harbor C$ 120 per ton
- Insurance Premium 3% of 110% of CIF value

Assignment: Can you now give a quotation for 100 tons FOB, C&F, and CIF based on the case above? List down all the assumptions that are valid for this case.

After giving a quotation of the above, do you know the next aspect of international marketing which is very crucial and you have to deal with it? Probably, let me help you here, it is
called terms of payment. We now want to look at terms of payment in the next subchapter.

**Terms of Payment**

In order to understand this aspect of international marketing, ask yourself a question, “Why are payment and financing arrangements in export trade more difficult than for selling in the home market?” Do you consider the following as some of your reasons for this answer?, because the customer lives in a foreign country; a great distance separates exporter and importer; the customer probably deals in a different currency; Communicates in a different language and Works under different regulations and has other customs.

Do you know the forms of payments in international marketing? It is important to know that in domestic markets in developing countries, the most common terms of payment are:

- Cash Payment - Either on confirmation of order or when the goods are ready for shipment.
- Open Account - Payment after goods are delivered.
• Sometimes combined with various credit terms.

**Assignment:** What are the advantages and disadvantages of the above terms of payment for the seller and the buyer?

I think the terms of payment are related to the pricing policy. If paid in cash at the time of the order, the producer finances his production with the buyer's money. In the case of open account or credit sales, the buyer finances his stocks with the seller's money. "Cash with order". Prices are therefore usually lower than "credit prices", which usually include interest.

**Can these terms of payment also be used in international and domestic trade?**

Imagine if the seller delivers the goods before the payment or any agreement is made, what will happen if the buyer refuses to pay? In practice, a compromise must be sought, such as payment when the goods are ready for transit.

We have covered a lot of issues in the international marketing, but I think in general it is good to know the factors
affecting international marketing. What do you think are these factors that affect international marketing? In the next subchapter, let us look at these factors.

Factors affecting International Marketing

Did you know that the international markets can be classified on the basis of the following factors? Now read and under these factors as explained below:

**Population**- When the population is higher, the bigger is the market. However, it is necessary to look into the following factors under in the international markets:

Age groups and Sex- Different age groups of people, their taste & interests, preferences along with sexual differences, the trend of outlook and attitude people focus and prefer to adopt matters a lot.

Social class or groups- This refers to the economic class of living and groups which they belong in the living environment, which also has an impact for product selling.
Educational background- This refers to the background of the corresponding person who is actually involved in international markets, it doesn't specify anything in the form of an individual acquiring management degree, it specifies something more in the form of his/her family and circle of friends including peers with many people who give support for him to flourish well in international markets.

Number of households- This gives information about the total number of households, the type of household, nature of household and the kind of work which is performed in major by the household which can be identified and used if needed for marketing too in international levels.

Geographical concentration and differences- This specifies the concentration of each and every place on selected products in major amounts which is favorable for its market condition and clearly indicates the differences in choice of product chosen by each and every country depending on the demand condition.
The rate of changes in the above mentioned characteristics-specifies changes involved in each of the above mentioned qualities.

**Gross National Product (GNP)**

What are the factors considered under GNP of the international markets? Let us consider the following:

Rate of growth of the economy- This must be positive and favorable for growth of the economy. This means that if there is favorable growth in the economy in the international market targeted, the market can afford most of the products sold and vise versa.

Standard of living-specifies the quality of living of people which must improve and give rising standards which will be the real benefit of international marketing if adopted. Agricultural produces must therefore, have an understanding of this factor to sell suitable products to such international markets.

**Cultural factors:** This refers to the beliefs, values, norms and preferences in a country. Agricultural produces must understand these factors in the international market design
products which do not conflict with the cultural values of the market. For example if a Agricultural produce is engaged in the production of pork, it is believed that the Muslim community do not eat pork. This deep rooted belief should be known to the agricultural produce in advance before producing such a product.

**Political legal factors:** The laws and regulations within a specific country definitely vary from one country to another. It is important for the agricultural producers to know the specific regulations within the countries where the products are to be sold. For example, if a country specifies that a foreign product has to undergo some inspections before consumed by the locals, then this has to be observed the agricultural produce. In addition, there maybe some policies formulated in some countries on pricing, promotion, distribution, and even on the design of the products, such as features, tastes, packaging, and flavors. All these factors must be observed by the agricultural produce.

**Reflection**

*How do you think your agricultural produce can incorporate these factors affecting international marketing?*
Key Learning Points
In this chapter, you have learned the following in connection to International Marketing:

- You know the meaning of International marketing
- You have learnt that factors affecting international marketing can vary from one country to another
- The terms and conditions of international marketing are now known to you.

Note: Now, you have gained some knowledge of International Marketing. Do you know how the product can be made available and accessible to both the domestic and international consumers? In CHAPTER 8 covered below, you are going to learn how this is done.

Additional Reading
Marketing Management By Philip Kotler
http://www.davekahle.com/salestrainingprogramsonCD.html
http://support.dialog.com/searchaids/tradstat/terms.shtml
CHAPTER 8: DISTRIBUTION DECISIONS

Overview

Availability and accessibility of the products to the target market is one of the critical aspects in marketing. The target market wants to have products available and close to them at any time. The choice of a place where the products should be availed to the target market is a task worth undertaking by organizations. The content map of distribution decisions is shown below:
Explanation of the content map
This content map shows that there are some forms of
distribution which a agricultural produce can decide to use.
The forms of distribution chosen by the agricultural produce
can lead to appropriate distribution strategy if the factors
affecting choice of distribution are analyzed and are taken
into consideration.

Learning Objectives
At the end of this CHAPTER, the participants should be able
to:
• Explain the Meaning of Distribution.
• Explain the forms of Distribution.
• Discuss the factors affecting the choice of Distribution

Frequently Asked Questions
Do you consider the following as the frequently asked
to questions?

1. How can the agricultural produce make the product
become available and accessible to the consumers.
2. How can our agricultural produce no the best distributors

3. Who are the distributors in the market

Content

The meaning distribution

Do you know what distribution means? Now consider how your agricultural produce product can reach the final consumers by analyzing the three examples given below ():
In this example, we can say that distribution decisions involve the agricultural produces effort to make the produce become available and accessible to the final consumers.

**Assignment:** Consider the example of distribution of potato presented below and write down in this form as many different sets of outlets through which a common locally consumed agricultural product produced by the farmers might reach a domestic consumer.
It is important to observe that, a given product, even from the same farmer or Co-operative Society, may go through a number of different sets of outlets, depending on the season and the particular individual who eventually consumes it.

The forms of Distribution
There are very many forms of distribution. The agricultural producer is free to choose the one which is appropriate in each case of the product. Let us now consider these forms of distribution one by one.

1. Exclusive or Non exclusive Distribution
Do you sell your agricultural produce solely to the final consumers? If this is true with your agricultural produce then, the agricultural producer is acting as exclusive distributor for their farmers (Philip Kotler, 1997).

Are the farmers free to choose whether or not they can grant exclusive distributorship rights to other channels? - If they are free would they prefer to market their produce through a number of different channel organizations? In this situation, then the agricultural producer would be using the non-exclusive distribution.

We can now differentiate between the two forms of distributions. Can you now read this interesting case of Mr. Seth and Mr. Das.

Mr. Seth is a manager of the Alpha Pineapple Growers Co-operative Society. This Co-operative Society was founded recently in order to market farmers’ pineapples, which were
previously bought from individual farmers by merchants who paid very low prices and often failed to buy the whole crop at all. The Co-operative Society plans to collect, grade and pack its farmers' pineapples, and then to arrange for them to be sold to wholesalers and retailers in urban areas. The manager has called on Mr. Das, the manager of Premier Distributors, to discuss how they might do business together.

**Reflection:** In light of the case above, think about how the discussion would be between the two people.

2. Intensive Distribution

Have you ever thought of a situation where the agricultural produce can engage in making its product become available and accessible to many outlets as possible? This is called intensive distribution strategy (Philip Kotler, 1997). This strategy can be suitable where the agricultural produce has essential products such as milk and tea. Therefore, it can be appropriate for the Dairy and tea agricultural produces.

**Assignment:** Which other form of Agricultural produces do you think Intensive distribution can suit best?
3. Selective Distribution
This lies between intensive and exclusive distribution. It involves more than one but, fewer than all the distributors who are willing to carry the agricultural produce. The Agricultural producer does not have to spread its effort to many outlets (Philip Kotler, 1997).

The case in the box below is a typical situation which can happen to you. Can you now read this case?

Case study on pineapple production

The manager of the Alpha Orchard Co-operative Society had to decide how to transport his farmers’ fresh fruit to the market. He could hire a lorry which worked out at 25 cents a kilo. It took a day to reach the town and the fruit was sold for an average price of $1 a kilo. Alternatively they could use the railway, which only cost 10 cents a kilo. This took up to five days however, and the fruit would only fetch an average of 90 cents a kilo because it was not so fresh.

Assignment: From the above case, which transport can benefit you most for your agricultural produce?
4. Physical Distribution
This involves planning, implementing and controlling the physical flow of materials, final products, and related information from points of origin to points of consumption to meet customers’ requirements at a profit.

Again, if you read the case below it can give you a clear indication on what your agricultural produce can be confronted with. But in this case also a decision has to be made. Read the case now and make a decision.

Case study on coffee production

Coffee was like gold, thought the manager of the Beta Coffee Growers Co-operative Society. It was worth $4,000 a ton at the time. The Co-operative Society's overseas customers paid as soon as they received their coffee and the money could be put on deposit for six months before farmers' accounts were finally settled. The interest payment at a rate of 18% per year went a long way to covering the Co-operative Society's costs. The voyage by sea took three months, and freight cost $100 a ton. Some people were even shipping by air, but the manager knew that this was foolish. The cost of air freight was $250 a ton which was over twice as much as
by sea. The coffee was anyway stored sealed in the ship so that it did not lose any value during the long sea voyage. Overnight service was all very well for people or urgent spares, but it was quite unnecessary for routine shipments of coffee he thought.

Assignment: If you were in the position of Beta Coffee Growers Co-operative Society, were you right? Explain your answer

After having gone through all these forms of distribution, in general do you think there are some advantages which can be associated with distribution? As you are thinking about this question, let us think about the following points:

- Producers can rely on the marketing skills of the distributor.
- New produce can benefit from the strong market reputation of a well established distributor and his other products.
- Marketing activities can be financed by distributor.
- Demand can be forecast more easily.
- It is administratively simpler and less expensive to deal with a single customer.
• The producer and the exclusive distributor can work together closely to evolve an effective marketing programme.

**Assignment:** Can you suggest some other advantages which can benefit your Agricultural produce?

The advantages associated with distributors cannot be considered without noting some disadvantages. Let us now think about the disadvantages. Let us have the following points as you reflect them the way they can apply to your agricultural produce:

• The producer relies completely on one outlet; if it fails the whole market is lost.
• The credit risk is concentrated on one customer.
• The distributor may exploit the producer's dependence by forcing prices down or demanding other concessions.
• The producer is cut off from new innovative distributors.
• The producer is effectively delegating the whole marketing function; he himself can never learn to be an independent marketer in this way.
Customers who for any reason do not purchase from the sole distributor are totally cut off from the producer.

We have now talked about the advantages and disadvantages of distribution, but have we considered the factors affecting the choice of the distributors? In the subchapter below, we want to know them.

### Factors Affecting the Choice of Distribution

There are many factors which can affect the choice of distributors which you may want to know. Here are some of them. You can read more information about these factors in *(Philip Kotler, 1997), marketing management book.*

**Customer characteristics**

Do you know the characteristics of your customers for the agricultural produce? In this regard you may want to consider the following issues in regard to the customers. The regions where they are found, their buying habits, their income level, their preferences and tastes, etc. You may
want to choose the distributor(s) who are near the customers and understand the characteristics of the customers. Have you ever known that this is a very important factor for the agricultural produce? If the customers characteristics are not taken into consideration, then you cannot grow because there will be nobody to buy the agricultural produce.

**Middlemen characteristics**

The distributors themselves must be evaluated in terms of their characteristics. Let us consider the various issues which we have to check with the distributors. The factors which may be checked are; the financial stability of the distributors because they have to market the agricultural produce and sometimes offer credit to the customers, the region where the distributors are operating their business has to be near the customers, the kind of products that the distributors have been carrying in the past which should be related to the agricultural produce and the distributor’s knowledge of the agricultural produce.

Read the case below and answer the question that follows:
Case study on poultry farming

As a result of improved poultry and better feeding the farmers of the Gamma Poultry Co-operative Society were now producing 250 dozen eggs a day. Their success posed a transport problem however. The hotels and grocery shops in the region were happy to buy as many eggs as the Co-operative Society could produce, at $1 a dozen. The local bus driver delivered the eggs at the various villages along his route for ten cents a dozen. He often claimed that the eggs were broken, and the manager estimated that they lost about 10% of the eggs in this way. Now an enterprising operator proposed to deliver the eggs in his own vehicle. He would charge $40 a day to deliver each day's production, and he said he would take responsibility for any breakages. The farmers were not sure what to do.

Assignment: In the above case, what do you think are the middlemen characteristics which should be looked into?

Agricultural producer Characteristics

Here, we can think about which type of agricultural produce can rely on the distributors. The aspects to be checked are:

- Agricultural producers without marketing experience.
- Agricultural producers with weak financial resources.
• Agricultural producers whose product is new to the market.
• Agricultural producers lacking customer contacts.
• Agricultural producers with weak administrative capacity.

Do the above descriptions apply to your agricultural produce? If they do then, it is an indication that your agricultural produce requires distributors to assist in making the products become available and accessible to the consumers.

**Competitive characteristics**

Of course, competition is one of the factors which you should observe. In this case, if you have very many competitors, then many distributors should be used to help market the produce.

**Reflection:**

*Is there a case where you have experienced such a situation?*

**Produce characteristics**

The agricultural produce should also be known in terms of its nature. If the produce is perishable, it requires that it has to
be moved to the market as fast as possible; therefore many distributors to do the movement will be required. However if the produce is durable, then the agricultural produce can take time and do the movement itself.

**Reflection: What is the situation in your agricultural produce?**

**Key Learning Points**

In this chapter, you have learned the following in connection to distribution:

- Now you know the meaning of distribution in relation to agricultural produce.
- You have also learned the various forms of distribution which can be used by agricultural producers
- You can now evaluate the factors affecting the choice of distribution.

**Note:** *Now, you have gained some knowledge on how to make the agricultural produce become available and accessible to the consumers. Do you know how to maintain good relationship with the consumers so that they can be loyal? Assume that you have successfully sold the*
agricultural produce, how do you make sure that the same consumers will buy the product again? In chapter 9 covered below, you are going to learn how this is done.

Additional Reading
Marketing Management By Philip Kotler,
CHAPTER 9: CUSTOMER CARE

Overview

Customers should be seen as partners in the agricultural produces. In order to do this, it is important to continuously involve customers in the business activities and pay close attention to their concerns.

With the deregulation of telecommunications products, consumers now have more choice in selecting a product provider. When ordering a new product or maintaining an existing product, consumers must take into account the following three key factors: the quality of the product, the price of the product, and the product of the agricultural produce.

The first two factors are relatively objective and usually easy to control. The content map of customer care is shown below:
Explanation of the content map

The content map above indicates that customer care is very important in maintaining customer satisfaction. In order to do this, agricultural produces should know the tips on how to handle customers. In this way, even the difficult customers will be dealt with in a more convenient manner.

Learning Objectives
At the end of this CHAPTER, the participants should be able to:

- Explain the meaning of Customer Care
- Apply good skills on how to handle customers.

**Frequently Asked Questions**

Do you consider the following as the frequently asked questions?

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<tr>
<td>1. How do I treat the customers in a way that they will be always satisfied</td>
<td>?</td>
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<td>2. What are the characteristics of troublesome customers</td>
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Content

The meaning of Customer Care

Do you know who a customer is? For this CHAPTER, let us consider a customer to be any person who requires your services or produce.
Have you ever heard of customer care in your agricultural produce? Do you know what it means? Probably you know. But let us look at the meaning of customer care in this way: Customer care is a system that seeks to acquire new customers, provide superior customer satisfaction, and build customer loyalty.

As shown below, the graphical representation of a market research study done a few years ago revealed that customer service dissatisfaction is the most important key factor when a consumer decides to change service providers. Have a look at the diagram below and think about what you can do to this situation.

![Customer Service Satisfaction Pie Chart]

Reasons for Switching to another producer
The diagram above indicates that the customer service dissatisfaction is 68%. This means that if the customer is
handled poorly, then the dissatisfaction level is very high
than even the dissatisfaction with the service or the product
itself. Other elements of dissatisfaction are only rated at
18%.
If the above diagram can be true for any agricultural
produce, then, how do we deal with customers? Do you
know the tips we can use to ensure that customers are
always satisfied? Let us now look at these tips in the next
subchapter.

Tips on customer care

Dealing with customers can sometimes be very difficult
because one may not know what specific customers want
and at what time. Read and understand the list provided in
the box below about some tips on customer care.
• Marketers should be knowledgeable about the product
• Customer follow-up schemes is important for a agricultural produce
• Dissatisfied customers tell about 10 people about their dissatisfaction
• Satisfied tell about 5 people about the satisfaction
• It is very expensive to attract a new customer than to retain the customer
• Quality of the product and the availability of such products is very important to a customer
• Friendly people matter to a customer
• Efficient and effective people should be considered important
• Customers prefer knowledgeable people
• Helpful people are also very important
• Trustworthy people are attractive to the customers
• Respectful people
• Fair people
• Customers prefer to be appreciated
• They prefer to be heard and to be listened to
• Problem solving people are welcomed by the customers
• Credible people are always preferred to by the customers
Assignment: List down the aspects shown in the box above which is relevant to you.

Customer care tips require that the agricultural produce should also go extra mile in serving the customers. Has your agricultural produce ever gone extra mile in serving the customers? Let us look at the examples of going extra mile listed in the table below:

Going extra mile for a customer

| Alertness. | Positive body language. |
| A smile.   | Right mental attitude and fairness. |
| A greeting. | Self-organization and forward planning. |
| An offer to help. | Neatness and Smartness of hospital staff |
| Eye contact. | Accuracy in doing things and knowledgeable. |
| Listening and Paying attention. | Confidence when handling customers. |
| Calling customer by name. | Timeliness in the delivery of services. |
| Not blaming other colleagues. | Courteous and friendly in all |
dealings.
Honesty and respectful everywhere.
Confidentiality when necessary

**Assignment: List down the aspects from the table above which you have been practicing as you deal with the customers**

Now that you have known the tips on how to deal with customers, do you know there are some difficult customers who may not appreciate even the effort you are putting to serve them? The question is how do you deal with such customers? In the next subchapter we want to learn how to deal with them.

**Dealing with difficult customers**
Do you know what it means to say customers are difficult? Here are some tips on how to know the difficult customers.

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<th>Talkative</th>
<th>Quarrelsome</th>
<th>The know all</th>
<th>Destructive</th>
<th>Angry</th>
<th>Annoyed</th>
<th>Disrespectful</th>
<th>etc</th>
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Difficult customers come in a wide variety. There are those whose personality gets you the wrong way. They may not be difficult for someone else, but they are for you. And then there are those who are difficult for everyone: Picky people, know-it-alls, egocentrics, fault-finders, constant complainers, etc. Every salesperson can list a number of the types. But perhaps the most difficult for everyone is the angry customer. This is someone who feels that he or she has been wronged, and is upset and emotional about it. These customers complain, and they are angry about something you or your company did.
There are some sound business reasons to become adept in handling an angry customer. Research indicates that customers who complain are likely to continue doing business with your company if they feel that they were treated properly. It's estimated that as many as 90% of customers who perceive themselves as having been wronged never complain, they just take their business elsewhere. So, angry, complaining customers care enough to talk to you, and have not yet decided to take their business to the competition. They are customers worth saving.

So, how do you handle an angry, complaining customer? Let's begin with a couple of tools you can use in these situations:

1. **RESPECT.** It can be difficult to respect a person who may be yelling, swearing or behaving like a two-year-old. I'm not suggesting you respect the behavior, only that you respect the person. Keep in mind that 99 times out of 100 you are not the object of the customer's anger. You are like a small tree in the path of a swirling tornado. But unlike the small tree, you have the power to withstand the wind.
What is the source of your power? Unlike the customer, you are not angry, you are in control, and your only problem at the moment is helping him with his problem. If you step out of this positioning, and start reacting to the customer in an emotional way, you'll lose control, you'll lose your power, and the situation will be likely to escalate into a lose-lose for everyone. So, begin with a mindset that says, "No matter what, I will respect the customer."

2. EMPATHY. Put yourself in the customer's shoes, and try to see the situation from his/her perspective. Don't try and cut him off, don't urge him to calm down. Instead, listen carefully. If someone is angry or upset, it is because that person feels injured in some way. Your job is to let the customer vent and to listen attentively in order to understand the source of that frustration. When you do that, you send a powerful unspoken message that you care about him and his situation.

Often, as the customer comes to realize that you really do care and that you are going to attempt to help him resolve the problem, the customer will calm down on his own, and begin to interact with you in a positive way. Here's how you
can use these two tools in an easily-remembered process for dealing with angry customers.

3. CRACK THE EGG
Imagine that you have a hard-boiled egg. The rich yellow yolk at the center of the egg represents the solution to the customer's problem; the hardened white which surrounds the yolk represents the details of the customer's situation, and the hard shell represents his/her anger.

In order to get to the yolk, and resolve the situation, you must first crack the shell. In other words, you have got to penetrate the customer’s anger. Then you’ve got to cut through the congealed egg white. That means that you understand the details of the customer’s situation. Finally, you’re at the heart of the situation, where you can offer a solution to the customer's problem.

So, handling an angry customer is like cutting through a hard-boiled egg. Here’s a four-step process to help you do so.
4. LISTEN.

Let's say you stop to see one of your regular customers. He doesn't even give you time to finish your greeting before he launches into a tirade. At this point, about all you can do is to LISTEN. And that's what you do. You don't try and cut him off, you don't urge him to calm down. Not just yet. Instead, you listen carefully. And as you listen, you begin to piece together his story. He ordered a piece of equipment three weeks ago. You quoted him X price and delivery by last Friday for a project that's starting this week. Not only is the equipment not there, but he received an invoice for it at a different price than was quoted. "What kind of shoddy operation is this?" he wants to know. Do you understand how important his project is? Do you know how much time and money is at stake? If he doesn't get his equipment and something happens to this project, you're going to pay for it. He knew, he just knew he should have ordered the equipment from your competitor. What are you going do about it? Now you have the basic story. Hopefully, after this gush of frustration, there will be a pause while he comes up for air. More often than not, once the customer has had an initial chance to vent his rage, it's going to die down a little, and that's your opportunity to take step in.
Even if he has started calming down on his own, there comes a moment - and I can almost guarantee you'll sense it - to help calm him down. Try something along the lines of: "It sounds like something has gone wrong, and I can understand your frustration. I'm sorry you're experiencing this problem. Let's take a look at the next step." Try to calm yourself first, and then to acknowledge his feelings. Say, "I can tell you're upset..." or, "It sounds like you're angry..." then connect to the customer by apologizing, or empathizing. When you say something like "I'm sorry that happened. If I were you, I'd be frustrated, too." It's amazing how much of a calming effect that can have.

Remember, anger is a natural, self-defensive reaction to a perceived wrong. If there is a problem with your company’s product or service, some frustration and disappointment is justified.

This is so important, let me repeat it. First you listen carefully and completely to the customer. Then you empathize with what the customer is feeling, and let him or her know that you understand. This will almost always calm the customer.
down. You've cracked the shell of the egg. Now, you can proceed to deal with the problem.

5. IDENTIFY THE PROBLEM.
Sometimes while the angry customer is venting, you'll be able to latch right on to the problem because it's clear-cut. Something is broken, or late. Or he thinks a promise has been broken.

But sometimes in the middle of all that rage, it's tough to comprehend the bottom-line issue. This is a good place for some specific questions. Ask the customer to give you some details. "What day did he order it, when exactly was it promised. What is his situation at the moment?" These kind of questions force the customer to think about facts instead of his/her feelings about those facts. So, you interject a more rational kind of conversation.

Think of this step of the process as cutting through the white of the egg to get to the yolk at the center. It's important, when you think you understand the details, to restate the problem. You can say, "Let me see if I have this right. You were promised delivery last Friday, because you need it for an important project this coming week. But you haven't
received our product yet. Is that correct?” He will probably acknowledge that you've sized up the situation correctly. Or, he may say, "No, that's not right" and then proceed to explain further. In either case the outcome is good, because you will eventually understand his situation correctly, and have him tell you that "Yes, that's right." And at that point you can apologize.

Some people believe that an apology is an acknowledgment of wrongdoing. But you can appreciate and apologize for the customer’s inconvenience without pointing fingers. Just say, "Mr. Brady, I'm sorry this has happened." Or "Mr. Brady. I understand this must be very frustrating. Let's just see what we can do fix it, OK?"

6. AVOID BLAME.
You don't want to blame the customer by saying something like "Are you sure you understood the price and delivery date correctly?" This will just ignite his anger all over again because you are questioning his credibility and truth-telling. And you don't want to blame your company or your suppliers Never say, "I'm not surprised your invoice was wrong. It's been happening a lot." Or, "Yes, our backorders are way behind." In general, you AVOID BLAME. Which is different
than acknowledging responsibility? For example, if you know, for a fact, a mistake has been made, you can acknowledge it and apologize for it. "Mr. Brady, clearly there's a problem here with our performance. I can't change that, but let me see what I can do to help you out because I understand how important your project is."

7. RESOLVE THE PROBLEM.
Now you’re at the heart of the egg. You won’t always be able to fix the problem perfectly. And you may need more time than a single phone call. But it's critical to leave the irate customer with the understanding that your goal is to resolve the problem. You may need to say, "I'm going to need to make some phone calls." If you do, give the customer an idea of when you'll get back to him”. Later this afternoon." Or "First thing in the morning."

Reflection:

From the steps of handling difficult customers you have covered above, try to remember whether you have ever handled a difficult customer and reflect on the manner in which you handled such a customer.
Key Learning Points
In this chapter, you have learned the following in connection to customer care:

- What customer means in relation to a agricultural produces
- The tips you can use when dealing with customers
- How to handle difficult customers.

Additional Reading
Marketing Management By Philip Kotler
http://www.davekahle.com/salestrainingprogramsonCD.html
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