

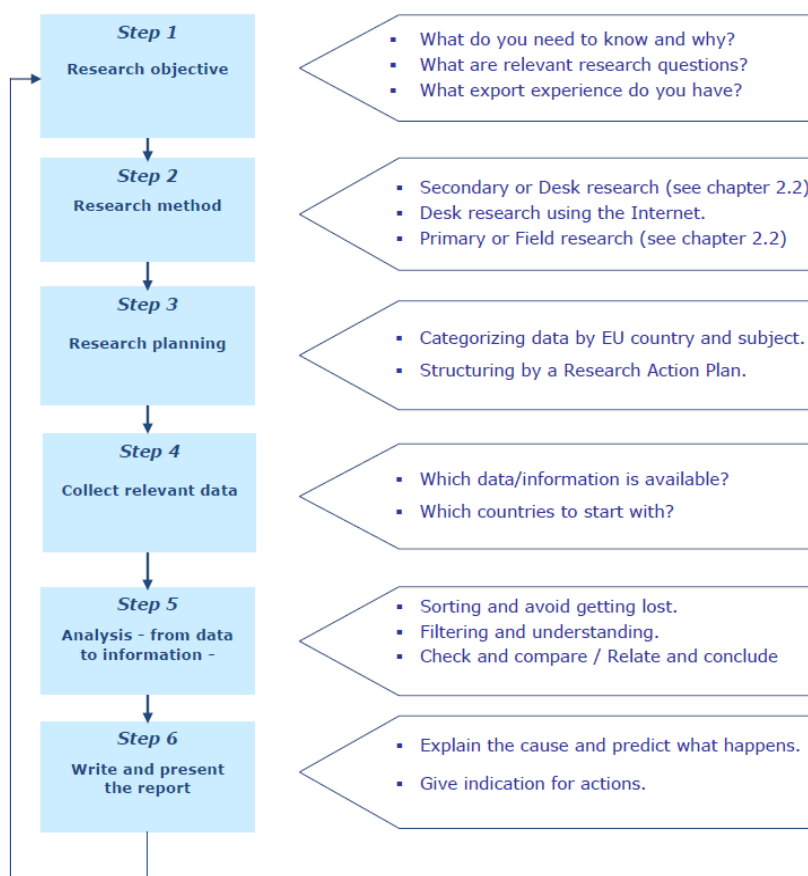
MODULE 7 – MARKET RESEARCH AND MARKETING

Module 1 introduced a number of market research tools that may help you to make initial choices about your preferred position in the supply chain, your target markets and certification schemes of choice. Module 7 further discusses market research as a basis for the development of your marketing activities.

MARKET RESEARCH ²

Before committing your organization to the complexities and costs involved in exporting, it is absolutely essential to undertake some degree of research to better understand the foreign markets you will be competing in and the consumers to whom you will be selling – in other words, to conduct market research. Your market research should allow you to answer a number of questions, including: What are the biggest/fastest growing markets for our products? Which requirements (legal requirements, customer requirements) do we need to comply with in order to access the market? Will our products be accepted in the market? Who are my customers likely to be? What quantities are likely to be purchased? What modifications need to be made to the product to enhance its appeal in the market place? What is the long-term potential of the product in the market? Where is the market heading? Which new regulations or technologies may affect the way we do business? Who are our likely competitors? What are their strengths and weaknesses? Who can assist me in marketing my goods within the foreign marketplace? ...

In your export endeavours, you will be undertaking both *market research* and *marketing research*. Market research is aimed at understanding how the marketplace works and selecting the most promising markets, while marketing research is about putting together a winning “marketing mix” – the “package” of marketing elements (i.e. the product, price, place and promotion factors, see the Four Ps of Marketing) that will allow your organization to meet the needs of its customers and succeed in the marketplace. Market research and marketing research are closely linked; in fact, the information compiled through market research will enable you to develop a sound export marketing plan. It is important that you conduct your market research in a meaningful manner; simply compiling statistical and other information about your markets without any clear objective will lead to information overload and wrong decisions. Set your research objective – the type of information you need – keeping in mind your financial and organizational constraints. Conduct your research according to the following six step approach³:



Source: CBI (2008).

² Adapted from ExportHelp, see: <www.exporthelp.co.za>.

³ Adapted from CBI. 2008. CBI Export Manual: Your Guide to Market Research. Available at: <www.cbi.eu>.

Once you have collected relevant market data, the information must be transformed into intelligence: it must be compared and interpreted, and conclusions must be drawn. Analyse market trends and opportunities and try to predict future market developments; assess how they fit into your business objective and influence your marketing plan. Your research report should present all relevant data collected during the research stages in a well-organized and logical manner. You may structure your research report as follows:

- Introduction: why was the research done, what were the research objectives and which research methods were used;
- Findings: market size and structure, market trends, opportunities and threats, marketing and distribution channels, competing products, tastes, habits and attitudes of potential buyers, etc;
- Conclusions and recommendations: the conclusions indicate the significance of the research findings, and are often presented in the form of options i.e. the courses of action open to the organization and the corresponding costs. Recommendations could cover aspects such as which type of agent to employ, proposed advertising and promotional activities, price setting, strategies to fight the competition, etc.

For a detailed discussion of these various steps in the research process, including a useful overview of potential sources of market information and various market research techniques, see:



Centre for the Promotion of Imports from Developing Countries (CBI). 2008. *CBI Export Manual: Your Guide to Market Research*:

Part 1: Your Research Assistant - Improving your competence in market research

(<www.cbi.eu/marketinfo/cbi/?action=showDetails&id=62>);

Part 2: Your research practice

<www.cbi.eu/marketinfo/cbi/docs/your_guide_to_market_research_part_2_your_research_practice>;

Part 3: Your research action plan <www.cbi.eu/?pag=7>

For a discussion of the contents of these tools, see the [Annexes](#) to this guide (“Additional Resources”).



ExportHelp presents a 21-step manual to successful exporting (see: <www.exporthelp.co.za/modules/intro.html>);

Step 7 (<www.exporthelp.co.za/modules/7_researching_potential/intro.html>) provides a very clear overview of the market research process.

DEVELOPING AN EXPORT PLAN ⁵

One of the most crucial steps in setting up an export business is the development of an export plan, including a SWOT analysis (see [Module 1](#)), your export objectives and an export marketing plan. The export plan is a formal, written plan of action that serves as a framework for the development of your organization’s export business. It outlines the organizational goals, target markets and activities that will enable your organization to achieve its objectives.

SETTING YOUR EXPORT OBJECTIVES

While an organization’s mission statement defines its purpose in very broad terms (e.g. “We are dedicated to growing coffee beans to produce high quality,

affordable coffee”), the export objectives set more specific, measurable and time-bound targets (e.g. “Become one of the top five national suppliers of bulk coffee to the European market within the next five years”). The rest of the export plan will deal with the marketing strategies and activities that are necessary to achieve these objectives – the export marketing plan.

THE EXPORT MARKETING PLAN

With your market research report and export SWOT analysis in hand and your export objectives clearly defined, you can now move on to prepare an export marketing plan, describing how you will meet the needs of your overseas buyers. Your export

⁵ Adapted from ExportHelp, see: <www.exporthelp.co.za>.

marketing plan must indicate how you will adapt your product to your buyers' expectations, how you will price it, how you will inform potential buyers of your product and encourage them to buy it, and how you will get your product to your buyers. A common mistake is to confuse marketing with advertising or promotion, or even selling. Marketing involves much more than just those elements: researching your customers' needs; manufacturing the products your customers need at a price which they are willing to pay; promoting your products; organizing the delivery of your products; ensuring that your customers' are satisfied with your product and services; etc.

The four P's of marketing

Marketing decisions influencing consumers' decisions to purchase goods or services generally fall into the following four controllable categories: Place, Product, Price and Promotion. These four elements, describing the strategic position of a product in the marketplace, are often referred to as the "marketing mix". Broadly defined, optimizing the marketing mix through a marketing plan is the primary responsibility of marketing. Indeed, the challenge of the marketing manager is to mould the *controllable* elements of marketing (i.e. product, price, place and promotion) to best meet the needs of the organization's customers, within the framework of the *uncontrollable* elements of the market place (including – at the micro level – export agents, importers, customers, etc. and – at the macro level – the legal, political, social, cultural, economic and technological environment in which the organization operates). Your export marketing plan outlines, for each of the four controllable variables, how your organization intends to do this.

Product refers to the specifications of the actual goods and services you deliver, including aspects related to quality, volume, packaging, labelling, etc. The scope of a product generally includes supporting elements such as certifications, guarantees, and customer support services.

When preparing a product strategy within the framework of your export marketing plan, you should consider *inter alia*:

- Whether you will export the same product as the one you are selling on the domestic market, or whether you will modify the product or even develop a new product;
- Whether you need to eliminate obsolete products from your product range;
- How you will package your products, taking into account a number of factors that include climate

conditions, the type of transportation and handling your product will be subjected to, costs, the type of retail outlet through which your products are sold, cultural preferences for colours, shapes and materials, environmental concerns, legal requirements, etc.;

- Which labelling requirements apply to your product and which languages your product should be labelled in;
- Whether your organization will sell its products under its own brand, or whether it will operate under the brand name of an importer or retailer;
- Etc.

Ideally, your organization should offer a unique combination of product and **price** – a combination which your competitors cannot offer. Try to find a market in which your product/price combination is not yet available. For more information regarding the development of a product strategy, see www.exporthelp.co.za/modules/8_export_plan/product/intro.html or CBI's Export Manual, Part 2, Chapter 6.3.

Place refers not only the geographical region where your product will be sold, but also your particular market segment, as well as the distribution channel through which your products will eventually reach their buyer.

Market entry

"Market entry" refers to the options available to you to gain entry to and establishing yourself in foreign markets. Your organization may decide to export indirectly, through an intermediary; alternatively, it may opt to sell its products directly to a foreign buyer, bypassing any intermediaries. While direct exporting allows organizations to exert a greater degree of control over the export process, most organizations will need an intermediary to help them deal with the complexities of exporting to foreign markets. Your intermediary will put his knowledge of the market to the service of your organization and guide your products to the right buyers, via the right channels of distribution. Trading partners for indirect market entry include *inter alia* commission agents, trading houses, brokers or domestic collective exporting organizations. For additional information regarding market entry options, see CBI's Export Planner, Chapter 4.6, or www.exporthelp.co.za/marketing/market_entry.html. For information on working with export agents, see www.exporthelp.co.za/marketing/using_agents.html.

In-market channels of distribution

Once you have selected a strategy for market entry, you will need to address the question of how to ensure the delivery of your products to their buyers within the foreign market. While many suppliers leave the job of selecting the right in-market distribution channels for their products to their intermediaries who know the market better, you should at least have enough information about your market's distribution channels to understand and assess your trading partner's proposals. Exporters commonly make the mistake of thinking that their task has been accomplished once they have delivered their goods to the foreign importer, ignoring the distribution channel that links the importer with the final buyer. The choice of a distribution channel depends *inter alia* on anticipated distribution costs, the degree of control over the channel exerted by the exporter, market coverage (the number of outlets through which a product is sold), as well as on the adopted market entry strategy. For additional information regarding in-market distribution channels, see CBI's Export Planner, Chapter 4.7, CBI's Export Manual, Part 2, Chapter 6.5, or www.exporthelp.co.za/modules/8_export_plan/distribution/in_market_distribution.html.

Promotion refers to the use of communication tools to make your product known to potential buyers, including advertising, public relations, direct marketing, direct selling, online marketing, personal selling and sales promotion. Promotion tools allow you to communicate with your customers to ensure that they know your product and its characteristics and buy and use it to their satisfaction; they may be targeted at the final consumer of your products (business-to-consumer promotion) or at the businesses within your distribution channel (business-to-business promotion). There are essentially six types of marketing tools you may choose to promote your products:

- **Advertising** is paid-for promotion in the mass media (e.g. television or radio advertising; advertising in newspapers, magazines and directories; outdoor advertising (billboards, flyers, posters); in-store advertising; promotional gifts; internet advertising). While advertising is generally too expensive and too broad in its impact for small exporters, highly targeted advertising (e.g. through specialist industry magazines or websites) may be worth considering because it allows you to reach your target audience.
- **Publicity** (or public relations) is the unpaid diffusion of "newsworthy" messages about your organization/product in the mass media. Publicity aims at generating goodwill and positively influencing public opinion towards your organization. Publicity is generally difficult to

generate in overseas markets where your organization is not well known. However, it may be interesting for your organization to place press releases with specialized industry media, including trade magazines, chambers of commerce, industry associations, etc.

- **Personal selling** is a two-way person-to-person communication process during which the seller learns about the potential buyer's needs and tries to fulfill these needs by offering a product or service. Personal selling activities may be carried out by a foreign-based or traveling export salesperson (or sales team), or by a foreign-based sales agent; the options open to your organization will largely depend on its available promotion budget.
- **Sales promotion** is the time-limited use of communication tools to stimulate demand for a product, and includes techniques such as in-store displays, couponing, price deals, contests, samples or loyalty programmes (= *consumer sales promotion*); and discounts and rebates (an amount paid by way of reduction, return, or refund on what has already been paid), trade contests (a competition allowing sales persons to win a prize for generating the most sales during a particular period of time), sales training, the provision of sales aids (posters, brochures, presentations, demonstration models, ...), slotting fees (fees paid by an exporter to obtain the inclusion of his product in a wholesaler's or retailer's sales catalogue), etc. (= *business or trade sales promotion*).
- **Direct marketing** is the direct communication with potential buyers through mail, telephone, fax or email with the aim of generating a response in the form of an order or a request for further information or a personal visit. Direct marketing to a specific target audience is within financial reach for most exporters.
- **Internet marketing** is one of the most cost-effective international marketing tools available; it will give your organization a global presence, 24 hours a day, allowing you to be "local" in many markets. Developing your own website is a cost-effective way of distributing up-to-date information about your organization; in addition, websites can be adapted to just about any budget. Simple websites often fulfill their tasks quite adequately, however, it is important to regularly update the content and look of your website to ensure it remains informative and dynamic.

Today, internet marketing offers possibilities that go far beyond spreading the electronic version of your organization's brochure. Websites may include features enabling interaction with potential or existing buyers and other interested parties, or even allow buyers to conclude purchases online.

Carefully analyse which internet marketing techniques would allow you to reach your target audience, including search engine optimization, discussion forums and newsgroups, e-mail marketing, website linking, etc.

A form of sales promotion well worth looking into is participation in **trade fairs**: time- and (often) industry-specific marketing events at which exhibitors present their products and services to potential buyers and industry participants. The interactive environment of trade fairs, bringing together supply and demand in a market, enables companies to undertake market research and promote themselves and their products vis-à-vis potential buyers; some trade fairs even allow companies to sell their products on the spot. Trade fairs represent one of the most efficient and intense marketing channels available to exporters, allowing them to compress their marketing efforts into a single timeframe and location. Participating in trade fairs is relatively costly; if exhibiting is beyond your financial reach, you may still want to attend a trade fair as a visitor. CBI has developed an interactive export manual ("Your expo coach - Exporter's edition") to help you manage trade fair participations effectively and efficiently. The manual contains useful tips and checklists for the preparation, participation and follow-up of an exhibition.

MANAGING YOUR TRADE RELATIONS

Your marketing efforts are not over once you have found a buyer, signed a contract and delivered your goods! Appoint an account or area manager to keep the relation with your buyer "alive"; your trade partners should feel supported and backed-up at all times. To optimize your organization's trade relations, follow these basic rules:

- Answer all letters, faxes and e-mails from trade partners promptly (e-mails within 24 hours). Even if you are unable to deal with a particular question, acknowledge receipt of your partner's message and indicate that you are working on it. Answer questions as precisely and completely as possible;
- Ask questions if you have any doubts as to your partners' requirements and expectations; it is

Several support organizations and projects work together to help organic African exporters exhibit at the BioFach trade fair, see

www.organicafricapavilion.com.

A Unique Selling Proposition (USP) is an additional tool to distinguish your product from that of your competitors; it may significantly enhance your chances in the (export) market. A USP is a distinct and appealing idea that sets your product favorably apart from that of any other competitor. Any characteristic that makes your product "special" can be its USP, as long as your customers recognize it as such, including a better taste, colour or shape, a lower price, a more durable or attractive packaging, a better availability, a consistent quality, flawless delivery, optimal communication, etc. Your USP should be integrated into every form of your marketing, including advertisements, direct mailing material, sales pitches, etc.

Rather than adopting a single promotional tool, you are likely to use a "mix" of the tools described above. According to CBI, the most effective promotional tools for exporters are: personal selling, internet marketing (including web catalogues), participation in trade fairs, sales promotion (sampling discounts), and trade missions (whereby a group of local exporters travels abroad to meet the business community in a foreign country).

For further information on marketing your products, see the [Annexes](#) to this guide ("Additional Resources").

better to ask questions than to make mistakes in your deliveries;

- Be clear about your organization's possibilities and limitations. If you are unable to fulfill a particular request, say so – western buyers may become irritated if you tell them you "will try" and eventually do not live up to your promises;
- Honour every detail of the contract. Immediately inform your buyers of any problems as to deliveries and shipments (delays, unavailable goods, etc.) to allow them to implement corrective measures; your partners prefer being informed about problems rather than finding out about them on the day of delivery;
- Make it possible for your buyers to provide feedback; are they satisfied with their delivery? What could be done better? If there are any

problems, do not ignore them. Take the criticism seriously, thank your partner for his reaction, try to obtain as many details as to why he is dissatisfied as possible and solve the problem.

For additional practical information on the negotiation of export contracts, including the process of prospecting buyers, obtaining sales appointments,

introducing yourself and your organization, keys to successful negotiation and closing sales, see:

www.exporthelp.co.za/modules/12_quoting/intro.html#8. For cultural differences in doing business in different parts of the world, see:

www.exporthelp.co.za/modules/12_quoting/abroad.html.

The importance of immediately informing trade partners about problems

Due to adverse weather conditions, a farmer association was unable to deliver the quantity and quality agreed upon in the sales contract with its buyer.

Scenario a: the association was afraid of telling the buyer about the problem, and tried to source products from other farmers. In the end, the shipment was late and incomplete; the seller could not honour his obligations vis-à-vis his buyers. The farmer association was held liable for the losses incurred by the buyer.

Scenario b: the association informed its buyer that it did not have sufficient high quality products to meet the provisions of the contract; it could, however, provide additional products of a lower quality. The buyer agreed that the association would deliver the original quantity, consisting partially of lower quality products, for a lower price.

