

Marketing and Agriculture

How to be successful in the

Crop Protection

Market

Manfred G Raupp

Preface

From the beginning of the 1980's I worked as a marketing and sales manager of the agricultural supply industry in Eastern Europe and Central Asia. After the opening of the Iron Curtain in 1990 I was asked, beginning with the University of Prague, to teach the marketing philosophy of the Western world to students from universities of the former COMECON.

The following presentation provides the basic information of these marketing seminars and should also serve as a checklist for future marketing plans in the field of crop protection.

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Vorwort

Seit Anfang der 1980er Jahre war ich als Marketing und Vertriebsleiter der landwirtschaftlichen Zulieferindustrie verstärkt in Osteuropa und Zentralasien tätig. Nach der Öffnung des Eisernen Vorhangs im Jahr 1990 wurde ich gebeten, beginnend mit der Universität Prag, die Marketing Philosophie der westlichen Welt Studenten an Universitäten des früheren COMECON zu vermitteln.

Die nachfolgende Darstellung vermittelt die Grundaussagen dieser Marketing Seminare, sie soll gleichzeitig als Checkliste für künftige Marketingpläne im Bereich Pflanzenschutz dienen.

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Marketing – Definition

- Marketing is a business philosophy
- All decisions are driven by the market
- Product oriented marketing (short term)
- Customer orientated marketing (long term)

Marketing Strategy

- It's not just knowing where to go
 - It's how to get there

Market Dynamic

- The market is changing rapidly and the speed of changes is increasing
- Only a market integrated company with fast links to the market place can cope with the changes and the speed required for the change

Marketing Resources

Resources of the company have to be exposed to the changes and requirements in the market in order to deliver products in time for which the customer is willing and able to pay.

Marketing & Top Management

- Do they live the vision?
- Do they walk as they talk?
- Do they promote
 - culture of openness
 - team work
 - empowerment
 - balanced risk taking

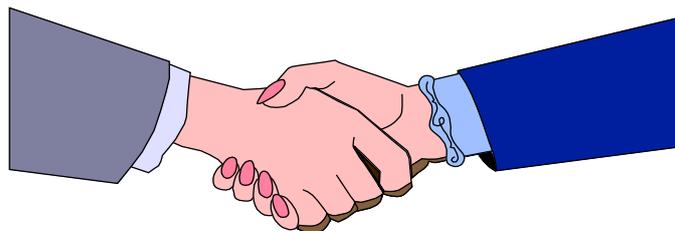
Marketing in R & D

- Research focused on real needs of customers?
- Aware of trends in the market place?
- Enough support for backing commercial products?
- Time to market: Are we fast enough and competitive?
- Especially in in a research based company, marketing is not exclusively done in "Marketing".
- Whether a product will meet the customer's needs (essential objective in marketing) depends on many decisions made in R & D and other functions perhaps 10 years before the product is launched.

Marketing Mix

- Marketing- mix comes from „Marketing“ ..as
 - satisfaction of human needs
 - part of a market system
 - part of a company organization
 - sales philosophy
- Marketing Mix represents an important instrument to bring products to the customers.
- In big and highly structured organizations, enormous resources produce Marketing Mix relevant results (good or bad ones).

The Goal = Win-Win



Marketing Plan

- General crop information
- Schedule of operations and crop data per month
- Actors in the market
- Market information
- Market analysis
- Market goals
- Strategies and tactics
- Realization according to ma - organization
- Detailed planning and action programs

Marketing Basics

- Analyses of the Market per crop and problem
- Market area per crop
- Market segment per crop and problem
- Biological problem area
- Economic market potential
- Actual market size
- Companies sharing the market

Market Basics

- Average yield /ha and variation in the area
- Price / ton
- Currency exchange to USD
- Importance of the crop in the country
- Future trend of crop
- Most important biological problems in the crop
- Flowering
- Fruiting
- Harvesting
- Drying
- Storage
- Selling /using
- Transportation
- Most important varieties
- Rotation
- Crop subsidized and how
- Crop grown for home consumption, export, raw, processed

Market Research

- Land preparation / pruning
- Irrigation or peaks of rainfall
- Seeding/ Planting
- Transplanting
- Fertilization basic and add.
- Weed, pest, / disease control
- Deficiency corrections
- Importance of the identified problem within the cropping system
- Limitation factors in economy
- Limitation by competition
- Company/ product-formulation
- Method of application
- Pack sizes
- User price per l/kg
- Dosage per ha
- Number of applications
- Total of hectares treated
- Cost per ha / season
- Distributor margins
- Sales conditions

Marketing Obstacles

Characteristics of major products in the selected market

- Strengths
- Weaknesses
- Comments

Marketing and Competition

Present Situation of Competition

- Performance
- Strength
- Weakness
- Opportunities
- Threat

Marketing Goals

- Turnover
- Market shares
- Profit
- Budget
- Organization
- Risks and benefits

Marketing for a Product

Features that make the product marketable

- Physical - chemical properties / Quality
- Biological properties / Application
- Formulation / Trade name
- Packaging / Disposal
- Manufacturing alliances,
- Post-patent strategy

Physical - Chemical Properties

1. Water solubility / Vapor pressure/Adsorption/
Degradation
=> influence distribution in the environment
2. Appearance / Odor /Compatibility
=> influence product attractiveness
3. Fineness of particles / Wettability /
Corrosiveness / Stability of suspension
=> influences applicability
4. Inflammability/Crystallization/ Explosion
danger/ shelf life
=> influences storage capabilities

Product Quality

means:

- formulation quality
- packaging quality
- product information quality
- service quality
- product evaluation

“ Quality - Satisfying users’ needs”

Biological Properties

- biological activity (crops and targets)
- mode of action
- mode of uptake
- risk of phytotoxicity
- influence on living organisms in the environment (beneficials, predators, soil micro- and macro- fauna, aquatic organisms, wild life)
- users risk

Biological Activity

- Spectrum of activity
- Level of activity
- Initial activity
- Lasting effect
- Risk of resistance
- Crop tolerance
- Residues / Carry over

Product Application

Under application is considered:

- application rate
- timing for application
- number of applications
- application volume
- pre-harvest interval
- application technique
- product preparation

All application parameters should be OPTIMIZED for local conditions and SHAPED for local end-users

Solid Product Formulations

- . WP wettable powder
- . DS dust for seed treatment
- . WS waterdispersible powder for seedtreatment
- . GR granules
- . WG waterdispersible granules
- . DF dry flowable
- . SG water-soluble granules
- . TB tablets

Liquid Product Formulations

- EC emulsifiable concentrate
- EW emulsion, oil in water
- EO emulsion, water in oil
- F flowable paste
- FS flowable concentrate
- GEL gel
- LS liquid solution
- OL oil miscible liquid
- PA paste
- SC suspension concentrate
- SL soluble concentrate
- CS microencapsulated suspension

Selection of Formulation Type

Depends on:

- physical - chemical properties of a.i.
- biological efficacy
- phytotoxicity
- level of toxicity / safety
- application methods
- customer's demands

Criteria for Packaging

Formulation type (packaging material)

Field size (package size)

- Application rate (package size)
- Packaging handling (design)
- Product dosage / dispensing (design)
- Transportability (standardization)
- Storage conditions (standardization)
- Disposal / utilization (safety standards)

Disposal

Requirements for disposal of inner packaging:
if free from product (max. 0,001% of volume) -
industrial waste

- if more - incineration in special facilities
(usually not available)
 - disposal on a special landfill site

Empty packaging should be rinsed with water
which is used afterwards in application

- Outer material
 - plastic film (wrap),
plastic bag or
cardboard
- inner packaging depends on formulation
type
 - WS, DS, WP, GR, WG:
paper bag
cardboard box
plastic bag
water soluble bags
 - EC, FW, FS, EW, SC, CS:
plastic canister
plastic flusk
metal drum
refillable container

Trade Name

plays a certain role in product acceptance

Should:

- Distinguish a product from other products in the market
- Link the product to the company's image/philosophy
- Be easy to spell and pronounce
- Sound clear and understandable in a local language
- Be protected or patented
- Be internationally accepted
- Not be aggressive by its sense
- Not be similar to competitive trade name
- Improve customer loyalty

Manufacturing Alliances

- increase competitiveness
 - provide flexibility in supplies
 - reduce costs
 - allow pricing flexibility
 - participate in promotion and advertising
 - create local good will
-
- Local industry is always in a favorite position and backed by local institutions (political decision).
 - Alliances are usually loyal to one trade name / company.

Post-patent

Objectives:

- Defend product sales and market shares
- Differentiate product from generics
- Product enhancement
- Win customers' loyalty to original brands
- Support company image

Post patent does not mean price reduction.

Marketing in Manufacturing

- Constant drive to lower costs?
- Is manufacturing coordinated with marketing for new product introductions?
- Do they give exact figures to marketing?
- Does manufacturing provide optimal lead times?
- They are flexible to meet buyers requirements?

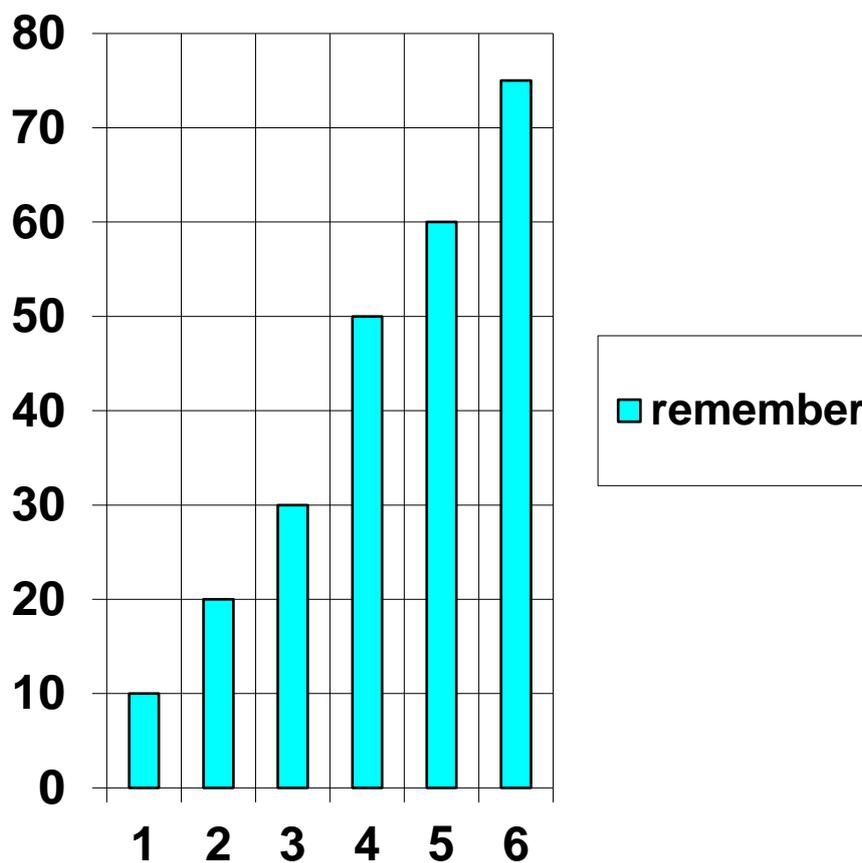
Promotion

Informs, educates and pre-sells the customers.

- promotion tools
 1. personal information
 2. farmers' meetings
 3. demonstration trials
 4. field days, symposia, seminars
 5. exposition, trade shows
- layout, reporting and evaluation of demonstration trials
- technical advice, guidelines for promotion

A Human Remembers through

- 1 reading
- 2 listening
- 3 looking
- 4 listening + looking
- 5 repeating
- 6 doing



Farmers' Meeting

- to inform users about our product and offers
 - ⇒ pre-sales
 - ⇒ technical arguments
 - information about features and benefits of products or solutions
 - ⇒ commercial arguments
 - information about price, sales conditions, terms of payment/delivery
- target groups
 - ⇒ users (farmers and local plant protection services)
 - ⇒ wholesalers, dealers (trade)

Demonstration Trials

- to demonstrate features and advantages of a new product
- to demonstrate that a new product can be applied with existing spraying equipment
- to win goodwill mainly of the people from institutes by offering them contracts to carry out demonstrations
- target groups

=> users, officials and trade

to convince:

- users/farmers
- officials (plant protection services, institutes)
- ourselves (company people)

Layout of Demo-trials

(large-scale trials)

=> carried out strictly according to practical consideration

- equipment
- farmers' equipment in perfect condition (calibration)
- plot size
 - at least 1/2 spray load 1-2 ha
 - normally 1 spray load 2-5 ha
 - less for special crops 100-1000 m²
 - (greenhouses, mushrooms)
- number of replicates
 - according to local situation 1-2
- untreated check
- check stripe
- untreated spots (10-20 m²)

Field Day

- combination of:
farmers' meetings and
demonstration trials
- information - demonstration
technical argumentation
commercial argumentation
demonstration in the field
- target groups
users (farmers, plant protection services)
trade (wholesalers, dealers)
officials

Reporting and Evaluation of Demotrials

1. Layout => general data

- name, year, locality, address
- main problems
- trial objectives
- treatment list, products, dosage, timing
- sowing/planting date
- cultivation measures
soil type

2. Trial conditions

=> data about each treatment

- date of treatment
- development stage of crop
- first rainfall after treatment
- application method
- spray volume
- application equipment
- nozzle type; pressure
- development of stage of main weeds/pest/disease
- remarks

3. Check data

- => objects to be checked, biological performance on weeds, diseases, pests phytotoxicity
- => burning, yellowing, growth regulation
- => yield/ha, 1000 grain weight, % damaged tubers
- => number and date of check
 - normally 3 checks:
 1. 2-3 weeks
 2. 5-8 weeks
 3. shortly before harvest

4. Evaluation methods

- linear scale of percent 0-100%
- => activity, phytotoxicity
 - score ratings 10-0 - representing 100-0% activity/phytotoxicity in linear way
 - assessment for each individual key pest, weed or disease

Marketing Communication

- Communication is a mental process that deals with different steps
- Creates mental requirements (also desires)
- This mental requirement can be used for buying and even sets it in motion

Communication Elements

- Marketing / Communication concept
- Knowledge of the own product
- Knowledge of competition (strategy, media)
- Trial results, persuasive trial reports
- Pictures /slides
- Marketing image factors
- Good basic texts /effective message

Costs and Quality of Contacts

- Personal visits
- Demo trials / Info meetings
- Techn. articles / Advertisements
- Direct -mail / Prospectus
- Slide shows / TV
- Exhibitions

Message and Impact

- Give an answer to an existing need
- Present a good idea / solution
- Contain if possible an USP
- Contain the right psychological approach
- Be interesting and easy to read, hear and see

Price setting Objectives and Strategies

Customers' success using the product.

- Price visibility
- -Professional market, amateurs
- Price sensitivity
- -Point of view of buyer influencer user
- Substitute products
- Customer purchasing power
- Capacity utilization
- Cost/expense base
- Manufacturing/economies of scale, distribution-, warehousing-, registration-, promotion-, advertising- and selling expenses.

Integration of “Price” with the other Marketing Mix Elements

Price and Product
Promotion
Distribution
Sales

If not in harmony, effects will be negative

Mind the Costs of Selling

- Specific and annual volume rebates
- Special trade rebates
- Discounts
- Annual volume rebates
- Merchandising costs
- Cost sharing with trade for advertising programs
- Extra freight costs (air freight!)
- Product returns
- Unreflected distribution of business gifts
- Unfocused application of Marketing mix etc..., etc.
- ...cause a great deviation from invoice price and effective cash income.
- Rebates, although usually thought to be a temporary element, have a strong tendency to stay!
- Be tough to remove them as scheduled!

Is Your Pricing Successful?

- Market oriented point of view:
- Watch market share development as a key indicator
-
- Only growth of sales as an indicator may be misleading (market may grow faster than your sales, causing a loss of market share for you)
- Unexpected market share growth may be dangerous, due to likely and massive competitive reaction

Uniform Pricing versus Price Differentiation

- 1. Price differentiation for
 - different buyer- (trade) and customer-groups
 - different volumes
 - different services required or rendered
- is a very important tool to optimize profits, but ...
- 2. Too wide price gaps are dangerous, because uncontrolled 'product tourism' will
 - start (margin hunters)
- 3. For a given trade level and a compact geographical region, avoid price differences $> 10\%$
- 4. Correct too wide price gaps by:
 - Step by step narrowing the gap, or ...
 - differentiate label and/or pack, product
- 5. Threaten 're-exporters' (it is often an illegal action)

Restrictions for Applying “Classical” Pricing Strategies

- Classical pricing strategies and scientifically based recommendations are founded on a relatively free market economy system, where the user has a decisive influence on the purchase decision:
- However, in
 - State regulated markets (management by decrees)
 - Subsidized markets
 - Central planning systems
 - Price control systems
- the markets do not or not exactly follow conventional rules.
- Other methods, mostly of tactical nature, have to be followed:
- Higher importance of personal relations
/Focus on inflation management and hedging / Political issue management

Other Risks in the Market Place to be Considered in Pricing

- Confiscation-, expropriation-, nationalization of your property
- Inability to export your (already produced) material due to missing license, financing
- Riot, strikes, damage of restoring order
- Sabotage, physical damage to property, stealing
- War on land and other property
- Currency inconvertibility
- Failure to honour obligations by involved parties
- Non payment
- Unfair demands of contract guarantees
- Protect yourself wherever possible
- Integrate insurance premium into price calculation
- Charge additional premium for uncovered risks
- Don't be shy to walk away, if you feel it would be a bad deal

Pricing Recommendations for “New Products”

- Study the value systems of your potential customers
- Seek value of comparable goods or services
- Identify potential entrants and do a complete
- competitive analysis of them
- Price high at first / Price test
- Stay unbounded until you understand the market
- Before competitors enter, drop the price to defend

Pricing Recommendations for “New Products in existing Markets”

- Establish the perceived value of competitive products
- Do a full competitive analysis of existing players in the market
- Use your list price as a communication to the marketplace
- Use promotion pricing to induce trial
- Once established, use penetration pricing to gain share

Basic Rules of Inflation Management

- Outstandings
 - Shorten payment period
 - Include future (not current) interests
 - Charge interests for any delay
- Price adjustments
 - If necessary weekly, daily
- Use sales force to collect outstandings
- Financing of stocks: Very expensive if your payment terms for customers are not in line with the payment terms of your suppliers
- Instruct your distributors to readjust price to present value rather than use historic value
- Train your finance department on inflation management
- -Hedging
- -Instant money conversion
- -Purchase “hard currency” goods
 - Integrate finance activities into marketing activities (team)
- Resist temptations to win market share through postponing necessary price adjustments!

Objectives of Physical Distribution

To get

- the right products
- to the right places
- at the right time
- for the least costs

Customer Service

Maximum Customer Service means:

- large inventories
- premium transportation
- multiple warehouses
- raises distribution costs.

Minimum distribution costs implies

- low stocks
- cheap transportation
- few warehouses

Consignment Warehouse (CW)

Characteristics:

- Start of distribution
- Low quantities, many products
- Monthly sales reports -> monthly invoices -> monthly payments

Risks/benefits for supplier

- (+) regional presence of products
- (+) products available when needed by enduser
- (+) early orders possible
- (-) supplier risk for stocks
- (-) constant supervising necessary
- (-) punctual payment must be checked
- (-) supplier responsible for complaints
- (+) good start for selection of future wholesalers

Central Purchase

Characteristics

- 1 order -> 1 delivery in big quantities
- 1 invoice -> 1 payment
- Distribution is task of importer

Risks/benefits for supplier

- (-) purchaser is monopolist
- (-) often late orders
- (-) no influence of supplier on enduser price
- (-) few market information
- (+) low logistic/administration costs for supplier
- (+) few sales support needed
- (+) complaints handled by importer

Wholesalers (WS)

Characteristics

- Offers all products of competition in a region
- Medium quantities, selected products
- Sells to retailers and big users
- Fights for large own margins

Risks/benefits for supplier

- (+) careful product choice
- (+) products available when needed by enduser
- (+) early orders possible
- (+) wholesaler is interested in selling
- (-) insolvency of wholesaler
- (-) supplier responsible for complaints
- (-) profit Wholesaler/Enduser

Profile of an “Ideal” Wholesaler

The ideal wholesaler

- knows his customers (target groups), their problems and possibilities
- builds up close relations to his customers and treats them as partners ("win-win"-situation)
- gives at least 70% of his seasonal demand in form of early order
- sells the complete product range of a supplier, not only the "stars"
- runs warehouses which ensure safe storage and handling of goods according to local regulations and supplier's requirements
- pays his supplier in due time
- is active in selling and aggressive in promoting supplier's products
- is selling with reasonable margins
- requires support from (local) representatives of the supplier
- cooperates closely with the supplier along agreed activities (customer marketing plan).

Sales Policy

- Usage of the marketing mix elements
- Market entering - penetration
- Short term - long term thinking
- Hot selling or win - win principle
- Price level versus market share

Sales Planning

Turnover - quantity and value

Planning and performance control

- per product
- per time unit (week, month etc.)
- per region
- per sales representative

Sales Call Planning

- Necessary amount of sales calls
- Arrangement of districts
- Visits according to customer groups
- Establishing customer contacts
- Trip planning
- Sales administration

Sales Success Control

- Sales contracts versus planning
- Ratio visits / offers / orders
- New / lost customers
- Sales reports
- Complaints of customers
- Contacts in relation to customer importance

Customer Segmentation

- Size of covered area (ha)
- Growth potential
- Purchasing power
- Number of key products
- Opinion leader
- Market share of different prod. companies

Sales Organization

- Structure of organization
- Position of sales representative
- Job descriptions
- Training (tech. econ. psychol.)
- Sales principles and style of leadership
- Salary system / Incentive principles

Sales Contract Principles

- Customers name and address (invoice)
- Delivery address (ship to address)
- Product quality and quantity (unit load)
- Formulation / packaging / label
(language)
- Date and terms of the contract and
delivery
- Payment conditions / guaranties /
arbitration
- Force majeure principle / special terms

Payment Principles

- Prepayment
- Letter of credit at sight by a bank
- Asset guarantee of customer
- Promissory notes
- Guarantee of a customer / administration / ministry /government or national bank
- Barter business
- Open account

Company Position and Determination of Pricing Strategy

Company Situation	When prices tend downwards	When prices tend upwards
1. High share 2. High cost 3. Product service leader 4. High capacity utilization	Follow	Lead
1. Low share 2. Low cost 3. Product/ service follower 4. Low capacity utilization	Lead	Follow

Basic Options for Pricing Strategies

		Price		
		High	Medium	Low
Quality	High	1.Premium Strategy	2.Penetration Strategy	3.Superb-Value Strategy
	Medium	4.Overcharging Strategy	5.Average Strategy	6.Good-Value Strategy
	Low	7.Rip - Off Strategy	8.Cream - Skimming Strategy	9.Cheap-Value Strategy

Sales Procedure

- Prospecting / find and qualify customer
- Pre - approach / analyze data set objective
- Approach / first contact with the customer
- Presentation / find out needs and show benefits
- Responses to buying signals
- Closing / **ask for the order**
- Post call / follow up through contact