PRINCIPLES OF

AGRICULTURAL MARKETING

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AGRICULTURAL MARKETING

By

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DEDICATION

This piece of work is dedicated to all lovers of Agriculture and to the Teachers and students of Agriculture.

Complimentary copies by the authors.

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to their authors. However, we take full responsibility for the final output and we would appreciate constructive suggestions for future improvement of the text.

FOREWORD

Goods are produced for consumption, yet production cannot be completed without marketing, which helps to get the goods to the ultimate consumers.

Agricultural marketing ensures that the supply of seasonal products become available throughout the year, with little variation in price. The issue of marketing has evolved over the years from primitive method of 'trade-by-barter' to the modern day marketing methods.

This book, therefore, focuses on marketing with specific reference to the field of agriculture. It contains the basic elements of marketing. It is written in a simple and clear style, breaking down the complexity of 'marketing'.

The book has also been prepared according to the requirement of the National Board for Technical Education (NBTE) regulations for polytechnics and colleges of Agriculture. The chapters in the book discussed the definition of marketing, agricultural marketing and terminologies associated with marketing, The evolution of agricultural marketing, its importance and problems were discussed, as well as marketing functions, channels, process, management and philosophy among others. Each chapter in the book began with specific objectives and ended with simple questions for review after reading each topic, marking it learner-friendly and highly interactive.

The authors have done a great job but should not 'rest on their oars' rather, they should endeavour to produce a more comprehensive book on the subject, which can be used by students, teachers ,researchers and policy makers interested in marketing.

I have great pleasure in strongly recommending this book to all who seek for a deeper knowledge of the fundamental issues associated with 'marketing'

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Preface

An efficient marketing system can guard against the problem of glut during on season and scarcity of agricultural products at the off season. Therefore, a good knowledge of agricultural marketing will not only ensure that agricultural products are available all year round but that farmers and final users of agricultural products get adequate value for their efforts and money correspondingly. This will go a long way in solving the problem of hunger and poverty.

This book was therefore written with the aim of giving an overview of what marketing is in the context of Agricultural business. It is designed to serve as a background document for students of Colleges of Agriculture, Colleges of Education and Polytechnics. In the same vein, the text book provides excellent coverage of Agricultural marketing topics, which are discussed in twelve chapters under the following headings: Meaning and Scope of Agricultural Marketing, Evolution of Agricultural Marketing, Special characteristics of agricultural products in relation to marketing, Marketing functions, Marketing channel, Marketing Management And Marketing Philosophy, Meaning of a Market, Market Segmentation, Marketing Strategy, Marketing Mix, Marketing costs and Concept of globalization.

Each chapter begins with a list of specific learning objectives so as to make it easy for readers to anticipate what familiar area will be covered, while review questions are also included at the end of each chapter to guide the students in self-testing homework as well as preparation for various examinations.

Consequently, the text book has been prepared incognizance of the requirement of the National Board for Technical Education (NBTE) regulations for Polytechnics and colleges of Agriculture.

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1.0 CHAPTER ONE

1.1 Meaning and Scope of Agricultural Marketing

1.2 Specific Learning Objectives

After studying this chapter, you should be able to:

- ✍ Explain alternative definitions of marketing.
- ✍ Define Agricultural Marketing.
- ✍ Understand Marketing terminologies like:

  Customers, Consumers, Needs, Wants, Value, Satisfaction, Exchange, e.t.c.

1.3 Definition of Marketing

Marketing is the full range of activities that we need to undertake in order to ensure that our customers' needs are met and that we also receive enough returns for doing so. It is the process by which individuals and groups obtain what they need through creating and exchanging of products and value with others. Marketing is also, the means by which output of a farm, factories, mines, quarries, forests, fisheries, e.t.c is being disposed of. From the seller's viewpoint, marketing is the ability of the marketing system to transfer everything produced from the producer to the consumer, with minimum hindrances for the highest possible return and wages. On the other hand, from the consumer's viewpoint, marketing is simply the ability to transfer goods in which he is interested, in the form and the manner he desires, and at the lowest price to him. By making a synthesis of these two viewpoints, it should be clear to us that marketing is in fact, a series of foregone decisions, based on a suitable market survey, as to what are the goods one should produce or import, and in what quantities. So, inside any marketing system, we find the producer on the one hand, and the consumer on the other hand; and in between them we find the middlemen which causes the products and services to pass from the producers to the consumers. Therefore, Marketing is a general term that is used to describe all the steps that lead to final exchanges of goods and services. It is the process of planning and executing; pricing, promotion and distribution to satisfy individual and organizational needs.

1.4 Meaning of Agricultural Marketing

Taking Agriculture as a business and combining it with marketing results into what is known as Agricultural marketing. Agricultural marketing can therefore be defined as the performance of all business activities that direct the flow of goods and services from the point of initial Agricultural production till they reach the final consumers or users. It has to be noted here that farmers apply marketing concept in their production plan, because they have to meet the needs of the consumers.This definition of Agricultural marketing recognizes the functions of the middlemen as the produce do not in most cases, pass directly from the farmer to the consumers. Thus the functions of middlemen such as: buying and selling, transportation, processing, financial risk taking, information gathering and dissemination, as well as promotion, standardizing, grading and sorting, packaging, e.t.c play important roles in Agricultural business. As Agriculture changes from one stage to another, from one form to the other, and as government policy changes from time to time, there are questions which Agricultural marketing must provide answers to. These questions include:

1. Who buys the excess that farmers grow beyond their own family needs?
2. Who provides storage space for produce that is not immediately required by the consumer.
3. Who finances the purchase, transport and storage of produce?
4. What kind of enterprise transports food from the producer to domestic consumer?
5. How does the produce reach markets in other countries?
6. What can farmers do to improve the prices they receive for their products and services from the marketing system?
7. What should the government do to improve the working Of marketing system as a whole?
8. What information does the man who wants to own an agricultural marketing or supply enterprise require?
9. What are the problems he will face and how can he solve them?

Agricultural Marketing also involves carrying out all those legal, physical and economic services which are necessary to make products from the farm available to final users in the form, amount, price, time and place desired by the consumers. It examines the total system of economic activities concerned with the flow of agricultural products from producers to final consumers, the kinds of institutions and the price making mechanisms that guide those flows and the interactions among consumers, Agribusiness firms, farmers, and even governments determine the levels of expenditure, and the sharing of those expenditures as income to market participants.

1.3 **Marketing Concept**:

The marketing concept is the philosophy that urges organization to focus on their customers' needs. They analyze their needs and make decisions that satisfy those needs in a better way than their competitors. That is, it is the management philosophy, according to farmers`s goals in terms of what crops to cultivate and animals to rear, that will meet their customers' stated and unstated needs. these concepts will be considered: Wants, Needs, Customers, Customers, Value and Exchange.

Wants

Wants are how people communicate their needs. They are insatiable because they are not needed to satisfy any immediate desire. It is a desire for a particular good and service but not for immediate use or usage. While need is a desire for immediate use. Want is a desire for a future or later use. Wants subsequently become effective demand for a product or service, when there is both willingness and an ability to pay.

Needs

Human needs are states of deprivation. It is a desire for goods and services for immediate use. They include basic physical needs for food, clothing, warmth and safety, social need for belonging and affection and individual needs for knowledge and self-expression. Customers are often motivated by the desire to satisfy these complex needs. Marketers do not invent these needs; they are the basic part of the human make up. So, how the individual goes about satisfying that need is usually conditioned by his cultural values. In some cultures, the need for self-fulfillment may be satisfied by a religious penance, while others may seek it from developing their creative talents. Need usually change with time, income, gender, age, status e.t.c

Customers

Customers are the clientele or buyers of goods and services. They provide payment to farmers in return for their products. Customers can be described by many as: Client, passenger, subscriber, reader, guest and student.

The terminology depends on the nature of the relationship between an organization and its customers. A patient implies a caring relationship; a passenger implies an ongoing responsibility for the safety of the customer; while a client implies that the relationship is governed by a code of ethics (formal or informal). Customers are channels through which goods and services reach the final consumer (end user). They are generally understood to be a person or organization which makes the decision to purchase a product and pays for it, but they may not necessarily be the end users of goods and services unlike consumers who are the final users of products.

Consumers

They are the end users of goods and services. They are those who actually derive satisfaction from agricultural products like Rice, Yam e.t.c that they bought. Customers may not necessarily be the end user of goods and services they could just be the channel through which goods and services reach the final consumers (end users).

Value

Value is the consumer`s estimate of the overall capacity to satisfy his or her needs. It is the difference between the values the customer gains from owning and using a product and the cost of obtaining the product. Customers will evaluate benefits according to the extent to which a product or service allows their needs to be satisfied. Customers also evaluate how well a product`s benefits add to their well-being, as compared to the benefits provided by competitors. Customers often place value on a product offer which is quite different from the value presumed by the supplier. Farmers could get better price for their products if adding value to them in terms of processing and packaging is at a faster rate than what it add to their production costs. Value can be added by better specifying a product offer in accordance with customers' expectations, such as reassurance of effective after sales service.

Exchange

Exchange is the act of obtaining a desired article from the owner of the article by offering something in return. In modern market-based economies, goods and services are acquired on the basis of exchange. In agricultural marketing, Exchange implies one party (farmer) makes some sacrifice to another party (consumer of agricultural products) in return for receiving something (money) which he values. The other party similarly makes a sacrifice and receives something that he values. In market-based economies there is a presumption that each party can decide whether or not to enter into exchange with the other, and each party is free to choose between a numbers of alternative potential partners. Exchange usually takes the form of a product or service being exchanged for money, although the bartering of goods and services is not uncommon in some trading systems. For an exchange to take place, the following conditions must be met:

i. Two or more individuals (farmers, middlemen, consumers) must participate.

ii. Each party must possess something of value which the other party desires.

iii. One party (farmer) must be willing to give up its products to receive financial resources/ money held by the other party.

iv. The parties involved in the exchange process must be able to communicate their intention through a medium.

When an exchange occurs, products are traded for other products (Trade by Barter) or for financial resources. Also, an exchange should be satisfying to both the buyer and the seller.

Customer Satisfaction

It is the extent to which a product`s perceived performance matches a buyer`s expectations. Customer satisfaction is closely related to product quality because quality of a product has direct impact on product performance, and hence on customer satisfaction. Quality could be defined as the totality of features and characteristics of a product or service that bears on its ability to satisfy customers needs. Therefore, quality begins with customer needs and ends with customer satisfaction.

Review Questions

From the knowledge gained by reading this chapter, give brief answers to the following questions:

i. List and explain eight questions that marketing is trying to provide answers to.

ii. What is Agricultural Marketing?

iii. Mention and discuss the key concepts of marketing.

iv. Differentiate between the following marketing Concepts:

(a). Market and Marketing

(B). Customers and Consumers

(c). Wants and Needs

(D). Selling and Marketing

2.0 CHAPTER TWO

2.1 Specific Learning Objectives

After studying this chapter, you should be able to:

Discuss evolution of agricultural marketing over time and its benefits to agricultural businesses.

Explain importance of marketing to agricultural businesses.

2.2 Evolution of Agricultural Marketing

Modern marketing has evolved from a series of exchange systems. Initially, farmers were concerned with production for home consumption alone, in what was primarily subsistence in nature, which provides little or no room for specialization, as each farming household had to produce practically all its need. In such villages the production unit is the family, which produces the food for its own consumption, and for the payment of rent or tax, at the equivalent monetary value. Surplus is offered for sale only after a particularly plentiful cultivation season. Also, during this period, primitives tools were used for farming activities, hence, low output was recorded.

The situation therefore makes it difficult to concentrate the low output for efficient marketing.

As farmers become more specialized, they use sophisticated farm implements for farming activities and this leads to increase in their output and reliance on others to supply at least some of the products and services which they need but not producing in what is known as trade by barter.

Also, as the economy develops, money (paper and coin) was adopted as a means of exchange for goods and services while increase in agricultural output has also led to performance of specialized marketing services and functions such as: physical distribution, packaging, transportation, storage, processing, grading, market information gathering and so on. The number of participants also increases with many of the specialized services being provided by intermediaries between the farmers and ultimate buyers.

2.3 Importance of Agricultural Marketing

The more the marketing process becomes complex, more steps come between the farmer and the final users (consumers) of their products. The following are therefore, the roles performed by marketing to ensure the development of agricultural sector as well as the overall economic development.

i. An efficient marketing system locates where there are surpluses of a produce and brings them to where there are shortages.

ii. A good and efficient marketing system accelerates the pace of economic development by encouraging specialization which leads to increase in output.

Iii. Guaranteed supply of farm products to the firms may stimulate expansion in farm production activities.

iv. Provision of incentives to farmers in order to adopt new and improved technology which will lead to increase in output.

v. Agricultural marketing also serves as an important indicator of consumer`s preferences through the prices they are prepared to pay.

vi. Value addition to agriculture produce may lead to export-oriented industrialization through chain upgrading.

vii. Generation of foreign exchange earnings for countries whose products are export-oriented.

viii. Employment generation in all spheres of produce marketing. The indirect advantage of reward-able employment in farming activities is the reduction in rural urban migration.

ix. Provision of income and sources of livelihood to the marketing agencies or intermediaries.

x. Improved post-harvest system with strong linkages between crop producer and end users not only generate added value but also create employment opportunities in rural areas, thereby contributing to economic growth and poverty reduction.

xi. Processing activities that are initially labour intensive can in the long-term conform to the dynamic comparative advantage of most developed nations; small holder farmers will escape from the syndrome of producing low value and poor quality products.

xii. Agricultural marketing is also contributing to economic and social development through the reduction of inefficiencies including friction between trading partners, Wasted effort by the producers and others, and food waste, thereby leading to more efficient production and marketing of existing and new food products.

Review Questions

From the knowledge gained by reading this chapter, give brief answers to the following questions:

i. What is the relevance of the study of Agricultural Marketing to the society?

ii. Explain how Marketing has evolved and its benefit to Agricultural business.

iii. Highlight Eight importance of Agricultural marketing

3.0 CHAPTER THREE

3.1 Specific Learning Objectives

After studying this chapter, you should be able to:

- ✍ Describe special characteristics of agricultural products in Relation to Marketing.
- ✍ Discuss problems associated with agricultural marketing in Nigeria.
- ✍ Suggest solutions to problems associated with agricultural marketing in Nigeria.

3.2 Special Characteristics of Agricultural Products In Relation To Marketing

Marketing decision making in agricultural business is more difficult when compared to what is obtained in the industrial sector as a result of special characteristics of Agricultural products. These include the following:

i. Seasonality

Most agricultural products are seasonal whereas the demand is stable throughout the year. There must be ways therefore in which production can be handled or controlled to even out the seasonal variations. It is the function of marketing to ensure that this is done.

ii. Bulkiness

Agricultural products like cassava, maize, yam e.t.c are very bulky in relation to their value. They have to be transported from the area of production to areas where they are to be processed and consequently marketed. The bulkiness of these products will determine the mode of transportation which will in turn determine the cost associated with changing the form of utility.

iii. Perishability

Vegetables and fruits are highly perishable. They must either be transported quickly to centers of consumption or frozen and stored for use at later dates. The more perishable the product, the greater or more costly the marketing functions to be performed before they get to final users.

iv. Small Quantities of Production on Small Scattered Farms

Many agricultural products are produced by peasant farmers scattered on many small-sized holdings. These farmers have surpluses to be sold. They must be collected and assembled in certain locations for easy collection. The ease of collection will be affected by availability of assemblers of the products, means of transportation as well as good rural or feeder roads.

v. Non-Consumable Nature of Some Agricultural Products in the Raw Form

Finally, most goods cannot be consumed in the state in which they are produced. For instance cassava has to be processed into garri and other products before it can be consumed. The more processing that is needed, the greater the marketing cost.

3.2 Problems Associated with Agricultural Marketing in Nigeria

There are many factors that affect the marketing of agricultural produce in Nigeria. Therefore when a farmer sets out to market his produce, he faces many constraints which include the following:

i. **Improper Standardization of Products in the Market Place**

Lack of standard system of measurement and grading of agricultural produce in Nigerian markets has been a regular feature. Most of the measures which come in various irregular types of metal and plastic bowls, dishes, tins, baskets and calabashes are often susceptible to manipulation by sellers. These differences in size and quantities vary within markets, across markets and from time to time in the market place. And this explains the reasons for price determination through haggling and bargaining among buyers and sellers. In addition, proper sorting and packaging activities are not carried on agricultural produce to boost farmers' income and ensure adequate protection of consumers in the country.

ii. **Existence of an Inefficient and Inadequate Storage System**

One of the major roles of marketing is the bridging of the time gap between production and consumption, through provision of adequate storage facilities. Experience has shown that a lot of primary products, particularly agricultural products, are wasted every year due to inadequate storage facilities. This contributes to fluctuations in the prices of the country's abundant agricultural products.

iii Inadequate Market Information

The required information on agricultural produce in Nigeria are not readily available and those that are even available are not well managed to generate the required information for decision making , logistic planning and forecasting by relevant parties (producers, consumers, government and other market participants). Also, information concerning prices, markets and other data is faulty and deficient. Information concerning supply and demand in markets at various places is almost non-existent, which prevents the farmer from rationally regulating the supply of his produce.

iv. Poor Access Roads to Convey the Produce from the Farm-Gate to the Market

Rural feeder roads are either absent or in very bad state.

This means that the entire rural farmers rely mainly on slow human transport which results in high marketing costs, commodity prices and low producer prices.

v. Inadequate Distribution Channels

Marketing performs the role of bridging special geographical gap by making sure that goods and services are moved from the point of production to the point of consumption. However, in Nigeria today, one of the biggest problems of marketing arises from lack of reliable distribution channels through which products can reach every part of the country.

vi. **Lack of Efficient Processing Facilities:** Closely related to storage problem is the low level of processing of agricultural produce. For instance, if there are no processing facilities, say for tomatoes, it means all the harvested crops must be sold within a given time otherwise a significant part of it may be lost.

vi. **Unstable Government Policies**

Many governments have a general policy of food imports, or received food products through foreign aid, which reach that country at prices far below the prices required by the farmer in return for his produce. Unrealistic exchange rate policy results in unprofitable exports, and gives rise to cheap imports, which compete with the local producer.

Many governments do not carry out a real agrarian reform policy, which could help the farmers. Also, companies and marketing organizations have no economic interest in providing marketing services to these small scale farmers, that are scattered in remote and hard to reach places and without such services, these small scale farmers will not take on the risk of stepping up production beyond their proper consumption. Hence, they continue to remain in a vicious cycle of poverty.

vii. Other Imperfections and Inadequacies

Other imperfections and inadequacies that exist in the agricultural produce sector are basic lack of organization, exploitative activities of the middlemen, inadequate demand, poor market structure because of lengthy marketing channels with the associated costs, sale by compulsion and adulteration of produce by unscrupulous middlemen in the business.

Review Questions

From the knowledge gained by reading this chapter, give brief answers to the following questions:

i. State and discuss the reasons why marketing decision making in the industrial sector is easier than in agricultural sector.

ii. List and explain problems associated with agricultural marketing in Nigeria.

4.0 CHAPTER FOUR

4.1 Specific Learning Objectives

After studying this chapter, you should be able to:

i. Define marketing function

ii. Explain various agricultural marketing functions and how they affect agricultural businesses.

4.2 Marketing functions

Agricultural production is seasonal in nature, and the demand for its products continues all year round, there is need to ensure their supply all year round also. Marketing functions are the activities performed by a marketing system in relation to the special characteristics of agriculture discussed in the chapter three of this book. They are specialized services that have to be performed in the process of moving agricultural products from the producers to the consumers. It comprises of: Pricing and Exchange functions, Physical functions and Facilitating functions.

The three categories of marketing functions could

(A). Exchange Function	1. Buying 2. Selling
(B). Physical Functions	3. Assembling 4. Transportation 5. Processing 6. Standardization 7. Financing
(C). Facilitating Functions	8. Risk Bearing 9. Market Intelligence

Each of these functions though adds value to agricultural products but they require inputs, so they incur costs, and as long as the value added to the product is positive, most farmers or any of its intermediaries will find it profitable to continue to supply the service.

4.2.1 Pricing and Exchange function

This function implies buying and selling which are the two sides of the same transaction.

Buying

The buyer's motive is the opportunity to maintain or even increase satisfaction or utility derivable from the item bought. Between the farmers and the final consumer, a product may be bought and sold once or many times in as much as there is an agreement on the price to be paid by the buyer, which is to be received by the farmers or any of intermediaries.

Where the exchange function is not well developed, buyers and sellers haggle before agreeing on a common value for the commodity or service. But in a well developed marketing system, values of commodities are price tagged.

Selling

Out of all the marketing functions listed, selling is probably the one which people find least difficulty in associating with marketing. Indeed to many the terms marketing and selling are synonymous. There is no denying that 'high pressure selling' is practiced, where the interests of the consumer are far and foremost in the mind of the seller. This is not marketing. Farming enterprises usually adopt the marketing philosophy as a result of becoming aware that their own long term objectives can only be realized by consistently providing customers' satisfaction. Whereas offering agricultural products for sale (selling) might create a consumer, marketing of agricultural products is about creating a customer. The difference is that marketing is about establishing and maintaining long term relationships with customers.

Selling is part of marketing in the same way that promotion, advertising and merchandising are components, or sub-components of the marketing mix. These all directed towards persuasion and are collectively known as marketing communications; one of the four elements of the marketing mix. It includes physical arrangement, displaying and offering of agricultural produce for sale at the price offered.

4.2.2 Physical functions

These are those activities that involve physical handling, movement and physical change of the commodity itself. Efficient performance of physical functions help in solving the problems of when, what and where of marketing. They include the following:

Storage and Preservation

In agriculture, and especially in developing countries, supply often exceeds demand in the immediate post-harvest period. The glut reduces producer prices and wastage rates can be extremely high.

For much of the remainder of the period before the next harvest, the product can be in short supply with traders and consumers having to pay premium prices to secure scarce supplies. Also, since seasonality is a marked characteristic of agricultural production, there is the need for storage (holding of goods from the time of production until when they are needed) to allow for a smooth, uninterrupted flow of the products into the market all year round. The storage function therefore ensures balancing of supply and demand. Both producers and consumers gain from a marketing system that can make produce available when it is needed. A farmer, merchant, co-operative, marketing board or retailer who stores a product provides a service. That service costs money and there are risks in the form of wastage and slumps in market demand, prices, so the provider of storage is entitled to a reward in the form of profit.

Assembling

This is the act of bringing together of farm products from many widely dispersed farms. There are two types of of assembling, namely:

(a) Bulking: Which is the act of bringing together of small units of products to marketing centers for greater convenience and economy in buying and selling.

(b) And the act of bringing together processed products by the wholesalers.

Transportation

The transport function is chiefly one of making the products available where it is needed, without adding unreasonably to the overall cost of the produce. Adequate performance of this function requires consideration of alternative routes and types of transportation to use, because in some cases there are insufficient vehicles to carry agricultural products from the farm to the rural markets or from the rural markets to distant market in towns and cities. Generally, cost of transportation usually accounts for a larger proportion of marketing cost as a result of high cost of vehicle spare parts, high cost of fuel, poor road network and extortion by government officiasl. Also in some instances where are no roads, feeder roads have to be constructed and maintained by communal efforts. Skillful management of all aspects of vehicle operations can also make a substantial contribution to efficient marketing especially with respect to optimum routing, scheduling, and loading and off-loading; maximization of shift hours available, maintaining the vehicle fleet at an optimum size, taking account of time constraints on delivery, and collection times and judicious management of vehicle replacement and depreciation. Transport managers also have to weigh the advantages and disadvantages of owning, hiring or leasing transport with a view to achieving timeliness, maintaining produce quality and minimizing cost.

Processing

Most agricultural produce is not in a form suitable for direct delivery to the consumer when it is first harvested. Rather it needs to be changed in some way before it can be used. The processing function is essentially a form changing activity that adds value to the product. Changing cassava into gari, palm fruit bunches into palm oil or sugarcane into sugar and increases the value of the product because the converted product has greater utility to the buyer. How the form of produce is to be changed and the methods to be used in bringing about such changes are marketing decisions.

Of course, processing is not the only way of adding value to a product. Storing products until such times as they are needed adds utility and therefore adds value. Similarly, transporting commodities to purchasing points convenient to the consumer adds value. In short, any action which increases the utility of the good or service to prospective buyers also adds value to that product or service.

4.2.3 Facilitating functions

The facilitating functions include product standardization, financing, risk bearing and market intelligence. Facilitating functions are those activities which enable the exchange process to take place. Marketing, in simple terms, is the act of supplying products to someone in exchange for something perceived to be of equal or greater value, (usually, but not always, a given sum of money). Facilitating functions are not a direct part of either the exchange of title or the physical movement of produce; they are just functions that make possible the smooth performance of the exchange and physical function.

Standardization

Standardization is concerned with the establishment and maintenance of uniform measurements of produce quality and/or quantity. This function simplifies buying and selling as well as reducing marketing costs by enabling buyers to specify precisely what they want and suppliers to communicate what they are able and willing to supply with respect to both quantity and quality of product. In the absence of standard weights and measures trade either becomes more expensive to conduct or impossible altogether. Among the most notable advantages of uniform standards, are:

i. Price quotations are more meaningful.
ii. The sale of commodities by sample or description becomes possible.
iii. Small lots of commodities, produced by a large number of small producers, can be assembled into economic loads if these supplies are similar in grade or quality.

iv. Faced with a range of graded produce the buyer is able to choose the quality of product he/she is able and willing to purchase.

Quality differences in agricultural products arise for several reasons which include:

i.Production methods and/or because of the quality of inputs used.

ii. Technological innovation can also give rise to quality differences.

iii. Nature: In addition, a buyer's assessment of a product's quality is often an expression of personal preference. Thus, for example, in some markets a small banana is judged to be in some sense 'better' than a large banana; white sugar is considered 'superior' to yellow sugar; and white maize is 'easier to digest' than yellow maize. It matters not whether the criteria used in making such assessments are objective or subjective since they have the same effect in the marketplace. What matters in agricultural marketing is for farmers to understand how prospective buyers of his products assesses quality.

Financing

This is the provision of money and credit necessary to carry product over time throughout the marketing channel. In almost any production system there are inevitable lags

Between investing in the necessary raw materials (e.g. machinery, seeds, fertilizers, packaging, flavourings, stocks etc.) and receiving the payment for the sale of produce. During these lag periods some individual or institution must finance the investment. The question of where the funding of the investment is to come from, at all points between production and consumption, is one that marketing must address. A common marketing problem, in developing countries, is the low level of incomes leading to low levels of effective demand for many products. The challenge to marketing is to somehow channel available income into effective demand.

Marketing is also concerned with the financing of the enterprise itself. Here, again some creative solutions can be developed. Where internal financing is insufficient for the purposes in view, an enterprise in a developing country can look to several alternatives including: Development banks, Commercial banks, credit co-operatives and/or credit unions.

e.t.c. Where these sources of finance are considered inappropriate, or are simply not available to farmers, a strategic alliance in the form of a joint venture could be the answer. These are partnerships formed to exploit market opportunities more effectively and/or efficiently than either party can on its own. An enterprise, in a developing country, may engage in a joint venture with either an indigenous partner and/or with a foreign partner. The agreement between parties to a joint venture normally specifies their respective contributions of resources, share of management control, profit and risk.

Whatever the source of finance under consideration marketing has a role to play in evaluating the appropriateness of that source as well as identifying it in the first place.

Risk bearing

In both the production and marketing of produce the possibility of incurring losses is always present. Physical risks include the destruction or deterioration of the produce through fire, excessive heat or cold, pests, floods, produce through fire, excessive heat or cold, pests, floods, earthquakes etc. Market risks are those of adverse changes in the value of the produce between the processes of production and consumption. A change in consumer tastes can reduce the attractiveness of the produce and is, therefore, also a risk. All of these risks are borne by those organizations, companies and individuals.

Risk bearing is often a little understood aspect of marketing. Risk bearing must be acknowledged as a cost since what is uncertain is not whether they will occur, but when they will occur.

Market intelligence

This involves collection, analyzing, interpreting, and dissemination of relevant large variety of data necessary for the smooth operation of marketing system. The role of market intelligence is to reduce the level of risk in decision making. Through market intelligence the farmers finds out what their prospective customer needs. The alternative is to find out through sales.

Marketing research helps establish what products are right for the market, which channels of distribution are most appropriate, how best to promote products and what prices are acceptable to the market. As with other marketing functions, intelligence gathering can be carried out by the seller or another party such as a government agency, the ministry of agriculture and food, or some other specialist organization. What is important is that it is carried out.

Review Questions

From the knowledge gained by reading this chapter, give brief answers to the following questions:

i. State and discuss three classes of marketing functions

iii. Discuss marketing functions in relation to special characteristics of agriculture

iiii. What is a marketing function?

iv. Differentiate between the following:

a. Buying and Selling

b. Selling and Marketing

c. Marketing function and Marketing channel

5.0 CHAPTER FIVE

5.1 Specific Learning Objectives

After studying this chapter, you should be able to:

- ✍ Explain the meaning of marketing channel.
- ✍ List and discuss roles of marketing channel in Marketing strategies.
- ✍ Name various participants in the Marketing Process

5.2 Marketing channels

A marketing channel is a set of practices or activities that are necessary to transfer the ownership of goods, and to move goods, from the point of production to the point of consumption. A marketing channel is a useful tool for management. It is the path through which goods and services travel from the vendor to the consumer or payments for those products travel from the consumer to the vendor. It is also called the channel of distribution or 'route-to-market'. It is a 'path' or 'pipeline' through which goods and services flow in one direction (from vendor to the consumer), and the payments generated by them flow in the opposite direction (from consumer to the vendor). A marketing channel can be as short as being direct from the vendor to the consumer or may include several inter-connected (usually independent but mutually dependent) intermediaries such as wholesalers, distributors, agents, retailers. Each intermediary receives the item at one pricing point and moves it to the next higher pricing point until it reaches the final buyer.

Long term and Short term Marketing Channels

Short term channels are influenced by market factors such as: business users, geographically concentrated, extensive technical knowledge and regular servicing required and large orders. Short term products are influenced by factors such as: perishable, complex, and expensive. Short term producer factors include whether the manufacturer has adequate resources to perform channel functions, broad product line, and channel control. Short term competitive factors involve whether manufacturer feels satisfied with marketing intermediaries' performance in promoting products or not.

Long term market factors include: geographically dispersed consumers, little technical knowledge, regular servicing and small orders. Product factors for long term marketing channels are: durable, standardized, and inexpensive.

Roles of marketing channel in marketing strategies:

- ✍ Links producers to buyers.
- ✍ Performs sales, advertising and promotion.
- ✍ Influences the firm's pricing strategy.
- ✍ Affecting product strategy through branding, policies, willingness to stock.
- ✍ Customizes profits, install, maintain, offer credit, etc

An understanding of customer requirements, including the following, is also needed to determine appropriate channel that a particular product should follow:

Market territory

The physical locations where the product is going to be sold must be decided. It must be determined whether it is local, national or somewhere between.

Population concentrations

There have to be enough people within a market who will buy the product on a timely basis. It is easier to sell a given level of production throughout the year in urban areas where there are many different types of consumers. In rural areas, a greater percentage of people will have to buy the product in order to sell the same amount. A major factor in selling products is how many times a year the product will be purchased: once a day, week, month, or year. The fewer times a product is purchased by a specific consumer per year, the more buyers needed.

Income levels

Different customers have different income levels, tastes and preferences for products. Some may consider a product essential, others, conspicuous consumption.

Number of market outlets

The number of market outlets is the number of places consumers can purchase the product, whether in one large store, many small ones, roadside stands, mail order or internet.

Participants in the Marketing Process

There are a variety of middlemen and organizations that specialized in performing various Marketing functions. There are no limits as to how they are organized. There are several types of middlemen which include:

Wholesalers

Wholesalers sell to retailers, other wholesalers and industrial users, but do not sell in significant amounts to ultimate consumers. There are two main kinds of wholesalers:

Agent wholesalers: Agent wholesalers can act as representatives of their clients. They also can provide access to market territories that would be available only if the producer expended additional time and cost. This activity requires a great deal of specialization, and they charge fees for these services. For this fee, however, they can help locate alternative buyers, locations, prices, products, and various retail market outlets. In addition, some may specialize in a certain kind of product, in different market locations, or in a large number of different products.

Merchant wholesalers: Merchant wholesalers buy and sell for their own gain based on their knowledge of the market situation. For example, they buy directly from processors and sell products to retailers, other wholesalers, and industrial users.

They usually specialize in similar types of products in which they have storage and transportation investments.

Brokers

Brokers act only as representatives for their clients. Brokers' incomes are from fees and commissions and are payments for their knowledge of market outlets and contacts. Brokers do not assume physical control of the products. They follow directions of each principal and have less discretionary power in price negotiation.

Commission Agents

Commission agents usually control the physical handling of the product, moving it from one location to another. They arrange for the terms of sale and collect money from the buyer for the sale of the products. They deduct predetermined fees and send the balance to the principal.

Speculative middlemen

Speculative middlemen take title to the products. They buy products based on their knowledge of the possibility of selling at a higher price. Their goal is to make a profit from price differences in various locations.

Retailers

Retailers buy from many processors and wholesalers to develop a product mix that will attract consumers to their stores. They rely on consistent quality and availability of products. They buy and sell for their own gain. Managers need to decide what kind of a market territory they want to serve and how they can use any or all of the participants in the marketing process. Their selection will depend on different population concentrations, income levels, number of competitive products and number of market outlets. All these should be used to develop the type of market organization that will best serve consumers and sell the product. If these data are too difficult to personally collect, they can be purchased from various marketing consultants and middlemen.

Alternative Retail Outlets

There are many ways to distribute products once they have been produced. These marketing channels need to be set up before production, not after. These include large chain stores, mail- order sales, neighborhood stores, roadside stands, and door-to-door sales. Alternative retail outlets can help producers reach a specific consumer group with income levels suitable to the product, ethnic preferences that match the products and lifestyles that are served by the products. Different retail outlets that will be able to sell products should be considered.

Large chain stores

These stores can provide an opportunity for a larger number of consumers than a local store. They offer thousands of choices of different products from which consumers must decide to spend their money. Large chain stores usually require large quantities of a product delivered at specific times to specific places at predetermined prices. Getting shelf space can require substantial fees.

Neighborhood stores

These stores often work with local producers if the managers feel the products will be accepted by their clientele. Each store has developed a clientele unique to that store, and new products have to be a part of that image.

Specialty stores

Specialty stores are often single-line stores or discount houses that, like neighborhood stores, have a unique clientele. Again, the products must match the clientele and image of the specialty store.

Roadside stands

A roadside stand may be an alternative for fresh products or other seasonal products, such as: maize, tomato,orange et.c, vegetables. These are open for part of the year at a time

These are open for part of the year at a time when consumers are willing to trek or drive to a specific stand to buy them.

Mail-order sales

When using mail-order outlets, sales volume can be controlled by the number and type of catalogs sent. When using mail-order catalogs, it is important to know the number distributed and the characteristics of the readers. If, for example, 400,000 people receive the catalog, and 1 percent of them order the product, that means there will be 4,000 orders. If 5 percent of them order the product, there will be 20,000 orders. Producers need to understand and be prepared for the potential volume of mail orders. Conversely, there could be very few sales, and there could be products left over.

Government contracts

Government contracts cover such outlets as prisons, military bases and government cafeterias. Contracts with various government purchasing agencies can provide sales opportunities as long as government specifications are met. When formulating distribution plans, be sure to inquire about terms of sales. Some large discount chains and government procurers do not pay within thirty days. In fact, sometimes payment is not received for at least sixty days. Marketers must take this into consideration when planning cash flow statements and making marketing plans.

Review Questions

From the knowledge gained by the reading of this chapter, answer the following questions:

i. Explain the meaning of marketing channel.

ii. List and discuss roles of marketing channel in marketing strategies.

iii. Highlight various participants in the Marketing Process

6.0 CHAPTER SIX

6.1 Specific Learning Objectives

After studying this chapter, you should be able to:

- ✍Define marketing philosophy
- ✍Explain how buyers and consumers behave in a market place and why.
- ✍Describe how people choose their products
- ✍Discuss various approaches to marketing management

6.2 Marketing Management and Marketing Philosophy

It can be defined as the management philosophy according to which a firm`s goals can be best achieved through identification and satisfaction of the customers` stated and unstated needs and wants. Marketing management is a process of planning, organizing and implementing marketing activities to facilitate and expedite exchanges effectively and efficiently. Effectiveness is the degree to which an exchange helps achieve an organization`s objectives. It refers to the relationship between inputs and outputs. The overall goal of marketing management is to facilitate highly desirable exchanges and to minimize, as much as possible the cost of doing so.

Today we encounter several basic concepts under which organization conduct their marketing activity. The five main marketing concepts are listed below:

Production Concept

The concept holds that customers would prefer products which are available, accessible and highly affordable. The main managerial function would then be the improvement of production efficiency and of the distribution system. The production concept is still useful for two situations;

i. when the demand for product exceeds the supply, management should look for ways to increase production.

ii. When the products cost is too high, improved productivity is needed to bring it down. The problem with the concept is that management may become so focused on production systems that they forget the customer.

This has an inward focus. It is based on the assumption that customers would prefer products of the highest quality for a given price. The firm should accordingly devote its main resources to improvement of product quality. This suggests that consumers are trying to satisfy their needs. The idea is that consumers will favour products that offer the most quality, performance, and innovative features and that the farmers should therefore devote its energy to making continuous product improvement.

The sales Concept

The concept holds that consumers will not buy enough of the organization`s products unless the organization undertakes a large selling and promotion effort. The concept is typically practiced with unsought goods, i.e that buyers do not normally think of buying. The firm should accordingly locate potential customers and try to convince them, sometimes aggressively, that its products are something they cannot do without. The aim of selling focus is to get every possible sale, and not to worry about satisfaction after the sale or the revenue contribution of the sale. The selling concept does not establish a long-term relationship with the customer, since the focus is on getting rid of what one has, rather than creating a product to meet the needs of the market.

The marketing Concept

This is a managerial orientation that maintains that the key to the attainment of the firm's objectives consist in the determination of the needs and aspirations of the target market, and delivering the desired satisfaction more effectively and efficiently than competitors.

The marketing concept is frequently confused with the selling concept. The selling concept takes inside-out perspectives. It starts with the needs and wants of the target customers, while marketing takes an outside-in perspective. It starts with a well defined market, focusing on customer needs. Marketing activities must be coordinated through the organization, and the marketing activities must work towards achieving the goals and objectives of the organization.

The societal marketing concept

This is another managerial orientation which calls for focusing upon the diagnosis of the needs, wants and interest of the target markets and their fulfillment so that public welfare is upheld in the long run. This concept considers, if the firm that senses, serves and satisfies individual wants is always doing what`s best for consumers and society in the long run. The marketing concept ignores possible conflicts between short run consumer wants and long run societal needs. Advocates of the societal marketing concept would like public interest groups to guide corporations towards decisions that will benefit the society over the long term.

6.3 Consumer Satisfaction

Consumer satisfaction is the extent to which a product`s perceived performance matches a buyer`s expectations. Customer`s satisfaction is closely affected by products` quality. Quality has a direct impact on product performance and hence on customer satisfaction.

Quality can be defined as freedom from defects. It can also be put as the total of features and characteristics of a product or service that bear on its ability to satisfy customer needs. Thus quality starts with customer needs and ends with customer satisfaction.

6.4 Consumers` Behaviour in a Market Place

The role of consumers in the marketing of agricultural products cannot be dismissed with a wave of hand. A commodity produced, has not completed its series, until it finally gets into the hands of the intended beneficiaries down the production chain. Production of Commodities or services could therefore be termed successful when it is finally consumed or used. However, the commodities or services provided must not be bereft of desired qualities from consumers' side if it is going to be consumed. Therefore, in a marketing economy, much emphasis is placed on the consumer. His consumption and satisfaction is said to be the ultimate goal of the system. If many consumers decide that they prefer chicken to beef, then poultry farm will prosper while cattle production will suffer. Consumer behaviour can therefore be defined as the activities and decision processes involved in choosing between alternatives, procuring and using products or services. It is sometimes suggested that buyer behaviour is only of interest to marketers because they wish to influence and change it. In view of the strategic position of consumers in marketing, millions of naira is spent annually on advertisement and sales promotion to influence the consumers` choice of goods and services. But the truth is that marketing may promote a given product, service or practice but unless the target audience perceives that product, service or practice to be relevant to their needs then they will never try it. Moreover, unless their first time trial of the product, service or practice is positive, they will not try it a second time. The purpose of studying buyer behaviour is to better meet the needs of customers since it has been established that consumers differs in their perceptions, uses of products, evaluative criteria and how they process information. Understanding who the consumer is, how he processes information, his evaluative criteria and other psychological factors that affect his purchase decision will therefore go a long way in meeting his needs.

6.4.1 Factors Influencing Consumer Behaviour

In a real life situation, the behaviour of buyers or consumers towards patronizing a particular commodity could be influenced by both endogenous factors (i.e. those internal to the individual) and exogenous factors (i.e. those external to the individual).

Exogenous influences on consumer`s behaviour

Factors which are external to the individual but have a substantial impact upon consumers` behaviour are social and cultural in nature. These factors include: culture, social class or status, reference groups and family membership.

Culture

Culture is perhaps the most fundamental and most pervasive external influence on an individual's behaviour, including his buying behaviour. Culture has been defined as the complex of values, ideas, attitudes and other meaningful symbols created by people to shape human behaviour and the artifacts of that behaviour as they are transmitted from one generation to the next. Culture develops from a society or community` experience, traditions, basic beliefs, aspirations and ambitions. Culture is the mechanism by which each society evolves its distinctive behavioural patterns and values and transmits these to subsequent generations. An individual is socialized into the prevailing culture, whose values and standards are integrated into that person`s motivation, personality and lifestyle. For instance the purchase and consumption of alcohol and smoking of cigarette was an important feature of western life in Nigeria. Creative marketers who have knowledge of cultural norms and values can profit by aligning products benefits and characteristics with these social standards. Over the past ten to fifteen years people in Western Europe and North America have become increasingly concerned about the amount of fat in their diet and the adverse health effects resulting from high cholesterol levels. The message to reduce the fat content of meals has been widely accepted. It is no longer culturally acceptable to maintain a high fat diet. A person's friends, neighbors, colleagues and other personal acquaintances are likely to communicate their disapproval, in one way or another, if that individual is known to continue with a high fat diet. This has created a marketing opportunity for producers of low fat meats in that clime but the reverse is the case in developing countries [Nigeria inclusive] where we have high rate of malnutrition with its attendant's problem of hunger and nutritionally deficient related diseases. Within any particular society the culture will comprise a number of subcultures. That is, there will be various racial, ethnic and religious groups. Each, to some degree, will have distinct beliefs and values. Subcultures are of interest to marketers not least because it is a useful variable to be used in segmenting a market.

Social status

The behaviour of consumers is also influenced by social class he belongs. Empirical research suggests that people from the same social group tend to have similar opportunities, live in similar types of housing, in the same areas, by similar products from the same types of outlets and generally conform to similar styles of living. At the same time, whilst people within the same social category exhibit close similarities to one another, there are usually considerable differences in consumption behaviour between social groups. The variables used to stratify a population into social classes or groups normally include income, occupation, education, age,religion and lifestyle. The behaviour of an individual, on a given occasion, will relate to the social role which he/she is acting out. For instance, rural people sometimes defer to the judgment of the biggest landowner in the area and thereby ascribe a role of leadership to that person. This landowner will act and behave in accordance with the status of community leader when the occasion so requires. On other occasions the same individual will pursue his own interests and behave as a landowner. Moreover, each of the roles assumed by the landowner will be played in accordance with the norms established by the group which confers and sustains his leadership office. That is, the landowner will mould his behaviour to fit the expectations the local community (i.e. group) has on him as a community leader.

The marketer needs to know what role a person of a given status is playing and what is expected of that individual by the group which has conferred the status upon him. Such an understanding can significantly affect the marketing strategy employed with respect to that category of customer.

Reference groups

People are social animals who tend to live in groups. The group(s) to which a person belongs exerts an influence upon the behaviour, beliefs and attitudes of its members by communicating norms and expectations about the roles they are to assume. Thus, an individual will refer to others with respect to: 'correct' modes of dress and speech; the legitimacy of values, beliefs and attitudes; the appropriateness of certain forms of behaviour, and also on the social acceptability of the consumption of given products and services. These "others' constitute reference groups. Reference groups provide a standard of comparison against which an individual can judge his/her own attitudes, beliefs and behaviour.

Reference groups can have a significant influence on patterns of product use and consumption. Also, certain norms and values run so deep in a reference group that it is usually counter-productive to challenge them. In other instances, reference groups have only the weakest influence on buying behaviour. The key difference appears to be the extent to which a product is used or consumed publicly. That is, if the product or brand is evident to those within the reference group then that group's influence is likely to be stronger with regard to purchasing behaviour.

Endogenous influences on consumer behaviour

Endogenous influences are those factors which are internal to the individual. These factors are psychological in nature and they include: needs and motivation, Perceptions, learning processes, attitudes, personality type and self-image.

Needs and motivation

This is the study of those forces that make a person to behave in a particular way. When an individual recognizes that he/she has a need, this acts to trigger a motivated state. Need recognition occurs when the individual becomes aware of a discrepancy between his/her actual state and some perceived desired state. More formally, a need is a perceived difference between an ideal state and some desired state which is sufficiently large and important to stimulate a behavioural reaction. A range of factors can be responsible for activating needs awareness. These may be emotional, physiological or sociological in nature. Once the need is recognized then the individual concerned will form a motive. A motive may be defined as an impulse to act in such a way as to bring about the meeting of a specific need. Motivation connects needs and personal objectives. Thus:

Need or Want ? Motivation ? Attitude ? Behavioural pattern

The marketers therefore need to understand the needs that inspire individual motivation which gives rise to a particular form of purchase behaviour.

Perceptions / individual personality

This is the sum total of those traits and attributes which define one`s individuality and which cause one person to be different from one another. Whereas motivation is a stimulus to action, how an individual perceives situations, products, promotional messages, and even the source of such messages, largely determines how an individual acts. Individuals can have vastly differing interpretations of the same situation. Whilst all human beings receive information through the same five senses (visions, hearing, smell, taste and touch), how they organize, process and interpret that information tends to differ. It differs because perception which could be defined as the process by which an individual selects, organizes, and interprets information inputs to create a meaningful picture of the world differs from individual to individual.

Learning / educational level

Much of human behaviour is learned. The evidence of learning is a change in a person's behaviour as a result of experience. Theory suggests that learning is the product of interactions between drives, stimuli, cues, responses and reinforcement. For instance, a farmer may have a strong drive towards increasing his/her productivity. A drive is a strong internal stimulus impelling action. Drive turns to motive when it focuses upon a particular drive-reducing stimulus object. A farmer may see the adoption of a newly available two-wheeled tractor as a way of increasing his productivity to the extent required. If the farmer buys the two-wheeled tractor and he finds that it works well and improves his productivity to the level required, then learning is positively reinforced. If the buyer's experience does not match expectations then he/she is likely to suffer cognitive dissonance. Cognitive consistency theories hold that individuals strive to maintain a consistent set of attitudes and beliefs. When attitudes and beliefs about a product or service are challenged, due to its performance falling short of expectations, then the buyer experiences an uncomfortable psychological state and becomes motivated to redress the balance between expectations and experience.

Therefore, most market oriented firms have policies which seek to deal with this cognitive dissonance, no matter how careful a farmer is in the production and distribution of its products it is unlikely for it to achieve 'zero defects' all of the time. Consequently, some buyers will be dissatisfied at some point in time. The fact that this happens is less important than how the farm deals with the dissatisfaction. Many companies operate a policy of giving buyers a choice of having their money back or accepting a replacement product. The company does not look closely at each and every case where a product is returned but operates a blanket policy of assuming that the customer is always right. Some organizations are nervous of operating such policies because they feel it might be abused and result in a high number of returns and costs to the enterprise. Others reason that their marketing task is not to sell a product but to create a customer. They are willing to bear the costs of a liberal customer complaints policy in the belief that long term profitability comes from establishing long term relationships with buyers.

Attitudes

Attitude could be defined as a learned predisposition to respond in a consistently favourable or unfavourable manner with respect to a given object. This definition draws attention to four fundamental characteristics of attitudes. First it suggests that attitudes are enduring. They may change over time but they tend to be reasonably stable in the short to medium term. Second, the definition stresses that attitudes are learned from the individual's own experience and/or from what they read or hear from others. Third, those attitudes precede and impact upon behaviour. Attitudes reflect an individual's predispositions towards another person, an event, product or other object. A person may be either favourably or unfavourably predisposed towards an object; or they may be indifferent towards that object and therefore fail to display any behavioural pattern with respect to the object. Fourth, the chief function of attitudes are to facilitate the evaluation of objects. Attitudes are a generalization and therefore the individual does not have to go through a process of evaluation tailored to each and every object. A consumer may be unfavourably predisposed towards locally manufactured dairy products because of dissatisfaction in the past with the quality of a specific type of cheese and with the shelf-life of fresh milk from the country's Dairy Produce Board. The negative experience of the consumer, which relates to very specific products, is readily transferred to all other dairy products marketed by the Board and the consumer exhibits a preference for imported dairy products. A common marketing tactic of enterprises that find themselves operating ,in an environment hostile to locally manufactured merchandise is to promote certain products as "Export Quality", and thereby infer that a level of quality control, Quality control, above that applied to products for the local market, has been exercised.

Marketers have to work hard at creating positive attitudes towards the organization, its products or services and any intermediaries it may channel these products/services through. Changing negative attitudes requires even more effort. In the 1980s, the Kano Tomato farmer's Association, in Northern Nigeria, carefully established a reputation for supplying superior produce. However, the reputation of the product was destroyed by the practice of unscrupulous members who intentionally concealed damaged tomatoes beneath top quality produce. The Association was never able to fully restore the reputation of its product to previous levels. It is generally more difficult, and expensive, to change a negative attitude than to cultivate a positive attitude at the outset. Indeed, it is usually more productive to make changes to the product's characteristics and/or image, to fit the existing attitudes of buyers, than to seek to change firmly entrenched attitudes.

Personality and self-concept

Individuals tend to perceive other human beings as 'types of persons'. There are, for example, people perceived to be nervous types, ambitious types, self-confident types, introverts, extroverts, the timid, the bold, the self-deprecating, and so on. These are personality traits. Like attitudes, personality traits serve to bring about a consistency in the behaviour of an individual with respect to his/her environment. Thus, for example, a personality characterised by a high degree of self-confidence will consistently be outspoken with respect to his/her views on new ideas, products, processes and practices. Moreover, where there is an element of risk in adopting an innovative product the self-confident personality will be more often among the risk-takers than the risk-averse.

Although great hopes have been expressed by theorists that it would eventually be possible to equate buying and consumption patterns with personality types, this has yet to become a reality. Personality types have proven to overlap and whilst personality traits may serve to bring about a consistency in the behaviour of an individual with respect to his/her environment, there is no firm evidence that there is a similar level of consistency in respect of consumption patterns.

In practice, to marketing management, perhaps the most rewarding aspect of personality studies to date has been the concept of self-image. An individual's self-image is how he/she sees him/herself. Self-image is a fusion of how a person would ideally like to be, the way a person believes others see him/her and how a person actually is. The resulting self-image can be wholly inaccurate. People tend to exaggerate the extent to which they are in proximity to the ideal self and underestimate the extent to which others are aware of weaknesses in their character, and their real self can be quite different from either of the other two.

For the marketer the importance of self-images rests in the opportunities to relate product characteristics to these images. For instance, it may be possible to persuade those who see themselves as being in the emerging middle class of a developing country to trade up from coarsely ground maize meal, which the consumer has to collect in his/her own container, to more expensive roller milled maize meal, highly refined and sold in sophisticated packaging. The promotional campaign would focus on the congruence between the self-image and the product image, i.e. a sophisticated, more refined product for a sophisticated, more refined consumer.

6.5 Customer Care and Retention

Customer retention refers to keeping a client's business rather than have the client use competitors' services or products. Businesses want to reduce customer defections to their competitors because a reduction in their market share and profits could result. Customer service retention is a popular marketing strategy as it involves focusing on meeting or exceeding clients' expectations in order to maintain their loyalty.

When people feel loyal to a certain brand or business, they're less likely to be persuaded by a competitor's adverts and offers. Maintaining customer retention

retention through loyalty programs is a method commonly used by many businesses today. A loyalty program typically involves a free membership card and rewards for purchases.

The reward incentives may be for extra discount prices or prizes that can be obtained for point rewards. The most lasting way of retaining customers, however, is through conscientious service that includes following up on any issues or complaints. If a consumer has a negative shopping experience with a company, he or she may deal with that business less often or not at all. If the firm sincerely apologizes and takes the time to have a polite representative telephone the customer occasionally to see how they can meet his or her needs, however, the consumer may reconsider and keep dealing with that company despite any past unpleasantness.

Satisfaction surveys about customer service, as well as a store's products, can help a business find areas of improvement that may help it retain customers. Short, thoughtful surveys that ask for the customer's opinion can be seen by consumers as a sign that the business does care about the people it serves. When companies really listen to their clients and are willing to make changes to please them, it can lead to successful customer retention.

Studies show that it's much less expensive for a company to spend money on customer retention than on acquiring new clients. Even smaller strategies, such as holding a customer appreciation day or remembering client birthdays, help in creating consumer loyalty. Of course, no strategy can make up for a poor product or consistently bad services. Companies who regularly monitor their daily operations as well as make any needed improvements are the most likely to have success in retaining their customers.

Review Questions

From the knowledge gained by reading this chapter, answer the following questions:

i. Discuss four approaches to marketing management.

ii. State and explain factors that determine consumer`s behaviour in a market place.

7.0 CHAPTER SEVEN

7.1 Specific Learning Objectives

After studying this chapter, you should be able to:

- Define a market
- Identify and discuss factors that are necessary for market to exist.
- List criteria for market classification
- List and explain major types of markets that we have.

7.2 Meaning of a Market

A market is an aggregate of actual and potential buyers of a products or service who as individuals or organization and share a particular need or want for products that can be satisfied through exchanges and relationships and who have the ability, willingness, and authority to purchase such products. Also market can be said to exist whenever contact is established through any medium and exchange take place between a buyer and a seller. The size of a market depends on the number of people who exhibit the need and have the resources to engage in exchange for what they demand.

The following factors are necessary for existence of a market:

i. There must be goods and services to be exchanged

ii. There must be a seller and a buyer

iii. There must be an agreement in the price

7.3 Criteria for Market Classification

Market can be classified according to the following factors:

ii. Nature of products sold: Market is classified according to nature of products that is being sold there. We have: food stuff market, vehicle parts seller market, cattle market e.t.c.

ii .Location: Based on geographical location, market can be grouped into: primary or rural or local assembly market, seaport or dry port market and urban market,

iii. Form of entry of new entrants: Based on how easy or difficult is it to participate in marketing of a particular product, market can be categorized into the following types: perfect competitive market, oligopolistic market and monopolistic market.

iv. Number of buyers and sellers in a market: Also market can be categorized into monopoly, oligopoly and perfect competitive market based on number of buyers and sellers that we have in the market.

v. Periodicity: Based on the number of times/ interval between each market cycle, we can have daily market, weekly market, e.t.c

vi. Degree of specialization: This classification is based on the special goods or services that is being rendered or offered for sale in the market. e.g cattle market, produce market e.t.c

vii. Final users of products and services: This classification is based on the purpose for which goods and services are demanded. That is, the classification is based on what the buyers of goods and services intend to use it for. And based on this factor, market can be generally categorized into the following:

a. **Consumer Market:** A consumer market consist of purchase of buyers who intend to consume the purchased products and who do not buy products for the purpose of reselling it or use it to make other product for profit making.

b. **Intermediate Markets**: In this type of market we have sets of wholesalers and retailers that buy goods from producers and resell them for profit making.

c. **Producer market:** In this type of market we have sets of buyers that purchase goods and services and use them to produce other goods.

d. **Organizational or Industrial Market:** This consists of individuals or groups that purchase a specific kind of product for direct use in producing other goods, resale or for use in their daily operation.

e. **Governmental Market:** These are federal, state or local government agencies and parastatal s that buy goods and services for use in meeting certain socio-economic aims.

Review Questions

From the knowledge gained from the reading of this chapter, answer the following questions:

i. What is a market?

ii. Identify and discuss factors that are necessary for market to exist.

iii. List criteria to consider for market classification.

iv. List and explain various types of markets that we.

8.0 CHAPTER EIGHT

8.1 Specific Learning Objectives

After studying this chapter, you should be able to:

- ✍ Explain the meaning of market segmentation
- ✍ Explain criteria for market segmentation.

8.2 Market Segmentation

One of the principal applications of consumer behaviour theory, in marketing, is market segmentation. It is the process of defining and subdividing a large homogenous market into clearly identifiable segments having similar needs, wants or demand characteristics. Whether the customer is an individual consumer or commercial/industrial organization, each differs in their particular needs, motivations, decision processes and buying behaviour. However, no enterprise can provide a different product or service for each and every customer. At the same time, if an enterprise attempts to provide a single standardized product then only a proportion of the target customer group is likely to be wholly satisfied and the remainder will suffer varying degrees of dissatisfaction and will actively seek alternatives. The needs of the dissatisfied are likely to be met by existing or emerging competing organizations. The technique of segmenting a market helps an enterprise to decide how far it can go in tailoring its product or service to the needs of distinct groups of customers.

Market segmentation is therefore, the process of identifying and then separating a total market into parts so that different marketing strategies can be used for each part. Through market segmentation, a large, heterogeneous market could be segmented into smaller segments that can be reached more efficiently with products and services that match their unique needs. When segmentation strategy is used in marketing, it implies that marketing has considered a particular market as being heterogeneous in nature; it therefore requires that we break it down into smaller, more homogenous segments. Separate marketing programs can be developed to meet each segment`s particular needs. Its objective is to design a marketing mix that precisely matches the expectations of customers in the targeted segment.

8.3 Criteria for Segmentation

Markets may be segmented *a priori*, where the basis of segmentation is chosen in advance, or *post hoc*, where segments are formed after the product has been developed, or even after it has been launched, on the basis of customer response to the product. The variables used to segment markets may be demographic (e.g. age, sex, geographic location, occupation, education, race), psychographic (e.g. activities, interests, opinions, personality, lifestyle) or behavioural (e.g. product usage rate, degree of brand loyalty, occasions of product usage). The objective of market segmentation is to identify groups within the broader market that are sufficiently similar in characteristics and responses to warrant separate treatment. Thus, within a defined market segment customers should be very similar to one another whilst between distinct market segments the groups of customers should be very different from one another. Once the market has been segmented the enterprise must decide which of these segments it can profitably serve.

Four basic factors that affect market segmentation are:

(1) Clear identification of the segment.

(2) Measurability of its effective size.

(3) Its accessibility through promotional efforts, and

(4) Its appropriateness to the policies and resources of the company.

Merits of Segmentation

i. Market segmentation does not insist that consumers make compromises when they purchase marketer`s products

ii. Promotional expenditure are allocated to the most profitable segments within the total market

iii. Advertising campaign are varied for each segment.

Demerits

i. Research expenditure increases as more and more market segments are investigated.

ii. There is a rise in production cost.

iii. Efficiency of mass production is lost

8.4 Types of Segmentation

Basically, we have two types of segmentation:

1) Macro segmentation: This is a process in which an industrial market is divided into segments based on types of buying organizations.

2) Micro segmentation: This is a process in which an industrial market segments are sub-divided on the basis of characteristics of the buying centre and individual participants.

8.5 Market Aggregation

This is also known as Mass marketing or undifferentiated marketing. It implies that a total market is not subdivided into segments; rather a single marketing program is used to offer the product to all consumers.

Merits

i. There is a lower production and marketing cost

ii. For producers, only one product is made and production techniques do not have to be changed for different models.

iii. For marketers, advertising cost is lower because only one advertising campaign is used.

Demerits

i. As a result of not satisfying some customers, marketer expose themselves to challenges from competitors

8.6 Products Differentiation

Product differentiation is a marketing strategy that uses promotion and other marketing activities to get consumers to perceive a product as different from and better than those of competitor. Differentiation involves changing the product so it is perceived as unique. Change can be based on: Technical superiority, Quality Customer support services e.t.c Also, creating a difference in consumer perception often require a major investment in promotion, packaging, branding e.t.c.

8.7 Niche Marketing

Niche marketing occurs when a product is sold to a small number of total potential customers. The specialty market is often referred to as niche marketing, since products are

are marketed to a very small group of buyers. Niche marketing requires the business owner to identify customers with similar demands and serve their needs extremely well. Niche marketing implies that a company will take a lower overall market share, but possibly with higher profits on the product. Higher profits may be achieved by having higher prices or producing at lower costs.

8.8 Market Positioning

In marketing, **positioning** is the process by which marketers try to create an image or identity in the minds of their target market for its product, brand, or organization. Although there are different definitions of brand positioning, probably the most common is: identifying a market niche for a brand, product or service utilizing traditional marketing placement strategies (i.e. price, promotion, distribution, packaging, and competition). Positioning is also defined as the way by which the marketers create an impression in the customers mind.

It is the aggregate perception the market has of a particular company, product or service in relation to their perceptions of the competitors in the same category. It will happen whether or not a company's management is proactive, reactive or passive about the on-going process of evolving a position. However, a company can positively influence the perceptions through enlightened strategic actions.

A company, a product or a brand must have positioning concept in order to survive in the competitive marketplace. If you don't position your business, your competitor will, which is likely not what you desire. The positioning concepts focus on the rational or emotional benefits that buyer will receive or feel by using the product/service. A successful positioning concept must be developed and qualified before a "positioning statement" can be created. The positioning concept is shared with the target audience for feedback and optimization.

Re-positioning involves changing the identity of a product, relative to the identity of competing products.

De-positioning involves attempting to change the identity of competing products, relative to the identity of your own product.

8.9 Market Targeting

The process of segmenting a market is likely to produce a number of different possible customer groups. The enterprise then has to evaluate the relative attractiveness of the market segments identified and select the target segment(s) that it will seek to serve. Market Targeting is therefore the process of evaluating each market segment`s attractiveness and selecting one or more to serve. That is, it is the process of identifying which groups of consumers are likely to buy a specific product. Of course, whilst some market segments may be attractive in terms of potential profitability, the enterprise will only be able to serve these if its resources match the needs of those segments. Thus, for instance, a small company marketing fungicides might see great opportunities in targeting grain traders but not having the necessary number of salesmen to adequately serve this segment.

8.10 Selecting Marketing Segment for Targeting

After evaluating different segments, the firm must decide on numbers of segments to serve. That is, a target market selection must be made. A target market consists of a set of buyers who share common needs or characteristics that the firm decides to serve. The main strategic approaches which may be adopted in this regard are:

i. Concentrated marketing

The enterprise concentrates on serving a single market segment. This is also known as niche marketing. This can be a high risk strategy since the organisation is vulnerable without some degree of diversification as niche markets can quickly disappear.

ii. Differentiated marketing

Here the organisation elects to serve two or more of the market segments identified. A distinct marketing mix is employed for each market segment which the organisation is seeking to penetrate.

iii. Undifferentiated marketing

This is the antithesis of market segmentation in that the enterprise seeks to attract as many buyers as possible with a single marketing mix. Some organisations have been very successful with this simple formula but it becomes increasingly difficult to sustain market position and share as the level of competition becomes more intense.

Review Questions

From the knowledge gained by reading this chapter, answer the following questions:

i. What is market segmentation?

ii. List some criteria that you can use for segmenting a market.

iii. Explain the differences that exist among market segmentation, market targeting and positioning.

9.0 CHAPTER NINE

9.1 Specific Learning Objectives

After studying this chapter, you should be able to:

- ✍ Explain the meaning of marketing strategy
- ✍ Explain factors to consider in selecting appropriate marketing strategy to be adopted for a business.
- ✍ Evaluate Strength, Weaknesses, Opportunities and threats (SWOT) as applicable to agricultural businesses.
- ✍ Explain how he / she intend to plan his marketing strategy so as to be successful.

9.2 Marketing Strategy

Strategy is simply a statement of how something is to be done to achieve a specified goal or objective. A product-market (consumer market) strategy is a statement of how firm`s objectives will be met by specified activities on behalf of a company`s product in a particular market by suitably blending the marketing mix elements. It is a statement of what an organization is offering to create a preference for its products and services in the marketplace. Through a careful examination of the customer and his needs and wants, the organization can determine what is required to create a differential advantage in a marketplace. The overall success of any firm therefore, depends mostly on the strategy adopted. A good marketing strategy should be drawn from market research and focus on the right product mix in order to achieve the maximum profit potential and sustain the business. The marketing strategy is the foundation of a marketing plan. A strategy is a long-term plan of action designed to achieve a particular goal or mission. Strategy is differentiated from tactics or immediate actions with resources at hand by its nature of being extensively premeditated and often practically rehearsed. Strategies are used to make the problem(s) easier to solve. Strategic marketing therefore involves the formulation of rules and guidelines for effective marketing decisions, which will ensure consumer satisfaction and bring about orderly and profitable growth of the enterprise. In formulating such strategies, there has to be a careful matching of market opportunities with organizational resources.

9.3 The Choice of a Marketing Strategy

To select appropriate marketing strategy that will ensure that firm`s goals are achieved, the following factors are needed to be considered:

i. The market environment: the condition under which various market is operating differs interms of behavioural pattern of buyers, physical characteristics of products, needs and preferences of buyers e.t.c, a marketing manager therefore need to consider all these factors to design the market strategy that will be suitable for the situation

i. Political situation: the impact of government policies and legislation which may affect disposable income of consumer must also be anticipated and evaluated in advance.

ii. Economic environment: there is need to understand the nature of present and no distant future so as to prevent their undesirable effects on business and strategies formulated in advance.

iii. Social environment: attention must be focused on factors responsible for changes in people's taste, attitudes, opinion, and values because changes on them can produce enormous threats or opportunities for business. So, to be successful you must constantly review our educational institution, religious institution, economic and political institution of society and what changes might be expected from them as economy becomes more developed.

iv. Technological environment: since new technology can have effect on marketing position, we need to constantly assess the following: methods of distribution and storage of products, level of computerization, investment and utilization of research, advancement in media technology e.t.c

v. The consumer: it is important to assess the disposable income of potential buyers and how it is going to be affected in future.

9.4 Marketing Plan.

Basically planning involves setting objectives, designing and implementing a programme to achieve the organization's objectives and having a monitoring and control mechanism to ascertain whether the planned programme is on track or has achieved its desired objectives. A market plan begins with the identification (through market research) of specific customer needs and how the firm intends to fulfill them while generating an acceptable level of return. It generally includes analysis of the current market situation (opportunities and trends) and detailed action programs, budgets, sales forecasts, strategies, and projected financial statements. Strategic market planning enables organizations to anticipate events rather than merely react to them. Strategic market planning has the following benefits formulated in advance:

- It focuses management's attention on external events, especially those representing threats and/or opportunities. All too often companies tend to be inward looking when, in reality, customers and competitors are external to the firm and profits are made outside not inside the organization.

- It locks management into taking a long term perspective when the pressures are to adopt a short term focus with grave dangers of making strategic errors. The natural tendency is for managers to devote their time to dealing with the problems and opportunities of today, to the exclusion of consideration of the longer term. Strategic market management usually has a well defined time-cycle when managers have to submit short, medium and long term plans. Such cycles instill a discipline that forces managers to devote a minimum amount of time giving thought to future developments.

- It changes the basis on which resource allocation decisions are made. Resource allocations are frequently dictated by financial professionals who understand accounting conventions and terminology and this is often employed to the disadvantage of managers less well informed on these matters. In other cases, resource allocations are made according to the 'political' strength of a group, department or individual manager rather than on commercial merit. Strategic planning seeks to match resources to opportunities (and/or threats).

- It provides a strategic management control system. Monitoring and control are an integral part of strategic management. This enables management to deal with problems as these emerge rather than allowing problems to become crises. These aspects of strategic management are discussed later in this chapter.

- It provides a vertical and horizontal communication and coordination system. Strategic market management is a vehicle for communicating problems and proposed strategies with precision due to its vocabulary and explicit expression of expectations of the future.

- It helps enterprises operating in rapidly changing and unpredictable environments to cope.

Thus, strategic market management is proactive in that it prepares managers not merely to expect change but to anticipate it. Moreover it serves as an instrument for

Making management more externally orientated and less insular. Strategic market management also focuses management attention on the longer term and counters the natural tendency for management time to be totally absorbed by today's problems and opportunities.

9.5 Pitfalls to Avoid When Devising a Marketing Plan

Care must be taken when devising a marketing plan. The buying public, unfortunately, is very choosy, and producers need to understand the pitfalls of producing too few or too many products. So, the following pitfalls must be avoided when devising and implementing marketing plan:

Surplus: Too many products at a given price in a certain market location are called surplus and will lower income potential. Consumers may consider buying the surplus at a lower "sale" price. This is a signal to producers to send fewer products to that location.

Shortage: There is a shortage when consumers want to purchase more products than are available at specific locations. When this happens, consumers who want the products are usually willing to pay higher prices to get them. This will result in local retail managers offering higher prices to wholesalers to get additional volume. When these additional prices are offered to processors, it is a signal to move more products to that location. This information is valuable. Information from all locations should be combined to decide whether or not to expand production..

9.6 Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis

It is the situation analysis in which internal strengths and weaknesses of an organization, and external opportunities and threats faced by it are closely examined to chart a strategy. **SWOT analysis** is a structured planning method used to evaluate the Strengths, Weaknesses, Opportunities, and Threats involved in a project or in a business venture. A SWOT analysis can be carried out for a product, place or person. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favourable and unfavourable to achieve that objective. The purpose of a situation analysis is to investigate the company's own strengths and weaknesses (internal analysis) and discover the threats and opportunities in the environment (external analysis) so as to avoid the threats and take advantage of the opportunities. Threats have to be analyzed to see if they are "negative" or "neutral" threats. Threats may be insignificant. Setting the objective should be done after the SWOT analysis has been performed. This would allow achievable goals or objectives to be set for the organization.

Strengths: They are the characteristics of the business, or project team that give it an advantage over others

Weaknesses: They are characteristics that place the team at a disadvantage relative to others

Opportunities: They are *external* chances to improve performance (e.g. make greater profits) in the environment.

Threats: They are external elements in the environment that could cause trouble for the business or project.

Identification of SWOTs is essential because subsequent steps in the process of planning for achievement of the selected objective may be derived from the SWOTs. First, the decision makers have to determine whether the objective is attainable, given the SWOTs. If the objective is not attainable a different objective must be selected and the process repeated. Users of SWOT analysis need to ask and answer questions that generate meaningful information for each category (strengths, weaknesses, opportunities, and threats) in order to maximize the benefits of this evaluation and find their competitive advantage. The aim of any SWOT analysis is to identify the key internal and external factors that are important to achieving the objective. These come from within the company's unique value chain. SWOT analysis groups key pieces of information into two main categories:

- Internal factors: The strengths and weaknesses internal to the organization.

- External factors: The opportunities and threats presented by the external environment to the organization.

Presented by the external environment to the firm. I.e threats and opportunities have their origins in the external environment and are for the most part, outside the direct control of the organization. Nonetheless, an organization that is carefully monitoring changes in the external environment is in a position to anticipate events(i.e. to act before the event takes place). The internal factors may be viewed as strengths or weaknesses depending upon their impact on the organization's objectives. What may represent strengths with respect to one objective may be weaknesses for another objective. The internal factors may include all of the 4Ps; as well as personnel, finance, manufacturing capabilities, and so on. The external factors may include macroeconomic matters, technological change, legislation, and socio-cultural changes, as well as changes in the marketplace or competitive position. that could cause trouble for the business or project.

SWOT analysis is just one method of categorization and has its own weaknesses. For example, it may tend to persuade companies to compile lists rather than think about what is actually important in achieving objectives. It also presents the resulting lists uncritically and without clear prioritization so that, for example, weak opportunities may appear to balance strong threats. It is prudent not to eliminate too quickly any identified factor. The importance of individual SWOT will be revealed by the value of the strategies it generates. A SWOT item that produces valuable strategies is important.

Uses of SWOT analysis

The usefulness of SWOT analysis includes but not limited to the following:

i. SWOT analysis may be used in any decision-making situation when a desired end-state (objective) has been defined. Examples include: non-profit organizations, governmental units, and individuals.

ii. SWOT analysis may also be used in pre-crisis planning and

ii. SWOT analysis may also be used in pre-crisis planning and preventive crisis management.

iii. SWOT analysis may also be used in creating a recommendation during a viability study or survey.

Therefore, the situation analysis (SWOT analysis) helps to identify the answer to four basic questions of:

i. Where is the organization now?

ii. How did it get there?

iii. What conditions is it heading into?

iv. Which strategies should it adopt for the future?

Review Questions

From the knowledge gained from the reading of this chapter, answer the following questions:

i. Explain the meaning of 'Marketing Strategy'

ii. Explain factors to consider in selecting appropriate marketing strategy to be adopted for a business.

iii. Evaluate Strength, Weaknesses, Opportunities and threats (SWOT) as applicable to agricultural businesses.

iv. Explain the steps that you will take in planning your marketing strategy so as to be successful.

10.0 CHAPTER TEN

10.1 Specific Learning Objectives

After studying this chapter, you should be able to:

- ✍ Identify and explain the individual elements of the extended marketing Mix.
- ✍ Explain how products are developed and sold.
- ✍ Promote products by using a mix of elements such as: advertising and packaging, promotions, branding, personal selling
- ✍ Set prices for goods considering perceived value, demand elasticity, competition, costs of production, psychology of purchase and social responsibility.

10.2 Marketing Mix

In today's consumer based marketplace, developing an effective marketing strategy for your business involves understanding what the marketplace wants. It's not a question of what should I grow or produce as a farmer to make money alone, it's what the marketplace is looking for that will result in profit for the farm. The psychology behind marketing is that human beings acquire and consume products and services. Therefore, marketing is about persuading minds as to what products and services to acquire and consume. Consumers have become cautious in their purchasing practices and try to avoid the following risks: monetary, financial, social and psychological. Thus the marketplace is no longer about products and services but about the customer.

The marketing mix are set of marketing tools that are used to formulate appropriate strategy that a firm will adopt in achieving the firm's objectives. It comprises of product, price, place (distribution) and promotion decisions and is often called the "4 P's". These four elements are adjusted until the right combination is found that serves the needs of the product's customers, while generating optimum income. The mix is the right combination of marketing activities to ensure customer satisfaction.

The farmer's main task is to put together the marketing mix (4P`s) of instruments which will enable him to achieve the maximum profit possible. The farmers has to adjust these 4p`s to be able to provide answers to the the following questions:

- Who will buy, or is buying and using my products?
- Who are my competitors and what products are competing with mine?
- What benefits am I selling to the customer?
- What is the customer prepared to pay?
- What does the customer like?
- Where does the customer come from?
- How much does the customer need and how can I build market share?

In principle, the formulated strategies describe how the farmers` objectives will be achieved. But the 7 Ps could also be a useful tool for deciding how the farmers's resources will be manipulated (strategically) to achieve the stated objectives. So, farmers could choose to use the framework of the 4P`s or 7P's, depending on which one will fast tracked the achievement of his objectives. The 7P`s include:

Product: What is your product?

Price: What you will charge for it?

Place: Where will your products be offered for sale in market place?

Promotion: How will you let people know about your product or service?

Physical environment: The ambiance, mood, or tone of the environment.

Processing: The Value-added services that differentiate the product from the competition (e.g. after-sales service, warranties).

Packaging: How the product will be protected.

To sum up, the farmers's marketing task is to combine all the variables of the marketing mix into an effective marketing program. A good program should take into account all the components for each and every product. Every variable of the marketing mix is interchangeable with another. For instance, if we can grant a reduction in the price of a product, perhaps we can do with less promotion outlay. Similarly, the placement of more salesmen could perhaps be an alternative to an increase in all the marketing mix components but they are expensive, and the main question is how much of each variable is worthwhile to apply?, and how much money is to be spent on each of them. Usually, farmers face the traditional problem of choice, in view of financing limitations, out of an almost infinite number of possible combinations of the variables. One aspect of strategy which is often overlooked is that of "timing." Exactly when it is the best time for each element of the strategy to be implemented is often critical. Taking the right action at the wrong time can sometimes be almost as bad as taking the wrong action at the right time. Timing is, therefore, an essential part of any plan; and should normally appear as a schedule of planned activities.

Product: The product offering can be manipulated to create different market effects at three levels: the core product, the tangible product and the augmented product. At its core, a product is not a physical entity but the benefits that it offers customers. Those benefits may be physical or psychological in nature. The consumption of imported foods, in a developing country, sometimes has much to do with the status of being seen to buy sophisticated, and perhaps expensive products as it has with any superior physical qualities compared to domestic equivalents. The tangible product refers to its features, quality, styling, packaging, branding and labeling. A third level is that of the augmented product, that is, additional service elements which are attached to the product. Examples include after-sales service, extended guarantees, credit facilities, technical advice and product trials.

Price: Prices should be set in relation to specific pricing objectives. Pricing decisions include payments, terms, discounts, contract and pricing structures. Non-price competition may come through packaging, labelling and advertising. Prices have to reflect the costs of production and marketing and target profit margins. A variety of approaches may be taken to pricing including cost based, demand based, competitor based and market based.

Promotion: Promotion includes advertising, public relations, selling, exhibitions, brochures, data sheets and free gifts. Possibly the most important decision about promotion is the message to be communicated. The message(s) has to differentiate the products and/or its supplier. To this end, an organization will seek to convey a unique selling proposition, that is, to find some aspect of the product, service or organization which others cannot, or simply do not, promote to customers and which is perceived to be important or attractive to those consumers.

Place: Farmers has to decide in advance where to sell his products. He has to determine whether selling his products at farm gate, local market or distant market will give him more profit taking the cost of transportation and other logistics into account.

10.3 Branding

A brand has been defined as a name, term, sign, symbol or design, or a combination of them intended to encourage prospective customers to differentiate a producer's product(s) from those of competitors. Branding can add value to a product and is, therefore, an important aspect of product management. Branding can also provide the basis for non-price competition.

The advantages of Branding

Branding can help consumers and producers in a number of ways:

i. Brand names tell the consumer something about the product's characteristics and assure them that if they buy the same brand they will get the same product characteristics each time.

ii. As the number of competing products increases branding can increase the shoppers' efficiency by helping them to differentiate between products and identify that which best meets their needs.

iii. Brand names also help draw consumers' attention to new products which might meet, or better meet, their needs.

iv. Branding makes it easier for a producer or seller to match his/her products to the customers' needs.

v. It assists the producers to achieve the ultimate objective of establishing a measure of loyalty among consumers towards their brand. After all, a product will only prove profitable if a sizeable proportion of the market can be persuaded to repeatedly purchase it.

persuaded to repeatedly purchase it.

vi. A distinctive seller's brand name and trademark make it possible to legally protect unique product features.

vii. Branding also provides a basis for non-price competition by removing a product from the *commodity* category.

viii. Lastly, market segmentation and target marketing are made more effective because branding enables the producer to serve separate markets with separate products.

Disadvantages of branding

There are also potential disadvantages attached to branding, for both producers and consumers. In the case of the consumer, there are at least two possible disadvantages. These are:

i. Higher prices*:* In most cases branded products carry higher retail prices than their generic equivalents. In part, the higher price is explained by the additional production costs and marketing expenditures incurred by the supplier in developing and supporting the brand. The higher price sometimes also carries a premium for the unique benefits

ii. Brand proliferation: Whilst consumers generally like to have a degree of choice when buying products, branding does encourage a proliferation of products. There is a real danger that so many brands are on offer that the consumer becomes confused thus negating some of the benefits of branding mentioned previously, especially shopping efficiency aiding to product differentiation. The dangers of brand proliferation are only realized when the differences between brands are either marginal or are not meaningful to the consumer and yet, the supplier continues to support the brand rather than let market forces dictate that it ought to be deleted from the organization's product portfolio.The possible disadvantages of branding for manufacturers, producers or suppliers include;

1. **Higher Costs:** Branded products tend to require heavy promotional support and more stringent quality control to ensure the consistency of the brand. Moreover, both production and marketing costs are higher where several brands of a product type are offered rather than a single product. However, if the brand is truly distinctive

and offers potential buyers benefits and/or features which they value, then additional costs can usually be recovered through premium pricing.

2. **Adverse publicity:** The relationship between the product and the enterprise which produces and/or markets it is all the more apparent when that product is branded. Brands which fail in the market place can place a stigma on an organization which makes distributors and consumers cautious about handling or purchasing new products/brands which that organization subsequently launches. It is for this reason that pre-market testing must be all the more rigorous in the case of branded products.

Branding decisions

There are some basic product characteristics which will help determine whether branding is feasible. First, it must be possible to identify at least one unique dimension in the product. This can be in the core benefit, the product features and/or in the augmented product. Moreover, these unique selling propositions must be meaningful to the target market. There is little point in seeking to brand a maize seed if the only distinguishing feature is that it is dyed blue, unless the market displays a penchant for blue maize seed. Second, it must be possible to consistently replicate the distinguishing characteristics of the brand.

Brand quality: When developing a brand, the manufacturer has to choose a quality level that will support the brand's position in the target market. Some markets are more quality conscious than others and even within the same market some consumers will prefer premium brands (i.e. high quality, high priced) and others will choose economy brands.

Brand name strategy: Producers who brand their products also have to decide what brand name strategy to pursue. The choices include:

- Individual brand names, e.g. Coca Cola, Fanta e.t.c
- A blanket family name for all products, e.g. Massey-Ferguson, Dangote, e.t.c
- Company branding: trade name combined with individual product names, e.g.Dangote flour, e.t.c

If a company has a distinctive product with actual or potential sizeable demand it is probably best to develop a separate brand identity for each of such product. Using a blanket family name reduces the costs of introducing the product because there is no need to create brand recognition or preference. Moreover, if the manufacturer's name is strong the product will achieve a certain level of immediate acceptance. When a company produces a range of quite different products it is best to use family brand names for each product line. Finally, some manufacturers elect to preface all brand names with the company name to benefit from the carry-over effect of an established and trusted corporate identity.

Multi-branding: A multi-brand strategy is one where the producer develops two or more brands in the same product category. This is useful in market segments where there is a good deal of brand switching among consumers. Moreover, a multi-brand strategy creates healthy competition between brand managers within the organization and each brand can be developed to present different attributes and appeals to the market place.

However, there is always the danger of cannibalizing is own sales. This means that a new brand gains market share primarily at the expense of the firm's own established brand(s) rather than from competitors' brands.

However, when a brand is initially positioned in the market, it may be necessary to reposition it at some time. Competitors may introduce similar products or consumer preferences change. For instance, a maize biscuit may have been positioned as a food for all the family then repositioned as a highly nutritious food for growing children. It is sometimes better to reposition exiting products before incurring the risks and expense of launching new ones. In this way, the company can build upon existing brand recognition and consumer loyalty.

Among the desirable features of a brand name are:

- It should suggest something about the product's benefits and qualities
- It should be easy to pronounce, recognize and remember
- It should be distinctive and not easy to confuse with others when exporting, it should translate easily into foreign languages.

10.4 Marketing communications in Agriculture

Marketing communications is nothing but the science and art of communicating information that the company wants to divulge to the public. The information could be related to the marketing of a product, talk about a new product launch or community initiatives taken by the company. Marketing communication in agriculture is about the transferring of marketing information from a source(farmers or middlemen) to a receiver (consumers / customers) through a medium (extension agent, radio, television, newspaper e.t.c) with the intent of creating awareness for a product. They are coordinated promotional messages delivered through one or more channels such as print, radio, television, direct mail, and personal selling. In fact, without effective marketing communications the consumer will remain unaware of products and services they need, who might supply them and the benefits which both the product and suppliers (farmers and middlemen) can offer. Since, the ultimate purpose of marketing communication in agriculture is to use it by farmers and other intermediaries to create the same picture that exists in the mind of their customers in the mind of other individuals, so that they too can become their customers. Extension agents play prominent roles in achieving this, by ensuring that information such as consumer preferences at a point in time reaches the farmers on time so as to decide on what to produce that the consumers will like to buy.

Moreover, it is impossible to develop effective and efficient marketing systems without first establishing channels of communication which refers to the means by which packaged information can be disseminated to the clients. Extension agents make use of these channels to convey to the farmers marketing information such as price of inputs, price of output, market place that offer better price e.t.c that can assist them to produce products that consumers will seek after. Example of communication channels are television, radio, person to person, newspaper e.t.c.

Radio broadcast: This entails communication of extension messages through the radio. This makes use of sound mainly.

Television broadcast: This entails the dissemination of extension messages via the television. This makes use of sound and pictures.

Since the best products do not sell themselves. Marketing communications therefore serve five key objectives:

a. Provision of information

b. Stimulation of demand

c. Differentiating the product or service

d. Underlining the product's value

e. Regulating sales.

Marketing communications takes four forms: advertising, sales promotion, personal selling and publicity. These must be formulated within a co-ordinated marketing communications plan. If there is more than one target market then there will need to be more than one communications programme. Like all other elements of the marketing mix, it must be tuned to the characteristics and needs of the target market.

Advertising

Advertising is a form of communication which a sponsor (farmer / middleman) pays to have transmitted via mass media such as television, radio, cinema screens, newspapers, magazines and/or direct mail. It is intended to both inform and persuade. Such as a paid advert sponsored by poultry association of Nigeria on radio and television to educate people on the nutritive value of egg and benefits inherent in its consumption. Whereas, promotion tends to be short term in its effects, advertising tends to take time to have any effect, but then its effects, when they come, can be lasting. Advertising is the most visible element of the communications mix because it makes use of the mass media, i.e. newspapers, television, radio, magazines, billboards e.t.c. . Mass consumption and geographically dispersed markets make advertising particularly appropriate for products that rely on sending the same promotional message to large audiences. Many of the objectives of advertising are only realized in the longer term and therefore it is largely a strategic marketing tool.

Various Forms of Advertising include:

Newspapers

Its advantages include: Flexibility, community prestige, intense coverage, reader control of exposure, coordination with national advertising and merchandising service.

Disadvantages of Newspaper as a form of advertising include: short life span, hasty reading, and poor reproduction e.t.c

Radio

Its advantages include: Immediacy, low cost, practical audience selection, mobility e.t.c

Disadvantages of Radio as a form of advertising include: Fragmentation, temporary nature of the message, lack of flexibility e.t.c

Magazines

Its advantages include: selectivity, quality reproduction, long life, prestige associated with some, and extra services e.t.c

Outdoor Advertising

Its advantages include: Quick communication of simple ideas, repetition, and ability to promote products available for sale nearby.

Television

Its advantages include: Impact mass coverage, repetition, flexibility, prestige, e.t.c

Disadvantages of Television as a form of advertising include: Temporary nature of message, high cost, high mortality rate for commercials, evidence of public distrust, lack of selectivity, e.t.c

Direct Mail

Its advantages include: selectivity and speed, intense coverage, flexibility of format, complete information, personalization, e.t.c

,**Disadvantages of Direct Mail as a form of advertising include:** High cost per person, dependency on quality of mailing list, consumer resistance, and e.t.c

Sales Promotion: Sales promotion employs short-term incentives, such a s free gifts, **reduction in price**, product samples etc., **To** appeal and its effects also tend to be short-term. Therefore, sales promotion is a tactical marketing instrument. all forms of communication not found in advertising and personal selling, including direct mail, coupons, volume discounts, sampling, rebates, demonstrations, exhibits, sweepstakes, trade allowances, samples and point of purchase displays, Sales promotions may be targeted either at consumers or members of the channel of distribution, or both.

Promotion Objectives

The **promotion objectives** need to be clearly stated and measurable. They must be compatible with the objectives of the company, as well as the competitive and marketing strategies. Objectives vary for different products and different situations. For example, producers must promote differently to brokers than to wholesalers. When promoting to a broker, the producer must promote what he/she wishes the broker to present to the wholesaler.

When promoting to a wholesaler, the producer simply wants the wholesaler to purchase the product. There are five general promotional objectives to choose from. The five types of objectives for promotional activities are:

To provide information

To increase demand

To differentiate the product

To accentuate the value of the product

To stabilize sales

Promotional Strategy

Once the producer has reviewed all the possible promotional tools, he/she must devise a promotional strategy. A promotional strategy should address the following issues:

- What is the goal of the promotion?
- What types of promotion should be used?
- What effect should the promotion have on the customer?
- Which promotion is working?
- What are the costs of the promotion compared to the benefits?

Public relations: Public relations are an organization's communications with its various public. These public include customers, suppliers, stockholders (shareholders, financial institutions and others with money invested in the business), employees, the government and the general public. In the past, organizations thought in terms of publicity rather than public relations. The distinction between advertising and publicity was based on whether or not payment was made to convey information via the mass media. Advertising requires payment by the sponsor of the message or information whilst publicity is information which the media decides to broadcast because it is considered newsworthy and therefore no payment is received by the media from a sponsor. It is more common these days to speak of public relations than of publicity. Public relations are much more focused on its purposes.

The objectives of public relations tend to be broader than those of other components of promotional strategy. It is concerned with the prestige and image of the organization as a whole among groups whose attitudes and behaviour can impact upon the performance and aims of the organization. To the extent that public relations are ever used in product promotion, it constitutes an indirect approach to promoting an organizations products and/or services.

Personal selling: This can be described as an interpersonal influence process involving an agribusiness' promotional presentation conducted on a person-to-person basis with the prospective buyer. It is used in both consumer and industrial marketing and is the dominant form of marketing communication in the case of the latter.

Internet Marketing: Internet marketing is the promotion of products and services using the Internet. Lower costs of dissemination of information and a global audience are its main advantages. This type of marketing also encompasses digital customer data management and electronic customer relationship management (ECRM), which are widely used in businesses today. The importance of Internet marketing strategies has grown with the growth and importance of the Internet. Most established companies are vying for online space and seeking to adopt web marketing strategies to increase traffic to their company's homepage. Online marketing helps add potential customers and the number of quality leads to a website as well. In fact, most organizations can adopt Internet advertising strategies to generate better business.

There are many internet marketing strategies a company may use to attract the attention of web surfers and encourage them to visit its site. These strategies are not only used to attract visitors, but also to obtain sales, membership requests, and even just inquiries. Generally, companies use more than one internet marketing strategy to achieve their goals. Search engine optimization is one of the most commonly used internet marketing strategies; this method involves making a website's content search engine friendly. This means making it easy for search engines to find and index by including certain keywords and key phrases in the content, based on what consumers are likely to type into the search engines. It also means carefully crafting Meta tags, descriptions, and title tags. However, suffing web content full of keywords isn't enough to secure a high ranking in the major search engines. Instead, website owners typically spend time crafting, or buying, quality content and ensuring that keyword usage stays around a certain percentage.

Customer attitude tracking

Whilst most of the control techniques described so far has been quantitative in nature, customer attitude tracking studies give qualitative information. The main customer attitude tracking measures are complaint or suggestion schemes, customer panels or customer surveys. These can be very useful in revealing what customers feel about the organization, its products, services and behaviour towards society as a whole.

10.5 Price Determination

Agricultural products` prices depend upon various factors which depend upon the conditions of demand and supply. Supply depends upon the total available amounts of a given product and can include - depending on the product: local production, the production of neighbouring countries as well as world production in the case of export products. It also depends upon the needs of farmers for ready cash: the more they need cash at harvest-time, the more they will be inclined to accept low prices. On the contrary, if they decide to stockpile instead of to sell immediately, market prices will go up. Demand originates from the end users or consumers and is supplied by dealers or intermediaries. End user demand is influenced by product quality and price. Consumers will buy more if the price is low, but they may be willing to pay a higher price (depending on their income) if product quality is good.

The middlemen, who acts as intermediaries between the producer and the consumer, make their profit from the difference between the price at which they purchase the product from producers and that at which they sell it to consumers. To do this, they tend to seek out production areas that are easy to access and which require lower transport costs, and those where crops are abundant. If crops are more abundant in neighbouring countries, traders will go there to collect the available products at a lower cost. Distant production area combined with poor road and railway infrastructure are factors that drive producer prices down. If infrastructure is bad, part of the money that the dealer could pay to the producer will be used to pay for transport; therefore, the dealer will tend to bring down the price offered to the producer in order to make up for the high costs of transport. Another factor that influences prices is competition among middlemen is If there are many dealers who want to buy the available products, producer prices will tend to rise. On the contrary, if there is only one dealer and many producers or abundant production, a modest price will be offered.

Lastly, prices vary depending on the seasons. During harvest time, prices are low, while they rise as sowing time draws near. The ability of producers to stockpile their produce can help to minimize these seasonal fluctuations by placing on the market only amounts of produce sufficient to maintain a given price. It is therefore important for producers to know when, where, and what amount of produce to sell, bearing in mind the market price. Ideally, they should be able to get the most out of the existing prices .In order to do so; they must have access to information on markets and prices.

Value Pricing

Pricing is much easier with one product than with multi-products. When a single good is being produced, all fixed costs associated with the business are applicable to that one product. When several products are produced, fixed costs must be applied proportionately to the various goods according to use.

Many companies want to have both extensive marketing programs and the lowest price. In most cases this is not feasible. The money for the marketing programs must come from the consumer and this is not always possible with low prices. Traditionally, companies have used costs as the basis for setting prices; with no regard as to the value a customer places on a product or how competitors are pricing. A market-driven company will price on value, knowing costs. This is known as target pricing.

Target pricing is where a company studies the competition and the customer to identify a point where the product must be priced to be competitive. Once the target price is identified, the company identifies a desired profit and works backward to calculate cost at which the product must be produced to meet the profit and target price. These calculations must take into account the target profit margin, price reductions for retailers, costs of promotion and future distribution costs. This is the reason that pricing is the last of the four P's to be covered, to properly calculate the costs incurred by a company,

,, include present and planned activities for distribution, promotion and product development.

Pricing Strategies

Pricing strategies specify the role of price in implementing marketing strategy. It states what the company wants to achieve by setting a particular price. Pricing strategies are not necessarily mutually exclusive. Price strategies should be determined for each marketing strategy set by the company and must be consistent with distribution and promotion strategies.

Pricing Programs

Pricing strategies are arrived at, through various **pricing programs** such as:

Penetration Pricing: It is a low price that is used to stimulate demand.

Penetration pricing is usually used when:

. Lower prices result in overall increased growth in the market or increased demand for the company's product

When the company sells higher margin complementary products that are being pulled along with the sale of lower priced products

When the company enjoys economies of scale

When competitors have high cost structures.

Parity Pricing: It involves setting the price near or at competitive levels, and using other marketing variables to implement strategies.

It is used when:

Total market volume will not grow with lower prices

Competitors can easily match any price decrease

Premium Pricing: It involves setting a price above competitive levels.

It is used when:

A company can differentiate a product in terms of higher quality or special features

A company has little excess capacity and where it is difficult for competitors to enter the industry.

Review Questions

From the knowledge gained by reading this chapter, answer the following questions:

i. Identify and explain the individual elements of the extended marketing Mix.

ii. Explain how products are developed and sold.

iii. Explain how you will use a mix of elements such as: advertising and packaging, promotions, branding and personal selling to promote your products.

iv. What is marketing communication?

11.0 CHAPTER ELEVEN

11.1 Specific Learning Objectives

After studying this chapter, you should be able to:

- Understand what the term marketing efficiency means.
- Distinguish between marketing efficiency and marketing effectiveness
- Why is the price of a product in a shop or retail market often so much higher than the price paid to the farmer?
- List and explain various costs that are involved in marketing of agricultural products.

11.2 Marketing Costs

By performing certain functions and services, various marketing organizations and agencies make it possible for commodities, produce and products to move from producers to consumers. However, these functions incur costs, which are often of considerable magnitude. Marketing cost is the total cost associated with delivering goods or services to customers. The marketing cost may include expenses associated with transferring title of goods to a customer, storing goods in warehouses

Pending delivery, promoting the goods or services being sold, or the distribution of the product to points of sale. Marketing costs are incurred when commodities move from the farm to the final market, whether they are moved by farmers, intermediaries, cooperatives, marketing boards, wholesalers, retailers or exporters. With increased urbanization and industrialization, marketing costs tend to increase relatively to the farm gate price received by the farmer, i.e. the product moves greater distances, through more intermediaries and is more sophisticated in its packaging. Marketing costs can also reflect the state of a country's development in that, as standards of living increase, smaller proportions of income are expended on raw products of the farm and greater proportions are spent on additional and improved marketing services. Increasing the value added means, among other things, that more people are involved in marketing agricultural products than in producing them.

Marketing costs include labour, transport, packaging, containers, rent, utilities (water and energy),advertising, selling expenses, depreciation allowances and interest charges. Marketing costs vary from commodity to commodity and product to product. There are several factors that individually or collectively account for these differences. These include:

i. The more waste the greater the proportion of customers' expenditure which goes on marketing costs

ii. The more perishable the product the greater the marketing costs.

iii. The more processing of the commodity the greater the marketing costs.

iv. The greater the amount of produce handling and transportation the greater the marketing costs.

An efficient marketing system is one capable of moving goods from producer to customer at the lowest cost consistent with the provision of the services that customers demand. The consumer could be as close to the producer as at being in the same viilage or could be a consumer of cash crops living on the other side of the

Consumer of cash crops living on the other side of the world. All transfers involve marketing activities in some form or other. At the simplest level the cost involved may just be the time taken by a farmer to walk to a nearby market and stay there until all his or her vegetables are sold. At the most complex level, a product may be stored for lengthy periods, transported long distances and processed several times before reaching the form in which it is finally sold. Once the costs involved in marketing have been identified then means can be devised to make the system more efficient.

11.3 Why is the price of a product in a shop or retail market often so much higher than the price paid to the farmer?

The costs involved with marketing are not always fully understood. We can understand that traders or processors spend money on transport or packaging or on fuel for a rice or maize mill but there are many other, less obvious, costs. Because these costs are not always visible, those doing the marketing are often accused of making unreasonable profits. People look at prices paid to farmers by traders and compare them with the prices consumers pay for the same product and assume that the farmers and consumers are being exploited.

Sometimes, of course, traders do make very high profits but on other occasions they make small profits or even losses. Clearly, unless they make a reasonable profit traders will not want to take the risk of continuing in business, to the disadvantage of both consumers and farmers.

Generally, the more complex and lengthy the marketing chain the higher are the marketing costs. Thus, simple comparison of farmer prices with retail prices is a poor indicator of marketing efficiency as it does not take into account the costs involved in moving produce along the marketing chain from farmer to consumer. If farmers live 10 km from a market they will normally receive a higher share of the final price than those who live 100 km away, because of lower transport costs. A producer of a perishable crop, such as tomatoes, is likely to receive a lower share of the final price than the producer of a non-perishable crop, such as coconuts, because some of his or her crop may be unsaleable by the time it reaches the market. A farmer who grows apples may receive a lower share of the retail price than one who produces pineapples, because apples can be stored for several months to take advantage of higher prices later in the year, while pineapples cannot, but storage costs money. Similarly, an onion farmer may get less of the final retail price than a vegetable farmer because onions can be stored for several months.

Thus, in comparing farmer and consumer prices, we need to be fully aware of all the costs involved. Only then can we see if excessive profits are being made, if the marketing system is inefficient or if the high costs are justified.

11.4 Costs involved in marketing of agricultural products include the following:

Produce preparation costs: Harvesting of produce and the movement of that produce to the farm gate or packing shed is part of the production cost. Thus the first marketing cost incurred is produce preparation. Preparation of produce for the market can often be time consuming. However, money spent at an early stage on preparation and packaging should be more than repaid by higher prices and lower losses. Higher costs can be expected to result in higher returns.

Preparation activities, sometimes undertaken by farmers but more frequently by traders, include:

A. cleaning, such as removing soil and foreign matter;

B. trimming, to remove unwanted leaves, stems or roots;

C. sorting, to remove rejects and non-marketable produce

D. curing, for example as with onions, garlic or potatoes;

E. Grading, to separate produce into similar sizes and qualities before packaging, thus increasing the market value of the Produce.

Packaging costs: The second cost that is usually faced by farmers or traders is packaging. Most products and produce need packing.

Types of packaging used may range from a simple jute bag, which may account for less than one percent of the marketing cost, to sophisticated plastic packaging for direct shipment of fruits to consumers in supermarkets, which would account for much more.

Packaging serves three basic purposes: Firstly, it provides a convenient way of handling and transporting produce. Costs would certainly be much higher if everything had to be carried and moved without any form of packaging. Secondly, it provides protection for the produce from damage during transit and handling. The efforts which are continually being made to improve bulk packaging are designed mainly to improve the protection offered rather than to increase the convenience of the packaging from a handling point of view. Finally, packaging can be used to divide the produce into convenient units for retail sale and to make the produce more attractive to the consumer, thus increasing the price at which it can be sold.

As said earlier, the more sophisticated the packaging, the greater the cost. Quite often, the farmer will provide the packaging, such as jute or gunny sacks for maize and paddy, which is used right through the marketing chain. More complex and expensive packaging, such as plastic crates, will, on the other hand, normally be the trader's responsibility.

A fruit or vegetable may be packed and repacked several times on its way between producer and consumer, depending on the length of the marketing chain.

The farmer may use one type of packaging (for example a sack) to take produce to market. At the market a trader may transfer the produce to a wooden box or plastic crate for transport to the wholesale market. Retailers buying at the wholesale market may then transfer the produce to their own packaging and then repack it (for example in plastic bags) for convenient sale.

Handling costs: At all stages in the marketing chain, produce will have to be packed and unpacked, loaded and unloaded, put into store and taken out again. Each individual handling cost will not amount to much but the sum total of all such handling costs can be significant.

sum total of all such handling costs can be significant.

Transport costs: Once produce is packed, it is then transported. In many countries the initial transportation may be done by the farmers or their labourers, carrying the produce themselves or using animal-drawn carts. Alternatively, traders may send agents around to farmers to collect produce for assembly in one central area. Transport costs will vary according to the distance between the farmer and market. But this will also depend on the quality of the roads. A farmer living close to a main highway will probably face much lower transport costs than one living at the end of a rough road, which causes much damage to trucks and is often impassable. Transport costs will be lower in countries where trucks and fuel are cheap than in countries where import duties are high.

Product losses: Losses are common with agricultural produce marketing. Losses will probably be highest in the main season when "gluts" of produce mean that much has to be thrown away unsold, and also the longer the distance between farmer and consumer the higher the likely loss.

Even if nothing is actually thrown away products may also lose weight in storage and transit. Sometimes very high losses can be recorded, particularly for a perishable fruits and vegetables. In particular, produce which is bought but not sold can still incur costs such as packaging, transport and storage. If there are no quantity losses there can still be quality losses and this is reflected in the price at which produce is sold.

Storage costs: Storage is an important cost for many products. The main purpose of storage is to extend the availability of produce over a longer period than if it were sold immediately after harvest. The assumption behind all commercial storage is that the price will rise sufficiently while the product is in store to cover the costs of storage.

Storage can be carried out by the farmer, the trader (or marketing board) or by the consumer. With regard to more perishable crops, storage can be used to extend what is often a very short period of availability. However, this is only viable when the produce can be sold after storage at a price higher than the into-store price, with the difference fully covering the costs of storage, as well as offering an incentive to take the risk that a loss may result.

Storage costs fall into four categories:

a. Costs associated with the physical operation of the stores, that is, the actual cost per kilogram which must be paid to place the produce in the warehouse or cool store. Such costs are made up of factors such as depreciation on the building, security, electricity and other utility costs and maintenance.

b. Costs associated with the maintenance of the product quality while it is in store, for example, the cost of chemicals.

c. Costs associated with loss of quality and quantity while the produce is in store.

d. The financial cost to the owner of the produce while it is in store.

The biggest single factor affecting storage costs is capacity utilization. Where a store is used frequently, full capacity costs per unit will be low. Where it is kept empty

The biggest single factor affecting storage costs is capacity utilization. Where a store is used frequently, full capacity costs per unit will be low. Where it is kept empty for much of the time costs will be high.

Processing costs: Processing is often an important marketing cost. The transformation of a produce from one form to another clearly involves costs associated with the operation of the processing facility.

Some examples of primary processing are:

A. paddy into milled rice

b. maize into maize meal

c. green tea into black tea

d. cotton into lint cherry

e. coffee into green bean

f. cocoa into beverage

g. soya beans into oil

h. oil palm into palm oil

Processing costs can vary according to the efficiency of

,of the organization doing the processing, the processing facility's throughout and the frequency of its operation. It will also vary according to the organization's costs which can depend on factors such as fuel costs, depreciation costs, import duties, taxes and wages.

Capital costs: Capital costs may not be very visible but are extremely important. To operate, traders may have to borrow money from the bank. The interest they pay on that money is a cost. If traders use their own money we cannot then say that they have no costs since they could have left the money in the bank to earn interest instead of using it for trading. The cost of using their own funds is thus the interest they are not receiving. This is known as an opportunity cost. There are other opportunity costs. For example, traders could perhaps be using their time to do other work. For them to want to be involved with marketing the profit they make from marketing must be more than their alternative income opportunities. Often it must be significantly more, particularly when they run the risk of losing money.

Other costs: The costs considered above are the major costs that are faced in marketing agricultural produce. But there are other marketing activities and people involved also pay for them, such as: People using markets have to pay market fees, Traders normally have to be licensed and they pay license fees, In some markets, wholesalers charge commission, Taxes have to be paid and, sometimes, bribes are needed, whether at road blocks when transporting produce or to get permission to operate a business. An additional cost is also required for obtaining information about market prices, market conditions and buyers. Also, when farmers are deciding whether to grow new crops or to rear animals they will have to investigate how to sell those products and this may require costly visits to market towns in order to meet with potential buyers.

Finally, costs have to be related to prices received. In retail market, in the morning, tomatoes may be selling at a high price which appears to give the trader an excellent profit. By the evening, however, the trader may be selling them at a far lower price, knowing that the next day a supply of fresh tomatoes will be arriving.

This must be kept in mind when comparing the selling price with the amount paid to the farmer. The price paid by the eventual consumer is thus made up of the amount of money paid to the farmer for his produce plus all of the costs involved in getting it to the consumer in the form in which he or she purchases it and a reasonable return to those doing the marketing.

11.6 Assessing the performance of a marketing system

It might be thought that the performance of a marketing system could be evaluated in terms of how well the agricultural and food marketing system performs what society and the market participants expect of it. However, it soon becomes apparent that marketing systems have multiple and often conflicting goals. Compromises and trade-offs will be necessary if the various participants in the marketing system are to be satisfied. For example, consider the perspectives of just three parties involved in agricultural marketing systems: consumers, farmers, society and government. Consumers are likely to evaluate a marketing system in terms of its performance in avoiding high and fluctuating prices, shortages in supply and consistency in delivering products or produce of acceptable quality. Farmers' concerns could be rather different. Their criteria might include the capacity of intermediaries to exert undue influence on prices, the extent of competition in the sectors supplying farm inputs and accessibility of marketing infrastructure at reasonable cost (e.g. suitable storage and transportation). Society is likely to give consideration to the marketing system's contribution to employment, its impact on the environment and the ethical standards to which it is perceived to adhere. Government's perceptions of a marketing system will also be coloured by its impact on employment. In addition, government will probably take into account the sector's contribution to investment, economic growth and the national treasury through its taxable income. In the case of staple foods, governments will also be greatly interested in a marketing system's ability to avert protests from the electorate against unaffordable food prices. Given these different perspectives there are several contrasting measures which are commonly used in assessing the performance of a marketing system. These are:

A. The farmer's share of the retail price paid by the end user or consumer

B. The gross marketing margin or farm-retail price spread,

C. And the proportion of a consumer's income which must be spent on food.

Whatever the perspective from which a marketing system's performance is evaluated, the terms most commonly used are efficiency and effectiveness. These are not one and the same thing.

11.7 Marketing efficiency and effectiveness

A marketing system can be effective without being efficient. Marketing efficiency is the measurement of the availability of the information that provides maximum opportunities to buyers and sellers to effect transactions

With minimum transaction costs to all participants in a market. Marketing effectiveness on the other hand, is the measurement of the results compared to the money spent. It is the quality of how marketers go to market with the goal of optimizing their spending to achieve good results for both the short-term and long-term.

Increased efficiency is in the best interests of farmers, traders, processors, wholesalers, retailers, consumers and society as a whole. The efficiency of a marketing system is measured in terms of the level or costs to the system of the inputs, to achieve a given level or quality of output. Such inputs are generally in the form of land, finance, time, manpower and materials. Typical outputs include the movement of a given amount of product to markets at specific distances, the supply of a particular level of service to target market segments and the supply of products at a target price. Hence, resources are the costs and utilities are the benefits that comprise the marketing efficiency ratio. Efficient marketing optimizes the ratio between inputs and outputs.

11.8 Pricing Efficiency

Pricing efficiency is a second form of marketing efficiency and is based on the assumption that competitive markets are efficient. It is concerned with the ability of the marketing system to allocate resources and coordinate the entire agricultural/food production and marketing process in accordance with consumer directives. The evidence of pricing efficiency is efficient resource allocation and maximum economic output. Possibly the best measure of the satisfaction-output of the marketing system is the price that customers will pay in the marketplace for the produce, commodity or product in question. If consumers are willing to pay five naira more per orange for orange juice than for fresh oranges, it can be inferred that the process of juicing adds five naira of form utility to fresh oranges. The pricing mechanism directly affects production, in this instance, by indicating that a certain amount of the available oranges should be processed rather than sold as fruit.

Review Questions

From the knowledge gained by reading this chapter, answer the following question:

i. Define the term marketing efficiency means.

ii. Distinguish between marketing efficiency and marketing effectiveness

iii. Why is the price of a product in a shop or retail market often so much higher than the price paid to the farmer?

iv. List and explain various costs that are involved in marketing of agricultural products starting from the time of its harvesting.

12.0 CHAPTER TWELVE

12.1 Specific Learning Objective

After studying this chapter, you should be able to:

i. Explain the concept of globalization, international markets and export management.

12.2 Concept of Globalization

International trade is the exchange of capital, goods, and services across international borders or territories. In most countries, such trade represents a significant share of gross domestic product (GDP). While international trade has been present throughout much of history; it's economic, social, and political importance has been on the rise in recent centuries. Industrialization, advanced transportation, globalization, multinational corporations, and outsourcing are all having a major impact on the international trade system. Increasing international trade is crucial to the continuance of globalization. Without international trade, nations would be limited to the goods and services produced within their own borders. International trade is the exchange of goods and services between countries. This type of trade gives rise to a world economy, in which prices, or supply and demand, affect and are affected by global events. Trading globally gives consumers and countries the opportunity to be exposed to goods and services not available in their own countries. Almost every kind of product can be found on the international market: food, clothes, spare parts, oil, jewelry, wine, stocks, currencies and water. Services are also traded: tourism, banking, consulting and transportation. A product that is sold to the global market is an export, and a product that is bought from the global market is an import. Imports and exports are accounted for in a country's current account in the balance of payments.

12.3 International Trade in Agricultural Products

International trade in agricultural products is the exchange of agricultural products between countries. The agricultural products that are being exported from Nigeria to other countries are known as cash crops and they include: Cocoa, Coffee, Rubber ,Cashew nut, e.t.c and the imported agricultural products to Nigeria include: Rice, Wheat, e.t.c . Selling of these cash crops to other countries (international trade) is in principle not different from selling it locally (domestic trade) as the motivation and the behaviour of parties involved in a trade does not change fundamentally regardless of whether trade is across a border or not .

But the major differences between trade in agricultural products domestically and internationally include the following:

First, International marketing is facing a more complex market environment than marketing locally. This is because domestic marketing is conducted within a country and so marketers of agricultural products faced structure of the market environment (political, economic, legal and cultural factors) which is relatively simple and more familiar to them. However, International marketing Is facing a more complex environment; this is because exporters of agricultural products will inevitably be subjected to the world market environment (language, political, military, economic, technological e.t.c). Secondly, International marketing is facing more Uncertainties factors when compared with domestic marketing, this is because there is contradiction between subjective understanding and objective reality, coupled with the volatility of the objective process. Also, it is more difficult to access the total demand that exist for a particular product, prospective purchasers and various competitors who will be interested in satisfying this demand. It is also difficult to investigate and predict wholesale segment, retail structure, buying habits in international marketing. Thirdly, International marketing is facing more diverse selection of marketing programs than what we have in domestic market, since the international market is a market that exists in different countries; there is therefore the need to formulate different programs, different strategies, and even the use of different promotions for different target markets that are available in these countries of the world. Although, the overall marketing program is the same in principle, international marketing programs differ from country to country because of different marketing scenarios that were encountered.

Lastly, Marketing in international market is more difficult because of high risk that is involved as a result of unstable international political situation, fluctuations in exchange rate, and high level of competitor's brilliant competitive strategy in price, promotion and products which made the international market to become more and more narrow besides the complex environment and the diverse selection of programs and other uncertainty factors that it required.

Moreover, International marketing should not be confused with foreign marketing which consists of marketing activities carried out by foreign firms within their own countries. Marketing by Brazilian firms in Brazil is therefore defined as foreign marketing. However, Brazilian firms engaged in marketing their products in the United States are engaged in international marketing and are subject to the same concepts and principles as U.S. firms marketing in Brazil. The field of international marketing is related to other fields of study. In its broadest terms, international marketing is a subset of international business, which is defined as the performance of all business functions across national boundaries. International

International business includes all functional areas such as international production, international financial management, and international marketing. In this situation, international marketing and international trade are concerned with the same phenomenon.

Advantages of international trade

a. Greater variety of goods are available for consumption: international trade brings in different varieties of a particular product from different destinations. This gives consumers a wider array of choices which will not only improve their quality of life but as a whole it will help the country grow.

b. Efficient allocation and better utilization of resources: since countries tend to produce goods in which they have a comparative advantage. When countries produce through comparative advantage, wasteful duplication of resources is prevented. It helps save the environment from harmful gases being leaked into the atmosphere and also provides countries with a better marketing power.

c. It promotes efficiency in production as countries will try to adopt better methods of production to keep costs down in order to remain competitive. Countries that can produce a product at the lowest possible cost will be able to gain a larger share in the market. Therefore an incentive to produce efficiently arises. This will help standards of product to be increased and consumers will have a good quality product to consume.

d. More employment could be generated as the market for the countries' goods widens through trade. International trade helps generate more employment through the establishment of newer industries to cater for the demands of various countries. This will help countries bring down their unemployment rates.

e. Other possible benefits of trading globally is that it does not only results in increased efficiency but also allows countries to participate in a global economy, encouraging the opportunity of foreign direct investment (FDI), which is the amount of money that individuals invest into foreign companies and other assets.

Disadvantages of International Trade

a. The Global market has made it easy to buy and sell international goods. While this has benefits, it also presents a problem. Such trade can cause countries to be prosperous for a short time, but leads to economic exploitation, loss of cultural identity, and even physical harm.

b. Support of Non-Democratic Systems

Great hardship can be caused when people make poor decisions about land use or surplus production for export and do not take the general population's welfare into consideration. For example: Landowners in Ondo state want farmers to grow Cocoa beans because it is a very profitable cash crop, however, the farmers would like to use the land to grow more food for their families. The farmer's wishes are ignored because they do not actually own the land.

c. Depletion of natural resources

It could lead to a more rapid depletion of exhaustible natural resources. As countries begin to increase their production levels, natural resources tend to get depleted.

d. It exposes a country's workers to competition from workers willing to take lower wages.

e. It exposes a country's management to competition with other managements who bring different skills, attitudes and cultures to the competition.

F. It creates the need to expend energy for international shipments.

12.4 Export Management

In simple terms, export management is the application of managerial process to the functional area of exports. It is a form of management which is required to bring about coordination and integration of all those involved in an export business. It is thus, concerned with securing export orders and achieving their successful completion in time as per the requirement specified by the foreign buyers.

The main objectives of export management are to:

(i) Secure export orders.

(ii) Ensure timely shipment of goods as per prescribed norms of quality and other specifications including terms and conditions agreed to between the exporter and the importer.

Nature of Export Management

The nature of export management can be rightly understood in the context of functional area of export and the managerial process involved in export management.

Classification of Export

The export can be classified into the following categories.

1. Merchandise Exports
2. Services Exports
3. Project Exports
4. Deemed Exports

Merchandise Exports

Merchandise exports refer to the export of physical good such as: cocoa, coffee, cotton, rubber, e.t.c.

Service Exports

Services exports refers to the export of goods that don't exist in physical form, that is, professional, technical or general services. Examples of the exports would include export of computer software, architectural, entertainment or technical consultancy services etc.

Project Exports

Project export refers to establishment of a project or farm in another country. The term project has been defined as 'non-routine, non-repetitive and one-off undertaking, normally with discrete time, financial and technical performance goals. It is viewed as scientifically evolved work plan devised to achieve a specific objective within a specific period of time.

12.5 What are the main functions and works of an export manager?

Once a decision is taken to establish agricultural products` export business, the first and the foremost task is to plan to secure an export order. After confirming the order to the buyer, the next step is to create an organization structure for it and create the required team of personnel for its execution. Export Manager is a key person. The success or otherwise of the export order depends, to a great extent, on how efficiently he handles the order.

He is required to maintain liaison with the importer, prepares plans for its implementation and issue necessary executive instructions to the export staff. He has also to evolve an information system so that there is a regular flow of information on the progress of the order. If the various tasks are not being done as per prescribed schedules, he has to analyze the variances and take suitable corrective measures, if necessary, for the purposed and finally submit report on the progress of work to the top management. The functions performed by the export manager are as follows:

(a) Procurement of Export Order

The first function of export manager is to plan for securing the export order. This requires deciding the exact item for export market. A study of the profile of the target customer group and the business practices of the target export markets is of paramount importance in the process of securing an export order.

(B) Planning for Export Order Execution

Effective planning is essential for the success of execution of export order. The export planning should be viewed as planning for the successive phases of an export activity. The export manager and his team should understand the terms and conditions of the export order. The export manager should, then, proceed to develop a detailed schedule for the completion of all the tasks for the accomplishment of the overall targets. Budgets, work programs and implementation schedules are to be prepared as a part of planning for execution of the export order.

(c) Directing for Exports

The export manager should issue executive instructions to all the members of the export team. The process is referred to as directing for exports. It is also viewed as an extension of export planning as it involves issuing directions to execute the export plans. These directives should be very precise, simple and unambiguous so that implementation is done without any difficulty. It is important since the efficiency with which these directions are given would determine the success or otherwise of the execution of export.

(d) Export Order Execution

It is implementation of the assigned tasks by the frictional manager and other members of tne export team. The export tasks must be implemented within the time schedule, the budget and in accordance with the agreed design and specifications.

(e) Importer Liaison

Export Management is intended to meet the requirements of the importer to his satisfaction. For the purpose, it is important for all the members of the export team to understand his requirements as regards quality, labeling, packaging, packing and markings on the export products as well as delivery goods.

This calls for maintaining liaison with the importer, and this is the prime responsibility of the export manager. The primary objective of importer liaison is, thus, to keep him informed of the progress in the execution of export order. This will enable the importer to appreciate that the exporters is very serious in the execution of his order and

In case the exporter is faced with any difficulty beyond his control, it is very likely that the importer will appreciate his problems and may give him the required support in the form of extension of the time for delivery of goods or permitting him/her to make the partial shipment and so on.

(f) Export Order Evaluation

Evaluation is a continuing process of assessing the progress of the export order in terms of its objectives. Ideally, evaluation entails comparing existing conditions and current results with export plans and with the specifics of export direction. Any deviation represents a possible problem that should be highlighted, analyzed, and understood.

A system of appropriate controls should be established for the export order execution. The export manager must scrutinize carefully the qualitative assessment of his team and evaluation of how the export order is progressing.

(g) Reprogramming

Based on export reports, the export manger should take suitable corrective measure to improve the level of performance of various functional divisions or outside agencies. For this propose, reprogramming may have to be done. The reprogramming involves changing the plans, schedules and budgets or redefining the channels of communication or clarifying the export directions to the members of export team.

(h) Reporting on export Order Execution

Reporting on the progress of the export order is a logical consequence of export order evaluation and reprogramming. Every export manager should submit reports at regular intervals, of the progress of work to the top management. The report should reflect the targets, the actual performance and the variances, with reasons thereof. It should also highlight the problems or difficulties faced in the execution of the export order and the steps proposed to solve them.

((i) Export Cycle

The various activities/stages involved in planning and execution of an export order are performed in a sequential manner. Therefore, the activities/stages are viewed as different links in the chain of cycle called Export Cycle. The export cycle is divided into three phase. (a) Planning for exports (b) Implementation and monitoring of an export order (c) Post export follow up action.

Review Questions

From the knowledge gained from the reading of this chapter, answer the following question:

i. What are the main functions and works of an export manager?

ii. Differentiate between international trade and domestic trade.

iii. State five merits and demerits of international trade

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