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Approaches in analyzing the marketing sector

Dr R A Nyikal



The concept of *marketing* revisited



The process of **profitably** bringing goods and services from **producers to consumers**, in the right **form**, and at the right **time** and **place**:

- * Seed, not seed-like, in the right packaging, volume and weight, where consumers easily have access, when needed



Three approaches in analyzing the marketing sector



- * The functional approach: basic activities to be performed
- * The systems or behavioral and institutional approach: number and kind of firms that perform the tasks (structure of the system: interrelations)
- * Commodity approach: functions and systems with respect to a particular commodity



Why the analysis?



For a *sustainable* and *competitive* business, it is necessary to analyze the marketing sector of the national (sometimes regional or county) economy



Functional approach



A marketing function is a fundamental or basic physical process or service required to give a product the **form, time, place and possession utility** consumers desire (Branson and Norvell 1983)

Utility: ability for a commodity to satisfy a need; its usefulness to the consumer



Functional approach (contd.)



Form utility

- * Maize produced for food (flour) to be used as seed?
- * 50kg package for a farmer with 1 ha, when the seed rate is 25kg per ha?

Place utility

- * The seed in EA Seed and Simlaws Seed Company shops along Kijabe Street, Nairobi, for use in Kisumu (350Km away)?



Functional approach (contd.)



Time utility

- * Seed available after onset of rains in SSA which majorly depends on rain-fed agriculture?

Possession utility

- * Seed is not a capital item to lend out ; ownership has to be transferred for it to be used

Various functions, *basic* and *facilitating*, must be performed at least once in the system, to create utility



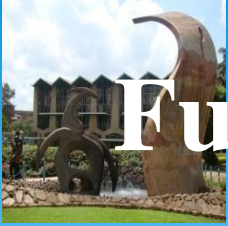
Functional approach (contd.)



Basic functions of marketing (discuss wrt seed):

- * Assembling, grading and storing raw materials
- * Processing raw materials into finished products, and packaging the processed products
- * Storing processed products
- * Distributing products to wholesalers, retailers and consumers
- * Transporting products and commodities

Which utility does each create?



Functional approach (contd.)



Facilitating functions, for advanced societies

- * Market research: firms to keep abreast of consumer needs
- * Product research and development: improve existing and create new ones
- * Development of demand; for high output at lower costs
- * Exchange services: price and the process (who)
- * Finance and risk bearing: possession utility
- * Market information: to improve buying, selling and other decisions

Note: NOT without cost; cost could be spread in large firms



Systems approach



Qns:

- * What kind of firms provide the functions just described?
- * How are the firms organized within the industry?

Ans:

A marketing system: the sequential set of types or kinds of firms through which a product passes during the marketing process

- * Some systems are short and simple while some are long and complex (cf. the chain speech concert)



Systems approach (contd.)



Factors that determine the particular system (of seed marketing)
(Branson & Norvell)

- * The number of marketing functions required, and to what extent each can be specialized or combined with others, and performed at lower cost as separate business
- * The degree of concentration of raw materials
- * The degree of dispersion of buyers and their location



Systems approach (contd.)



- * Historical or institutional developments within an industry (maize – Kitale)
- * Control by one or a few companies under patented process
- * Stage of economic development
- * Two or three examples from participants on their countries' seed systems



Seed Marketing Notes By Dr.Nyikal



- * **Commodity approach**
- * **Key characteristics of firms that attract and/or retain customers**



Commodity approach



Factors affecting individual commodity systems:

- * The extent to which internal economies of size exist
- * The degree to which a commodity can be differentiated as to quality or appearance
- * Spatial isolation of producing areas
- * The degree to which a product may be changed in form during processing: product differentiation, brand identification, and emergence of firms



Commodity approach (contd.)



- * Volatile high price risks: vertical integration
- * The presence or lack of restraints on innovative organization and technology: some governments prohibit vertical integration
- * Non-governmental institutional forces
- * Technical innovations



Question



Which approach is desirable for seed marketing?

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Key characteristics of firms that attract
and/or retain customers

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The business goal



Maximizing the long-term profits of a firm by profitably satisfying customer needs is central to a business success

The **firm** should present the **product** to **customers** in a way that **attracts** them and inspires them to **come back**



The business phenomenon



Recall “the concept of marketing”

The business would like to meet customer satisfaction as it generates profit. Three important elements in this are:

- * The product: what the customer wants is available, and the four types of utility
- * The customer: changing tastes and preferences in a dynamic world
- * **The firm:** and customer relationships



The business phenomenon (contd.)



The **firm** has to handle the product and the customers in a way to attract and / or retain the customers

- * The product: form, time, place and possession utility
- * The customer: profile, target and understand



Customer expectations



- * Trust, convenience, reliability and consistence, fairness, known purchasing pattern, VISUAL, appreciation, knowledge of the product and others, risk aversion (do own trials), quality, and farmers make smart decisions



The business phenomenon (contd.)



- * Some seven key characteristics of firms have been identified, that harmonize the firm, the product and the customer



Seven Key Characteristics of firms

- * Location
- * Appearance
- * Prices
- * Knowledge of the product
- * complementary and other products
- * Interaction / communication
- * Information: advertising



Location of a firm



- * Demographic area: exhibiting socioeconomic factors like age, sex, education level, income levels, religion, birth and death rates, occupation, family size, ...
- * Exact location, layout, size, right or left of street, neighbors, traffic jams



Appearance



- * First impression is a lasting one
- * Great prices but with unsightly premises are likely to discourage clients
- * The product should also be presentable (i.e. not in dirty packaging that has seen better days)



Prices



- * Profit is necessary for staying afloat, but competitiveness with respect to businesses of the same kind is also important
- * Price is a determinant of revenue in two different opposing ways:
 - revenue = price x quantity
 - when prices rise, demand falls for many commodities (elasticity)



Prices (contd.)



- * The price must be fair for both the seller and the buyer

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Knowledge of the product



- * Employees need to have complete knowledge of the product(s) offered; take into account the utility aspects of the products also
- * Wrong information?
- * Come back tomorrow for information?



Complementary and other products



- * One -top shop is preferred
- * Find out what else shopper of seeds would normally take



Interaction / communication



- * Avoid rudeness and callousness when serving customers
- * Make suggestions without being overbearing (possible only with knowledge of the products)
- * Learn changing customer needs and wants



Advertising / information



- * In the right places
- * In different ways: newspapers, coupons, word of mouth (this can be devastating if things are wrong)
- * Two day sale



Key Thoughts



- * Does the customer need the product?
- * Does the customer like the product?
- * Can the customer afford the product?
- * Does the customer have access to the product?



The firm's Strategy



- * Match the customer and the product
- * Understand and compete with competition

The firm needs just these to attract and / or retain customers



Parting shots



- * A bird in hand is worth two in the bush (it is easier to sell to existing clients than to brand new ones)
- * Customer loyalty is earned; customers do not owe firms loyalty



☺ Cheers!

