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MARKETING RESEARCH AND SALES PROMOTION IN AFRICA^{1/}

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MARKETING RESEARCH AND SALES PROMOTION IN AFRICA:

A Pragmatist's View

As people involved in industry and industrial development, we have all heard 'marketing horror stories' from time to time. Typical cases involve expensive new factories running at a fraction of their capacity, or completely shut down because warehouses are bulging with unsold or unsaleable finished products. This kind of misfortune happens everywhere, and I have encountered some examples in Africa. Here are a few illustrations, suitably disguised:

1. Production of a processed fruit product for export was developed at great cost by setting up plant nurseries and extension services for smallholders. Substantial investments were made in a factory and storage facilities. The crop is semi-permanent and requires special soil preparation which is costly but lasts for years. Suddenly the overseas market seemed to disappear. Stocks of the product began to pile up. Since agreements had been made with growers' co-operatives, the factory kept accepting fruit and hoping that the steep decline in sales was temporary. Eventually it was discovered that the overseas market was now being supplied with a lower quality but cheaper variety produced in an Asian country. The market was not sensitive to the quality difference, and converting the African growers to the cheaper product would be prohibitively expensive.

2. A news article published in an African capital two or three years ago expressed an understandable frustration. The article said (paraphrased): "We were very proud in announcing the opening of our new textile mill six months ago. Now the factory management is threatening to send the workers home because most of the production is still unsold and bank overdrafts are exhausted."

3. In another country which leads in the production of a high-value bean crop, I was shown a magnificent facility which had been built to grade the product. It examined each bean electronically and rejected any which were imperfect in weight, shape, or colour. The purpose was to permit the product to qualify to a higher international grade standard, and thus to sell for a premium price. Although the plant had functioned perfectly in trials, it

was idle and padlocked. The traditional overseas customers were very price conscious and would not pay for the higher grade.

4. A factory producing knitted shirts was losing money. The entire production was being sold to a distributor at a figure which barely covered out-of-pocket costs. Checking retail outlets, it was discovered that middlemen were 'absorbing' between 250 and 350 per cent of the ex-factory price.

5. A producer of binding tapes used in sewing clothes for ladies and children complained that imports were flooding the market and preventing sales of the local product. Yet the only package size in which the product was offered for sale was an attractively packaged bundle containing 108 feet. This was far too large a quantity for an individual retail purchaser to use.

6. A large food processing firm was found to be in serious financial difficulty. On the one hand its per-unit overhead costs had increased because fewer farmers brought their produce to the factory. On the other hand, the warehouse was full of frozen foods because fewer and fewer merchants came to the factory to buy the product. Although the factory had previously held a de facto monopoly position, several small competing firms had recently been formed by aggressive business men and were growing rapidly.

Need for a Pragmatic Approach

Of course hindsight is comparatively easy, and each of us could probably make a number of suggestions on how the problems outlined above could have been prevented or how some of them may still be overcome. Yet there is an almost infinite variety of marketing situations. Success often requires imaginative approaches, and the analysis is needed in advance. One of the most challenging and highly respected courses offered by a leading graduate school of business is titled 'Creative Marketing.' The trick, of course, is to identify the market opportunities - in many countries this means to see them before competitors do - and to avoid 'traps' such as those which snared some of the above companies.

There are plenty of handbooks and checklists on market research and on sales promotion, and they can be useful to marketing executives and specialists in Africa. But it is easy to become enmeshed in sophisticated techniques and to lose track of the basic realities. It is also true that detailed statistics of the kind we would like to have for analyzing market potential and for designing promotional campaigns are usually not available. In relatively small markets it would be easy to spend more on market surveys and advertising than the value of possible sales would warrant.^{/1}

→ My reaction to the uncertainties of the African marketing situation is simply to adopt a completely pragmatic approach, trying to start from the basic facts of each case. A conveniently simple way to begin working on a problem is to write down a list of seven key words, the 'Four C's and Three P's of Marketing.' These are: Customer, Competition, Channels (of distribution), Costs; Product, Price and Promotion. The next step is to jot down notes summarizing the information you have and the ideas which arise concerning possible approaches to a solution. The key words help you to organize what you know and stimulate thinking about the main aspects of the problem and possible solutions.

Marketing Variables are Inter-related

As you know, this discussion is intended to concentrate on market research and sales promotion. But it cannot be emphasized too much that all seven of the key words refer to marketing variables which are inter-related. For example, if you change the product design to suit a certain group of customers, the cost will probably change. The competitive situation and the price will have to be re-appraised. Thus a 'market research' assignment will frequently need to consider a wide range of factors. Let's take an example:

^{/1} There is an old story about a leading American merchant (George Wanamaker) who said, "I am sure that at least half of my advertising budget is wasted, but I can't tell which half."

The Roofing Materials Case

A cement company in an African country did market research on the possibility of selling asbestos-cement corrugated roofing panels in competition with the commonly used galvanized steel sheets. Executives went ahead with the scheme, feeling that the product has some desirable features which will enable it to be promoted as an improved roofing material. They already have well-established distribution channels throughout the country.

Now a third roofing material project has been suggested. In India and in Latin America, several firms have introduced 'asphaltic corrugated roofing panels' (ACRP) with some success. Government testing programmes have shown them to be durable, long-lived, effective, insect proof, fire resistant, etc. The ex-factory cost is alleged to be sufficiently low to allow the product to be sold for half the price of the two main competing products. ACRP is made from straw, baggasse, or similar fibrous material. The panels are impregnated with asphalt and coated with reflective granules or aluminium paint to reduce solar heat absorption. In addition to a lower price in local currency, the foreign exchange requirement is comparatively very low. (This is especially true in countries which have an oil refinery, since asphalt is essentially a by-product)..

In considering the new suggestion, how should prospective sponsors tackle the following questions which are bound to arise?

- a) What is the market for ACRP?
- b) What customers will ACRP appeal to? Are there opportunities to create a range of products or at least a range of coatings? Would this expand the group of customers?
- c) What would be the optimum pricing policy? Should the sponsors try to obtain maximum profit per square meter of ACRP sold, by pricing close to the competitive products? Or should they strive to build a large physical volume of sales by setting a low price?

- d) How could sales of ACRP be promoted most effectively?
What effect will the choice of distribution channels have on the level of sales? On the cost of distribution?
- e) What should be the market share target during each of the next five years?
- f) What responses by existing and potential competitors are possible? Likely?

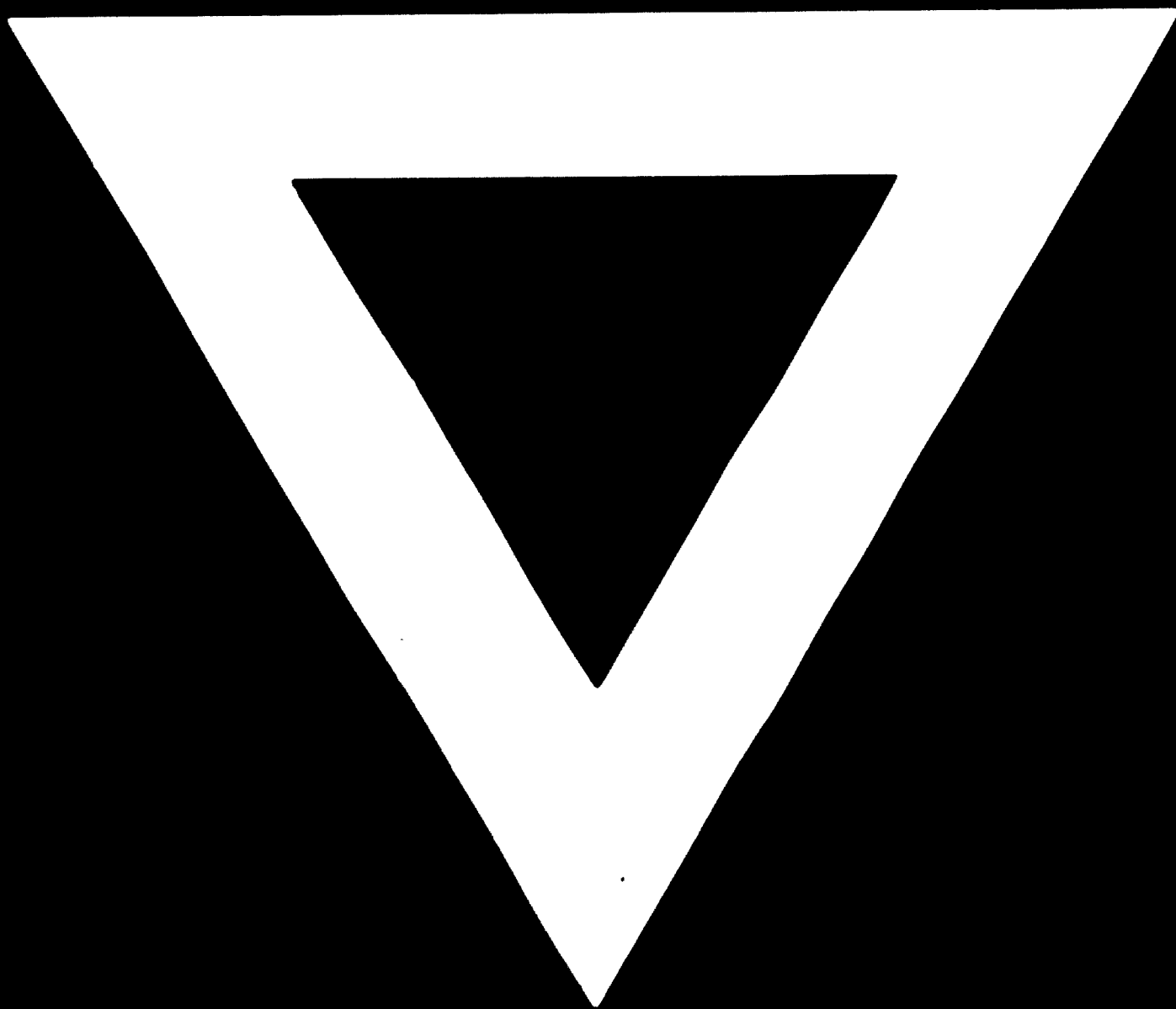
Technical Questions or Basic Business Policy?

Although these questions raise technical matters relating to market research and sales promotion, they also involve basic issues of business policy and strategy. In short, it is vital to the success of the project that such questions receive careful attention before resources are committed. A similar observation would be in order in a case dealing with upgrading of an existing product line, or with a plant-expansion proposal.

Since crucial decisions will usually have to be made without complete detailed supporting information, judgement and experience are important ingredients. It is sensible to try to tap several people's knowledge and reasoning powers. At a suitable stage in the deliberations it may be useful to have outside expertise available as a kind of catalytic force.



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