



Markets versus Marketing

Myanmar Agribusiness Master Class

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Market

- 'Market'
 - the purchase and sale transactions of a product and the formation of its price.
 - Decisions made by producers of a product (the supply side of the market) and consumers of a commodity (the demand side of the market),
 - Taken together determine the price level of the commodity ...
- Many types of markets
 - Local
 - Regional
 - National

3 perspectives of 'marketing'

- Economist's perspective =
 - a process through which prices are set by repeated buying and selling transactions.
 - may relate to a particular geographical area or region, or may be global.
- Business marketing perspective=
 - the actual or potential customers for a product or service.
 - concerned less with the process of setting prices and *more with the identification of customers to whom the product will appeal.*
- New Institutional Economics (NIE) approach to development perspective =
 - Attention to the 'governance' of economic exchange (rules and practices governing how buyers and sellers come together),
 - the transaction costs and risks involved in market exchanges between buyers and sellers, and
 - the means of reducing these costs and risks.

Evolution of Marketing Concept

Evolved from a “push” focus to a “pull” focus

- Push or “Selling” focus on the product and on making a "better" product based on internal standards and values.
- Objective = profit,
- means to achieving the objective was selling, or persuading the potential customer to buy.

Business marketing and the “4 P’s” / “marketing mix”

- 1960’s, shifted the focus of marketing from the product to the customer.
- Objective = profit,
- but includes the marketing mix, or the "four Ps"
 - product, price, place (channels of distribution), and promotion...

Strategic concept of marketing

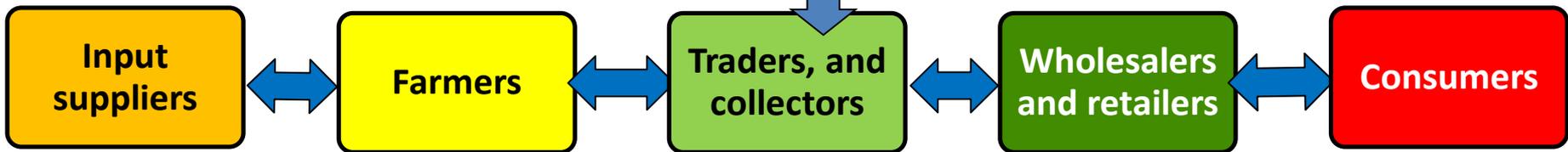
- 1990s, and 'shifted the focus of marketing from the customer or the product to the customer in the context of the broader external environment.
- Knowing everything there is to know about the customer is not enough.
- Must understand customer in a context including
 - competition, government policy and regulation, and
 - broader economic, social, and political macro forces that shape the evolution of markets.'
 - The marketing objective shifted from profit to stakeholder benefits — providing value for both customers and employees.'

Value Chains vs Supply Chains

Supply chains



Supply side push

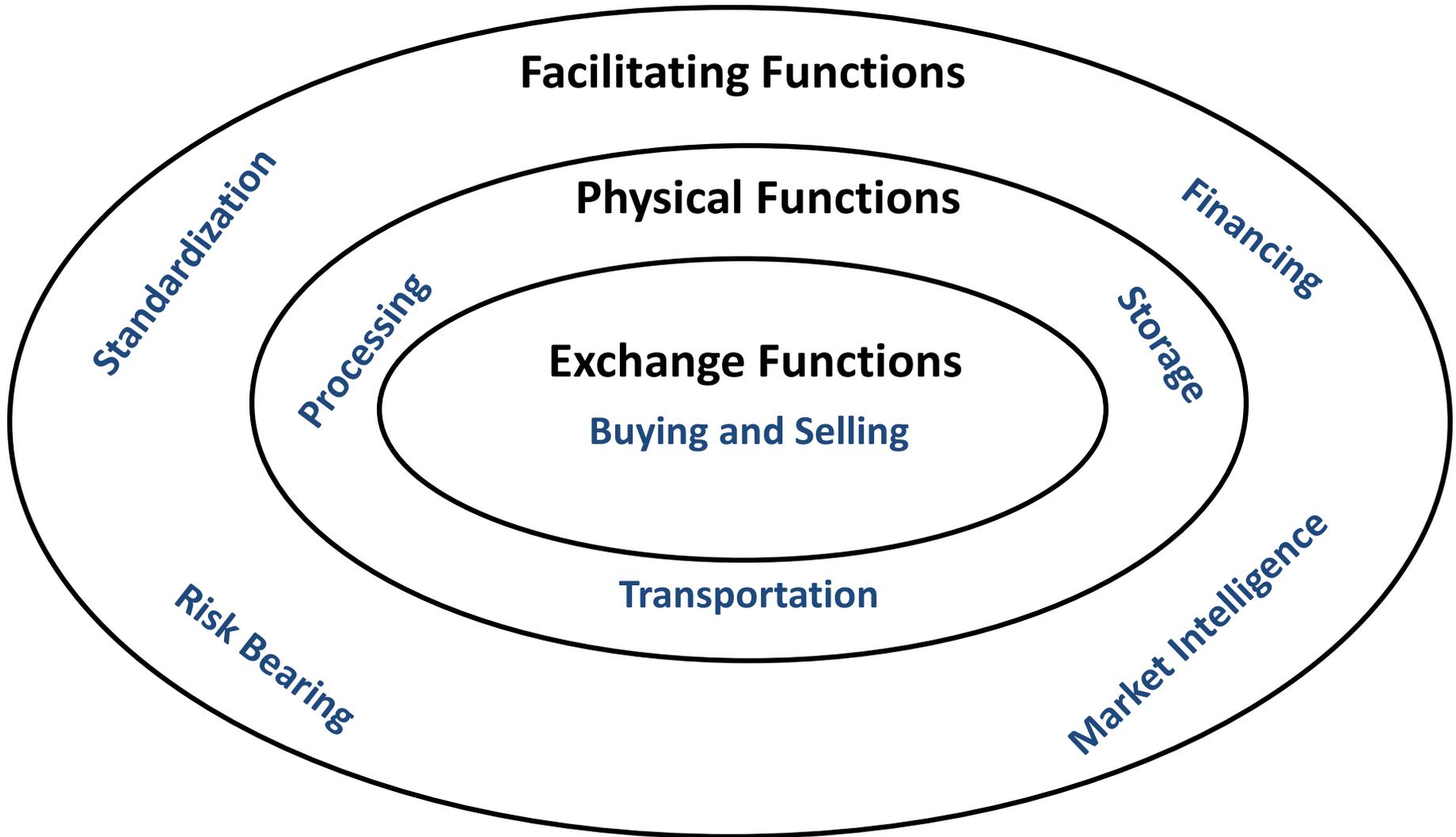


Value chains

Market demand pull

Knowledge, information, innovation, power, efficiency, value

Economics Perspective: Marketing Functions



Food Marketing Environment

- Food market is affected by many different forces
 - sociological
 - government regulations and policy
 - international trade conditions
 - science and technology
 - weather and other conditions affecting harvest conditions
 - Climate change
 - economic cycles
 - competitive conditions
 - media

Marketing



- “A social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and services with value to others.” (p. 7, Kotler et al. 2007)
- Marketing is about influencing consumers’ perceptions of value
- More than advertising or selling
 - determining what customers want or need;
 - supplying the customer with the goods and services to satisfy these wants and needs;
 - doing so at a price that shows a profit to the business

Marketing involves

- creating or refining the form, time, place and possession of commodity into a product and increasing its value to the consumer
- Bringing buyers and sellers together
- Establishing prices
- Making products more desirable
- Moving products
- VALUE ADDING

Market Orientation in Food and Agriculture

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Market Orientation

- Market orientation involves acquiring, possessing and using market intelligence
- Definition:
 - The organisation-wide generation of market intelligence, pertaining to current and future customer needs, dissemination of intelligence across departments, and organisation-wide responsiveness to it. (Kohli and Jaworski (1990, 1993))
 - Generation of market intelligence,
 - Dissemination of market intelligence,
 - Responding to market intelligence to create competitive advantage.

Market Intelligence

- What determines the value **customers** place on a product
 - Physical product, packaging, distribution, services
- Do **customers** perceive differences in product quality?
- Do **customers** differentiate value according to quality, usability, cost?
- How price sensitive are **customers**?
- How will **customers'** value perceptions change over time?
- Who are the main **competitors** in the market?
- How do **competitors'** products compare to ours?
- Can **competitors** replicate our skills, resources or competencies?
- Where are **competitors** likely to invest?

Market Intelligence = Market Research

- 2 types of information
 - Determinants of *customers'* value perception
 - Determinants of costs
- 2 units of analysis
 - **Competitors**
 - **Customers** (potential or existing)
 - Immediate customers (firms in value chain e.g. traders, wholesalers, processors, retailers)
 - End consumers

Market Intelligence

- Collection of information about perceived customer values and costs is the generation of market intelligence.
- **Market intelligence** is information about variables from which inferences can be made about opportunities for a firm in a market.
- **Market research** involves collecting information about perceived customer values and costs,
- Thus, **market research** is the **generation of market intelligence**.



Competitive Advantage

- Firms which consistently perform better than others in the same market have a competitive advantage
 - Return on investment (ROI)
 - Return on sales (ROS)
 - Profit measures
- 2 Factors affect competitive advantage
 - Customers' *perceived value* of products/services
 - *Costs* incurred in creating value
- *Positional advantage* if higher perceived value and/or lower relative costs than competition



Competitive Advantage



Figure 1.1: Perceived value, delivered costs, and positional advantage

Marketing Strategy

“Game Plan” based on market research

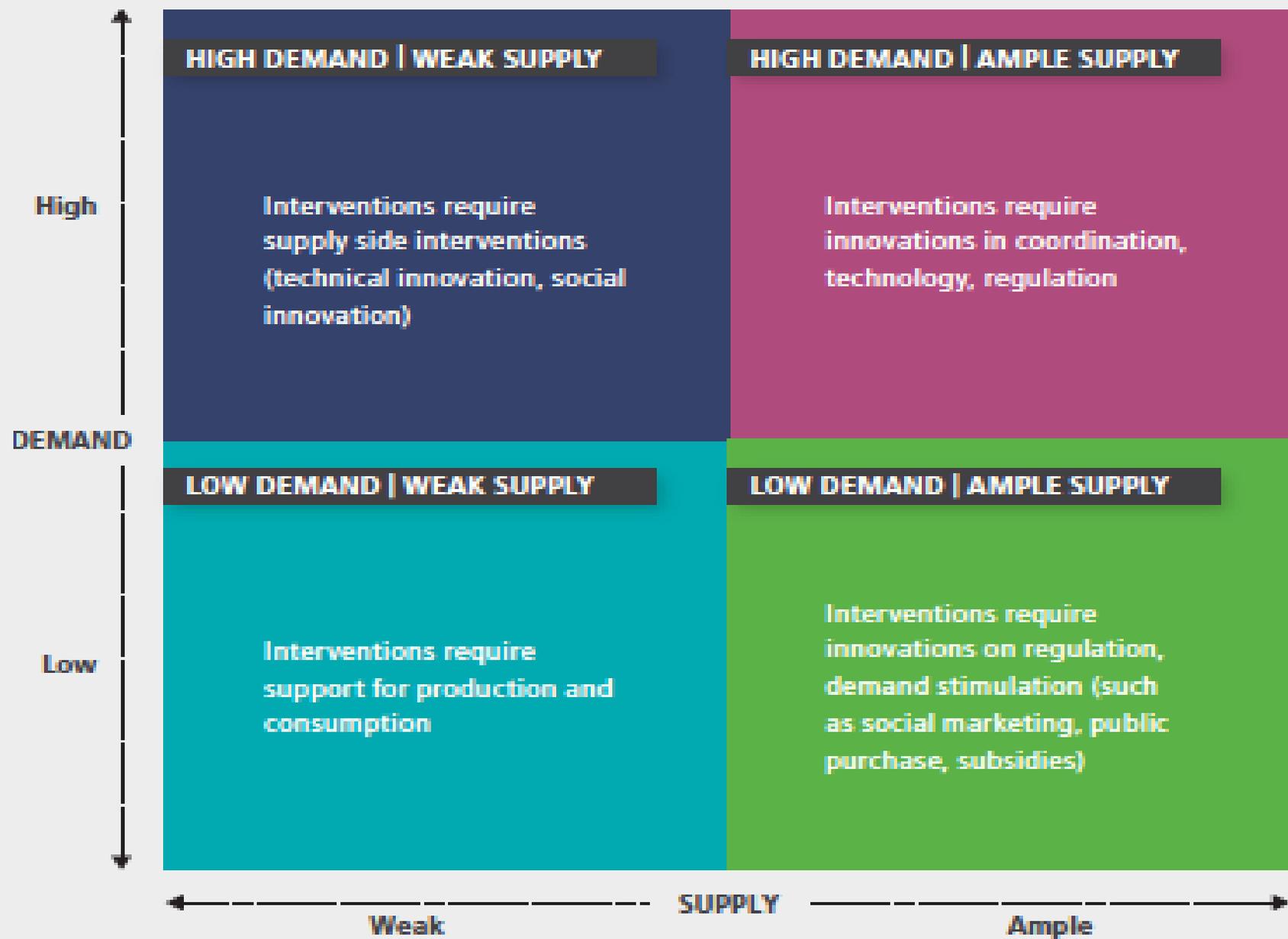
- Used to accomplish marketing objectives
- “Position” you are going to take in the market
 - Product
 - Price
 - Place - distribution
 - Promotion
- In order to determine your position and “target market” you need to understand the key characteristics and drivers of behavior of different market segments
- Market research is fundamental, crucial or key to determining marketing strategy

Market Research Objectives

- What is the purpose of the research?
- What type of “market intelligence” do I need?
- What information is being sought?
 - Market fundamentals?
 - Customer information?
 - Who is the customer?
 - Who are the competitors?
 - What is the marketing environment and what do I know about it?
- What information is already available?
- How will the information be used?
- What is my budget?
- Timelines?

Market research questions (general)?

- Who buys the type of product or service offered?
- What is the present size of the market?
- What is the market's growth potential?
 - What is driving growth and how long is it likely to last?
- How can the needs of the market be satisfied?
- How will the product or service be priced to make a fair profit and be competitive?
- What competition exists and can I compete with them?
- How will customers be attracted and maintained?
- How can the market be expanded?
- What are the risks in the market?



Source: A. Gelli, C. Hawkes, J. Donovan, J. Harris, S. Allen, A. de Brauw, S. Henson, N. Johnson, J. Garrett, and D. Ryckembusch, *Value Chains and Nutrition: A Framework to Support the Identification, Design, and Evaluation of Interventions*, IFPRI Discussion Paper 1413 (Washington, DC: International Food Policy Research Institute, 2015).