

AGRIMARK NEWS



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UNDERSTANDING CUSTOMERS

By Michael O'Keeffe

Popular management books such as "In Search of Excellence" stress the importance of organisations developing and maintaining close links with customers—staying close to your customer. As companies grow, and as the marketing environment becomes more competitive, it is vital that an on-going program of collecting infor-

mation on a company's customers and consumers be initiated. Marketing research assists managers in this task.

However, we strongly believe that marketing research should be integrated in the overall system of developing closer links with the customer or consumer. Thus, to be of maximum benefit to the client, market research should act as a catalyst in assisting all levels of the organisation *understand* the customer or consumer.

In the rural area most organisations require feedback from their consumers—the farmer, as well as their customer—the distributor or retailer. As the needs of both groups are markedly different, the marketer therefore must tailor the marketing mix to provide value to each group. One of the major benefits of marketing research is to clearly identify and quantify what is of value to the customer and consumer.

However, all too often research is seen as market share information that assists the marketing group—and tends to be viewed with suspicion by the sales force. In this instance research, in fact, may retard the organisation's development of greater customer orientation.

Marketing research should be seen by the sales force as helping them understand their customers and consumers. Thus, one of the most rewarding and enjoyable tasks to the *Agrimark* researcher is presenting and discussing the results of a project with the field force. Discussing the customer's (or consumer's) buying motives, attitudes and behaviour is extremely useful to the sales person. Thus, research is an integral part of a company's strategy of remaining "close to the customer."

One question that marketing (or product)



managers should continually ask when reviewing their budgets is, "Given the amount of money we've spent on marketing research, has this increased our understanding of the customer, and how can this understanding be utilised in developing more effective marketing strategies?"

It is critical that data be transformed into information, and information into understanding. It is the *understanding* that drives marketing strategies.

Therefore, to be of maximum effectiveness, a marketing research project should address the information needs of different groups in the client organisation.

General management needs to know how broad changes in the marketplace will affect the company's overall strategies. *concluded overleaf*

MICHAEL O'KEEFFE

Michael O'Keeffe joined *Agrimark Consultants* as market research director after considerable experience as a practical farmer and marketer.

Following graduation from Sydney University in 1974 with a B.Sc.(Ag), he spent seven years working on properties in NSW as a station hand, overseer and farm manager.

Then followed three years as a technical sales representative with a major agricultural and chemical company before being promoted to product manager—new products.

During this time he completed a Graduate Diploma in Marketing with distinction at Mitchell College of Advanced Education and won the S. C. Johnson award in a national essay competition open to all marketing students in Australia.

Michael O'Keeffe has given lectures and talks to agribusiness students, at seminars and to the Market Research Society of which he is treasurer of the Victorian Division.

VIEW POINT MERGERS, TAKEOVERS AND AGRICULTURAL RELATED INDUSTRIES

By Professor Bob Officer

In recent years we have seen a spate of merger and takeover activity throughout the economy and agricultural related industries have featured prominently in this activity. The media and government regulatory bodies, such as the Trade Practices Commission, the National Companies and Securities Commission and the Industrial Assistance Commission have all been involved to varying degrees and with varying responsibilities in these activities. One of the major concerns the public has expressed through the media has been the effect these mergers and takeovers have on the concentration of firms in an industry and the likely detrimental effects on competition.

It is the responsibility of the Trade Practices Commission, through Section 50 of the Trade Practices Act 1974, to ensure that any merger or takeover does not lead a firm into a position of dominance in the market in which the merger or takeover is being conducted. The Trade Practices Commission has the authority to block such a takeover or give authorisation to the takeover in the situation that there is dominance, but there is some redeeming public benefit in the merger or takeover.

Agricultural related industries that have featured in this takeover activity have involved food processing industries such as frozen vegetables, flour, meat including poultry and dairy products. Typically, large conglomerate companies such as Elders IXL, Goodman Fielder Wattie and Adelaide Steamship have grown through acquisition and

this has given rise to concern particularly amongst farmer organisations and groups. The concern, not surprisingly, is that the firms in the industry will have sufficient market power to behave as a monopsonist, i.e., the ability to force down prices of the raw materials that they are purchasing. Arguments have been advanced pointing out the threat of this market power as shown by the high concentration of the total product market that is being controlled by such organisations.

However, while each case must be judged by its merits, it is my belief that the adverse reaction by farmers and others is, in general, overreacting, and this results from too narrow a focus on the issues involved in the merger.

One of the major factors contributing or encouraging merger activity is the increasing internationalisation of processed food products. Many of the old local or national name brands have given way to international brands that enable the processor to benefit from economies of scale in advertising, sourcing of material and financing of operations. It is important that Australia does not rigorously enforce its competition laws to an extent that it leaves the Australian industry in a fragmented state unable to effectively compete against large international commodity traders and food processors. It is in the interests of Australian farmers that it is Australian companies that become the large multinational food conglomerates that attract so much adverse comment rather than foreign multinationals. Not only will the Australian companies be more able to compete inter-

nationally against foreign companies, they are also more likely to source the raw material from Australia, a consequent benefit to Australian producers.

Too often the concern surrounding a takeover results from fears of dominance in a small—by international standards—local market when in fact what is driving the merger are the rewards from economies and internationalisation of the products that the companies produce. It would be a mistake, if, in order to preserve the number of competitors operating in a local market, a takeover or merger was blocked which effectively prevented Australian companies from evolving economically into one of these large multinational companies. While the short-term benefits may be to preserve a level of buying competition, the long-term costs are a less competitive Australian industry and the associated detriments to Australian producers.

In my opinion, too often those responsible for competition policy focus on too short a time frame in their assessment of competition. Competition is not an instantaneous process and a takeover may result in a temporary market power in a local market. However, where there are no significant barriers to entry, time will see this temporary power eroded as other companies see opportunities for enhancing their profitability by entering a market where there is lack of competition. Clearly, where prices are forced down because of some element of monopsony power such a market is more attractive to other buyers of products. However, it takes time for the recognition of such power and also time to put in place strategies and plan for a competitor to enter such a market.

The implication is that it is important for those farmers and related agricultural groups when they lobby a government's regulatory agencies against a takeover that they are fully cognisant of the wider ramifications of the takeover and that they do not become obsessed with the number of competitors operating in that local market. The short-run cost to competition in the local market may be more than offset by the long-term benefits of a dynamic and growing group of domestic companies which are able to effectively compete in the international arena. In short, a full analysis of the broad state of competition, more particularly, international competition in food processing, is required before there should be any reaction solely on the basis of takeover that may lead to concentration in a smaller domestic market. **AM**

Professor Bob Officer is AMP Professor of Finance, Graduate School of Management, University of Melbourne. He graduated in Agricultural Science from the University of Melbourne and holds a M.Agr.Ec. degree from the University of New England and Ph.D. from the University of Chicago.

UNDERSTANDING CUSTOMERS

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Product and marketing managers need to know how research can help them develop and implement more effective promotions and advertising, and distribution and pricing policies. They also need to know how research contributes to an overall understanding of the marketplace and leads to the development of long-term strategies.

Field Staff need to know how research can give them a clearer profile of the most likely buyers of the products in their portfolios.

Usually, the research program, as distinct from a particular project, is concerned with three broad questions:

- How many people, and what sort of people, like or buy particular goods, and what is our market share?
- Why people like or buy particular goods. What they like most about them—or often more importantly—what they don't like about them and why they don't buy them?
- How can this knowledge be used to develop marketing strategies that will help us achieve our objectives?

Thus, there is a fundamental need for market research to profile existing behaviour, but it is from the second step that strategies emerge. It is the issues and the understanding behind the figures that provide the key.

In the early changing, highly competitive marketplace today, the issues are rarely clear and straightforward. Thus, the understanding of different groups of customers cannot usually be explained by simple demographic measures such as farm size. More often than not markets must be segmented according to awareness, attitude, behaviour and variability.

We believe that this is the creative component of marketing (and marketing research), and requires a close working relationship between the client and the researcher. An understanding of the agricultural industries is an integral part of the researcher's skills.

Recently there has been a great deal of attention placed on sustainable competitive advantage. However, the focus is generally on deriving competitive advantage from factors associated within the firm. Our objective is to develop powerful ways of segmenting the market to lead to consumer-based sources of competitive advantage. **AM**

DOWNEY/JACKSON MEETINGS

Dr. David Downey, Purdue University and Mr. Michael Jackson, Agribusiness Group, conducted well-attended seminars and workshops in association with *Agrimark Consultants*, in Sydney and Melbourne during May. Some of the delegates are pictured.



Managing director of *Agrimark Consultants*, Richard Hely, left, with Dr. David Downey.

(Stock & Land photo)



The Coopers Animal health team hams it up at the Sydney workshop sporting Purdue University caps presented by Dr. Downey. From left, are, Robert Hanna, Steve David, Tim Harbutt and Diana Westwood.



Mr. Michael Jackson pictured with one of the Melbourne workshop groups, from left, John Ely, Vivco, SA; John Saxon, Horsham Chemicals; Wayne Gotch, IAMA, and Greg Mahon, Ciba Geigy.



At the Melbourne seminar—John Thompson, left, and Domenic Luca of the Ralph McKay agribusiness group. (Stock & Land photo)

VIDEO AVAILABLE

A Special 25-minute video has been produced featuring Dr. David Downey and Mr. Michael Jackson during their visit to Australia.

Its theme is "The Changing World of Agriculture and Implications for Agribusiness Suppliers." It is available in VHS format as part of a unique *Agrimark* package focusing on managing change.

For information on how the video can be incorporated into sales conferences and dealer meetings, please contact Richard Hely at *Agrimark*, telephone (03) 417 2533.



Melbourne workshop group, from left, Ian Vivian, Vivco; Kel Stokes, Dupont; Roger Cotton, IAMA, and Leo Haarsma, Cummins, SA.



FARM SCENE

Andrew Young was recently elected national president of the Australian Farm Management Society. He manages a predominantly grain-growing property just north of Horsham on the Kalkee plains in Victoria.

Consistent with other farmers, Andrew did not name production related issues when asked to nominate the major challenges he faces as a farm manager. However, he said farm profit was very sensitive to yield and production achieved, hence he was always searching for better methods to increase yield. He explained that as the farm expanded it paid to spend more time on marketing and financial management issues—and to employ someone else to sit on a tractor.

He and his partner recently spent 800 man hours investigating management issues, such as the optimum machinery size for the property. He said that this was productive time.

The two major challenges facing Andrew are:

- The image of agriculture
- Marketing of their produce

Andrew is in the process of raising finance for farm expansion and restructuring and has been

surprised at the perception of Melbourne professionals towards farmers.

"They think that because you're farmers you're pretty hopeless," he said.

"Because the people from Melbourne—both in the private and public sector—'set the rules,' this is an important perception. It is therefore more difficult to obtain a loan tailored to each individual's situation."

He said a Melbourne accountant did not believe they were full-time farmers after seeing the quality of their proposal.

On the marketing side, Andrew said, "It's all right to produce it, but that's not much help if you can't sell it." It concerns him greatly that farmers are not receiving the correct price signals from the market. On the one hand farmers are urged to produce quality, but on the other, are not paid a quality premium. In the example Andrew gave on peas, the farmer who delivers peas that must be cleaned prior to export is paid the same price as the farmer who delivers clean peas.

Although admitting he was unsure of how or where the price signals were being distorted, Andrew said he felt it likely that the consumer was not being satisfied and that farmers would suffer in the long run if consumer needs were not being met. In this situation farmers were not motivated to respond quickly to changes in consumer demands.

"I get the impression that grain traders direct farmers to produce the crop with the best margin, not what the market demands.

"I believe there is an opportunity for co-operatives to emerge as a marketing force in the future, despite their past poor track record.

"The successful co-operative in the future will be the one that keeps in touch with the consumer," Andrew Young said.

MARKET RESEARCH APPOINTMENT

Agrimark Consultants is pleased to announce the appointment of



Nicki Marks to the market research staff. She is an agricultural economics graduate of the University of New England and for the past three years has been employed as a research consultant with the Queensland Department of Primary Industries.

In this position she worked closely with groups of primary producers in researching markets and developing marketing strategies.

Agrimark managing director, Richard Hely said that as clients demanded a more specialised market research service orientated towards their specific requirements, the company was responding by committing further resources to this area of the business.

REFERENCE POINT

- A SUMMARY OF USEFUL FURTHER READING

Industry discussion at the recent *Agrimark* seminars highlighted two areas of keen interest to managers:

- The difficulty in implementing segmented marketing strategies.
- The importance of distribution strategy and distributor relationships.

Reviewed articles in this edition address these key issues.

MANAGING MARKETING IMPLEMENTATION

Bonoma, T. V. and Crittenden, V. L.

In this excellent article the authors disagree with the widespread assumption that strategy drives practice, and that practice does not affect strategy. They analyse the implementation of marketing strategies through a matrix of four struc-

tural variables—actions, programs, systems and policies—and four management skills variables—interacting, allocating, monitoring and organising.

After forty-five case studies on marketing implementation problems, they identified a number of routinely occurring execution difficulties.

- monitoring marketing efforts
- allocating marketing resources
- sales force management
- the implementation of pricing moves
- channel management

They found it was "not the absence of operations problems, but rather the quality of coping with them that seemed to measure marketing productivity."

The article concludes with a discussion on the relationship between structures and skills, and the interaction with market change and task complexity.

These five serious execution problems with direct implications for managers are presented:

- Management by assumption
- Global mediocrity
- Empty premises marketing
- Program ambiguity
- Ritualisation and politicalisation

Sloan Management Review, Winter 1988, Pages 7-14.

CHARACTERISTICS OF THE INDUSTRIAL DISTRIBUTOR'S INNOVATION ACTIVITIES: AN EXPLORATORY STUDY

Young, E. and Lilien, G. L.

This study, which utilised an Australian data base of 135 industrial firms, investigated the potential role of the industrial distributor as an active partner in product innovation.

The findings suggest that an active involvement by the distributor in the marketing of new products can reduce the market-newness problems.

The authors suggest future research should focus on the strategic interaction between the manufacturer and the distributor.

Institute for the Study of Business Markets, The Pennsylvania State University, 1987.

MOTIVATION AND DISSATISFACTION OF INDUSTRIAL SALESPEOPLE

HOW RELEVANT IS HERZBERG'S THEORY?

Shipley, D. and Krely, J.

The need for motivated salespeople and effective sales management is critical, especially as customers develop improved purchasing skills. (The North American experience is that larger farmers pay more attention to the purchasing function. Hence, it is reasonable to suggest that all rural retailers will need improved sales skills.)

The three major motivators (out of a total of 10 included) in the study were:

- self satisfaction from doing a good job

- satisfy customer needs
- meet family responsibilities

The three main dissatisfiers reported by salespeople participating in the study were:

- acknowledgement of effort
- company policy
- field support

In conflict with Herzberg's theory, the results of the study did not clearly separate motivator (content) and dissatisfier (context) factors.

A useful and interesting article for sales managers.

European Journal of Marketing, Vol 22, No 1 1988, Pages 17-30.

DISTRIBUTOR POWER VERSUS MANUFACTURER POWER

THE CUSTOMER ROLE

Butaney, G. and Wortzel, L. H.

Previous studies on distributor power have focused on the relationship between manufacturer and distributor. In this study the authors argue that customer market power also determines distributor power in industrial markets.

A number of useful items for measuring distributor power and customer market power (which *Agrimark* utilises in distributor research studies) are outlined.

The study, which was conducted in the electrical components industry, found that customer and manufacturer power interact, thus producing complex relationships.

Situations leading to high and low distributor power are discussed, depending upon:

- customer switching costs
- industry competition
- purchase volumes of customers
- information availability
- the stage of the product life cycle

A stimulating article for managers interested in the dynamics of distribution and distributor relationships.

Journal of Marketing, Vol 52, January 1988, Pages 52-63.

GAIN A COMPETITIVE ADVANTAGE

The recent *Agrimark* seminars with Dr David Downey and Mr Michael Jackson confirmed our feeling that the farmer's business partner or spouse is probably the most neglected target market in rural Australia today.

While many marketers investigate the influence of other farmers and retailers on the farmers' decision, the powerful influence of the spouse is often disregarded.

Times are changing!

Marketers (and retailers) who neglect the role of the spouse will be caught unaware by their more innovative competitors.

Agrimark's initial investigations show that the spouse is likely to have a major input (or, in fact, is the decision maker) in the following areas:

- financial services
- machinery expenditure
- capital expenditure
- chemical safety issues

Thus, the effectiveness of advertising in these categories can be, in part, determined by the business partner.

Agrimark is developing a number of research projects and methodologies to investigate the role of the spouse—with the objective of leading to more effective marketing strategies—your marketing strategies.

For more information on how this may meet your needs, please phone:

Michael O'Keefe or

Nicki Marks at *AGRIMARK*

on (03) 417 2533



37 Oxford St, Collingwood
Victoria 3066 Australia
Telephone (03) 417 2533
Facsimile (03) 419 1664

Richard Hely	Managing Director
Michael O'Keefe	Marketing Research Director
David Shipley	Associate Director
Trish Hely	Personnel Director
Nicki Marks	Research Consultant
Marg Graf	Training Course Co-ordinator