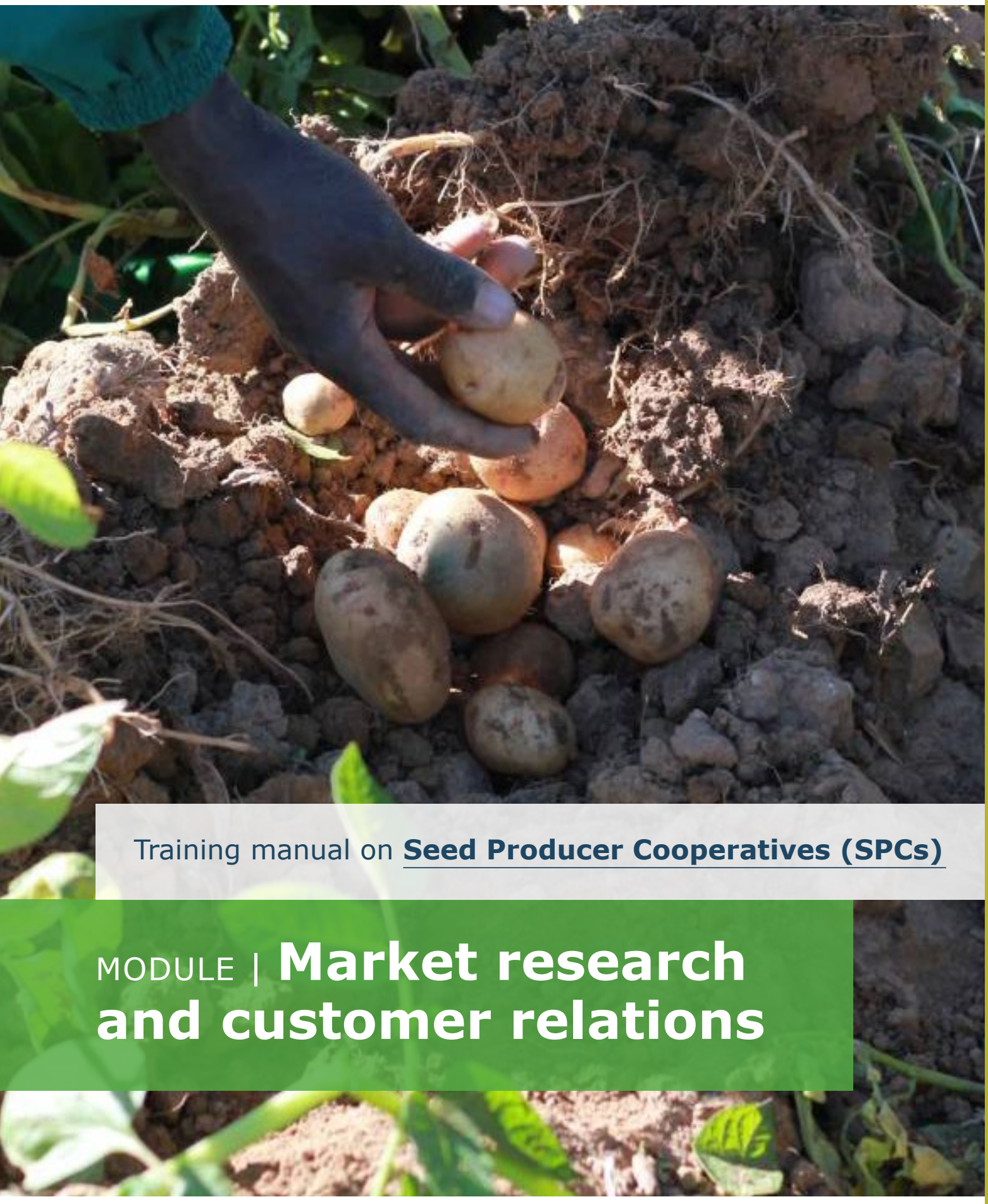
INTEGRATED SEED SECTOR DEVELOPMENT
PROJECT ETHIOPIA



Training manual on **Seed Producer Cooperatives (SPCs)**

MODULE | Market research and customer relations

WAGENINGEN
UNIVERSITY & RESEARCH

Colophon

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Contents

Market research and customer relations

This training module aims to support the capacity building processes of professionals involved in the strengthening of SPCs in Ethiopia by zooming in on elements related to market research, demand assessment, and customer relations. Please note that the module on seed marketing for SPCs (promoting your seed products and getting people to buy your products), builds on this module, with its focus on market research (understanding and knowing your specific seed market).

Trainers can make use the information and facts from this manual as input to tailor design their own training sessions. The assignments and reflection questions in this manual can be used as inspiration to engage participants through interactive training sessions that build on their personal experience and insights.

This module brings together experience and learning from the Integrated Seed Sector Development Programme in Ethiopia (ISSD Ethiopia) that operates within the BENEFIT-Partnership programme in six regions.

This module could be tackled in a single training session. It explains how market research, demand assessment and customer relations can improve the efficiency and effectiveness of SPCs.

Overall learning objectives for this module

By the end of module seven, participants will have learned about and be able to discuss the following questions.

- What is market research, and how can it be used by SPCs?
- What is demand assessment, and how can it be used by SPCs?
- What are the key features of customer relations, and how can these improve outcomes for SPCs?

SECTION 1 Market research

When you plan to market goods and services, it is fundamentally important to have updated and relevant information in relation to what, where, when and how to produce the goods and services in question, and how to market them. Good market information can help you to know about the number of potential customers, their distribution and purchasing power.

Market research is concerned with exhaustively searching for facts relevant to the market problem in question. The problem is analysed systematically and the information generated is used for decision-making in the marketing of the product. In other words the, function of a market information system is to supply market information, whereas problem analysis is the job of market research. The difference between market information systems and market research is outlined in table 1.

Estimating and forecasting accurate seed demand is a critical issue for seed producers. If this is not done correctly there will be a mismatch between seed demand and supply.

Table 1: Differences between market research and market information systems

Market research	Market information system
• operates on specific problems	• uses both internal and external information
• concerned with solving problems	• focusses on preventing complaints and solving problems
• emphasis is on handling external information	• is a continuous process
• focusses on past information	• tends to be future-oriented
• pertains to a particular field of activity	• suggests solutions to problems of the entire organization

1.1 Purpose and scope of market research

The main objectives of market research are to do the following:

- understand the economic and technological factors affecting the sales volume and their opportunities
- understand the competitive positions of competing products
- evaluate the reactions of consumers and customers
- study the price trend, nature of the market, it's location and its potentialities
- understand the system of distribution and find new methods of packaging
- understand the advantages and limitations of their products.
- analyse the current and the future market size
- know demand and the customer's acceptance of the products
- measure the effectiveness of advertising and profitability of different markets
- find solutions to problems relating to marketing of goods and services.

Note: *The absence of appropriate market research leads seed producers to have leftover products that are not sold, which in turn reduces their profit.*

1.2 Major areas of market research

Market research comprises a series of research components.

Research focused on the market:
this looks into

- market trends, market share and market potential
- the dimensions, locations, nature and characteristics of markets, based on the variables such as age, sex, income, education, occupation, and religion
- "who, what, when, where and how" questions about actual and potential buyers.

Research focused on the product

- looks into the development of new products, brand images, concepts, quality assurance, and testing of markets for a new product
- analyses the strengths and weaknesses of present products in relation to diversification, simplification and so on.

Research focusing on sales

- looks into forecasting of sales, quota selling, and sales designing
- analyses the performance of products and services, sales performances, and volume of sales.

Advertising and promotion research

- focuses on measuring the effectivity of different methods of advertising and promotion tools, for instance media, merchandising and packaging.

Business growth research:

- measures image and profitability, mergers and acquisitions; includes economic and technological forecasting.

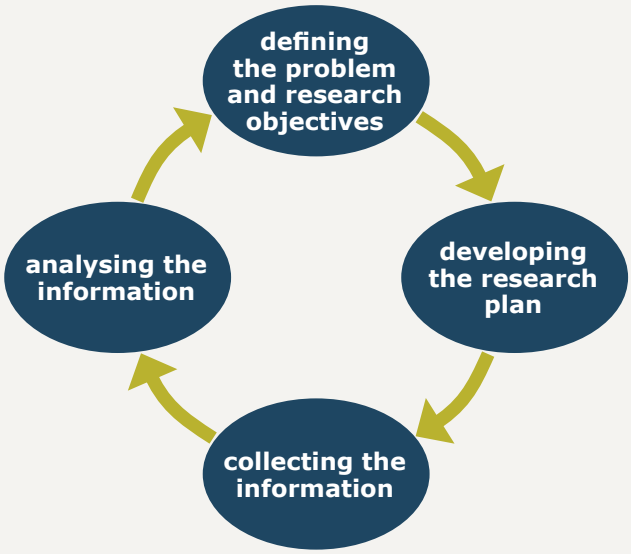
Business economic research:

- is concerned with economic forecasting, planning, and business trend analysis (prices and profits).

1.3 The market research process

Market research is cyclical; that is, it is continually repeated. It is also iterative; that is, each time it is repeated, the aim is to come closer to the desired result.

Figure 1: Market research process



Defining a research objective: define the problem carefully and agree on the research objective.

Developing a research plan: gather the required market information. Managers should have knowledge about market research, and know how to interpret the findings, before the research plan and budget is approved.

Collecting the information: this is done using both primary and secondary data sources. *Primary data sources* are original information on the specific issue, and provides strongly reliable information. *Secondary data sources* are pre-existing, and often not so specific, but tends to cost less and is quickly available.

Analysing and presenting the results: the analysis uses simple descriptive statistics (mode, mean, median etc.). The results can be presented narratively and through graphs, figures and tables.

At this point, the market research cycle starts all over again, making use of the results and integrating the learnings from the research to redefine the objectives and approach.

For the specific case of SPCs, this is the moment where the research findings and learnings are shared with the general assembly of the SPC. The general assembly together with the management committee make strategic decisions on the basis of the knowledge and experience derived from the market research.

1.4 Market information

Gathering relevant market information is crucial in order to make informed decisions. There are many types of market information. Some examples are provided in the table below.

Table 2: types of market information

Types of Market information	Examples
Economic and political factors	Agricultural policy, seed sector policy, seed legislation, infrastructure, industrial development, food sector, seed import & export regulations
Market place information	Size, volume and value of seed, seed demand and supply trends, seed imports and exports, transport
Businesses and their products	Image and reputation, dealers & farmers' satisfaction feedback, responsiveness level for customers need and change, why farmers choose their products, new products
Competitors	Market share by crop variety, new varieties on trials, distribution systems used, number and location of outlets/sales, seed pricing for distributors and farmers, price history, margins and commission, promotional/ advertising activities, extension, packaging, dealers shared with other suppliers and the quantity they sell for each company, competitors' responsiveness to customers' needs and changes in the market
Distributors	Location, method of communication, purchasing pattern & history, factors limiting purchase of products, financial soundness, the level of support they need
Farmers	Factors that limit farmers' demand for seeds, land ownership and decision power of purchasers, access to credit, agronomic problems (pests, literacy level, transport availability), farmers' sources of information
Weather	When to expect rain, drought, frost and so on
Traders and industrial users	The product use, available marketing arrangements for farm produce, quality requirements, price premiums available to the farmer, contract growing systems

In Ethiopia, market information related to agricultural inputs and outputs is mainly collected by the Bureau of Agriculture (BoA). The BoA collects information regarding the seed demand from farmers and uses that information for forecasting. Information obtained is summarized at different levels starting at the woreda level and progressively moving to zonal agriculture offices, regional offices of the bureau of agriculture and finally to the level of the Federal Ministry of Agriculture.

This approach has allowed the BoA to assess regional demand for certified seed of different crops and varieties. In addition, seed unions collect information about the demand of basic seed from the affiliated seed producer's cooperatives and share this information with the woreda office of agriculture. SPCs should be encouraged to make use of the BoA forecast and where possible take part in the local data collection efforts in support of accurate, field based the forecasting.

SECTION 2 Demand assessment

Poor demand assessment can either lead to overproduction or underproduction. Both can cause serious financial problems for seed producers.

Too much carryover and stock write-offs will be costly, while a lack of seed will constitute not only loss of revenue but also a source of frustration for the sales force and the dealer network. Further, the combination of special features in the seed industry, such as the prolonged length of time required for new product development, seasonality of production, climate variability, quality standards, seed generation, shelf life capacity and multiplication ratio of crops, makes the accurate assessment of seed demand even more critical. Assessing seed demand is challenging for Ethiopian SPCs, as any farmers store their seeds and do not replace seeds on a regular basis.

The first step in demand forecasting is to calculate the existing requirement which is the amount of commercial seed that is purchased by farmers. When calculating seed requirements consider seeding rates, whether for grain or forage, irrigated or rain fed, transplanted or not. It is also important to define the various categories of seed that exist in the market, as an understanding of these will assist in the assessment of demand.

2.1 Factors affecting seed demand

According to the FAO, for a seed seller, demand is considered as the quantity that buyers are willing and able to purchase at a particular price and time. This is called effective demand and is not the same as seed requirements (nominal demand). It is key to identify the amount of seed farmers are actually going to buy and to differentiate that from the amount of seeds that farmers would like to buy and the amount of seed that the government would like them to buy. The total amount of certified seed supplied (effective demand) may be quite a small proportion of the total requirement (nominal demand).

Table 3 provides some details with regard to the different factors that need to be considered when forecasting seed demand.

Table 3: Factors affecting seed demand

Factors for demand assessment	Description
Cropping pattern & intensity	Extension of irrigation areas, development of double cropping systems and multiple cropping of intensively grown crops, competing crops, new crops, crop rotation
Seed use	Type of seed used (non-hybrid or hybrid), farming systems, irrigated or dry land, seed grade used
Climate	Rainfall and temperature patterns
Demand for crop products	Commodity demand; export demand; agro-industries demand
Market situation	Commodity prices; yield levels; prices of seed and other inputs, farm costs; cost of growing competing crops
Disposable farm income	Credit access, seed cost, farm income
Rate or level of adoption of new technology	Farming techniques; mechanization; hybrids replacing non-hybrid varieties; adoption of new varieties and certified seed
Government policy	Subsidies and other inducements such as price support and credit; privatization; extension programmes; import or export policy and duty levels
Crop cycles	Good years and poor years occurrence; natural disasters presence
Habits and traditions	Socio-economic factors
Product performance	Comparison with alternative varieties
Competitiveness	The choice the farmer has of using alternative varieties and suppliers; comparison of suppliers in terms of reputation, suitability of supply, and its customer support
Price	Comparison of prices with alternative sources.

2.2 Demand forecasting

There are a variety of methodologies for seed demand forecasting, ranging from simple to complex approaches. Simple demand forecasting techniques are preferred for seed producers and partners.

Forecasting the future is always difficult, especially when multiple variables come into play. However, market analysts attempt to estimate future trends and demand based on primary and secondary market information sources. The information below serves as an introduction only: expert advice should be consulted for detailed studies.

a. Time series analysis

Time series analysis is a forecasting technique that analyses data covering long period of time. Different approaches are used:

- **Trend fitting**
  Where actual historical data is plotted and the trend is projected.
- **Moving annual averages**
  Uses smooth data in time series, cyclical or random fluctuations. This is the most common method to estimate seed demand.

Example: A seed producer cooperative has registered accounts of their sales of teff seed over four years: 200 Qt (2015), 350 Qt (2016), 400 Qt (2017) and 500 Qt (2018) Calculate the demand for teff in 2019 using a four year moving average method?

Years	Seed demand for teff
2015	200
2016	350
2017	400
2018	500
2019	?

Using data from four years to calculate teff seed demand of the seed producer cooperative moving average method to calculate is (200+350+400+500)/4= 362.5 Qt

- **Exponential smoothing**
  This approach gives additional weight to historical and recent data.
- **Statistical demand analysis**
  This methodological approach requires expertise knowledge and computer access. This technique is mostly utilized by large and complex companies.

b. Regression analysis

With regression analysis approaches, equations are developed that relate the volume of sales to a number of independent variables known to impact on sales performance. By drawing a line of regression (tracing a best-fit line) this type of analysis describes in quantitative terms the correlation between any two sets of data.

- Economic models: simple/multiple linear regression.
- Looks at the independent relationships of a number of factors.

c. Market tests

Market tests are applied to assess how consumers see newly developed products and evaluate their performance. This information is utilized to forecast the market options for the new product. There are a variety of approaches to conduct market tests. For SPCs it is important to target their potential consumer base and to involve them in field testing and dissemination at different stages of product development and sales. By offering small promotional test samples of seed to key farmers in a certain locality SPCs can indirectly engage local farmers in dissemination and mouth to mouth market. Surveys are commonly used in forecasting studies related to industrial products or consumer products. Through surveys users are asked about:

- seed demands and needs
- whether they would buy particular products
- future buying intentions in terms of volume.

d. Expert opinions

This is a qualitative technique utilized to forecast seed demand. Making use of the existing knowledge that is available locally, this approach is geared towards setting up an expert panel of distributors, dealers, retailers, market consultants, market research-

ers, trade association representatives, and other stakeholders, who provide their expert opinions on the trends and estimates of seed demand. The sales forecaster can then take account of this in designing their market strategy and developing a sales forecast.

A real life example of how to organize and set up expert opinion panels is the experience of ISSD supported seed producers who organized field days and invited many different stakeholders to get feedback and information on the product demand from different expertise, dealers, researchers, other seed producers and partners.

e. Marketers' opinions

In this approach, seed demand forecasting is primarily based upon past performances, trends, and experience gained. Based on these considerations demand or sales of the product for each market segment is qualitatively judged.

SECTION 3 Customer relationships

Good customer service is crucially important as it allows a business to build customer loyalty, retain customers for long periods and to resolve complaints quickly. Businesses exist to serve customers. For example, farmers are the customers of SPCs. Farmers who receive high quality seed from SPCs consistently and conveniently will become long term loyal customers and will tell other farmers how satisfied they are, creating mouth to mouth advertising that will allow the SPC's business to grow.

3.1 Recommended techniques to enhance customer relations

- Make your customers feel important. They're essential to your business.
- Make strangers feel as welcome as regular customers while they walk through your doors.
- The customer always comes first when it comes to your job priorities.
- Stay calm: engaging in confrontation with a customer accomplishes nothing.
- Avoid using interrupters: "We can't/won't ever use that…. Are you sure? No…" (when beginning a sentence).
- Send thank-you notes for purchases and for future business.
- Make customers feel free to call you if everything did not meet their satisfaction.
- Make follow-up calls after the sale. Answer any unanswered questions. This is the time you can correct gaps.
- Accompany customers to the right place rather than merely pointing and saying, "it's over there."
- Make the leaving as pleasant as the greeting. Always say "thank you" and "please come back and see us again".

Why are complaining customers important?

- They point out legitimate problems in your company.
- They reflect a larger group of dissatisfied but unspoken customers.
- They can become your most loyal customers.
- They provide insights into new processes, products, policies and procedures.
- They act as an inexpensive window to the market.

3.2 Dealing with customers complaints

- Carefully listen to your customer until he/she finishes. Don't get defensive.
- Ask questions in a good manner. Try to get more information to improve your understanding of the customer's perspective.
- Put yourself in the customer's shoes. A businessperson focuses on solving the problem rather than arguing.
- Apologize without blaming. Don't blame another person or department. Just say, "I'm sorry about that."
- Encourage the customer to propose possible solutions.
- Solve the problem quickly by yourself, or use someone else to solve it.

Reflection questions

In groups of three reflect on the following questions.

- What do you think is the most relevant function of market research for a seed business?
- Would it be of value for your SPC to obtain market information and base decisions on solid demand assessment?
- Is it feasible for your organization to do this?
- What are the risks for your SPC if you do not use market information and demand assessments to guide decisions and investments?
- What is the value of customer service for a SPC?
- What concrete activities can a SPC undertake to improve its customer service and relations?
- Is it feasible for your organization to invest in customer service and customer relations?
- What do you think might be a key missing element in seed demand assessment and customer relations?
- How can you apply your learning to meet the desired objectives of your organization?

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