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ECONOMIC COMMISSION FOR AFRICA

DEVELOPMENT OF AN EFFECTIVE SYSTEM OF MARKET RESERACH AND
PRODUCT IDENTIFICATION FOR INTRA-~~AFRICAN~~ TRADE

PART I

ECONOMIC COMMISSION FOR AFRICA

DEVELOPMENT OF AN EFFECTIVE SYSTEM OF MARKET RESEARCH AND
PRODUCT IDENTIFICATION FOR INTRA-AFRICAN TRADE
FIRST PART

PURPOSE OF THE PRESENT METHODOLOGICAL STUDY

The purpose of this methodological exercise is essentially practically oriented, aiming to provide some guidelines for marketing research concerned with the development of intra-African trade.

It has to be remembered that techniques and methodology of marketing research are of relatively recent origin and thus, in a process of constant development. As they have been conceived in developed market economies and consequently, adjusted to the prevailing socio-economic conditions of these markets, many of the concepts and methods need to be re-evaluated and adapted in order to be of use in a different socio-economic context such as those existing in African developing countries. In addition, the market investigator has to give attention to a number of specific factors influencing marketing possibilities and methods in these markets. As a consequence of this, the present methodology intends to incorporate two basic elements; the "classical" methodological elements inherent in every marketing research as, for instance, the basic market information required for an evaluation of the demand and supply, and their application to African conditions; and the socio-structural and psychological elements which have to be given special attention in marketing research work in African markets. Applied marketing research methodology in Africa is still, to a great extent, at the pioneering stage. The present guidelines, therefore, include the experiences over several years of field marketing research in the different parts of the region. However, and taking into account the changing pattern of demand, supply and trade in Africa, it goes without saying that also the methodology will have to be constantly revised and developed according to need and experiences of the field staff.

In order to give the theoretical framework a concrete substance, the methodology has been applied on a number of representative sample products from the four subregions of Africa, showing the consecutive phases of desk research for product and market identification and selection, pre-mission preparations and contacts, logistic preparations, activities in the field, identification of problems and conclusions as to penetration methods. The study will be revised and amplified in the coming years according to available material and experience.

1. Product selection criteria

1. The meat industry has a high potential in the region, as has been shown by the field studies carried out by the ECA/FAO Food and Agro-Industries Advisory Group in the last years.^{1/}

^{1/} Some aspects of the meat industry in African countries, A.J. Weitenberg, Food Industries Officer, ECA/FAO Food and Agro-Industries Advisory Group, 1975.

2. For many African countries meat is one of the most important earner of foreign currencies. Still African countries import most of their meat from outside the region. African annual imports of canned meat are about 19 000 tons, or almost the same quantity exported by African producer countries, mostly to extra-African markets.^{1/}
3. African meat is known to be of a high quality and possesses suitable characteristics, especially for processing, and could, consequently, compete with meat from other regions.
4. Africa will probably face a shortage of meat in the near future, if consumption rises as projected. It is projected^{2/} that Africa's population will increase by 2.9 per cent per year and could reach 430 million in 1980. It has been projected that meat (beef and veal) consumption will increase to 6.9 per capita that year and that therefore some 2 967 000 tons of meat should be available in the region. This means that Africa should have to increase production by 5.3 per cent per year during the last years of this decade in order to be able to satisfy her own demand. The present growth in production is 2.3 per cent consequently and unless productivity rises drastically in the coming years, Africa will probably face a shortage of meat at the end of the decade if consumption continues to increase at the present rate.
5. In spite of this, African meat imports from outside the region could, at least partially, be replaced by African suppliers, provided prices could be made competitive by improved productivity and lower transport costs, and the proper storage and transport facilities could be made available. There are examples when meat imports from outside the region have proved to be fifty per cent cheaper than imports from meat producing neighbouring countries, in spite of the long transports the extra-regional meat has to pay. This is mainly due to the high production costs of African meat in some producer countries.
6. The Fifth ECA/OAU Joint Meeting on Trade and Development recommended that ECA and OAU should explore the possibilities of concluding agreements between producing and consuming countries in the African region in respect of primary commodities, especially foodstuffs.
7. The unpredictable import situation in the traditional export markets, especially EEC with its present super-production of meat, should represent an incentive for African meat producers to diversify their export market by identifying new markets in the African region.

1/ Same: Food Industries in Tanzania, Mission report, 1976.

2/ Some aspects of the meat industry in African countries. A.J. Weitenberg, Food Industries Officer, ECA/FAO Food and Agro-Industries Advisory Group, 1975.

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Phase 1 : Preparatory desk research on product availability

8. Source material to be utilized

- (i) Reports on previous missions, especially of the Lusaka/MULPOC team, the Joint ECA/FAO Agriculture Division and the Joint ECA/UNIDO Industry Division all referred to actual and potential production in African countries.
- (ii) Production statistics (both national and FAO statistics)
- (iii) Foreign trade statistics (national and FAO/UN/ECA)
- (iv) Specialized surveys (FAO monthly surveys)
- (v) Other written source material (monographs, periodical publications, etc.)

9. Identification of main producer countries

An analysis of these sources shows that the countries of the subregion which could be included in the research are the following:

(i) Countries with well-developed meat industries:

Botswana, Kenya, Madagascar and Swaziland

Reasons: Their animal production is free from diseases and under veterinary control.

Carcas weight is higher than the average weight in Africa; meat processing is on an industrial scale and exports subject to regular EEC veterinary control, which allows them to export to developed countries.^{1/}

(ii) Countries with developed meat industries are Ethiopia, Tanzania, Somalia

The production of these countries is generally less advanced than that of group (i), in that:

- Their cattle are not completely free from diseases, and veterinary control and hygienic conditions are less developed;
- Carcas weight is considerably lower than for (i)
- They are not allowed to export unsterilized meat to EEC, since hygienic conditions of the slaughter houses do not meet the standards of developed countries. Yet pre-cooked, chilled and canned meat is being exported to several markets in Africa, Europe and the Middle East.^{2/}

^{1/} A. Weitenberg: Some aspects of the meat industry in African countries, 1975.

^{2/} Food Industries in Tanzania, A. Weitenberg 1976.

Phase 2: Establishing priorities as to the producer countries
to be included in the field marketing research

10. Reason for the selection: Limitation as to funds, time and
available expertise impose a system of priorities.

Criteria for the selection

- (i) Overall importance of the meat industry for the economy of the country taking into account the following factors:
 - Importance as an actual and/or potential earner of foreign currency.
 - Importance as a source of employment.
 - Production capacity and availability of raw materials
- (ii) Quality of production (including veterinary control and quality control)
- (iii) Competitive production costs and export prices.
- (iv) Previous export experiences.
- (v) Available surplus for export.

According to these criteria, the following producer countries are to be selected for the first field survey: Botswana, Madagascar, Kenya and Tanzania. These countries have all of them previous experiences in exports, principally to the EEC markets, but are presently facing marketing problems. This is valid especially for Tanzania and Botswana.

Phase 3: Product and target market selection on collaboration with trade
authorities, export promotion focal points and producers/
exporters in the selected producer countries.

11. Action to be taken :

- Establishing pre-mission contacts with the authorities and institutions mentioned above in order to agree on the timing of the mission.
- Visit the producer countries for consultations with the trade authorities and producer/exporters.

12. Purpose of the consultations

(i) To establish priorities of the products to be included in the field research taking into account:

- Actual and potential production capacity (Slaughtering, freezing, canning capacity, etc)
- Production problems
- Transport facilities (refrigerated transportation facilities, air transport etc.)
- Availability of labor
- Capacity(punctuality)of delivery.

(ii) To establish priorities as to the target markets, taking into account:

- Existing consumption, production and import of the target market
- Growth of income per capita
- Consumption and import trends
- Existing competition in the markets (statistical evaluation)
- Payment capacity of the target country
- Existing payment facilities and banking connections
- Existing preferential trade agreements
- Import policy and restrictions in the target country
- Quality requirements and preferences (is known)
- Transport links and costs.

13. These criteria allow the establishment of a tentative priority as to (i) and (ii) as follows:

(i) Products to be included:

Fresh, chilled, frozen meat
canned meat

Producer countries:

Botswana, Madagascar, Kenya
Madagascar, Tanzania, Kenya

(ii) Target markets: Zambia, Zaire, Egypt, Libya, Reunion, Ivory Coast, Congo, Ghana, Mauritius, the Seychelles.

(iii) First priority

Selection criteria: Proximity, existing transport facilities
Zambia, Egypt, Reunion, Mauritius, Seychelles

These markets are, consequently, to be recommended as priority targets, after which the final selection could be made in collaboration with trade authorities and producers.

Phase 4 : Field marketing research in selected markets

14. Pre-mission contacts and logistic preparations

General premises for the work of a field marketing research mission

Marketing research is a relatively new field of activity both in the ECA and in its member countries of which most are only undergoing their first experiences in export marketing in the African region. As such, it has its own characteristics and requirements as distinct from the "traditional" activities such as meetings and conferences, training courses etc., where dates and schedules of work are mostly known in advance to allow proper administrative and logistic preparations. A field marketing research mission ought to be prepared well in advance in order to ensure the following pre-conditions for success:

- Proper contacts in the field;
- Adequate work programme in the field;
- Adequate information material (prices, quality and delivery etc.);
- Punctuality;
- Optimal utilization of the time available;
- Proper working conditions and accommodations.

All this is required by the "businesslike" character of this kind of mission. Only too often a mission is rushed into the field without proper pre-mission preparation and contacts, to find that the UNDP office or the Embassy (as the case may be) and the national authorities supposed to provide a counterpart and information are unaware of the arrival and the purpose of the mission and, consequently, unprepared to receive it and provide the information required. Sometimes, both the preliminary contacts (UNDP offices and the Embassies) and the national authorities concerned may be having too many missions to be able to receive more at the relevant time. Moreover, the authorities in most African countries are very sensitive as to missions imposed on them at short notice. Such missions are already half a failure because of the attitude of the counterparts and the virtual impossibility to improvise appointments, in most African countries. A marketing research mission has to rely, to a great extent, on the business sector and the information provided by it and is, therefore, supposed to adopt a "businesslike" attitude as to punctuality and programming.

15. Pre-mission contacts

Consequently, pre-mission contacts should be:

- (i) Well in advance, taking into account the minimum marginal time required for mail and cable contacts and flight connections, and allowing the counterparts (UNDP, Embassies and/or national authorities) to react, positively or negatively, to the proposed mission. The latter may occur for instance in the case of a national or religious holiday (visiting a strictly Moslem country during Ramadan, as happened in one case), other missions visiting the country at the same time, or the travel abroad of persons in key positions from the point of view of the mission.

- (ii) Utilizing the proper channels of contact (UNDP offices in the case of UN missions and embassies in the case of national trade promotion authorities) and through them, the State authorities and the Chamber of Commerce and/or other associations of the business sector;
- (iii) Providing contact points well in advance with the following information:
 - Purpose of the mission
 - Date of arrival (including flight number)
 - Proposed length of stay;
 - Authorities to be included in the work programme;
 - Kind of information required by the mission.

This information has to be provided before the arrival of the mission in the field. As has been stressed appointments cannot be improvised without risk to offend the authorities concerned and hurt the reputation of the missions and the institutions they represents.

- (iv) Price lists, catalogues and whenever possible, samples are to be collected and utilized for the interviews with the business sector and state trading enterprises.

16. Logistic preparations

As these preparations are an essential part of the field work programme they should be given proper advance attention and not be left to the routine of the travel service to decide. Failure in timing, unreliable air connections and unrealistic transit schedules may spoil the whole work programme in the field. Consequently:

- (i) Visas should be obtained in time. Most African countries are very strict in this sense and a visitor without visa runs the risk to be turned back at the airport. Sanitary requirements should for the same reason be given proper attention;
- (ii) Flight reservations should be made and confirmations obtained in time;
- (iii) Notoriously unreliable airlines should, whenever possible, be altogether avoided, as otherwise whole working days may be lost;
- (iv) Airports known to be over-crowded and difficult in transit should be avoided, even when this means some additional flight time. There are examples when several working days have been lost due to transit problems.

- (v) Proper hotel accommodations should be reserved through contacts in the field or through the airlines. This is especially important in marketing field work when time-tables are tough, stopovers short and consequent rest and working facilities are required. The quality of the accommodation is, moreover, relevant for the efficiency of work and for the status of the mission.

17. Work programme in the field

The actual work programme in the field includes the following contacts and interviews:

(i) The public sector:

- UNDP
- Ministry of Foreign Affairs
- Ministry or Office of Planning
- Ministry of Trade and Industry
- Ministry of Agriculture
- Ministry of Transport
- Public Health and Veterinary services
- Central Bank
- Customs
- Statistics
- Licencing authority (if not a part of the Ministry of Trade)
- State Trading Corporations or marketing boards
- Harbour and airport administration
- Other existing other public Corporations dealing with foreign trade.

(ii) Business sector

- Chamber of commerce and industry
- Importers associations (if any)
- Consumer co-operatives (if any)
- Meat processing industries
- Hotel and restaurants (classified by client groups)
- Leading wholesalers and distributors
- Leading supermarkets^{1/}
- Central market place and street markets^{1/}
- Shipping and airlines institutions
- Traditional traders^{1/}
- Interviews with buyers (in supermarkets and street markets, in order to find out preferences and prejudices)

^{1/} For listing on existing competitions, brands and prices.

18. Information to be obtained

These contacts will allow the mission to get an overall picture of the market situation, including inter alia, the following aspects:

(i) Existing domestic production and its share of the market

- Number and names of enterprises in the sector concerned
- Size and technical level;
- Ownership (nationals, expatriates, multinationals, state enterprise)
- Legal and fiscal status (tax holidays, etc.)
- Domestic products enjoying protection against competition
- Find out impact on price and quality of these protected products;
- Actual and potential production capacity
- Plans of extension and investments
- Length of time the product has been in the market
- Its share of the market (brand leader, others)
- Prices (ex-factory, wholesale, retail)
- Comparative quality (as to "our" product: excellent, good, medium, poor)
- Consumer segmentation and its implications (income groups, sex, ethnical, religious, tribal, etc.)
- Distribution channels utilized (traditional traders, street markets, supermarkets, co-operatives; proportion of each for each channel utilized);
- Distribution costs (profits: official and real)
- Services and facilities offered (distribution, credits, etc.)
- Publicity media utilized and costs (literacy rate, number of TV. and radio sets, movie theatres)

(ii) Imported products

- List of countries of origin
- Quantities (per country of origin)
- Brands
- Prices (FOB, CIF, wholesale, retail, price elasticity)
- Profit margins (official and real per echelon)
- Import treatment (normal, preferential, if so, why?)
- Licensing system, licensing criteria and authority
- Customs duties and taxes

- Estimated amount of unrecorded trade (origin, distribution, price, quality, consumer groups)
 - Transport and transport costs
 - Quality, as compared with (a) domestic products, (b) "our" products
 - Present market share of imported products (including unrecorded trade, if possible)
 - Consumer groups (imported product unrecorded trade)
 - Consumption trends (last five years)
 - Distribution costs
 - Terms of delivery
 - Distribution channels (traditional traders, street markets, supermarkets, etc. proportion of each in distribution)
 - Credit and other facilities
 - Services offered to clients
 - Publicity utilized
- (iii) Total consumption of product
- In figures and in percentages, showing (a) domestic product, (b) legal imports and (c) unrecorded trade (estimation) (d) their percentage of each consumer groups
- (iv) Official regulations concerning the product and sale
- Slaughtering regulations (religious; especially important in multireligious societies as Egypt)
 - Quality regulations
 - Sanitary and veterinary regulations
 - Labelling and packaging regulations
 - Price regulations and their implementation
 - Regulations concerning unfair competition
 - Advertising regulations.
- (v) Consumer attitudes, habits and preferences
- Who are the consumers
 - Social segmentation
 - Religious groups (proportions)
 - Ethnic groups (proportions)
 - Regional differences.
 - Purchase motivations, per consumer groups (Why is the product purchased and how it used?)
 - Consumption cycles (religious and national holidays, fasting periods, climatological factors, etc.)

What are the factors determining the product choice?

- Lack of alternatives (legal or de facto monopoly)
- Established consumer preferences
- Source preferences
- Taste (spicing, fat content, packaging, etc.)
- Price
- Quality
- Social prestige
- Emotional attitudes (religious, nationalistic, etc.)

19. Identification of competition

- Who is the brand leader? Local producer or importer/distributor?
- Who are the other competitors?
- Their share of the market (de facto monopoly, dominating shares, equal shares)
- Impact of unrecorded trade
- Reasons for the brand leader's position in the market
 - Protectionism
 - Trade policy of importing country
 - Long established position in the market
 - Established relations with trade authorities and importers
 - Distributor and consumer preferences and brand loyalty
 - Product adjusted to local taste and purchasing power (How?)
 - Credit policy of producer/exporter
 - Services offered
 - Solid overall position of distributor (large selection of products as "pressure medium")
 - Investment in publicity (which media, how much?)

20. Penetration problems (market position of "our" product)

(Which are the main problems "our" products will be facing?)

Is "our" product suitable for the market? If not, what has to be changed (taste, labelling and other components).

- Import restrictions and preferences
- Sanitary and veterinary regulations
- High transport costs
- Non-competitive prices (as to (i) local products (ii) imported products (iii) unrecorded trade)

- Quality not adjusted to local taste and requirements (spicing, etc.)
- Strong position of the brand leader (share more than 35-40 per cent)
- Reaction capacity and financial resources of brand leader
- Distributor/consumer resistance, due to:
 - Long-established trade channels (expatriate traders)
 - Conservative consumer attitudes (brand loyalty)
 - Prejudices against African products and trading habits (or againsts "our" products due to **origin**)
 - Religious prejudices
 - Supplier pressure on distributors.
- High distribution costs
- Other penetration costs (FR - costs, etc.)
- Lack of adequate distribution channels
- Irregular trade practices as a cost increasing factor
- High advertising costs
- Mass media monopoly or dominance

Phase 6 : Analysis of findings and recommendations

The analysis of the above findings will allow an evaluation of the marketing situation, as to the possibilities of penetration. This analysis should include the following aspects: (i) Penetration targets; (ii) Penetration strategy; (iii) penetration costs and (iv) cost/benefit ratio, plus the marketing decision (GO/NOT GO)

(i) Penetration targets

- Share of market to be taken over
- From whom? (brand leader or other competitors)
- Target consumer group(s) (according to price/quality), in relation to purchasing power)
- Distribution channels, according to target consumer group (street market, supermarkets, etc.)

(ii) Strategy of penetration to be recommended

- Trade policy measures (utilising official negotiations channels)
- Low penetration prices (to be established)
- Free sample distribution
- Selection of proper distribution channels (as to consumer groups)
- Adjustment of the product to local tastes, consumer habits and purchasing power (adjustment in quality, condiments, cuts, etc.)
- Publicity (according to target consumer groups and literacy rate)

(iii) Penetration costs

- Investment in marketing and distribution
- Investment in publicity
- Investment in free sample distribution
- Miscellaneous costs (PR-costs, etc.)
- Accumulated costs of low penetration price (smaller return)^{1/}

(iv) Cost-benefit ratio

- Estimated return cycle (short or medium-term investment)
- Calculate the expected share and profit gain, and the cost of achieving it.

Judge whether or not the cost/benefit ratios are satisfactory

(v) MARKETING DECISION (GO/NOT GO)

^{1/} Gain in market share will also mean significant costs of decreased gross margins if lower penetration prices are established.