How to Conduct a Regional Market Assessment

Notes to Accompany Presentation

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Introduction

This part of the agribusiness master class focuses on how to conduct a regional market analysis (may also be referred to as rapid market analysis or RMA). It was developed and used by University of Queensland and its partners in AGB-2012-109 Developing Fruit & Vegetable Value Chains in the Southern Philippines. The methods employed are consistent with Michael Porter's Appendix B (Porter, 1980) and have been used by business people and market researchers in business since at least 1980 when Porter first published.

These notes should be used in conjunction with the PowerPoint presentation provided in the Masterclass.

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Planned Learning Outcomes

After completing this section of the masterclass participants should be able to **design and implement** a regional market assessment for any agricultural commodity.

The workshop will explain and provide opportunities for participants to practice the three stages, being:

- Sampling
- Interviewing
- Analysing

The Problem

Agricultural commodity such as fruit and vegetable distribution and marketing in developing countries is changing rapidly which means that secondary data, whilst useful, may not be as up-to-date as needed for any project hoping to inform smallholder decision-making. Primary data should collected as quickly as possible. This is consistent with the recommendation of Porter (1980, p. 371) to "get into the market early" to avoid a common problem in conducting industry analyses of spending too much time reviewing published sources. Of course we are interested to learn from previous studies and secondary data but nothing will provide current data as quickly and as efficiently as the RMA.

Given that commodity distribution channels are probably changing rapidly it should not be assume that the distribution of vegetables would follow traditional distribution models. It is therefore recommended to adopt an exploratory research approach. Exploratory research has the primary objective of providing insights and comprehension of a situation and can be the major part of a research methodology in business to business research (Malhotra 2010). Exploratory research can include qualitative and qualitative data, and both should be collected during the RMA. By adopting an exploratory research approach the investigators may identify new business models of intermediaries. If a more traditional approach of identifying known intermediaries and then interviewing is adopted, the new business model intermediaries may be overlooked.

Sampling

Participants to be interviewed should be purposefully selected based on the following criteria:

1. Their business activities form part of the value chain of commodity in regions of interest to the project.
2. Different business activity models employed by businesses should be grouped together as a 'node'. For example, if defining nodes in a vegetable distribution network in Southern Philippines, it may be that there are a large variety of different business models or nodes including (to name just a few):
   a. Collector
   b. Viajedor
   c. Viajedor- Wholesaler
   d. Purveyor-Wholesaler
   e. Class-A Wholesaler
   f. Supermarket
   g. Wet market retailer
   h. Fine dining restaurants including in 4&5 star hotels
   i. Chain restaurants such as McDonalds, Jollibee, Chowking
   j. Institutions including hospitals, schools, prisons
   k. Processors

To ensure new and emerging nodes are identified a snowball sampling technique should be employed which means that interviewees are asked to identify large actors of potential interest to our research. By taking this approach it is likely that a number of new, unexpected or unpredicted business models (nodes) will be identified that traditionally may have been referred to as 'wholesalers'. It is important not to refer to them all as 'wholesalers' but to identify their specific business model differences and classify them accordingly. This is because different nodes are likely to be making their commodity purchase decisions based on different criteria, and it is important that the research identifies these differences in buying criteria as they will represent different degrees of opportunity for smallholder farmers.

3. Their businesses are larger than average. Ideally, seek out and interview the 3 - 5 largest businesses within each discrete group (node) this was not always possible. Use judgement whether the information collected from 3 – 5 interviews is representative of the node i.e. if you're getting the same information repeated then it can be reasonably assumed the information reflects the node with sufficient confidence for exploratory research. If information being received is conflicting then more interviews need to be conducted.

It should be noted that this research is not being represented as statistically valid quantitative research. Its purpose is to identify themes which represent opportunities and challenges for smallholder farmers which was why a qualitative approach is employed.

The role of key informants not actively engaged in distribution channel enterprises should not be overlooked as they can contribute valuable insights to help the research. Examples of key informants include:

- National and state government department personnel in agriculture and trade.
- Local and district office holders in Mayor's offices and other administrative departments providing support to agriculture.
- Other researchers and private consultants.
- Members of supply chains including input suppliers, processors, exporters and others not specifically connected with the commodity but who may have an overview understanding of the sector or product category of which the commodity is a part.

Key informants are particularly important in a developing country because secondary data is often not readily available and many of the distribution channel members interviewed will be unable to speak about the whole of the industry because they simply do not know.

Interviewing

Before interviews can be conducted an interview guide needs to be prepared. The first step in preparing an interview guide is to develop a list of industry and node characteristics that the research would like to identify. An example of characteristics and the reasons for their importance are included in the following table. The characteristics included in this table were informed by Thompson and Strickland (1987) which explains how to conduct an industry analysis and identify the relative attractiveness of market segments and strategies.

Table 1: Characteristics to be sought and why they're of interest

Characteristic	Why Important
Consumer and intermediary (eg. processor, wholesaler, distributor, exporter, supermarket, restaurant) trends, desires, unmet and emerging needs.	Ultimately consumer and intermediary requirements drive demand upstream and by knowing consumer concerns, trends and desires, farmer groups can use that knowledge to guide their product selection, quality standards and value chain partners.
Quality characteristics sought but not being delivered consistently.	Identifying quality characteristics and product specifications that are sought but not being delivered, but that can economically be delivered by farmer groups is a very important possible source of competitive advantage.
Prices and value-add opportunities.	By knowing the buying and selling prices and estimating the costs of any value-adding that occurs at each node, farmer groups will be able to map out a strategy for their own value-adding which may develop progressively as they gain experience and resources.
Stage of product life cycle.	Selecting market opportunities and / or supply chains that are in a growth stage will provide better opportunities for farmer groups because it is usually easier to establish a position in a growing market than it is in a market that is mature or in decline as these are usually fiercely held by existing suppliers on the basis of long term relationships (which are normally impossible to break).
Sources and strength of competition.	Establishing and sustaining a profitable position requires that the farmer groups need to understand, predict and respond to all sources of competition including existing rivals, threat of new entrants, power of suppliers, power of customers and substitutes.
Willingness and capacity to provide support to farmer groups including finance for inputs,	Willingness of supply chain partners to collaborate with farmer groups is especially important in the early stages of development because farmer groups have very limited resources and this will limit the marketing decisions they can make.

agronomic advice, market intelligence, other.	
Volume of commodity traded.	Both the specific tonnages and relative scale of different supply chains compared with existing and future predicted supply capacity is important because matching the current and future production capacity of farmer groups with particular nodes / supply chains may be important so they are focused on the ones in which they can secure and defend a long term profitable position.

Primary data collection is by way of semi-structured interviews. The use of semi-structured interviews is important because this provides the researcher with more control than unstructured interviews and allows interviewees to provide a wider range of responses than using closed-ended questions (Given 2008; Minichiello et al. 2008). The use of semi-structured interviews also provides the opportunity for interviewees to discuss broadly the issues and then, with probing and prompting from the researcher, for example, "how? why?" understand underlying issues. The use of a mailed survey questionnaire is generally inappropriate because of low return rates and because we want to obtain answers to 'why and how' type questions which are difficult to obtain from written questionnaires.

Semi-structured interviews should be guided by an interview guide which needs to be developed and tested by project personnel based on an understanding of the factors that would be important to the project and prior knowledge of vegetable distribution practices in the region. The interview guide developed and used in ACIAR project AGB-2012-109 is included at the end of this document. Each project should develop its own interview guide.

The use of a single interview guide for interviews provides a consistent set of data which facilitates data analysis. Although a single interview guide is to be employed, it should be noted that interviews can and should be modified as opportunities to identify additional information present themselves. In qualitative research the interviewer is the instrument (Merriam 2002) and a skilled interviewer engages with the interviewee and creates and responds to opportunities for useful information not included in the interview guide.

Interviews should be undertaken by local team members and not by Australians or other non-nationals because they will generally be unfamiliar with terms such as locations and local names of commodities and because there can be a significant translation loss due to accents even with people who have sound English. Interviews should be conducted in the language with which the interviewee is most familiar to allow them to be able to express meaning in the way with which they are most comfortable.

Interviews should be recorded electronically. Of course the interviewee needs to grant their permission for this. Interviewees should be fully informed about the purpose of the interview and how the data collected will be used.

Analysing

It is usually not necessary to prepare a full typed transcription because this requires a lot of effort especially when translation to English is involved. However, recordings should be retained to provide a chain of evidence and for future reference if required.

An interview report should prepared for each interview. To maintain consistency the following can recorded in each report:

1. Contact details of interviewee and date of interview (unless they requested their contact details not be disclosed).
2. A brief description of the business eg relative size in the node, volume or value of vegetables handled and general description of the business model.
3. Responses provided, in the same order as the questions.

Qualitative data analysis involves a process of data reduction to identify themes and patterns. Data analysis can be as simple as preparing a 3 – 4 page summary of information learned about each node and then summarising that information even further into a single table.

Data collection as described above allows a regional vegetable distribution diagram to be prepared and populated with data. Estimates of the size of the node and the number of node actors need to be made on the basis of information provided. Even though these are at best estimates, they at least provide an indication of the relative significance of each node.

An example of the RMA conducted for vegetables in Southern Philippines in ACIAR project AGB-2012-109 is available as a guide. Look specifically at:

1. The summary tables on pages 20-25, 96-97 and 132-134.
2. The diagrams that illustrate the data on pages 26-28, 98-100 and 135-136.
3. How information for each node is analysed and presented in pages 29-93, 102-128 and 141-190.

Table 2: Example of Interview Guide

Topics for Discussion	Rationale and what we're really seeking
1. Could you please provide us with an overview of the market for vegetables in this region including, for example: a. Main areas of supply. b. Principle markets including local, wider domestic, export, processing. c. Seasonality issues including availability, quality and price variations. d. Main supply channels. e. Imports from other parts of Philippines or other countries. f. Who buys the various grades of vegetables, the factors that influence the grading, the prices received by farmers for each grade and approximate % of the total supply that might go into each grade. (draw a value chain diagram and populate it with detail)	This should be a relatively simple point of discussion and allow the interviewee to talk at length as a means of letting them settle into the interview. What we are looking for here is a detailed overview of vegetable flows, distribution channels into and out of the region plus within the region. A diagram if possible. Probe for quantities or % of the total crop that flows through the various channels. We need to understand the markets for all grades of vegetables from the very best to the very worst.
2. How is the vegetable industry in Mindanao and the Philippines changing, if it is?	Trends that are important in our evaluation of alternative marketing strategies.
3. Could you please explain your business and its use of vegetables?	Probe to identify the relative size of this interviewee compared with others in their category. Try to obtain details of the quantity of vegetable they handle.
4. Can you please tell us if your business is seeing increase or reduction in supply or demand for vegetables? a. How much? b. Why do you think that is?	Consumption trends. Probe for detail.

5. Could you please tell us what 'quality' means to you?
 	
  a. In other words, what are the characteristics of vegetables that are important for your use?
 	
  b. How important is it that suppliers of vegetables provide 'quality' consistently?
 	
  c. If they do not include any of the following, ask specifically whether they are important, how and why each would apply to them and how they measure each characteristic:
     i. organic production
     ii. no chemical residues
     iii. physical damage from handling, transport and packaging
     iv. consistency of ripeness
     v. consistency of size
     vi. consistency of colour
     vii. shape
     viii. taste.
     ix. shelf life
	This is a very important question and we need to fully understand the characteristics of vegetables that are used to differentiate between grades.
	
	Probe to identify the market value (price) advantage of 'better' quality.
	
	Ask for copies of specifications if they exist.
	
	Take photos where you can.

6. Have you seen any evidence that consumers or anyone in the supply chain for vegetables is concerned about chemical residues or are actively seeking what might be called 'safe' vegetables?
 	
Probe further:
 	
  a. Do you think consumers perceive a difference in safety of vegetables purchased in the supermarket compared with the wet market?
 	
  b. Please tell me what you believe different types of consumers or commercial users (restaurants etc) might think in relation to vegetable safety.
	Genuine concerns being expressed anywhere in the market (producers, distributors, retailers consumers) about chemical residues, unhygienic handling or any other practices that may vegetable safety.

7. What supply challenges does your organisation experience? In relation to the items listed above, or to consistency of quality or availability, seasonality or anything else. a. How do you manage those issues?	Any problems encountered by their organisation that prevents them from sourcing what they need or being able to deliver what their customers are seeking.

8. How are purchase decisions for vegetables made?
 	
  a. Can you please describe the process of who makes the decision of what to purchase and who makes the decision about where and from whom to source?
 	
  b. On what basis are vegetable purchase decisions made (if necessary, prompt with size, colour, freshness, shape, packaging, price, other)
	A detailed understanding of how they made decisions about what to purchase, from whom and when.

c. How are orders placed? d. How frequently are they placed? e. How much lead time is required before they are filled?	
9. We would like to understand how information flows along distribution channels: a. Please help me to understand how and what information is passed from farmers to consumers or from consumers to farmers or along any part of the supply chain with which you are familiar. If not discussed, ask: b. How do you obtain customer requirements from your customers? c. How do you communicate your requirements to your suppliers?	A detailed understanding of how and what information flows up and down the supply chain.
10. Do you provide a specification for quality required for vegetables? a. Please explain why / why not. b. Would you like it if a supplier collaborated with you to prepare a quality specification for your business and then adhered to it? c. Does this happen now? d. If a documented specification exists, ask for a copy.	An understanding of the importance and potential value associated with product specifications.
11. Can you please tell us about the condition in which vegetables arrive? a. We'd like to know about the method of transport, the form of packaging and the quality condition. b. We'd particularly like your assessment of the damage that occurs from packaging and transport. c. What measures, if any, have you or other in the industry, taken to minimise damage and losses from packaging and transport?	Whether opportunities to reduce damage or wastage from packaging and transport exist, and if they do, to quantify them. Photos of packaging and damage if possible.
12. Could you please tell us about seasonal fluctuations in availability and price and how you manage these? a. Where do you source vegetables when local production is not available?	We need to be able to plot average seasonal price variations (or actual prices) for each of the vegetables at each point of distribution.
13. What problems with quality or availability of vegetable do you experience? a. How do you handle problems? b. Would you be interested in a supply chain that reduced these problems?	Their interest in better quality product, whatever 'better quality' means.

14. Can you please tell me who your main supplier/s of vegetable are?
  a. Do you buy all your vegetable from a single supplier?
  b. Which other suppliers do you use?
  c. How do you select from alternatives?
  d. Would you consider purchasing from a new supplier if they had a superior product?
	How significant relationships are in the purchase of vegetables, and how difficult it is for a different supplier (with a superior product) to be considered.

15. Other than the vegetables we have been asking about, are there other vegetables you would like to source?	Opportunities.

16. If a group of small farmers could demonstrate the capacity to supply consistent quality vegetables would your business be willing to consider them as an alternative supplier?
  a. Why or why not?
  b. If they needed to be paid cash on delivery, would that be a problem?
  c. If they supplied your existing supplier and credit arrangements remained the same, would that be acceptable?
	If there's reluctance to deal directly with a group of 'small farmers'

17. How does your business compare, in terms of size, to others in its category? a. Can you name others that are larger and help us to understand their relative significance within the industry?	

18. We would like to understand the commercial relationship your business has with its customers and with its suppliers. For example:
  a. Are agreements formalised by written agreements?
  b. Are commercial arrangements flexible and you are free to source where and from whom you wish on a daily / weekly basis?
  c. What about arrangements with customers?
	The nature of commitment that's made to suppliers and customers so farmers can understand the nature of commercial arrangements that are in place at various stages along the supply chain.

19. Can you please tell us the prices you pay for vegetables?
  a. How are these prices negotiated and set?
  b. How are fluctuations negotiated?
  c. Do prices include freight?
  d. How significant is the cost of freight?
	To understand how prices are negotiated because this provides insights into 'power' and will help farmers decide whether they can consider selling to different points in the supply chain.

20. Finally, can you please tell us about payment terms for vegetables?
  a. For example, does your supplier offer a credit facility which you pay weekly, monthly or other?
  b. Or is it cash on delivery?
	So farmers can understand the cash flow implications of selling to different points in the supply chain.

c. Other? d. Would you consider cash on delivery?	
21. Can you tell us who else you think would be able to contribute to our knowledge of this industry? a. Individuals or companies? b. Government agencies? c. Membership organisations? d. Industry experts, journalists, consultants or specialists?	This question is an example of 'snowball' sampling; if anyone provides additional contacts you can also ask if you can use their name to increase the chances of being granted a meeting if you believe the named company / individual is worth it.
22. Can you think of anything else that we should know about vegetables that you think we need to understand?	Always a useful last question which sometimes gets a useful response.

Thank them for their time and information. Ask them if they can give you suggestions and contact details of others you should call to better understand vegetable supply channels in their industry.

References

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