EUROPEAN COMMISSION

Consumer, Health, Agriculture and Food Executive Agency

PROMOTION OF AGRICULTURAL PRODUCTS

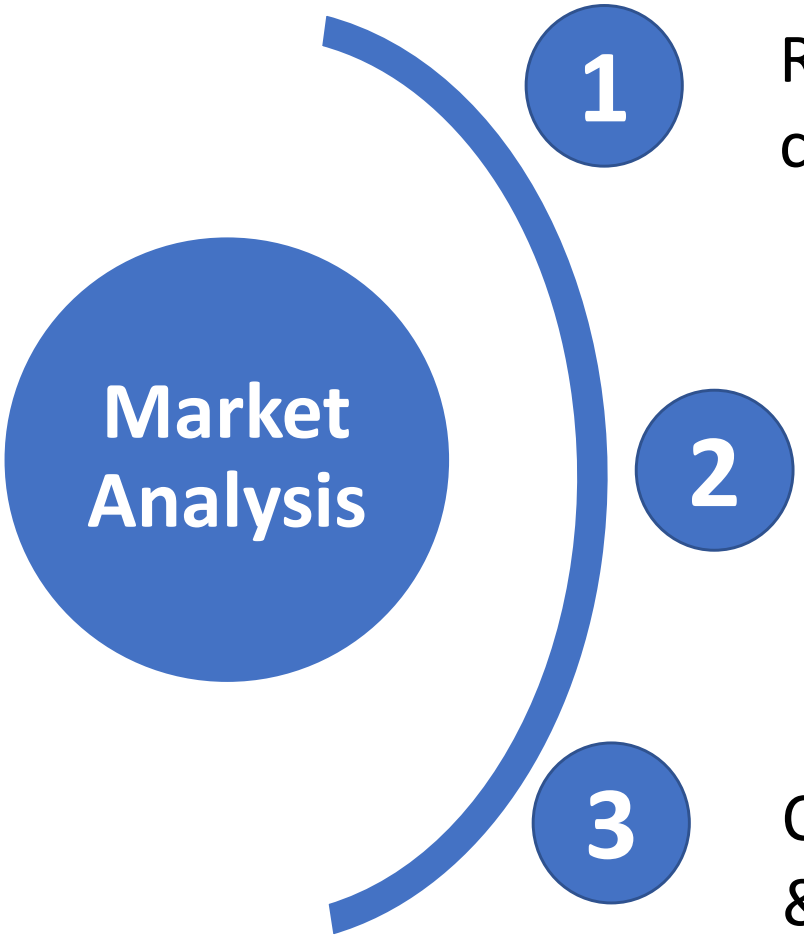
Info Day on the 2020 Call for Proposals

Market analysis: dos and don'ts

Brussels

30 January 2020

Major topics of this presentation



Recommendations relative to the collection of market information

How to meet the award sub-criterion relative to the quality & relevance of the market analysis

Capstone: foundation of the objectives & strategies on market analysis

1. Recommendations relative to the collection of market information

Recommendations relative to the collection of market information

Market information to be collected (1/7)

Macro-environment (1/2)

Information on the major components of the macroenvironment:

- Politic

  Political stability; corruption level; tax policies; governmental subsidies; governmental budget size and structure etc.

- Demographic

  Population size and evolution; birth rate; death rate; distribution by age groups; territorial distribution of population; number of households etc.

- Economic

  GDP trend and GDP/capita; inflation rate; exchange rate; propensity towards consumption/savings; interest rate; unemployment rate; minimum and average salary; structure of the economy; trade deficit etc.

Market information to be collected (2/7)

Macro-environment (2/2)

Information on the major components of the macroenvironment:

- Social & cultural
  - Wealth distribution; social classes; life style; cultural values etc.
- Technological
  - Technological awareness; access to new technologies; Internet infrastructure; communication infrastructure etc.
- Legal
  - Competition laws; consumer protection laws; employment laws; data protection laws; health & safety laws; import conditions (such as tariff and non-tariff barriers) on the specific target market(s) etc.
- Environmental
  - Environmental policy; pressure of NGOs; climate change; natural disasters; recycling; attitude towards green products; renewable energy etc.

Market information to be collected (3/7)

Market of the specific product(s) in each target country

Overall description of the market based on information such as:

- **Market size**
  - Number of consumers/customers; volume of purchases; value of purchases; volume and value of the production, exports and imports; apparent consumption (production - exports + imports) etc.
- **Market evolution**
  - Growth/decline rate (for a relevant past period); forecasted growth (for a relevant time horizon) etc.
- **Market characteristics**
  - Concentration level; stage of development etc.

Market information to be collected (4/7)

Micro-environment (1/3)

Information on the **market demand**:

- Buying and consumption behaviour in the case of each specific product on each target market
  - Buying intentions; purchase channel/format (online/offline; retail format); average value of a purchase; frequency of purchase etc.
  - Consumption patterns; products associated in consumption etc.
  - Expected shifts in consumption & buying etc.
- Market segmentation
  - Segmentation variables (demographic, lifestyle, consumption behaviour etc.)
  - Profile of each segment
  - Market structure (share of each segment in the total number of consumers/customers and in the total consumption volume/value)
- Factors that influence consumption & buying
  - Impact of reviewers; nutritionists; key opinion leaders etc.

Market information to be collected (5/7)

Micro-environment (2/3)

Information on **competition** in each target market:

- Intensity of competition
  - Number of competitors; size of competitors; share held by top competitors in the overall supply volume/value
- Origin of competitors
  - From the Member States of the European Union or from third countries
- Direct and indirect competitors
  - Products that have different characteristics, but satisfy the same needs of the customers/consumers
- Marketing strategies of the main competitors
  - Target segments; positioning strategy; marketing mix strategies
- Competitive position of the major competitors
  - Points of differentiation; type of competitive advantage
- Competitive position of the EU competitors
  - Competitive advantage compared to third countries

Market information to be collected (6/7)

Micro-environment (3/3)

Information on **distribution & logistics** in each target market:

- Types of distribution channels
  - In terms of length, width and depth
- Major types of intermediaries
  - Wholesalers; national distributors; local distributors; modern retail chains; traditional retailers; online marketplaces; HoReCa etc.
- Relationships between the members of the distribution channels
  - Most powerful channel member(s); type of power (based on discounts, rebates, market coverage, contracts, know-how transfer; image; market share etc.)
- Logistics aspects
  - Specific features of the product flows; available transportation and storage infrastructure; information systems; exchange of market information among the channel members etc.

Market information to be collected (7/7)

Own situation of the applicant(s) on each target market

- Previous experience on the target market
  - Relevant historical data of the applicant(s) presence on each target market
- Competitive position on each target market
  - Rank held in terms of sales (volume & value) / market share
  - Competitive advantage
- Challenges faced
  - e.g. practices of competitors etc.
- Own capability to develop
  - Capacity to increase production, in order to achieve projected sales on medium term on the target market

Collection of market information: dos & don'ts (1/2)

Market information collection

Dos

- Focus on the specific product(s) and market(s) of the proposal

  Data collected must describe precisely the product market in the target country/countries addressed by the applicant(s)

- Search for high quality data

  Market data should be:

  - *Relevant - refer to the specific product(s) and market(s)*
  - *Reliable – are gathered from trusted sources and are obtained based on appropriate research methods*
  - *Up to date – information on recent evolutions should be gathered besides past data*

- Data source (reference) should be clearly mentioned in the case of each qualitative or quantitative information that is cited/paraphrased in the market analysis

  e.g.: FAO, 2019. Digital Report – The State of Food and Agriculture in 2019. Available at: <http://www.fao.org/statistics/en/>. [Accessed on 30 January 2020].

Collection of market information: dos & don’ts (1/2)

Market information collection

Don’ts

- Do not collect irrelevant, unreliable and outdated data
  - *If not, the market analysis will not be useful for the elaboration of objectives and strategies*
- Do not disregard the need for balance between the use of quantitative data and of qualitative data
  - *Absence of quantitative data has a negative impact on the formulation of appropriate SMART objectives*
- Do not use Internet data without the evaluation of source reliability
  - *Cross-check important data by means of 2-3 distinct sources of recognized quality*
- Do not ignore future trends
  - *Think of the opportunities & threats that will be generated by the new trends (e.g. nutrition, green movement, new information and communication technologies etc.)*
- Do not forget of measuring units
  - *Ensure data comparability*

2. How to meet the award sub-criterion relative to the quality & relevance of the market analysis

Award sub-criterion:
Quality & relevance of the market analysis

Quality & relevance of the market analysis: dos & don'ts (1/12)

Target markets

Dos

- Analyse the market of each country targeted by the proposal
  e.g. the USA and Canada in North America, respectively Indonesia, Malaysia, Philippines, Vietnam in South-East Asia etc.
- Analyse the market(s) of the specific product(s) addressed by the proposal
  e.g. beverages, olive oil, rice etc.
- Analyse all the major aspects of each target market:
  e.g. macroenvironment and microenvironment, supply (based on production, imports and export indicators), demand (number of customers by segments, value and volume of purchases, purchase behaviour etc.), prices, distribution channels, supply chain structure and relationships

Quality & relevance of the market analysis: dos & don'ts (2/12)

Target markets

Don'ts

- Do not make a general analysis without focusing on the market of each country

  There are specific features & differences between markets (size, potential, dynamics, cultural values etc.)

- Avoid a broad analysis of data relative to food & non-food product categories, perspective which is too large compared to the market(s) of the specific product(s) addressed by the proposal

  The analysis should not lack product focus

- Do not use data which are not relevant, reliable and up to date

  A low quality of the data input will have a negative impact on the relevance of your objectives, strategies and actions on the target markets

Quality & relevance of the market analysis: dos & don'ts (3/12)

Trends & challenges & SWOT

Dos

- Use longitudinal data relative to the target markets
  - *A diachronic perspective is recommended in order to discern the evolution*
  - *Consider past evolution, current status and estimates relative to the future*
- Analyse the trends & challenges in the macroenvironment
  - *Trends & challenges in the macroenvironment refer to the politic, economic, demographic, social, cultural, legal, technological and environmental aspects*
- Analyse the trends & challenges in the microenvironment
  - *Trends & challenges in the microenvironment refer to: market size (volume and value), market characteristics (concentration degree, relation between supply & demand, evolution from one development stage to another etc.), demand (dynamics of customer demand, evolution of market segments, consumption behaviour, purchase behaviour etc.), supply (production, imports, distribution, retail formats etc.), prices (production prices, wholesale prices, retail prices, prices of raw materials, distribution margins etc.)*
- SWOT
  - *Positive trends are opportunities, negative trends & challenges are threats*
  - *SWOT is based on data relative to own organisation(s) and on market*

Quality & relevance of the market analysis: dos & don'ts (4/12)

Trends & challenges & SWOT

Don'ts

- CAVEAT! Favourable past evolutions are not a guarantee of positive future developments

  Do not neglect the present and future trends & challenges on the target market(s)

- Do not confuse the proposed strategies with market opportunities

  Opportunities refer to the favourable aspects (e.g. factors, trends etc.) that were identified by the applicant on the target markets(s). The strategies are planned and designed by the applicant to turn into value existing or potential opportunities.

  e.g. The design of a Facebook campaign to increase consumer awareness and to create a specific image of an agri-food product of EU origin is not an opportunity, but an action that will be implemented in relation to the target market(s)

- Do not refer to symptoms, but to the causes

  Present in the SWOT analysis the causes as market threats

  e.g. Do not mention as threat the decline in purchases of a specific product, but the strong competition of a substitute product

Quality & relevance of the market analysis: dos & don'ts (5/12)

Competi-tiveness of suppliers

Dos

- Compare and contrast the competitive positions of market players

  Identify the points of differentiation compared to other players on the target market, such as:

  - *Market shares (relative to sales volume & value)*
  - *Awareness levels among the target groups*
  - *Image favourability on the target customer segments etc.*

- Present the competitive position of the applicant organisation(s), other EU supplier and of competitors from third countries

  The comparison will be made for the specific products(s) of the proposal and on each of the selected target market(s)

Quality & relevance of the market analysis: dos & don'ts (6/12)

Competi-tiveness of suppliers

Don'ts

- Do not ignore to identify thoroughly the foundation of the competitiveness of the major market players

  Examples are the following:

  - *Favourable customers' perception of the country of origin*
  - *High product quality*
  - *Convenient quality/price ratio*
  - *Strong relationships with the distributors, retail chains, logistic companies*
  - *High budget invested in very effective communication campaign etc.*

- Do not limit the analysis to qualitative aspects

  The assessment of the competitiveness of suppliers should not neglect the comparison of quantitative indicators of input (e.g. investments etc.) and outputs (e.g. outcomes of their actions, such as sales, market share, awareness etc.)

Quality & relevance of the market analysis: dos & don'ts (7/12)

Target groups

Dos

- Study the structure of the market demand in terms of customer segments

  Answer questions such as:

  - *How many customer segments are on each target market?*
  - *Which is the share held by each segment in the number of customers, respectively in the volume or value of the sales/purchases on the analysed market?*
  - *Which is the profile of the typical customer of each segment?*
  - *Which is the buying & consumption behaviour of each customer segment?*

- Define clearly the target groups

  Select the target customer groups out of those existing in the analysed market

  Present the reasons for the selection of specific group(s) on each target market

Quality & relevance of the market analysis: dos & don'ts (8/12)

Target groups

Don'ts

- Do not select the target customer segments without rational and well-justified bases

  The selection of the target customer segments should consider aspects such as:

  - *attractiveness of each target segment*
  - *competitiveness of the applicant organisation(s) on each target segment*

- Do not ignore the different meanings of "target groups"

  Target groups can refer to consumers and respectively to processors, distributors, retailers etc.

Quality & relevance of the market analysis: dos & don'ts (9/12)

Distribution channels

Dos

- Analyse the distribution channels thoroughly

  Examples of aspects that should be analysed on each target market are the following:

  - *types of distribution channels (e.g. in terms of length, intensity and depth)*
  - *types of players in each channel (e.g. national distributors, local distributors, international retail chains, traditional retail stores etc.)*
  - *share held by each distribution channel in the sales of the specific product(s) of the proposal*
  - *specific practices in distribution (e.g. payment of specific fees for new product introduction, for the number of stores for displays etc.)*
  - *margins of the distributors/retailers*
  - *importance attached by consumers to the online marketplaces*
  - *omnichannel approach of the retailers*
  - *strategies of distributors and retailers (targeting, positioning, marketing mix)*
  - *existing HoReCa channels*

Quality & relevance of the market analysis: dos & don'ts (10/12)

Distribution channels

Don'ts

- Do not "play down" the important contribution of the distribution channels to the accomplishment of action objectives

  The impact of the information and/or promotion actions for agricultural products is strongly influenced by the knowledge of the distribution channels and the ability to secure the cooperation of the channel members on each target market

- Do not neglect to analyse the logistics aspects of the distribution of the promoted agricultural products

  Logistic refers to aspects such as flow of goods from the countries of origin to the target market(s), assurance of the product availability in the retail chain on the target market for testing, sampling and other promotional actions

Quality & relevance of the market analysis: dos & don'ts (11/12)

Import conditions

Dos

- Analyse the import conditions of each target market of third countries

  Examples of aspects that should be described and analysed are the following:

  - *import duties*
  - *non-tariff barriers*

- Study in-depth the situation of imports of each target market

  Identify the origin of the import flows, study the evolution of their magnitude, verify if the target market is a net exporter or a net importer of the proposed product

Quality & relevance of the market analysis: dos & don'ts (12/12)

Import conditions

Don'ts

- Do not disregard any of the potential non-tariff barriers

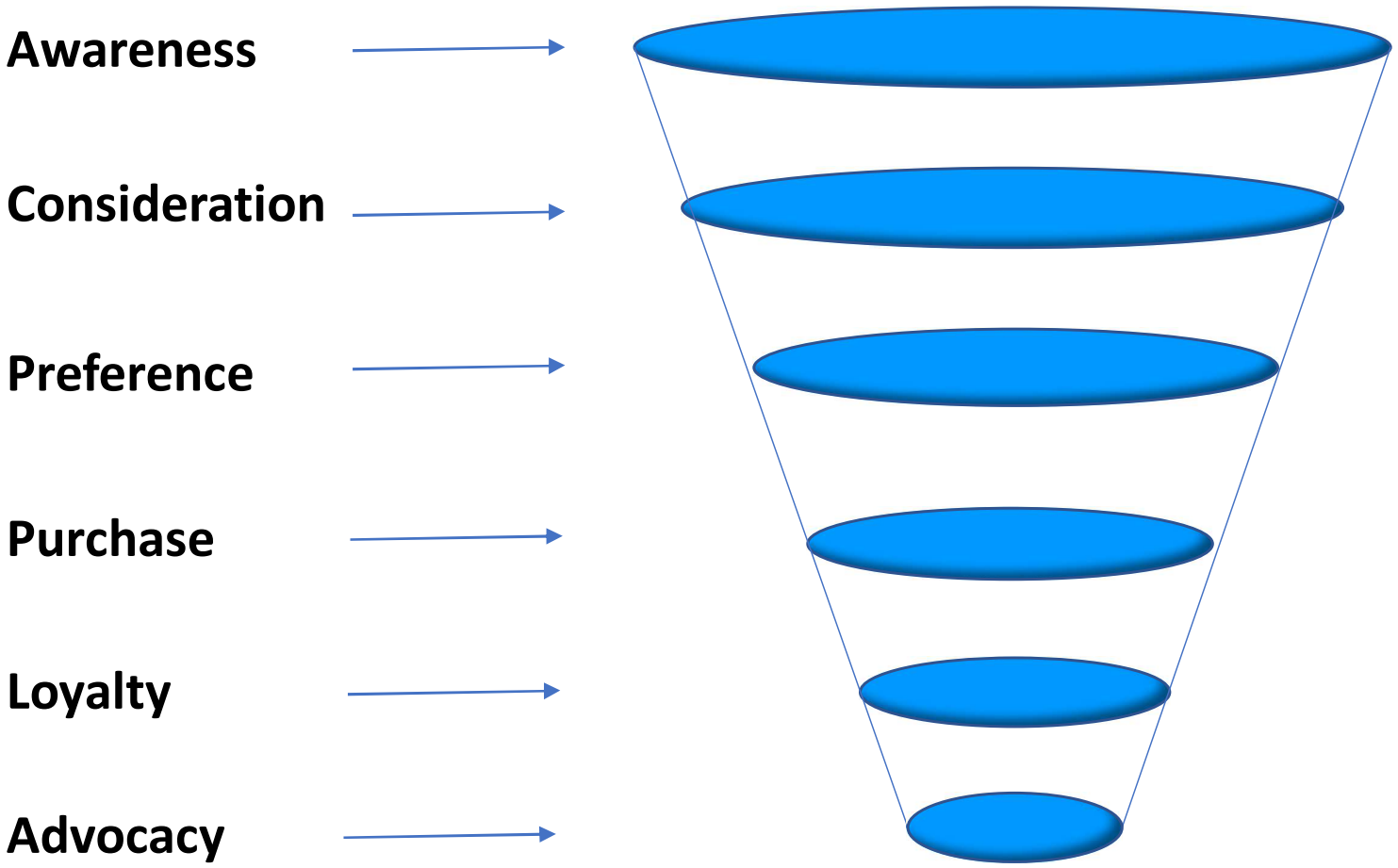
  Examples of non-tariff barriers are the following:

  - *import bans*
  - *product-specific quotas*
  - *quality conditions imposed by the importing country to the exporting countries*
  - *unjustified sanitary or phytosanitary conditions*
  - *unreasonable or unjustified packaging, labelling or product standards*
  - *import licenses*
  - *seasonal import regimes etc.*

3. Capstone: foundation of the objectives & strategies on market analysis

How to bridge market analysis with objectives and strategies → 2 approaches

Use the “sales funnel” approach: dos & don’ts (1/3)



Use the “sales funnel” approach: dos & don’ts (2/3)

“Sales funnel” approach

Dos

- Start creating awareness before thinking to achieve the projected sales on the target market(s)
  - ✓ *Ambitious sales objectives become reality only if potential customers become aware of you and of your offering*
  - ✓ *Create awareness by setting awareness objectives and applying relevant communication strategies*
- Build a favourable & intense image of your offering among the potential customers on the target market
  - ✓ *Preference is a prerequisite of purchase*
  - ✓ *Develop a positive and strong image by setting image objectives & applying appropriate marketing strategies*
- Adopt a relationship approach

  Build trust and loyalty among individual and business customers from the target market(s)

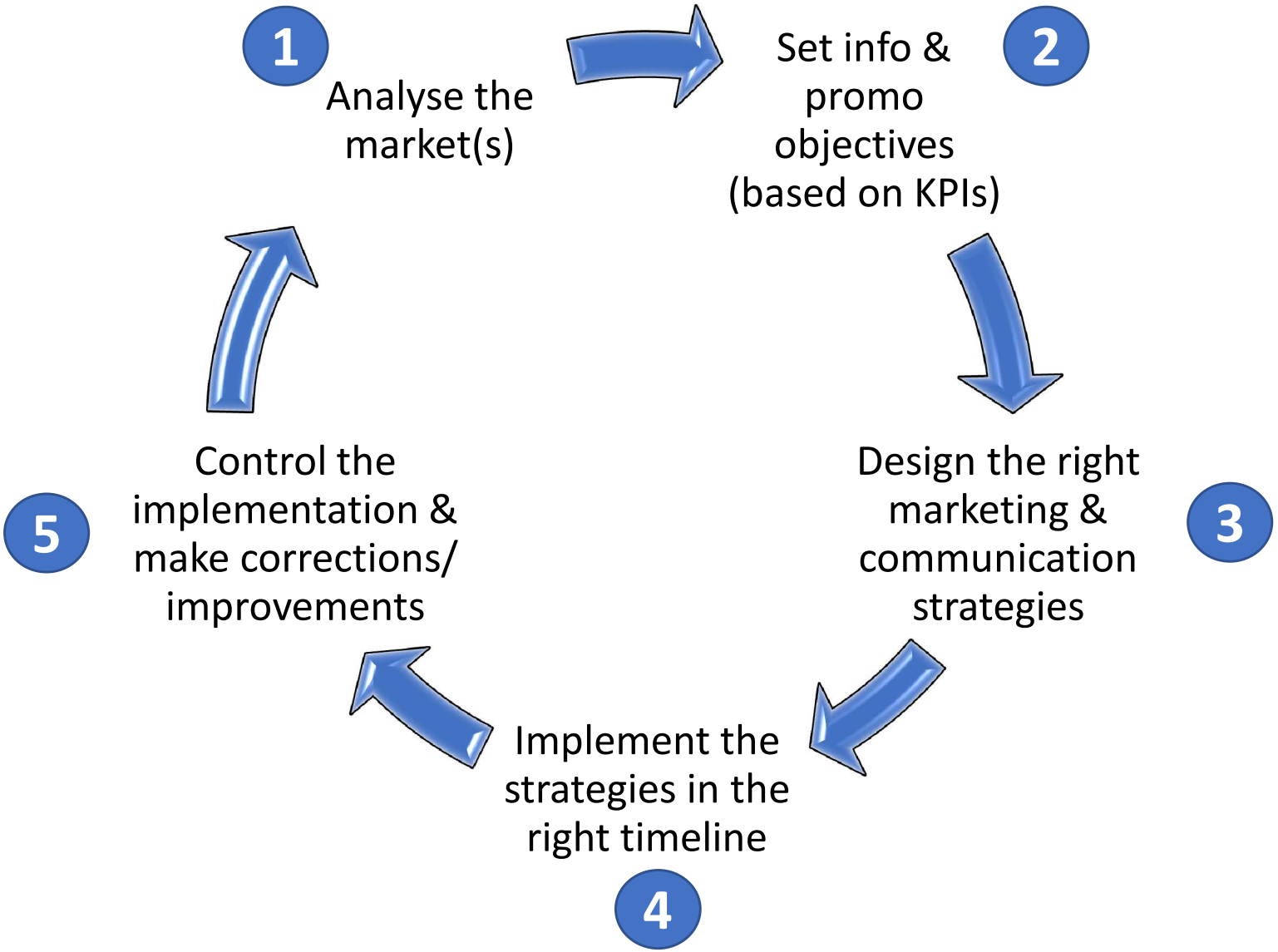
Use the “sales funnel” approach: dos & don’ts (3/3)

“Sales funnel” approach

Don’ts

- Don’t forget to “Keep a sense of proportions!”
  - *A market share of 30% cannot be achieved based on an awareness level of 5%*
    - ➢ *Beware of this when setting objectives and SMART KPIs*
- Don’t disregard that “You need time to generate money!”
  - *To achieve high awareness levels & strong positive image among customers may require time*
    - ➢ *Think of the time dimension of your proposal and of the GANTT chart*
- Do not consider the transactional approach only
  - *Also envisage the outcomes of building long-term relationships*
    - ➢ *Set objectives relative to repeat purchases and also use communication tools to build image not only to generate immediate sales*

Apply a marketing management approach: dos & don’ts (1/3)



Apply a marketing management approach: dos & don'ts (2/3)

Marketing Management approach

Dos

- Use market analysis to formulate SMART objectives
  (S) – specific; (M) – measurable; (A) – achievable; (R) – relevant ; (T) – time bound
- Set measurable levels of the objectives based on market information
  e.g. set sales & market share objectives based on the intensity of competition, your degree of competitiveness on the target market, consumer perceptions relative to the country of origin of products etc.
- Design strategies and key messages that are adapted to the target market(s) and target group(s)
  Adaptation increases the likelihood to achieve the intended objectives and reach the desired outcomes

Apply a marketing management approach: dos & don'ts (3/3)

Marketing Management approach

Don'ts

- Avoid dissonance between action objectives & strategies and market analysis

  In case of dissonance, there is a high likelihood that information & promotion actions will be irrelevant for the target groups and inefficient for the investor

- Don't design strategies that are not grounded on market analysis

  There is high risk that such strategies will not lead to the desired outcomes

- Don't ignore the future market evolutions

  New opportunities & challenges will be generated by changes in social and cultural patterns, in the information & communication technology etc.

  ➢ *Consider forecasts/predictions and their impact on the target markets and on the actions*

Thank you!