

Marketing research for new industries

Rob Fletcher
Peter Twyford-Jones
Peter Blessing

Introduction

With new agricultural venture, it is human nature to be both curious and excited about producing something new. If the venture is intended to be commercial, rather than simply a hobby, it is important to be able to sell the product at a profit.

Selling the product from a new industry usually presents more problems than the production of the new product itself. Being able to produce a product means nothing if it cannot be sold, at an appropriate price. Developing the market poses the most significant challenges to the developers of new rural industries.

Marketing research for new industries

Evaluating the potential market is an important first step. This involves accurate predictions of the product's potential use(s), the target market, the potential prices, the distribution strategy, the market entry strategy and the manner in which a promotional plan would be organised.

Since the product is new and the industry itself is also probably new, there is very little relevant information readily available.

It is difficult to measure future demand and price levels for a new product. Developers of new products can often become emotionally attached to their 'offspring' and therefore can be unrealistic about the likely demand and price for it.

Although there are extensive marketing theories available for new manufactured products, this theory is often not relevant to market analysis for new agricultural industries.

This is because manufactured products are often adapted from existing products, are developed by large companies with large resources, only represent a small proportion of a firm's overall investment and can be produced on a large scale right from the initial production.

On the other hand, new agricultural products are often completely new, requiring novel production and processing technology. They are often developed by small companies or individuals with relatively limited financial resources, representing a large proportion of the firm's overall investment and may take years to achieve substantial production levels.

Primary producers in new industries need to ask the

following key questions about their product:

- Can I sell it?
- How can I get it to market?
- Who will get in my way?
- How can I improve my information?

The framework of 'DOOR-Marketing'

The traditional approach to problem-solving in research is to rely upon an 'expert' to supply the answers, since an expert is the 'source of all wisdom'. In new industries, there is usually no such source of wisdom, since most problems are new ones.

The key to Do Our Own Research in Marketing (DOOR-Marketing) is action learning. For this approach to work, a number of producers, marketers and other interested parties need to pool their resources to solve the marketing questions given above.

They should together consider the following:

- What information do we need to know about our new industry and its product?
- Which of these issues relate to marketing and which to production?



The people involved in successful new industries undertake considerable personal research on their markets.

- What would be the priority for each issue?
- What would be the best sources of information?
- How will the information be gathered?

The marketing information needed includes:

- Is the product currently traded here or overseas?
- Where are the existing markets for the product?
- What type of markets are these, in terms of size?
- Description of the product
- What is the product used for—leading to identification of substitutes for the product and the nature of the substitution?
- Location of a target market for the intended new product
- Estimation of the possible market price, taking into account the possible price of substitutes, and import/export prices

- Identification of any limitations imposed by the market
- Description of the packaging required and the distribution mechanism available or required
- Estimation of the future demand (taking into account economic and demographic factors and factors which may affect this demand)
- Consideration of promotional strategies to be required

Once such information has been assembled, an analysis should be conducted to investigate the strengths, weaknesses, opportunities and threats (a SWOT analysis), assessing each of the following factors:

- Customer demand
- Competition
- Start-up costs
- Current market price
- Expected returns
- Industry trends
- Promotional strategies

- Distribution strategies
- Experience
- Resources
- Commercialisation procedure
- Production factors

The value of this approach to marketing research lies in the interaction between the participants of the group: cooperation between a number of interested individuals in solving difficult problems not only assists with the solving of the problem but also teaches a new approach which does not depend upon 'experts'.

Key messages

While it may be possible to overcome the difficulties in producing a new product, this is of no importance if the new product cannot be sold for a profit.

New industry development

DOOR-Marketing aims to assist those participants developing new agricultural industries with pre-feasibility marketing research for their industries. Such investigations are of primary importance in an overall strategy for new crop development, as follows:

1. the proposal of the new industry by those willing to commit themselves financially to such development;

2. the acknowledgment that new industry development is a high risk venture;
3. the recognition of the need to protect intellectual property rights;
4. the assessment of the marketing potential of the new industry product using all criteria published, identifying those criteria for which no information is available, this step has been targeted by DOOR-Marketing;
5. a theoretical assessment of the production potential of the new industry using all criteria published, identifying those criteria for which no information is available—large scale trialing is not recommended at this early stage of development;
6. the establishment of an integrated development group comprising producers, processors, distribution and marketing teams with research providers, initially in a facilitation role only;
7. agreement within this group of the resource requirements, expected outcomes, action plans to achieve them, and distribution of any profits;
8. the establishment of a process of project monitoring to identify and resolve problems quickly and efficiently;
9. the establishment of economic benchmarks and an agreement to abandon the project once these have not been met;

10. the establishment of a system of review to place on record the circumstances under which the project was successful or failed;
11. trial production for trial marketing;
12. trial production for trial processing, packaging and transport; and
13. experimental production.

Key contacts/authors

Peter Twyford-Jones
Principal Marketing Specialist
Marketing Services
Queensland Department of
Primary Industries
GPO Box 46
Brisbane, Queensland, 4001
Phone: (07) 3239 3251
Fax: (07) 3239 0439
Email: TwyforP@dpi.qld.gov.au

Rob Fletcher
Lecturer in Crop Improvement
Department of Plant Production
The University of Queensland

Gatton College
Queensland, 4001
Phone: (07) 5460 1311
Fax: (07) 5460 1112
Email:
r.fletcher@mailbox.uq.edu.au
Web Page:
<http://www.uq.edu.au/~gagkrego/>

Peter Blessing
Associate Lecturer in Marketing
Faculty of Business
The University of Southern
Queensland
Toowoomba, Queensland, 4350
Phone: (07) 5631 2307
Fax: (07) 5631 2811
Email: blessing@usq.edu.au

Key references

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The key to the success of Door Marketing is the collaboration and pooling of the resources of producers, processors and marketers to solve key market issues.