

Evaluating Marketing Mix Strategies for Selected Small and Medium Agro-processing Enterprises (SMAEs) in Malawi.

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Introduction

- Quick facts about Malawi;
 - Land locked country in sub-Saharan Africa.
 - Population approximately 14 million (2008 census).
 - Agriculture based economy contributing between 30% - 40% of GDP and employing 80% of rural labor.
 - Land surface area 36,324 sq. miles.
 - 8,386 sq. miles Lake Malawi



Rise in Small and Medium Agro-processing Enterprises (SMAEs) in Malawi

- Recent years have seen increasing numbers of SMAEs due to government policy.
- Two key contributors to rise in SMAEs; National Smallholder Farmers' Association of Malawi (NASFAM) and One Village One Product (OVOP).
- SMAEs considered important in delivering rural economic growth.
- Influx of small producer value added products on the food market.

Problem

- SMAEs products offerings have not been well embraced by the Malawian consumer.
- SMAEs products and processes reveal shortfalls in marketing mix.
- Profitability and economic sustainability of SMAEs is threatened.

Purpose of the study

- Evaluate SMAEs marketing mix using the 4 P's concept.
- Characterize SMAEs products and the respective market segments targeted.
- Assess the perception of SMAEs products by Store Managers and Consumers.
- Assess availability and utilization of consumer and market research information.

Purpose of study (continued)

- Assess the availability and utilization of business support services such as venture capital sources, business incubators and business development services for SMAEs.
- Suggest ways of improving current marketing mix strategies for SMAEs
- Establish a platform for strengthening collaboration among SMAEs as well as with relevant stakeholders.

How will the study be conducted

- 10 SMAEs selected within 100 mile radius of the major commercial cities; Blantyre, Lilongwe, Zomba and Mzuzu.
- A set of interviews and focus group discussions with relevant people in selected SMAEs, retail shops and consumers to gather information.
- Prior consultations made before commencing the study to get consent and commitment to the process.

Study Area

- Map of Malawi.



Preliminary findings

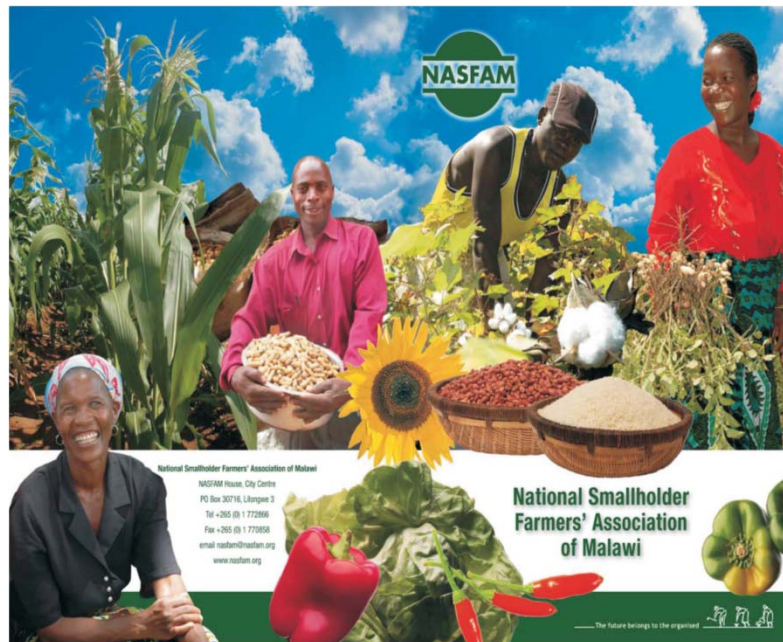
- I have so far relied on literature review and previous interaction with small producers in my work as Commercialization Officer , Agro-processing Manager and Trading Manager.
- Interviews and focus group discussions will be conducted upon graduation to complete the study.

Preliminary findings

- Majority of SMAEs are NGO or Government supported.
- Two categories of SMAEs can be distinguished; “progressive” and “less progressive.”
- Progressive SMAEs are entrepreneurial oriented; i.e. are innovative, take risks and are pro-active.
- Less progressive SMAEs have predominant project mentality; lack ownership and desire to excel.
- Examples of progressive SMAEs; NASFAM and Mzuzu Coffee Famers Cooperative.

SMAEs products;

Nasfam Commercial



Diverse Nasfam produce



Kilombero rice

SMAEs products

- Mzuzu Coffee Farmers Cooperative



Malawi's Mzuzu Coffee



Mzuzu coffee on the retail shelf

OVOP supported groups

- Bvumbwe Dairy Farmers Cooperative
- Bwanje Valley Rice Cooperative
- Khumbo Oil Refinery
- Mitundu Agro-processing
- Zipatso Association
- Biriwiri Farmers' Market Cooperative
- Mapanga Producers, Processors and Marketing
- Zakudimba Producers and Marketing

OVOP supported Products

Baobab jam



Tangerine juice



Moringa oil



Bakery products



OVOP supported Products

Honey



Fresh Milk



Kilombero rice



Raw peanuts



Potato chips



Yoghurt



A critique of 4P's: Products

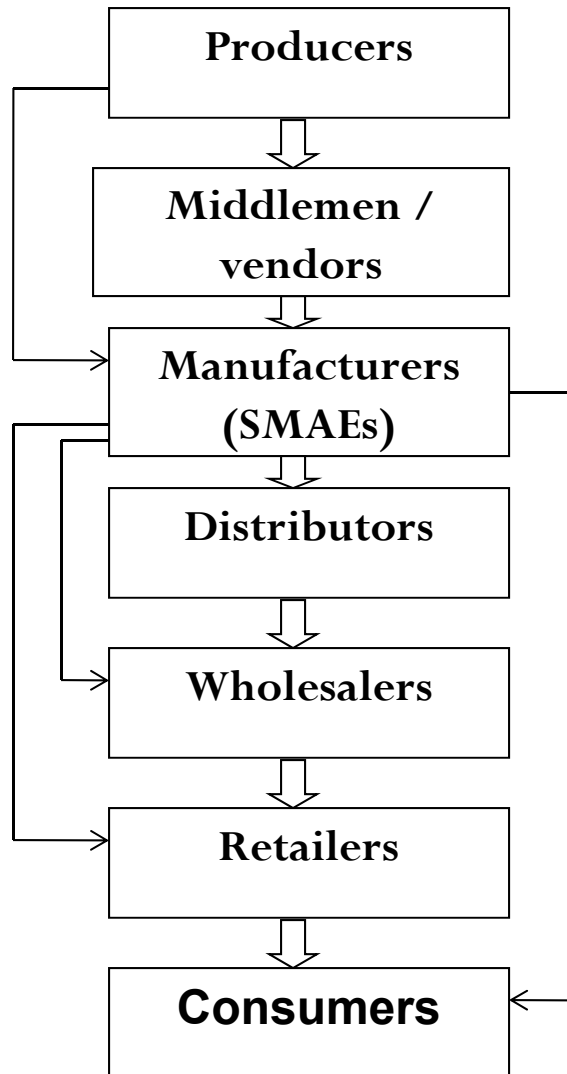
- Positioning conflicts with product attributes; targeting supermarkets demands better quality and variety than current offerings.
- Main supermarkets customers are middle class Malawians; increasingly demanding better quality and service.
- SMAEs fail to deliver quality and consistency.
- Tendency to use inferior packaging.
- Little differentiation; limited resources to invest in product development.
- Limited use of consumer and marketing information.

A critique of 4P's: Place

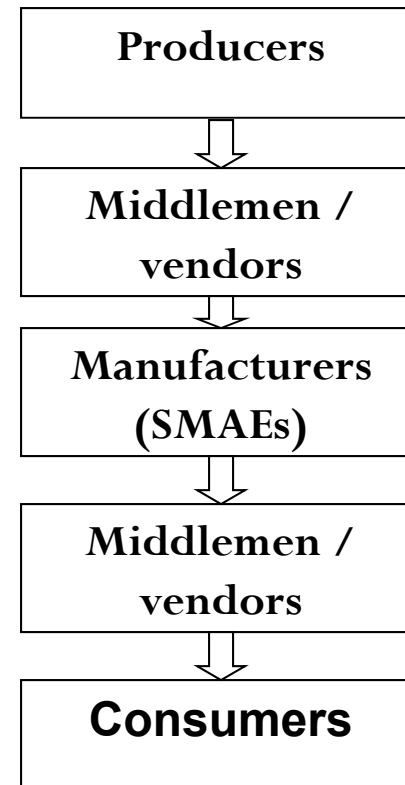
- Major targeted outlets are supermarkets; however very few have been successful in getting listed.
- Tendency to work in isolation; compete rather than collaborate.
- Store buyers reluctant to deal with a multitude of small suppliers.
- Increased transaction costs and SMAEs lack of contract discipline are major drawbacks.
- SMAEs use both the formal and informal food supply chain.

Formal & Informal Supply Chains

Formal Supply Chain



Informal Supply Chain



A critique of 4P's: Price

- SMAEs are generally price takers; usually follow big manufacturers prices.
- Failure to deliver on quality leads to poor sales.
- Compromise packaging quality to cut costs.
- Lack skills, resources and structure to vigorously pursue product differentiation to get premium price.
- Small size operations lead to higher per unit costs and low profitability.

A critique of 4P's: Promotion

- Reliance on “Push” promotion strategy.
- Main promotional activity; Participation in National and International trade fairs with coordination from supporting NGO / government.
- Local Agricultural shows.
- Only progressive SMAEs have a promotional budget and engage in “Pull” promotion strategy.

Summary of initial findings

- Two categories of SMAEs can be distinguished based on their execution of marketing mix.
- “Progressive”; these have better developed structure and external networks and are entrepreneurial oriented i.e. are proactive, innovative and take risks.
- “Less progressive”; have a predominant project mentality and little entrepreneurial drive.
- However both categories show a need for marketing mix interventions to succeed in the dynamic market environment.

Summary of initial findings

- Most SMAEs fail to deliver on the 4P's.
- Product offerings do not meet the demands of an increasingly sophisticated consumer.
- SMAEs work largely in isolation; not much effort to establish effective networks and collaborations.
- SMAEs show desire to use marketing information but very few proactively seek the information.
- Major sources of consumer and market research information are the supporting NGOs which are involved in a wide variety of programs.

Thank You!

(Zikomo!)