

LEARNING FACILITATING MATERIALS

NATIONAL CERTIFICATE LEVEL 2

TRADE AREA: **CASHEW AND OIL PALM**

UNIT 8

AGRIBUSINESS CONCEPTS





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UNIT INTRODUCTION

Welcome to Unit 8 of your learning journey on agribusiness concepts. This guide explains the main agribusiness concepts relevant to cashew and oil palm value chains.

Do you already know some agribusiness concepts?

A good understanding of agribusiness concepts is important in order to take informed decisions about growing your agribusiness and reducing business risks. Apply your knowledge and skills perfectly to maximise business opportunities and profits.



In this unit, you will learn about the most common agribusiness concepts. The learning material covers four sub-units:

- 1) Market penetration in agribusiness
- 2) Market development in agribusiness
- 3) Product development in agribusiness
- 4) Diversification in agribusiness

Each sub-unit contains theoretical and practical exercises. Each module includes written materials, visuals as well as self-assessments to test your knowledge and skills.

In this unit, we also provide you with market analysis, product and business planning tools to guide your decision-making process in expanding product portfolios, entering new markets, launching new products and spreading business risks.

Even though this learning material provides essential information on agribusiness concepts along cashew and oil palm value chains for National Certificate Level 2, you should also look out for new information and innovative concepts during your practical work that expand your knowledge and skills in managing agribusinesses.

Do you want to learn more about agribusiness? This is your chance!

TABLE OF CONTENT

NO	CONTENT	PAGE
	Unit Introduction	3
	Icons and Abbreviations	5
LO 1	1. DEMONSTRATE KNOWLEDGE OF MARKET PENETRATION IN AGRIBUSINESS	6
	a) Explain market penetration	6
	b) State the importance of market penetration	6
	c) Conduct a situational analysis of the market	7
	d) Explain the strategies for market penetration	10
	e) Develop a market penetration strategy for agribusiness	10
	SELF ASSESSMENT	11
LO 2	2. DEMONSTRATE KNOWLEDGE OF MARKET DEVELOPMENTS IN AGRIBUSINESS	12
	a) Explain market development in agribusiness	12
	b) Explain the importance of market development	12
	c) Explain strategies for market development	13
	d) Prepare a market development plan for an agribusiness product	14
	SELF ASSESSMENT	15
LO 3	3. DEMONSTRATE KNOWLEDGE OF GENERAL PRODUCT DEVELOPMENTS IN AGRIBUSINESS	16
	a) Explain product development in agribusiness	16
	b) State the importance of product development	16
	c) Explain the general processes of product development	17
	d) Explain the general steps of product development	18
	e) Prepare a product development plan for an agribusiness	20
	SELF ASSESSMENT	21
LO 4	4. DEMONSTRATE KNOWLEDGE OF DIVERSIFICATION IN AGRIBUSINESS	22
	a) Explain diversification in agribusiness	22
	b) Explain the importance of diversification	22
	c) Explain the types of diversification	23
	d) Develop an agribusiness diversification strategy	23
	SELF ASSESSMENT	24

ICONS



LEARNING
OBJECTIVES



ATTENTION



BUSINESS
DEVELOPMENT
TOOLS



SELF ASSESSMENT



WELL DONE!



TAKE A BREAK!

1. DEMONSTRATE KNOWLEDGE OF MARKET PENETRATION IN AGRIBUSINESS

a) Explain market penetration

Market penetration refers to the successful selling of an existing product or service in an existing market.

	Existing Products	New Products
Existing Markets	Market Penetration	Product Development
New Markets	Market Development	Diversification

Market penetration is measured by:

- the amount of sales volume (market share) of a product or service compared to the total target market for that product or service.
- the number of potential customers that have purchased a product or service of a specific company instead of a competitor's product or service.

If the target market is large, new entrants (companies, products, services) might be encouraged to gain market share or a percentage of the total number of potential customers in the industry.

If the target market is small, new entrants (companies, products, services) might face intense competition with existing companies, which increases the difficulty in gaining market share or a percentage of the total number of potential customers in the industry.

b) State the importance of market penetration

The main objective behind market penetration is to launch a product, to market the product as quickly as possible and to capture a sizeable market share.

Market penetration is important to:

- determine a company's potential to gain market share or grow their revenue through sales within a specific industry
- determine the size of the potential market
- develop a business growth strategy
- measure whether a product is doing well in the market or not

c) Conduct a situational analysis of the market

A situational analysis identifies internal and external factors of a business, e.g. business capabilities, customers, potential customers as well as business environments, and their impact on the company. A situational analysis is an essential part of every business and marketing plan.

Factors to consider in a situational analysis are:

- Product
- Pricing
- Competition
- Distribution
- Environment
- Opportunities
- Risks

There are various tools that can be used to conduct a situational analysis. The most common tools are SWOT-Analysis, PESTEL-Analysis and the 5C Analysis, which is a combination of both SWOT and PESTEL Analyses.

1. SWOT-Analysis

	Helpful <i>(to achieve organisational objectives)</i>	Harmful <i>(to achieve organisational objectives)</i>
Internal Forces <i>(within the organisation)</i>	STRENGTH <ul style="list-style-type: none"> • <i>Things your company does well</i> • <i>Qualities that separate you from your competitors</i> • <i>Internal resources (e.g. skilled staff)</i> • <i>Tangible assets (e.g. technology / innovation)</i> • <i>Unique selling proposition</i> 	WEAKNESSES <ul style="list-style-type: none"> • <i>Things your company lacks</i> • <i>Things competitors do better</i> • <i>Resource limitations</i> • <i>Unclear unique selling proposition</i>
External Forces <i>(in the environment)</i>	OPPORTUNITIES <ul style="list-style-type: none"> • <i>Underserved market for specific products</i> • <i>Few competitors</i> • <i>Emerging needs for products or services</i> • <i>Press coverage of your company</i> 	THREATS <ul style="list-style-type: none"> • <i>Emerging competitors</i> • <i>Changing regulatory environment</i> • <i>Changing customer attitudes towards your company and products</i> • <i>New market trends</i>

2. PESTEL-Analysis

POLITICAL	<ul style="list-style-type: none"> • Democratic vs. authoritarian governance • Tax policies • Political stability • Trade restrictions
ECONOMICAL	<ul style="list-style-type: none"> • Fluctuating exchange rates • Inflation • Economic growth rates • Interest rates • Underemployment rates
SOCIAL-CULTURAL	<ul style="list-style-type: none"> • Social hierarchies • Age distribution • Level of education • Religion • Career attitudes
TECHNOLOGICAL	<ul style="list-style-type: none"> • Access to ICT • Telecommunication coverage • Innovation capacities • New cost-efficient production, distribution, marketing methods
ECOLOGICAL	<ul style="list-style-type: none"> • Use of renewable energy (solar, wind energy) • Recycling and waste disposal regulations • Infrastructure • Availability of natural resources
LEGAL	<ul style="list-style-type: none"> • Environmental law • Competition law • Labour law

3. 5C Analysis

1. Company

- Business goals and objectives
- Position
 - How do you market your product in terms of pricing, positioning and promotion?
- Performance
 - How effective are you achieving your business goals?
- Product line
 - How successful are your products on the market?

2. Competitors

- Identify competitors
 - Do they offer the same products/services to the same customers?
- Assess competitors
 - What is their business mission, vision, strategy, resources?
- Predict future initiatives of competitors
 - What are their next steps/innovations?

3. Customer Demographics

- Advertising needs
- Market size and potential growth
- Customers wants and needs
- Motivations to buy the product
- Distribution channels
- Quantity and frequency of purchase
- Income level of customers

4. Collaborators

- Agencies / Middlemen
- Suppliers (Farmers, processors, manufacturers, packaging suppliers)
- Distributors
- Partners

5. Context

- Political and regulatory environment
 - labour laws, tax exemptions
- Economic environment
 - fluctuation exchange rate, inflation
- Social-cultural environment
 - age distribution, level of education, religion
- Technological advancements
 - innovations, cost-efficient production methods

d) Explain the strategies for market penetration

There are various market penetration strategies:

- Adjust pricing
 - increase or decrease prices for products or services
- Intensifying marketing
 - Add new distribution channels
 - E.g. online marketing, direct marketing, social media marketing
 - Ease purchases by making your product available in different locations
 - Utilize reward systems
 - E.g. loyalty points, discount cards
 - Generate referrals
 - E.g. offer gift coupons to customers whose referrals get converted into new customers
 - Improve products
 - E.g. Improve quality, features or add innovations
 - Boost product use
- Create barriers for competitors
 - E.g. patents, licenses, well-established brands in the market
- Launch new products
- Educate your customers about your product and company
 - E.g. messages on health benefits, organic products, no-waste mentality of the company, environmental protection, traceability, product storylines
- Change the product design
 - E.g. re-brand, packaging materials, labelling
- Build strategic alliances / partnerships in the industry



Example: Market penetration in cashew and oil palm production could include boosting sales of raw cashew nuts and palm nuts to processors or buyers by reducing prices or producing higher quality products to create a greater demand.

e) Develop a market penetration strategy for agribusiness



Practical Exercise: Develop a market penetration strategy for your cashew or oil palm products. Expand your scope beyond the market penetration strategies listed above.



SELF ASSESSMENT

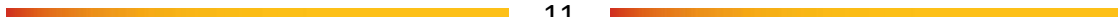
1. Explain market penetration.

2. State the importance of market penetration.

3. State three (3) tools for conducting situational analysis of the market before penetration.



*Congratulations! You have completed the first set of questions.
Remember - Opportunities don't happen, you create them!
Take a break before you move on to the next chapter.*



2. DEMONSTRATE KNOWLEDGE OF MARKET DEVELOPMENTS IN AGRIBUSINESS

a) Explain market development in agribusiness

Market developments refers to companies trying to sell existing products or services to a new group of customers in the same market or to new customers in a new market.

	Existing Products	New Products
Existing Markets	Market Penetration	Product Development
New Markets	Market Development	Diversification

Market development involves:

- entering new segments of the market
 - geographic segments (e.g. new cities, regions or even countries)
 - demographic segments (e.g. different age, gender or income segment)
 - psychographic segments (e.g. different lifestyles, interests, values)
- expanding outreach by converting non-users of products and services into users
- intensifying product use by convincing customers to use your products in new ways
- modifying features of existing products that provide the same benefit (e.g. change in product colour or shape)
- entering new markets

b) Explain the importance of market development

Market developments are driven by demand and supply dynamics and the continuously changing landscape of customer tastes and needs for certain products and services.

Market developments are important to:

- provide the space for new companies to enter the market, which encourages existing companies to become more innovative, to keep up-to-date with consumer trends, demands and needs
- keep competition at a high level
- maintain high product quality
- encourage product development
- gain new customer segments
- increase revenue and company growth
- reduce risk by expanding the customer base



If you understand the market dynamics of your sector, you can produce products and services in the required qualities and quantities for your targeted customer segment at the appropriate price, and thus gain new customers, increase revenue and company growth.

c) Explain strategies for market development

Market development is the strategy or action taken by a company to increase market share in a new market segment or market.

There are seven (7) strategies for market development:

1. Customer segmentation

- divide the customer base into different homogeneous groups according to geographic location, demographics and psychographics and develop products to target their specific needs

2. Pricing

- Strategies for higher or lower product pricing to reach different customer segments and markets

3. Distribution

- Develop new physical and digital distribution channels to reach different customer segments and markets

4. Branding

- Develop new brands that are attractive to a wider or new range of customers

5. Promotion

- Personalized offers, promotional videos, coupons

6. Sales

- Diversifying sales strategies by selling products to end consumers, but also middleman, retailers, etc.

7. Product Adjustments

- Adjust products to fulfil the needs of the targeted customer segment and market



Example: Market development in cashew and oil palm production could include sales promotions of raw cashew nuts and palm nuts to different processors or buyers in other regions in Ghana.

d) Prepare a market development plan for an agribusiness product



Practical Exercise: Develop a market development plan for your cashew or oil palm products. Expand your scope beyond the market development strategies listed above.

Your market development plan should include the following aspects:

- Situational analysis of the new market
- Detailed description of new market segments
 - Location
 - Demographics
 - Psychographics
- Product dimensions and potential product adjustments to benefit the new market segment
- Pricing strategies to reach the new market segment
- Distribution channels to reach the new market segment
- Promotion messages and tools to reach the new market segment
- Sales strategies to reach the new market segment
- Branding strategies to reach the new market segment



SELF ASSESSMENT

1. Explain market development in agribusiness.

2. State the importance of market development.

3. Explain strategies for market development.



*Well done! Knowing is not enough, we must apply. Wishing is not enough, we must do.
You are doing great on your path to success.*

3. DEMONSTRATE KNOWLEDGE OF GENERAL PRODUCT DEVELOPMENTS IN AGRIBUSINESS

a) Explain product development in agribusiness

Product development typically refers to all stages from conceptualizing a new product or service to launching it in existing markets.

	Existing Products	New Products
Existing Markets	Market Penetration	Product Development
New Markets	Market Development	Diversification

Product development includes the:

- modification of existing products with new features that offer new or additional benefits to customers in an existing market.
- formulation of an entirely new product that satisfies a newly defined customer want or niche in an existing market.

b) State the importance of product development

The main objective in developing new products is to fulfil or create a customer need and to increase business success and growth. The higher the innovation capabilities of your staff, the more products your company can develop.

The importance of product development is to:

- satisfy or create a consumer demand and need with a new product or service
- replace outdated products
- maintain or increase a company's market share and innovation capability
- enter new segments in the existing market
- improve a companies' image (e.g. by introducing environmentally or socially friendly products)



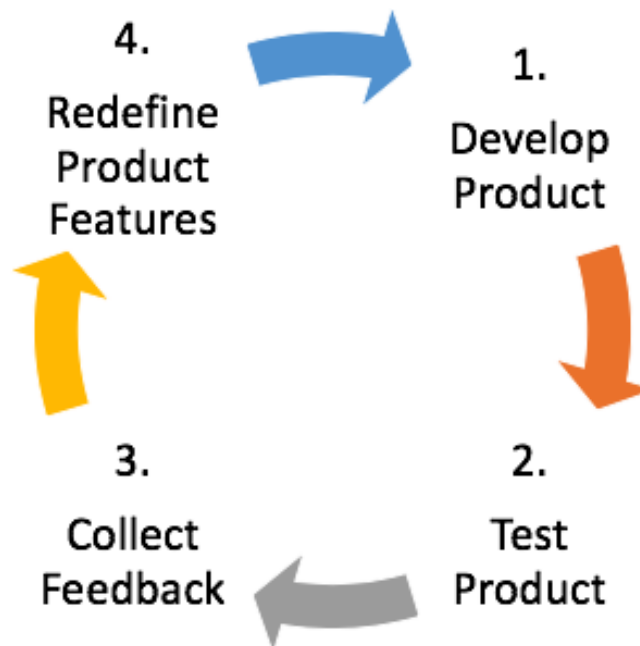
Not every product will appeal to every customer or client base, so defining the target market for a product is a critical component that must take place early in the product development process.

c) Explain the general processes of product development

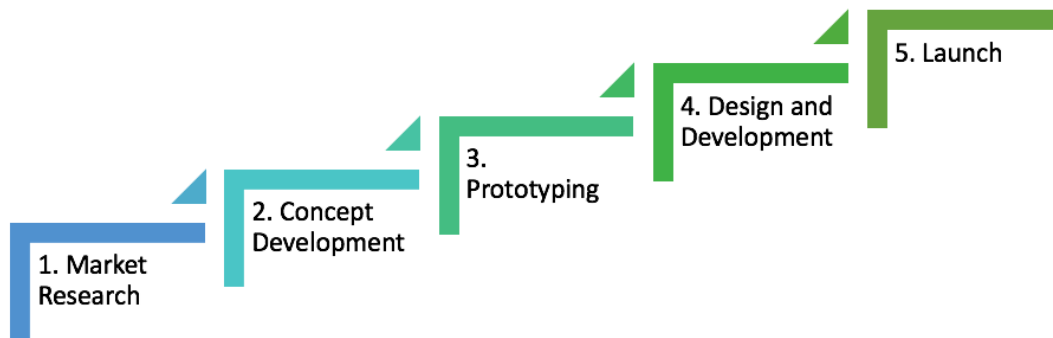
Although product development is a creative and engaging process, it requires a systematic approach to guide the development processes that are required to get a new product to market.

The process of product development should be:

- creative
- participatory (e.g. in brainstorming sessions)
- inclusive (customers, staff, suppliers, developers participate in brainstorming sessions)
- action research driven:
 1. Develop product
 2. Test product
 3. Collect feedback
 4. Redefine product features



d) Explain the general steps of product development



1. Market Research

- Generate product ideas
- Identify, validate and create customer and market needs
 - What is the problem that you need to solve for your customers?
 - What kind of product do your customers demand?
- Conduct a SWOT analysis
 - Do you want to target the conventional market?
 - Do you want to develop products for niche or speciality markets?
- Define the products' target group
 - Which market segment(s) would you like to target?
- Collect data through survey or interviews from
 - Customers
 - Staff
 - Competitors
 - Suppliers

2. Concept Development

- Funnel ideas and opinions
- Decide on the most feasible and fitting product
- Adjust the initial product idea to supply a realistic market need
- Develop a detailed product concept
- Design the pilot product
- Manufacture the pilot product on a small-scale

3. Prototyping

- A prototype is a mock-up of the proposed product, intended to verify the functions and design of your product
- Test your prototype in different use-case scenarios
- Conduct customer value assessments to obtain an opinion about your product from a sample of your target group
- Identify points of failure

4. Design and Development

- Improve product functions
 - If the customer feedback demands serious product changes, you may need to go back to the prototype stage after changing product functions. It is important to confirm the new product format with consumers before going into mass production and product launch.
- Give a new design to the product, its appearance and quality
 - in case of consumer/food products, also develop the organoleptic properties (taste, colour, smell, feel)
- Once you have developed a functional and well-designed product, undertake large-scale production

5. Launch

- Create a marketing plan to improve possible sales
- Launch a promotion campaign
- Use press and media coverage for your launch
- Provide free samples or experiences with your product to create a demand



Example: Product development could include the development of high-quality by-products such as cajuina (cashew juice) or charcoal briquettes from oil palm and raw cashew nut shells for the domestic market.

e) Prepare a product development plan for an agribusiness



Practical Exercise: Develop a product development plan for your cashew or oil palm products. Follow the general steps for product development.

Your product development plan should include:

- Background on market needs and customer demand
 - Situational analysis of the market
- Product description
 - What problem(s) are you solving with your product?
 - What are the specific functions of your product?
 - How is the product designed and branded?
- Resource plan
 - What is the overall budget required?
 - How much does the prototyping cost?
 - What materials / ingredients / technologies are required?
 - How much do they cost?
 - What are the product costs?
 - Who can supply the required quality materials?
 - How much time will it take to produce the product?
 - Who needs to be involved in the customer value assessment?
 - How long does the prototyping phase take?
 - When do we have enough information?
- Product launch
 - Where will the launch take place?
 - Who needs to be there?
 - How should it be done?



SELF ASSESSMENT

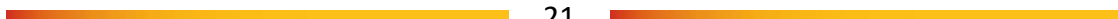
1. Explain product development.

2. Explain the general process of product development.

3. Explain the general steps of product development.



Congratulations! You have completed more than half of this training unit already. Take a deep breath and continue to the last chapter. You are doing great!



4. DEMONSTRATE KNOWLEDGE OF DIVERSIFICATION IN AGRIBUSINESS

a) Explain diversification in agribusiness

Diversification is a risk management and growth strategy. Diversification in agriculture includes the re-allocation of some productive resources, such as land, investment capital, human resources and technologies to other – sometimes more profitable – activities. This strategy enables farmers to enter new market segments, in which they currently do not operate in.

	Existing Products	New Products
Existing Markets	Market Penetration	Product Development
New Markets	Market Development	Diversification

Examples for diversification in agriculture are:



- Intercropping (e.g. cashew with groundnuts)
- Engaging in primary processing (e.g. integrating palm oil extraction on an oil palm farm to add value to the primary product or adding bee-keeping to a cashew farm)
- Maximizing profits from an existing crop without engaging in primary processing (e.g. selling raw cashew nuts and cashew apples that were previously discarded)

b) Explain the importance of diversification

Diversification is important to expand business opportunities by creating new products and by targeting new markets.

Diversification is an important business activity in agribusiness operations to:

- reduce dependency on a limited number of farming and income generating activities
- reduce dependency on fluctuating and volatile global market prices for cash crops
- protect yourself from competing companies
- mitigate risks in the event of an industry downturn
- ensure autonomy through intercropping of food crops
- spread sources of income
 - E.g. adding bee-keeping to cashew farming results in revenue from the honey, wax as well as propolis sales, in addition to higher productivity of raw cashew nuts
- make best use of existing resources and production factors to maximise profits

- benefit from arising business and profit opportunities (e.g. new market trends, rising commodity prices, additional financial support through grants)
- allow for more variety and options of products and services in order to access different markets and to boost brand image and company profitability.

c) Explain the types of diversification

There are five (5) types of diversification techniques:

1. **Horizontal diversification** involves providing new and unrelated products or services to existing consumers
2. **Vertical diversification**
 - Forward vertical integration (a cashew farmer starts a processing cashew apple juice)
 - Backward vertical integration (a palm oil processor starts planting oil palm)
3. **Concentric diversification** involves adding similar products or services to the present portfolio with the aim of fully utilising the potential of existing technologies and marketing systems.
 - Optimal usage of production factors – those that represent the competitive advantage of a company
4. **Heterogenous / conglomerate diversification** involves adding new products or services that are significantly unrelated and with no technological or commercial similarities.
5. **Corporate diversification** involves production of unrelated but definitely profitable goods.

d) Develop an agribusiness diversification strategy



Practical Exercise: Pick a type of diversification strategy that fits best to your business. Make use of the concepts that you have learned in the previous chapters to develop your agribusiness diversification strategy.

Your diversification strategy should include:

- Objective for diversification
 - What do you want to achieve with diversifying business activities?
- Background on market needs and customer demand
 - Situational analysis of the market
 - Which new business activities respond to an actual market demand?
- Type of diversification
 - Which diversification strategy is relevant to your business?
 - How are you going to implement that strategy practically?
- Resource (re-)allocation plan
 - What is your current investment capital?
 - How much of the investment capital do you want to reallocate to new activities?

- Do you require a loan?
- Do you need to acquire additional land or divide the existing land into different plots for different crops?
- When do you expect a return on investment?
- Do you need additional resource, expertise, technologies?



SELF ASSESSMENT

1. Explain diversification in agribusiness.

2. Explain the importance of diversification.

3. Explain the types of diversification.



*Bravo! You have completed this entire unit.
Do what you can with all you have, wherever you are!*

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