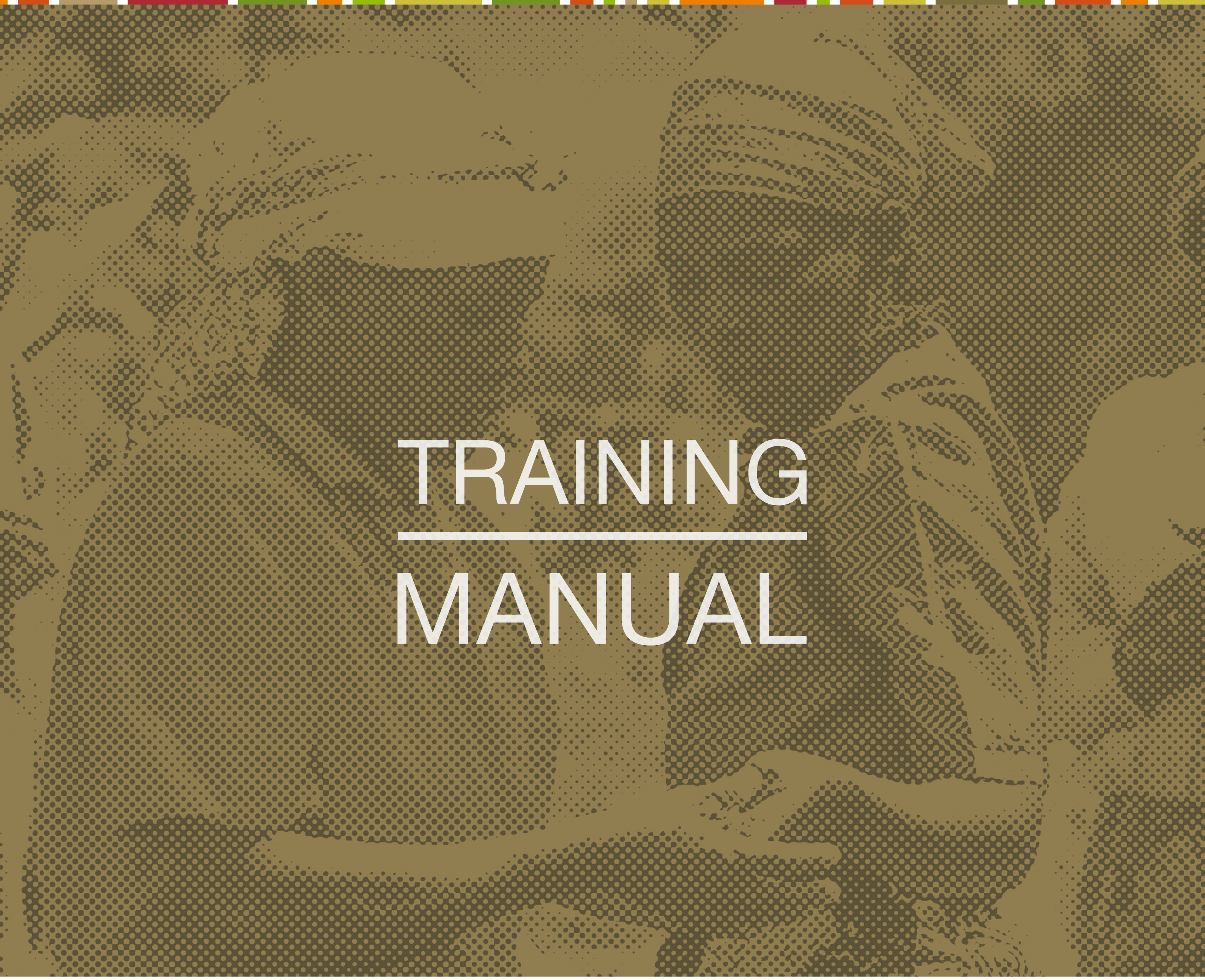
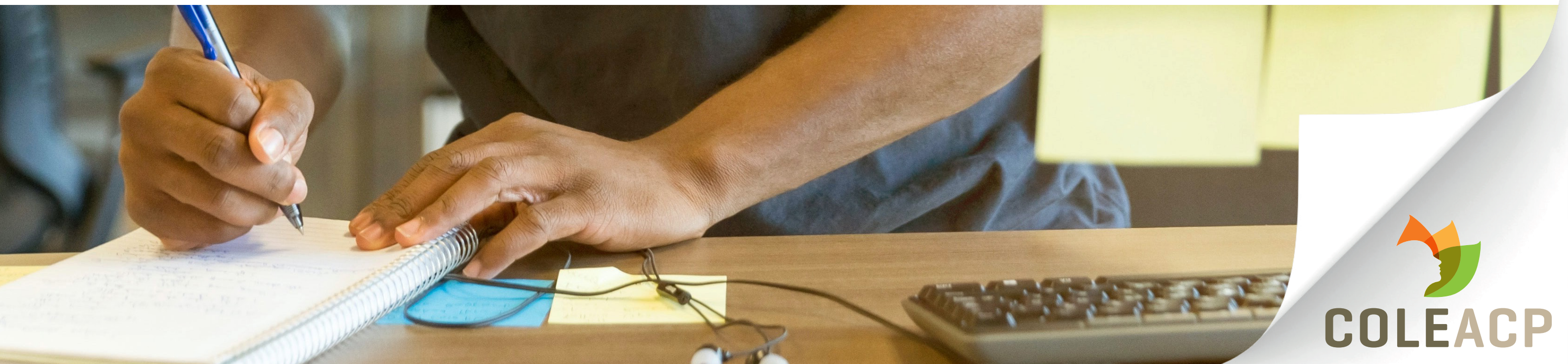


TRAINING MANUAL

- MANAGEMENT OF ORGANISATIONS AND BUSINESS DEVELOPMENT -

BUSINESS DEVELOPMENT



COLEACP

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COLEACP implements two intra-ACP Fit For Market programmes. The Fit For Market programme, co-funded between the EU and the AFD, now in its fifth year, aims to strengthen the competitiveness and sustainability of the African, Caribbean and Pacific (ACP) horticultural sector, primarily for the private sector.

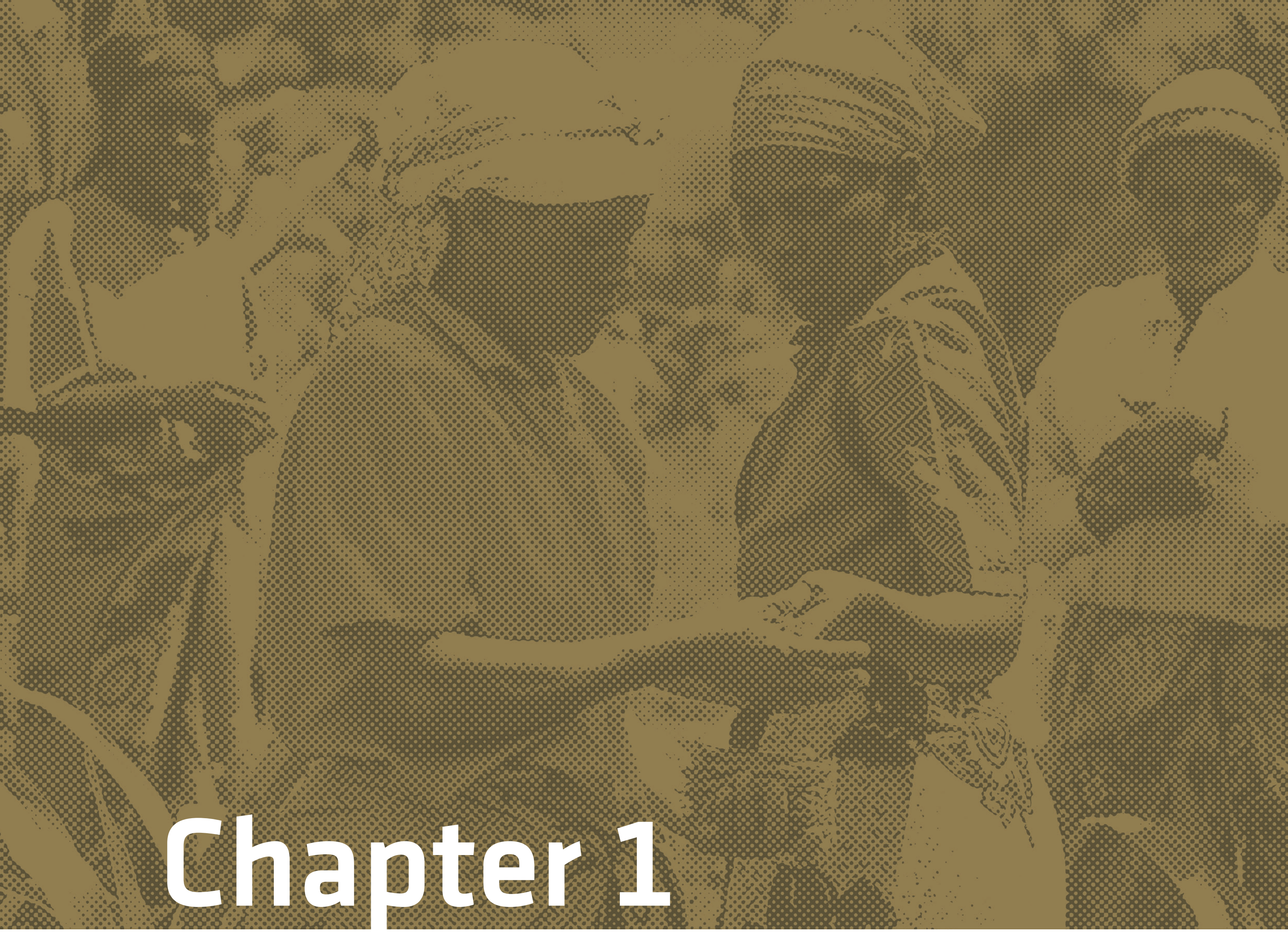
Fit For Market SPS began in January 2019 and focuses on strengthening the sanitary and phytosanitary (SPS) systems of the ACP horticultural sector, primarily for the public sector.

Both programmes form part of the intra-ACP indicative programme (2014-2020) ofcooperation between the EU and the OACPS.

AFD AGENCE FRANÇAISE DE DÉVELOPPEMENT STDF

FIT FOR MARKET

BUSINESS DEVELOPMENT



Chapter 1

Introduction to business development

1.1. DEFINING AND ASSESSING BUSINESS IDEAS

1.1.1. What is a Business Idea?

A business is an undertaking by an individual or group of individuals to produce and sell, for a profit goods, and services that satisfy societal needs. Horticultural businesses entail planting, harvesting, storing, processing, and marketing of fruits and vegetables to consumers. Businesses are set up with various objectives that include amongst others growing wealth or alleviating poverty for smallholder farmers. Businesses may also be state owned or not-for-profit that operate to fulfil a charitable mission or further social objectives. Even though many businesses are private sector driven, the public sector is also an important player in the business world.

Generally, every business begins with a business concept (the idea) by an entrepreneur who identifies a societal need and seeks to provide solutions at a fee. In the case of a horticultural enterprise, the business idea may arise from the need for fruits and vegetables due to the health and nutritional benefits associated with them from the consumers.

A business idea is a short and precise description of the basic operations of an intended business. Business ideas arise from positive and creative thinking with the objective of providing solutions to societal needs. The business ideas can come from different sources such as ideas built on local resources, local needs, local activities, interests, and hobbies. **According to Timmons and Spinelli, (2007), finding a good business idea is the first step in the process of converting an entrepreneur's creativity into an opportunity**. In developing a horticulture business idea, the business owner will also determine which activities of the value chain (planting, harvesting, storing, processing, and marketing) the proposed business will engage in.

A good business idea is one that is based on:

1. A product or service that customers want
2. The customers' willingness to buy the product or service at a price that will earn business owner a profit.
3. Having or ability to acquire the skills and knowledge needed to produce the product or service.
4. Accessibility of the resources to invest in the production of the product or service.

All good businesses begin with good well thought through business ideas.

1.1.2. How to generate Business Ideas

Ideation is the creative process of generating, developing, and communicating new ideas (Johnson, 2005). Idea generation is a process of creating, developing, and communicating abstract, concrete, or visual ideas. These ideas are generated using innovation funnel which enables constant generation and screening for viability of business ideas.

The Innovation Funnel

The core of the Innovation Funnel is to generate as many ideas as possible, which will be converted and refined by narrowing down into few plausible business plans The Innovation Funnel Management Process demands that you carefully screen each idea against set rules, criteria, and filters. The diagram below illustrates the innovation management funnel.

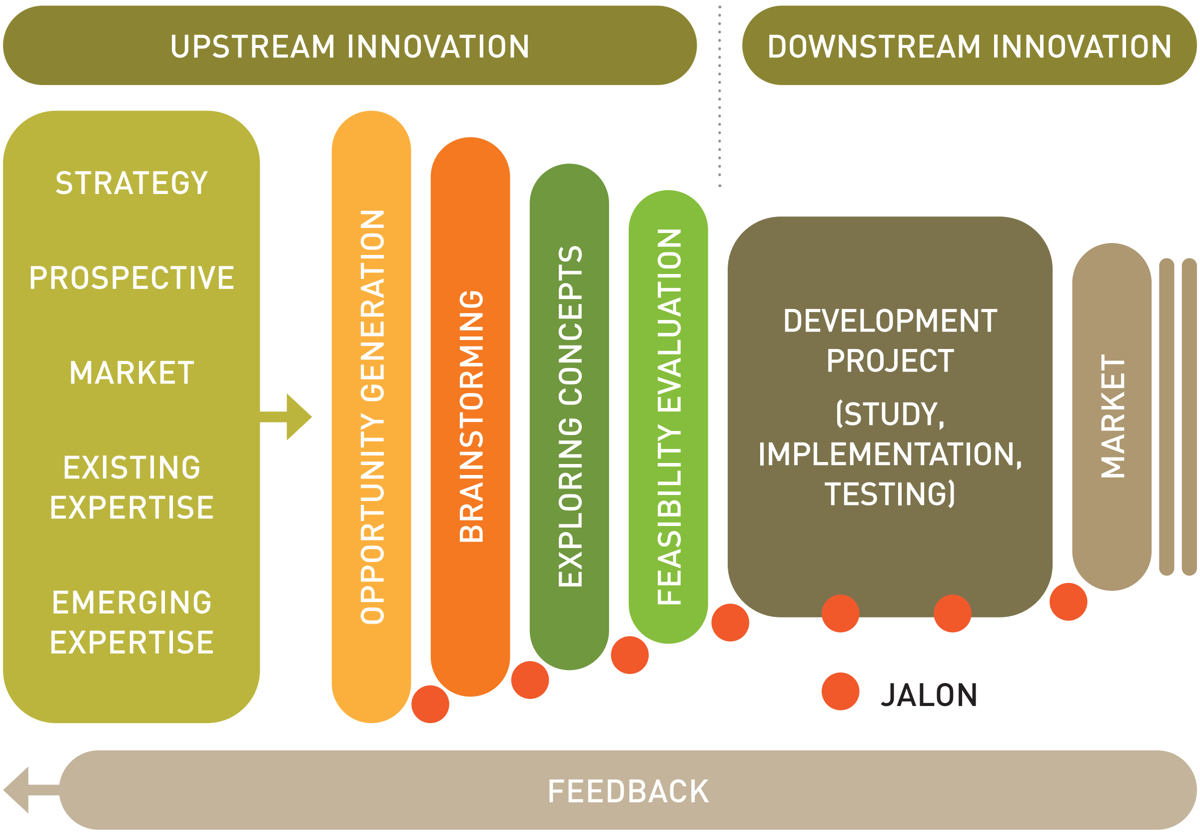


Figure 1 - The Innovation Management Funnel

Idea generation is at the front-end part of the innovation management funnel and it focuses on coming up with possible solutions to perceived or actual problems and opportunities. For example, globalisation and competitiveness now exert significant influence on the fresh fruit and vegetable market concerning the safety and quality requirements of the products. The increase in this international trade is now possible mainly due to technological innovations in the postharvest, storage (longer preservation) and transport (maritime shipping, reefer ships, cold chain).

Tools and techniques for generating ideas

There are many techniques that can be used to generate numerous business ideas along the horticultural value chain that include;

1. Brainstorming
2. Mind Mapping

Other business ideas generation techniques include Scamper technique, Pain storming, method 3-6-5, SWOT analysis among others. We shall however, only cover the brainstorming and mind mapping techniques in this manual.

1.1.2.1. Brainstorming

This tool is a quick way to generate a number of ideas and possibilities. It involves a small group of people interacting with very little structure, with the goal of producing a large quantity of novel and imaginative business ideas.

Brainstorming combines a relaxed, informal approach to problem-solving with lateral thinking. It asks that people come up with ideas and thoughts that can at first seem to be a bit crazy. The idea here is that some of these ideas can be crafted into original, creative solutions to the problem the company is trying to solve, while others can spark still more ideas. This approach aims to get people unstuck, by "jolting" them out of their normal ways of thinking.

During brainstorming sessions there should therefore be no criticism of ideas: You are trying to open up possibilities and break down wrong assumptions about the limits of the problem. Judgments and analysis at this stage stunt idea generation. Evaluation of the business ideas should only be the end of the brainstorming session – this is the time to explore solutions further using conventional approaches.

Individual Brainstorming

If you are starting on your own and do not have a team to help you create new ideas, you can simply brainstorm on your own. When you brainstorm on your own, you will tend to produce a wider range of ideas than with group brainstorming - you do not have to worry about other people's egos or opinions, and can therefore be more freely creative.

Group Brainstorming

When it works, group brainstorming can be very effective for bringing the full experience and creativity of all members of the group to bear on an issue. When individual group members are stuck with an idea, another member's creativity and experience can take the idea to the next stage. Group brainstorming can therefore develop ideas in more depth than individual brainstorming.

Another advantage of group brainstorming is that it helps everyone involved to feel that they have contributed to the end solution, and it reminds people that other people have creative ideas to offer. What's more, brainstorming is fun, and it can be great for team-building!

How to Use the Tool

To run a group brainstorming session effectively, do the following:

- Find a comfortable meeting environment, and set it up ready for the session.
- Appoint one person to record the ideas that come from the session.
- If people are not already used to working together, consider using an appropriate warm-up exercise or icebreaker.
- Define the problem you want solved clearly, and lay out any criteria to be met.
- Give people plenty of time on their own at the start of the session to generate as many ideas as possible.
- Encourage people to develop other people's ideas, or to use other ideas to create new ones.
- Encourage an enthusiastic, uncritical attitude among members of the group.
- Ensure that no one criticizes or evaluates ideas during the session.
- Let people have fun brainstorming.
- Ensure that no train of thought is followed for too long.
- In a long session, take plenty of breaks so that people can continue to concentrate.

1.1.2.2. Mind maps

A mind map is a graphical representation utilised to visually organise information. The process of mind mapping involves penning a central theme and coming up with new and associated ideas that branch out from the central idea. The central single idea is frequently in the format of an image drawn in the middle of a blank landscape page to which connected representations of ideas such as words, images, facts, figures, concepts or parts of words are added as they are thought up. Mind mapping utilizes the concept of "radiant thinking." This means thoughts radiate (branch out) in different directions from a single idea.

The branches may move forward and backward to and from the main (central) idea. For example, there are many different ways of sub-dividing commercial horticulture industry; but in reality, the lines between the sectors are blurred and there can be a lot of overlap and variation in how you differentiate sectors, according to the context and perspective. The mind mapping technique can be used to classify commercial horticulture work as illustrated in the diagram below.

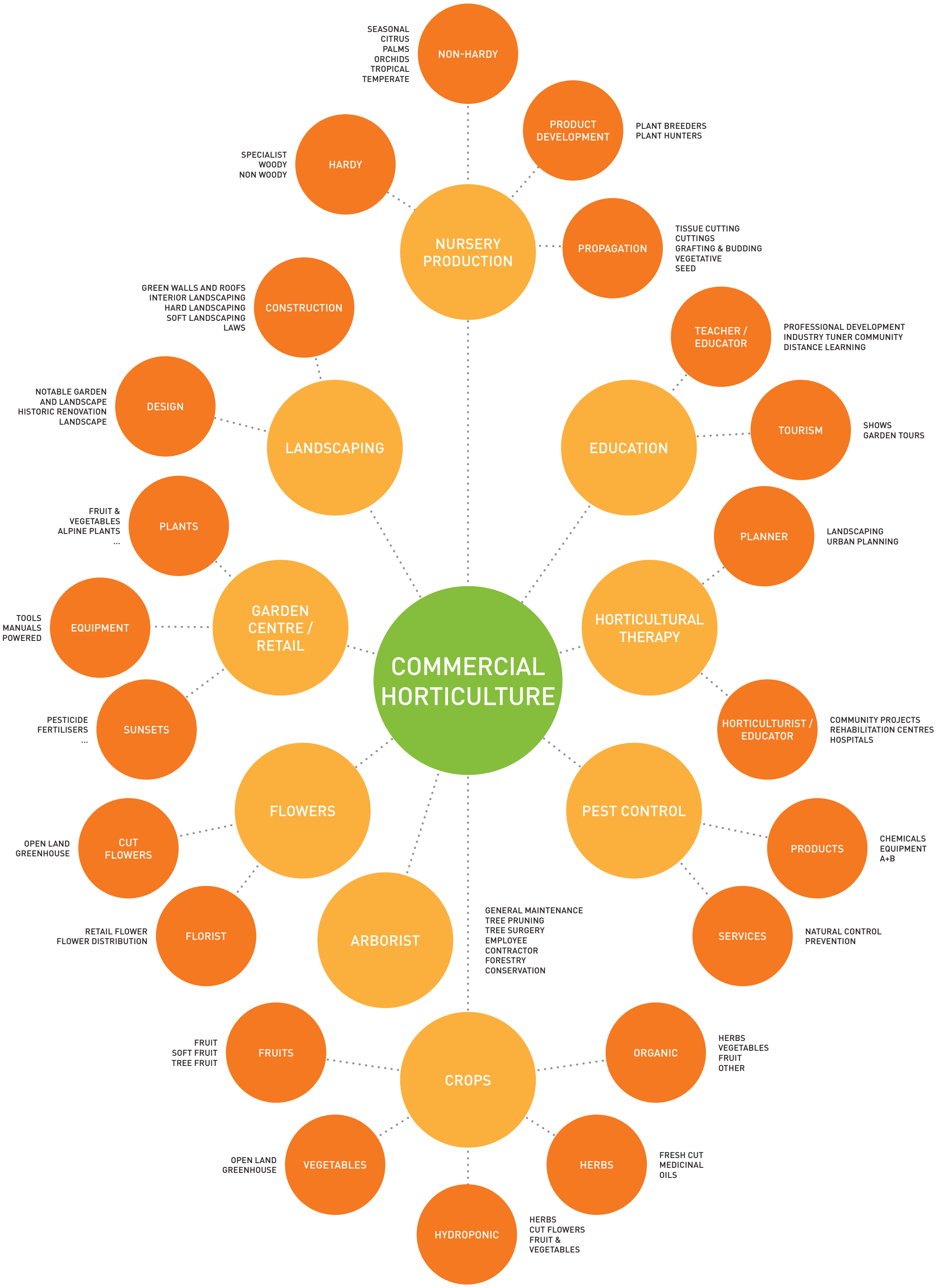


Figure 2 - The Mind map of Commercial Horticulture

How To Build Your Own Mind Map

Step 1: Start with the topic or idea in image form, in the centre of an empty page. Beginning in the centre provides the brain with freedom to move in all directions and reveal ideas/solutions more naturally and freely.

Step 2: Define the structure by creating the fundamental structure with which you would be organizing your ideas. The structure would include branches radiating out from the central idea and drawn as thick lines.

Step 3: Define each branch by putting down a key image or word for each branch as your ideas are generated. Allow the ideas to flow freely and quickly (long pauses are not to be encouraged) without judgment on whether they are practical or crazy.

Step 4: Highlight the priorities. Here, concepts of lesser importance can be represented as the twigs and drawn as thinner lines.

Step 5: Extend your mind map by additional ideas as information and ideas keep coming, connect them to the mind map in a suitable manner.

Step 6: Review and revise the developed mind map. Sometimes, a different sheet of paper may be required for this exercise

Figure 3 - How to Mind Map

1.1.3. Business Idea Assessment and Evaluation

Many business ideas in the horticulture sector in ACP countries fail not because entrepreneurs that started them are doing things badly, but because a real opportunity never existed. It is therefore necessary to check, before enthusiasm with the idea takes over, whether the idea satisfies a specific need and whether it meets the opportunity criterion (Barringer, 2010). Once an entrepreneur identifies a business opportunity, it is necessary to submit it to analyses, which will provide an insight into the feasibility and sustainability of the business venture in order to mitigate risk and prevent losses.

Models for business opportunity evaluation

Whereas many existing business opportunities evaluation methods require significant resources to implement them, the SMEs will specifically adopt them to suit their requirements. For this manual, we shall explore in detail two model namely John Mullins' seven domain model and Timmons Model of Entrepreneurship.

1.1.3.1. John Mullins' Seven Domain Model

According to Mullins (2003), the principal question that entrepreneurs have to ask themselves *"Why should this new business venture succeed, when majority of them fail?"*

This seemingly simple question helps the entrepreneur to explore all the possibilities that are in front of them (both positive and negative) and check whether their ideas satisfy the criteria of business opportunity.

The Mullins' model for assessing entrepreneurial opportunities offers guidelines and may be used to advise entrepreneurs in the horticultural sector to explore in detail all the relevant facts and known aspects before writing a business plan with the intention of accepting, modifying or dropping an idea.

Mullin states that successful entrepreneurship is composed of three important elements: markets, industries, and most important people. In his book, Mullins tackles these elements through the use of the seven domains model (Figure 4). This model offers a toolkit to better assess market opportunities and team qualities. It is composed of four market and industry domains, including both macro and micro levels and three additional elements relating to the entrepreneurial team (people).

The model brings to light three crucial distinctions that most entrepreneurs may overlook ie Markets and industries are not the same things, both macro-and micro level considerations are necessary and markets and industries must be examined at both levels.

The framework below elaborates how to evaluate the idea for feasibility and qualify if it has an opportunity.

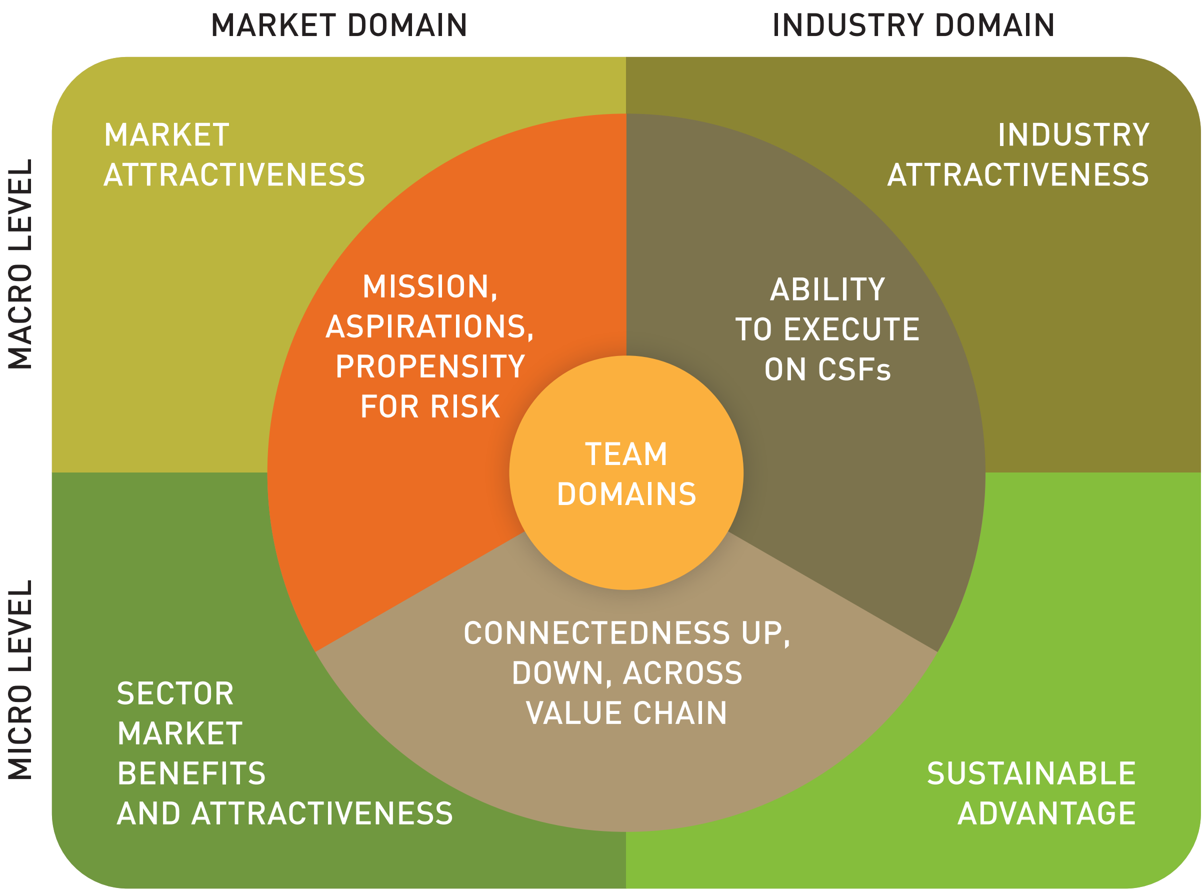


Figure 4 - Framework for idea evaluation

1. ***Sector Market benefits and attractiveness.*** One of many important aspects is the ability to understand and capitalize on the needs of carefully defined target markets. A fruits & vegetables SME may enter into a market segment by focusing on the consumers' needs, developing products that appealed to them, and building relationships with high – profile customers. Future more, the fruits and vegetables SME can use these capabilities when entering into new market segments. While understanding the market is a step in the right direction, effective execution wins the game. Without clearly articulating one's target market up from execution, the SME is likely to miss the mark.

2. ***Market attractiveness.*** At this point we look at the attractiveness of a market. The important factors here are the company's ability to identify an under-served market (large and with growth potential) and the matchmaking of their offering to the market's needs. For example, the fruits & vegetables market can capitalize on sociocultural trends (the health and nutrition trend). Understanding today's macro terms is one-step forward in discovering where the next entrepreneurial opportunity lays.

3. ***Industry attractiveness.*** There is a difference between the market and industry. In order to identify the industry attractiveness, Mullins makes use of well-known Porter's five forces: threat of entry, supplier power, buyer power, threat of substitutes and competitive rivalry. Key practices include: defining industry; barriers of entry for the specific industry; the power of both suppliers and buyers; level of difficulty of creating substitute product; the level of competitive rivalry and risks.

Table 1 - Porters Five Forces Model

No.	PORTERS FIVE FORCES MODEL	QUESTIONS TO ASK
1	Threat of Entry	Is it difficult for companies to enter the fruits and vegetables industry?
2	Supplier Power	Do suppliers to the fruits and vegetables industry have the power to set terms and conditions?
3	Buyer Power	Do buyers have the power to set terms and conditions in the fruits and vegetables industry?
4	Threat to substitutes	Is it easy or difficult for substitute products to steal the market?
5	Competitive Rivalry	Is competitive rivalry intense or gentle in the fruits and vegetables industry?

4. ***Competitive and economic sustainability***. In order for a fruits & vegetables company to be sustainable, it has to tackle both the competitive and economic side. Competitive advantage arises when a venture can provide differentiated benefits to the customers that are better, cheaper, or faster than those offered by competitors. This advantage is likely to be sustained when the SME has proprietary elements (patents, trade secrets, etc.) and superior organizational processes, capabilities or resources that are not easily replicated by other competitors. Economic sustainability appears when the SME's business model is sufficiently robust so as to not run out of cash.

   Thus, the revenue has to be proportional with the capital investment required and margins obtainable; customer acquisition, retention cost and new customer attraction time have to be viable; contribution margins have to be adequate to cover fix costs. Special attention should be given to operating cash cycles: the amount of cash tied up in working capital (inventory); the time required for customers to pay and the time required to pay suppliers and employees. Companies with a strong patent protection enjoy the freedom to set prices at levels that bring about sustainable profits. Building superior organizational processes and capabilities in one's company can maintain a sustainable competitive advantage without a patent protection. Superior patented protection and first mover advantage don't always ensure long time success.

More often it takes more than just patent protection and newness of a product to be sustainable. Adding organizational processes, capabilities and resources that keep the organization at the cutting edge has proven to increase a company's competitive advantage. In addition to this, the business model plays a major role. Without a viable business model companies cannot operate and sustain themselves for a long period of time. Mullins proposes to future entrepreneurs to identify the following: proprietary elements (patents, trade secrets, etc.) for products/ services; superior organizational processes, capabilities and resources hard to replicate by competitors and an economically sustainable business model.

5. ***Mission, aspirations, propensity for risk***. Each fruits & vegetables entrepreneur who is opening a new venture, brings to the table a different set of elements that drive the entrepreneurial dream. A mission that states what kind of business is to be built and what markets are to be followed, a personal aspiration on the level of achievement and a level of risk affinity, that shows how much one can bite and the necessary sacrifices needed to pursue the entrepreneurial dream. In the mission statement entrepreneurs can lay out which market they want to serve, what particular industry and how passionate are they about the venture. Relating to the aspiration aspect, entrepreneurs must analyse and clearly define what do they want to build, is it something big or small, what role should they assume and what do they want to change with the help of the business. Moving towards the risk, most entrepreneurs, see themselves as managers of risk and not risk-takers. Figuring out the level of risk they should take gives a better perspective of the overall picture. People are different and their affinity to risk is also different.

6. The team's ability to execute on the CSFs (Critical Success Factors). A common practice within successful ventures is the ability to identify the factors critical to succeeding in their particular industry (fruits & vegetables) and assemble a team that can execute on those CSFs. Most ventures do not manage to identify those CSFs or are not able to deliver on them. The quest of identifying these factors is not an easy one and depends on the knowledge and experience of those who have learned them the hard way. A good practice is often: identifying the few decisions or activities, that if done wrong, have a major negative effect on the company's performance, even when other things are done right; identifying the few decisions and activities, that if done right, will almost always deliver a positive effect on the performance, even when others thing are done poorly.

Table 2 - Critical Success Factors for Maputo Horticultural Market

KEY BUYING FACTORS	KEY COMPETITION FACTORS	CRITICAL SUCCESS FACTORS
• Consistency of product supply • Volume • Basic quality requirements • Ease of purchase	• Production costs • Production capacity • Ability to consistently aggregate and transport product • Capacity for value added processing • Product quality	• Favourable production environment (access to credit, inputs, extension services, etc) • Ability to meet market requirements (volumes, packaging, quality, etc) • Sufficient business/management skills to control production costs, use market data to form prices, market product • Sufficient infrastructure for processing, marketing and transport of product

Source: Ministry of Economic Affairs Mozambique

7. ***The team's connectedness up, down, and across the value chain.*** Connections matter in any business and this does not come as a surprise to entrepreneurs. In most cases, entrepreneurs give little or no thought at all to them. Several types of connections are identified: connections up the value chain to suppliers that have a close contact with the leaders in the specific industry and other SMEs in other industries that might serve as substitutes for the offered product; connections down the value chain to potential customers, distributors, consumers and users; connections across industry with competition and companies that offer substitute products. Connections across the industry also helps in identifying and understanding the CFSs, a crucial issue when establishing the team.

   It is imperative to note that any opportunity that is not in accordance with personal preferences of team members is considered unattractive (because it could hardly create team members' passion for the venture, which is one of the key characteristics of successful entrepreneurs and prerequisite for success of any venture).

1.1.3.2. Timmons Model of Entrepreneurship

Jeffery Timmons of Babson College in Massachusetts developed the Timmons Model of Entrepreneurship as his doctorate thesis at Harvard University (Timmons, Zacharakis & Spinelli, 2004). As shown in Figure 5, the Timmons Model of Entrepreneurship considers opportunities, teams, and resources as the three critical factors available to an entrepreneur and holds that success depends on the ability of the entrepreneur to balance these critical factors.

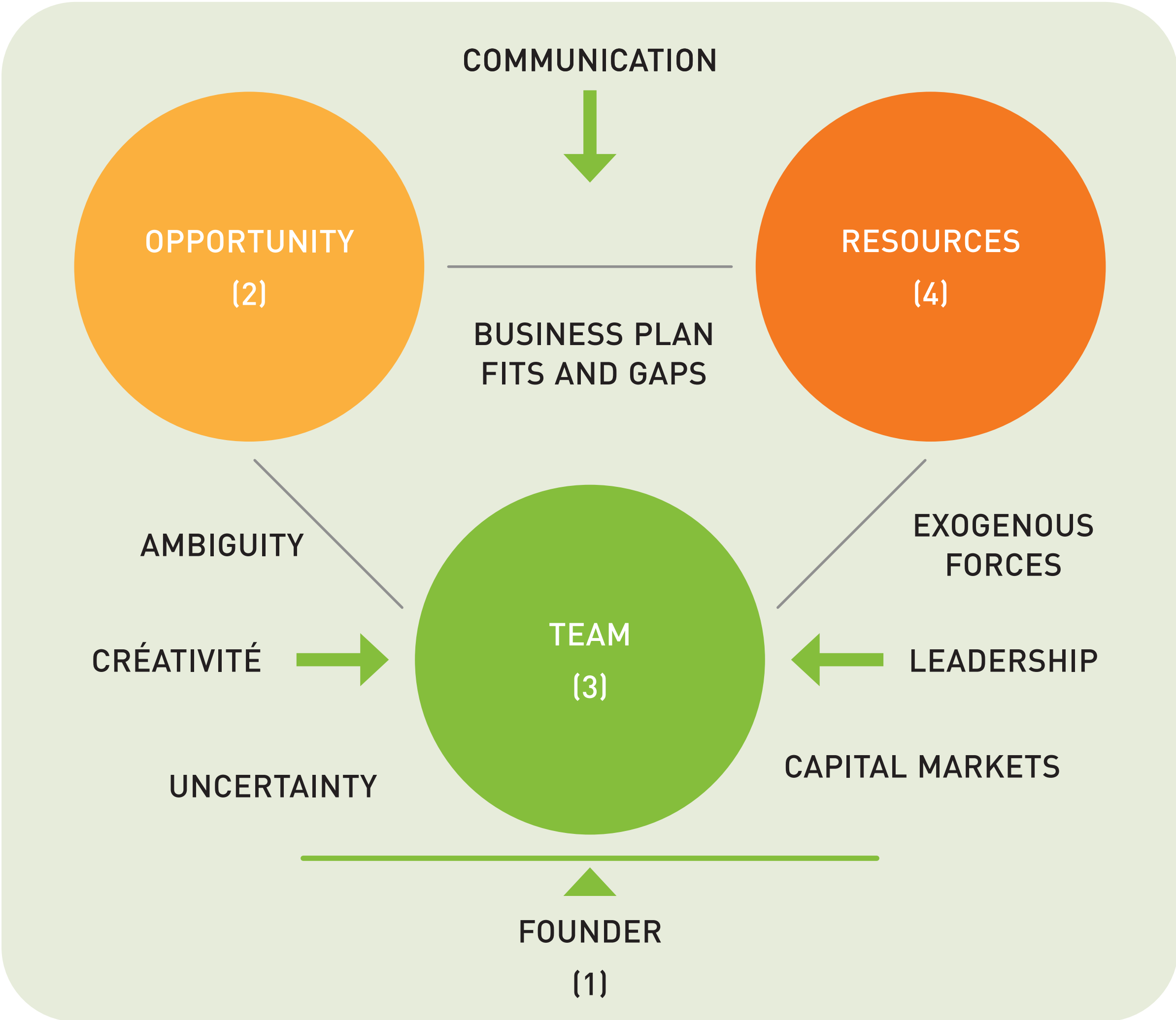


Figure 5 - The Timmons Model of the Entrepreneurial Process

The components of the Timmons model are in constant motion, expanding and contracting as the environment and opportunity change. The following questions are popular among the entrepreneur-to-be and even entrepreneurs running their business: "How to ensure the success of my business? How to make sure I do not fail? How successful is my success? How to maintain my business and entice further growth?" The answers to these questions, according to Timmons, boil down to a core fundamental entrepreneurial process, which accounts for the substantially higher success pattern among higher potential ventures; and the driving forces, which gear towards, value creation.

Three critical factors: Opportunity, resources and team

a. Opportunity

Contrary to many, Timmons model dictates that the entrepreneurial process does not start with business plan, money, strategy, networks, or team. The Timmons model believes strongly that entrepreneurship is nothing, but opportunity driven. Opportunities are more essential than the talent or competence of lead entrepreneur and the team because a right opportunity identified ensures long-term success of the business. A good idea does not necessarily bring about a great business because market demand determines the potential of the idea. An excellent idea is found when the product or service could be positioned to create or add values to consumers, remains attractive, durable and timely.

The two major roles of the team, relative to the other critical factors are:

- Removing the ambiguity and uncertainty of the opportunity by applying creativity.
- Providing leadership to manage the available resources in the most effective manner by interacting with exogenous forces and the capital market context that keeps changing constantly.

b. Resources

According to Timmons Model, one of the misconceptions among inexperienced entrepreneurs is that you must first have all the resources in place, especially money, in order to succeed in a venture.

The Timmons model discounts the popular notion that extensive resources reduce the risk of starting a venture and encourages bootstrapping or starting with the bare minimal requirements as a way to attain competitive advantages.

The entrepreneur works to "minimize and control" rather than "maximize and own." The role of the entrepreneur in managing the resources include building a good resource base to draw from when required and drawing up a business plan through a "fit and balance" method that balances the available resource with the opportunity and the potential of the team.

The financial resources elements have to be taken into consideration to help you to start up this new idea.

- How much capital is needed? Where will you go for this kind of financial support?
- How long will you be able to handle the initial losses using your own resources?
- What other resources can contribute to extend your involvement so that you can turn your initial losses into profit?
- How long it might take to develop and execute the business plan so that it will be profitable?
- What kind of profit margin will the business generate?
- How will you market the realistic but optimistic loss or profit business proposal to investors so that they will want to get involved with your business?

You must remember that whether you generate an idea by yourself or in connection with someone in a shared context environment, the questions you answer should still follow the above suggestions to assist you in assessing your financing capabilities and requirement to support your business plan.

c. Team

A highly effective lead entrepreneur should be able to put the best talents together after identifying the opportunity and gathering required resources. The size and the background of the team are contingent upon the size and nature of opportunity. According to Timmons model, a good team can lead to great success and a badly formed team can waste great idea which is a disastrous to any form of business. Among all resources, only a good team can unlock a higher potential with any opportunity and manage the pressures related to growth.

Seeking the fit-and-balance

Maintaining the model of the above-mentioned three driving forces is the concept of fit and balance. Literally, Figure 8 depicts the important role of the lead entrepreneur or founder entrepreneur who needs to balance the three balls over his head, without toppling off. Such imagery is particularly helpful for one to acknowledge the urgency to retain the balancing act while getting all the elements matched.

The three critical factors of entrepreneurship remain interlinked, with any change in one factor having an impact on the other two.

The reality is that opportunity, team, and resources seldom match and the Timmons model considers the major role of the entrepreneur to effect a match of the three critical factors of entrepreneurship at the correct time. Success of the business venture depends on the ability of the entrepreneur to ensure balance by applying creativity, leadership, and maintaining effective communications.

Framework for Evaluating an Opportunity

By using the matrix guide, you will be able to assess whether your opportunity is worth pursuing as a business activity that will earn you profitable gains. This framework covers market analysis, financial and harvest issues, competitive advantage issues and finally management team and risk issues. There are several criteria identified but these are not exhaustive. You may want to add or change the criteria basing on your tentative business venture you wish to undertake. However, as a rule of thumb, if most of your criteria fall into the weaker opportunity category, it may be an indication that the opportunity may not be a good idea to develop into a business activity. Below is a guide tabulated matrix on the framework for evaluating an opportunity.

Table 3 - Market Analysis

CRITERION	STRONGER OPPORTUNITY	WEAKER OPPORTUNITY
Need	Identified	Unclear
Customers	Reachable, receptive	Unreachable or loyalties established
Pay back to user/ customer	Less than one year	Three years or more
Product life cycle	Long: Recover investment	Short: Recover investment
Industry structure	Competitive or emerging	Aggressively competitive
Potential market size	100 million sales	< than 10 million sales
Market growth rate	Growing at 30 % to 50 %	Contracting less than10 %
Gross margins	30 % to 50 %	Less than 20 % volatile
Market share attainable (within 5 years)	20 % or more	Less than 5 %

Table 4 - Financial and Harvest Issues

CRITERION	STRONGER OPPORTUNITY	WEAKER OPPORTUNITY
Profit after tax	10 % to 15 % or more, durable	Less than 5 %, fragile
Time to: Break even Positive cash flow	Under 2 years Under 2 years	More than 3 years More than 3 years
ROI potential	25 % or more per year	Less than 15 % - 20 % per year
Value Capital requirements	High strategic value Low to moderate; fundable	Low strategic value Very high; not fundable
Exit mechanism	Present or envisioned harvest option	Undefined; illiquid investment

Table 5 - Competitive Advantage Issues

CRITERION	STRONGER OPPORTUNITY	.WEAKER OPPORTUNITY
Fixed and Variable Costs	Lowest	Highest
Degree of control: Prices, channels of resources/ distribution	Moderate to strong	Weak
Barriers to entry: Proprietary protection Response/ lead time	Yes 6 months to one year	None
Legal contractual advantage	Proprietary of exclusivity	None
Sources of differentiation	Numerous	Few or none
Competitors mind set and strategies	Live and let live; not self-destructive	Defensive and strongly reactive

Table 6 - Management Team and Risk Issues

CRITERION	STRONGER OPPORTUNITY	WEAKER OPPORTUNITY
Management team	Existing, strong, proven performance	Weak, inexperienced, lacking key skills
Contacts and networks	Well-developed, high quality, accessible	Crude, limited, inaccessible
Risk	Low	High
Fatal Flaws	None	One or more

The above strategic process in evaluating a business idea or an opportunity will lead to one of the following conclusions:

- It is a bad idea;
- It is a good idea; or
- It can be recycled into something else.

1.2. UNDERSTANDING THE CONCEPT OF BUSINESS DEVELOPMENT

Business development determines the future course and performance of SMEs and is especially important in today's rapidly changing and increasingly global business environment. Business leaders, therefore need strong skills for identifying new business development opportunities, assessing potential risks, defining a business strategy, bringing the strategy to life, and adjusting the course according to changing business condition.

Having generated business ideas in the previous sections, we are now going to explore how to transform those ideas into viable businesses in the horticulture industry through business development.

1.2.1. What is Business Development?

Business Development consists of two words, "business," and "development." A business is an organized effort of individuals to produce and sell, for a profit, the goods, and services that satisfy societal needs. Development on the other hand, is a process that creates growth, progress, positive change, or the addition of physical, economic, environmental, social, and demographic components. When we consider the word "Development," the goal therefore should be to develop, or improve the Business.

An expanded view of Business Development considers it an umbrella term for a range of tactical initiatives and roles, that aims to increase the value of the business, and which are consistent with the organization's chosen strategy.

From study.com, business development is defined as growing a business by making it more competitive, expanding products, or services, and/or focusing on specific markets. In other words, business development is the practice of growing a business beyond its current state.

Business development can be defined as "the creation of long-term value for an organization from customers, markets, and relationships."

Ideally, business development is all about figuring out how the interactions of those forces combine together to create opportunities for growth. Because value creation is the starting point for all businesses, successful or not, it's a fundamental concept to first understand.

Business development therefore, determines the future course and performance of SMEs and is especially important in today's rapidly changing and increasingly global horticulture business environment. Business leaders, therefore need strong skills for identifying new business development opportunities, assessing potential risks, defining a business strategy, bringing the strategy to life, and adjusting the course according to changing business condition.

1.2.2. What is Business Value?

Business value can be thought of as the difference or ratio between costs and benefits. It can be achieved either from increasing gains or reducing sacrifices (Ravald and Grönroos 1996). The business therefore has to clearly articulate its value proposition, which it will offer to its target market.

Payne *et al.* (1995) define value as the summation of all positive effects upon a customer's business.

A **value proposition** is generally made up of one or more "differentiating attributes" that a sizeable segment of customer is able and willing-to-pay for. The differentiating attributes could be direct product attributes, service attributes, or a combination thereof. Examples of product attributes in the context of horticulture are freshness, variety, health impact, consistency, availability, affordability etc, while attributes such as convenience and customization are service attributes. A clear and competitive value proposition is designed by using one or more differentiating attributes. Using data related to existing market offerings, a business can identify and develop a value proposition to identify and develop an underserved market. This is market innovation, the process of defining and serving combinations of new customer segments and new product attributes.

The purpose of the enterprise therefore is to create and deliver value in an efficient way that will generate profit after cost. Therefore, every business effort should focus on increasing the value of the business, which will result into revenue growth with profitability.

PMBOK, defines business value as the entire value of the business; the total sum of all tangible and intangible elements.

TANGIBLE ELEMENTS
MONETARY ASSETS
STOCKHOLDER EQUITY
FIXTURES
UTILITY

INTANGIBLE ELEMENTS
BRAND
RECOGNITION
GOOD WILL
PUBLIC BENEFIT
TRADEMARKS

BUSINESS VALUE

Figure 6 - Elements of Business Value

Figure 7 - Photo of fresh fruits and vegetables on a market shelf

The concept of business value is subjective and it depends on the needs of the organization. For example, the business value for an investor aiming solely on financial benefits would be different from that of an entrepreneur aspiring personal goals and development.

Business development in this regard is about creating opportunities for that value to persist over the long-term. Thinking about business development as a means to creating long-term value is the only true way to succeed in consistently growing an organization.

The 2016 Dutch Corporate Governance Code defines Long-term value as "A sustainable strategy for the long term, sustainable operations, keeping track of new technologies and changes in business models, meeting stakeholder expectations, and taking responsibility for the (business) environment."

1.2.3. The Core Elements of Business Development.

It has been established that business development focuses on creating strategies that will propel the organization to greater heights. However, this cannot be achieved without having a clear understanding of the core elements that make up business development. Without proper understanding of these core elements, it will be difficult for MSME's in the horticulture industry in the ACP countries to craft and implement strategies that will aid them in business development. These three core elements of business development are 1) Customers, 2) Markets and 3) Relationships.

1. Customers

One thing that should be active in the minds of MSME's is that the products they are selling or the service they are rendering should be directed to specific persons. These persons are customers. Customers could be potential or active customers and could also be individual or corporate customers. Buyer motivations of these customers are quite complex and vary according to gender, age, culture, ethnicity, region etc. The main objective of buying is to obtain satisfaction. For fruits and vegetables, this means being able to meet nutritional requirements as well as being able to enjoy different tastes, textures, colours, and aromas. There are two key considerations. The tangible quality attributes such as uniformity, freshness, quality, colour, ripeness, packaging, etc which affect appearance and make produce more appealing or attractive compared to similar products.

Buying decisions are also influenced by some intangible quality attributes such as quality, goodwill, trademarks, environmentally friendly production techniques, storage, transportation methods, compliance to food safety regulations at national and international levels, brand reputation, image of the supplier, origin of variety, etc. In Business there is need to create customer value through the two key considerations.

Creating Customer Value increases customer satisfaction and the customer experience. (The reverse is also true. A good customer experience will create value for a Customer). Creating Customer Value (better benefits versus price) increases loyalty, market share, and price, reduces errors, and increases efficiency. Higher market share and better efficiency leads to higher profits.

2. Markets

Another important concept that should remain alive in the minds of fruits and vegetables entrepreneurs and SMEs is market. Market is a group of current or potential customers who are willing and able to buy a product to meet some of their needs or desires. It is imperative to understand the market by evaluating existing markets and picking up target markets where the customers are easily accessible for your business.

Fruits and vegetables markets are divided into three basic groups. Producer markets are markets where producers sell their products. The wholesale markets are where collectors buy the products from producers and sell to the processing facilities and large collectors. Retailers markets are sales locations in which the product is purchased by the end consumers.

Each market has characteristics that make them more advantageous for different types of producers. Volume of produce grown, location of the grower, time available for marketing activities and quality of the produce are a few of the important factors to consider when choosing a market or combination of markets to use.

Fruit and vegetable marketing alternatives may be classified as direct or non-direct markets. Direct markets involve producer interaction with consumers on a one-on-one basis, and include pick-your-own operations, roadside stands, and farmers markets. Non-direct markets involve producer interaction with market intermediaries. The non-direct markets include terminal market firms, shipping point firms, processors, wholesalers, grower cooperatives, brokers, and retail outlets.

3. Relationships

Relationships are important because customers may not or will not just jump on to any offer you make to them without prospects of establishing a relationship with them. The reason the fruits and vegetables entrepreneurs have to establish a relationship with their customers is that they want them to remain with them irrespective of any competitive offer they will get elsewhere in the market.

Building, managing, and leveraging relationships that are based on trust, respect, and a mutual appreciation of each other's value, which is fundamental to enabling the flow of, value for long-term. Relationships with partners, customers, employees, the press, etc are all critical to the success of any business development effort and as such they demand a bold-faced spot in any comprehensive definition of the term.

Business relationships deliver value in four different forms, each of which can be indicated in a number of ways:

a. Personal Value: Sometimes individuals assign value to relationships based only on their personal values and interpretation of events. Ford and McDowell (1999) define this as the value connected to an individual's personal beliefs. Personal Value can be identified in episodes in which one of the parties accepts the actions of others that in different circumstances would be prohibited or disapproved.

b. Financial Value: When it comes to assessing the value of relationships, the first reaction is often to think about financial costs and benefits, which although not easy to assess are still the most tangible form of relationship cost and benefit.

c. Knowledge Value: Relationships can also deliver value in the form of knowledge creation and transference. Generating new ideas, sharing more detailed information or gaining market intelligence to respond to demands better, are outcomes of relationships that represent Knowledge-based Value. Close relationships open communication channels that permit the parties to share information.

d. Strategic Value Strategic Value results from the increased stability and decreased uncertainty that relationships provide to the parties involved, thus enabling them to extend the time horizon in planning. This allows better planning, reduces risks, makes possible better utilisation of the assets, and provides a foundation on which business can be built. Strategic Value exists if companies improve their competitiveness as a result of the relationships in which they are engaged.

It cannot be said that one dimension of value is more important than another. Neither is it possible to say which one of the operational indicators is more frequently encountered. Instead, we suggest that business relationships can deliver value in one or more of the four dimensions, each of which is indicated by a number of variables that may or may not be present depending on the context in which the relationships have been performed. We conclude that Total Relationship Value (TRV) can be portrayed through four dimensions and operational variables as illustrated above.

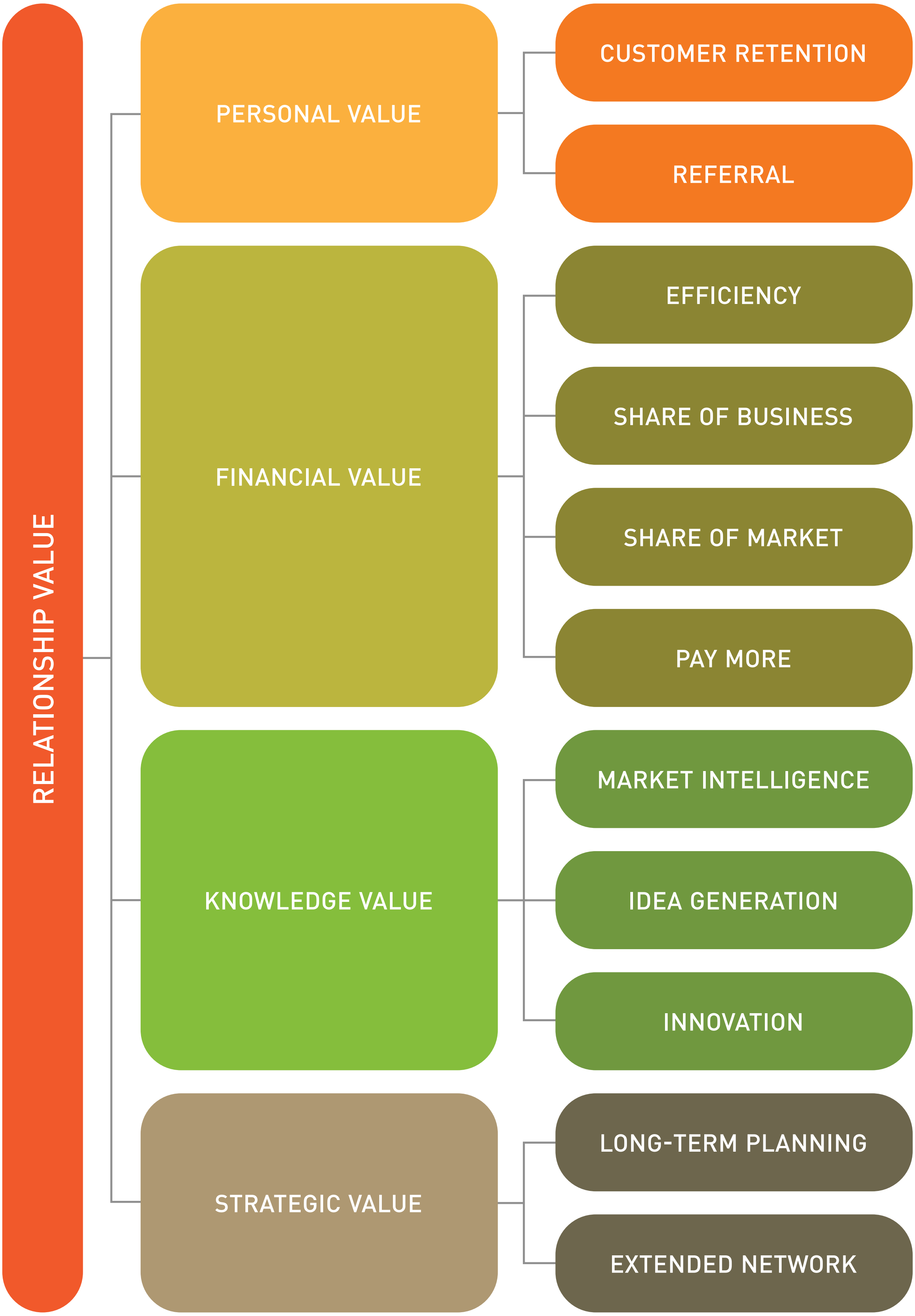


Figure 8 - Appraising Total Relationship Value

1.3. INCLUSIVE BUSINESS MODELS

1.3.1. What is an Inclusive Business Model?

As globalization brings technological advances, new thinking, and greater accessibility to different parts of the world, many large companies are now seeing the value in more inclusive business models, which aim to combine commercial success and development impact.

A business model describes how any given enterprise, large or small, informal or formal, does business, markets its products and sources inputs and finances. Each enterprise therefore, has its own unique business model.

The "inclusive" element addresses the development constraints of linking commodity-dependent smallholders and small actors to markets by stimulating local business model partnerships and small value chain actors.

The World Bank defines inclusive business as 'making low income communities' part of the core business of companies, as an option for significant and sustained impact on poverty' (World Bank, 2008).

For a business model to be considered inclusive, it ultimately needs to result in moving smallholders out of poverty and improving food security. Consequently, a business model is inclusive when it integrates smallholders into markets with the underlying principle that there are mutual benefits for poor farmers and the business community.

1.3.2. Principles of an Inclusive Business Models

The inclusive and business elements of an IBM relate to the constraints of linking smallholders and vulnerable groups to buyers. The "business" element relates to an enterprise's way of doing business and its viability.

The approach supports fruits and vegetables farmer organizations define how they do business with their customers based on a better understanding of buyers' needs, so that they can begin to prioritize activities and guide smallholder members in responding to those requirements.

The principles described below guide actors in designing or implementing the upgrading of smallholder-based business models so that they result in competitive models and, at the same time, contribute to poverty reduction and food security.

Inclusion of existing value chain actors

Activities should, as far as possible, avoid being over-interventionist in the chain and instead tap into existing business linkages and knowledge of value chain actors that have already built up relationships with each other. Intentionally excluding existing actors, such as traders, transporters, SMEs, village agents and wholesalers that perform an essential economic role in a business model could unduly undermine local market dynamics and adversely impact on the overall competitiveness of a chain.

The fruits and vegetables farmer organizations can be encouraged to take on the roles of other value chain actors such as traders or agro-processors, but only when they already excel at their core functions of providing essential services to members, are equipped with a competitive advantage and have the appropriate skills to compete in an additional part of the chain.

Interventions should therefore build on the knowledge of existing actors and include them in inclusive market development by bringing in partners to address their challenges in procuring or providing services to smallholders.

Inclusion of less endowed actors

Inception interventions should target the participation of the most committed and capable fruits and vegetables farmers to give the business model the best chance of success.

As the model progresses and best practices and lessons are learned, opportunities can be made available to actors with fewer assets, such as youth, women and other minority groups.

Inclusion of diverse market outlets

Building up a long-term relationship with a buyer is good practice since fruits and vegetables smallholders can consolidate their experience and confidence by working with a demanding buyer while also benefiting from the provision of inputs and services. However, as more smallholder suppliers are integrated into the business model, the learning gained should also eventually allow for the identification of additional market outlets and the dissemination of upgraded skills to the rest of the sector.

Another alternative is to allow fruits and vegetables farmers to continue to sell part of their produce to traditional markets, which is a good practice often adopted in contract farming schemes. It allows farmers to avail of extra services and a regular buyer with the option of taking advantage of higher local market prices.

Inclusion of right partner mix

These models are producer driven, buyer driven, public sector driven, or intermediary driven. Over dominance of any of these actors in the chain can affect either the inclusiveness of the business model or its competitiveness. For example, if the business model is dominated by an NGO, the poverty dimension may compromise the viability of the model. Alternatively, a model dominated by the buyer, under a contract farming scheme for example, may ignore local poverty-related concerns or food security. It is therefore important that appropriate space be allocated to partners that may not be driving the model but can provide complementary services and advice.

1.3.3. Principles That Make a Business Model Competitive

Table 7 - Activities and tools to enhance smallholder-based business models

ACTIVITIES	TOOLS
Managing a business strategically	• Training in business and financial management and marketing • Appraise and address logistical constraints • Training in bulk buying and marketing • Identify low cost institutional innovations that improve delivery times • Reduce waste and protect the environment from harmful production and processing activities • Identify potential sources of credit and support loan applications • Mapping exercises and workshops to understand the product flow
Business to business coordination	• Appraise and address sources of uncertainty for a buyer, for instance related to reliability of supply, product quality. • Facilitating the implementation of contractual arrangements (formal and informal) • Information exchange mechanisms that improve transparency • Facilitated business meetings to identify bottlenecks and better understand the role of each actor • Strategic and operational management planning to enhance the supply of the product through the chain
Responding to customer needs	• Synchronize product delivery and logistics to suit customer demands • Implement grading systems and control mechanisms for product quality and safety • Disseminate information on customer requirements • Market appraisal and surveys to understand consumer needs and demands • Training in good agriculture practices and post-harvest handling • Training in standards and certification processes

The table below describes sets of proposed activities and tools that can be supported to enhance smallholder-based business models.

1.3.4. Benefits of Inclusive Business Models

Inclusive business models build bridges between businesses and the poor for mutual benefit that go beyond immediate profits and higher incomes.

Business can strengthen their competitiveness in a number of ways:

- **Building new markets**: The demand for products and services in developing countries is growing and widely underserved. Companies can expand their customer base in emerging markets that will enable future growth when industrialized economies are saturated.
- **Strengthening supply chains**: Companies can broaden and strengthen their supply chain by including new suppliers into their business operations. Some of them can offer products with special quality (e.g. organic or artisanal) or at lower cost than traditional suppliers.
- **Improving reputation**: The social impact generated by inclusive businesses increases the reputation of companies and builds trust among customers, NGOs or investors.
- **Driving innovations**: Special market conditions require adapted products, operations and business models. Developing them demands fresh and different look at conventional operations and stimulate innovation.
- **Retaining employees**: Employees expect their employer to be a good corporate citizen and identify themselves a lot more with a company when it actively contributes to social progress. Inclusive business can be used as an opportunity for corporate volunteering, executive training or executive exchanges.

For example, Africa JUICE a tropical fruit producer and processing company in Ethiopia, provides a guaranteed market for the farmers based on floor pricing. Farmers get this minimum price even when international prices are lower, but adjustments are made when international process increase.

1.4. BUSINESS ETHICS

The word ethics is derived from the Greek word 'ethos', which means character. Ethics is a branch of philosophy concerned with human character and conduct. It is the discipline of dealing primarily with 'what is good and bad' and with moral duty and obligation. Ethics is the embodiment of moral values, which describes what, is 'right' and 'wrong' in human behaviour and what 'ought to be'. According to John Donaldson (1989), 'Business ethics in short can be described as a systematic study of moral (ethical) matters pertaining to business, industry or related activities, institutions or practices and beliefs. Ethics are important because suppliers, customers and employees prefer to deal with ethical companies.

1.4.1. Ethical theories

Moral philosophers have developed theories that allow organisations to give account of such questions as how they can justify moral values, how to determine what their duties and obligations are, and how to evaluate moral pronouncements.

In order to approach questions of business ethics, companies need to address ethical theory (Stewart, 1996). There exist three mainstreams ethical (or moral) theories (Lantos, 2002):

- Teleological ethics, usually using principles of utility;
- Deontological or duty-based ethics, which focuses on people's duties to uphold norms, using principles of rights and of justice (fairness and equity); and
- Virtue-based ethics, considering whether behaviour promotes ethical values and good character, and entails caring for stakeholders.

Most modern ethicists reject teleological ethics as a foundation for ethical corporate social responsibility. Its foundation in the utilitarianism of Bentham and Mill, of striving for 'the greatest good for the greatest number', is not the most appropriate theoretical foundation for modern-day business. When this principle should be applied there is always the danger that minorities suffer harm so that majorities can enjoy benefits. Lantos (2002) also argues that such a principle will cause problems in the business environment given all of the firm's many constituencies – supply chain partners, the local community, the public at large, and even the natural environment – the shareholders and employees and customers will be outnumbered every time.

The deontological ethics is the branch of moral philosophy (derived from Immanuel Kant) that focuses on duties or moral obligations. It focuses on the individual and is built on three foundations: rules, duties and rights (Schroder & Muschamp, 2000). In the business context it is argued that corporations have special moral obligations to their various stakeholders, who in turn have rights to make certain claims on the corporation, such as customers insisting on reasonably priced, safe and effective products (an aspect very relevant for fruits & vegetables companies) and workers expecting safe working conditions and fair pay for a fair day's work.

The concept of 'justice' is also duty-based and forms part of the deontological theory and is concerned with 'fairness' (a person must be given just treatment) (Lantos, 2002). In the ACP context this is especially relevant and it is therefore argued that 'corporate social responsibility' is necessary to make up for the 'injustices' or shortcomings of the capitalist system.

Virtue ethics derives from Aristotle and has something in common with Kant in its emphasis on the individual. Aristotle argued that people have inherent potential and the basic criterion for judging any human action is whether or not it enhances potential. It is less elegant than teleological and deontological ethics and does not provide clear-cut rules for decision-making.

1.4.2. Ethical Issues in Horticulture Industry

For us to be able to address the ethical issues in the horticulture sector we need to remind ourselves again about the potential ethical problems that could emerge as a result of normal business/market activity. Market values (economy) and ethical values coexist since business activities take place within a societal context.

Consequently, one can discern a wide variety of (ethical) problems that potentially could surface in the market place. Steidlmeir (1987) categorises these problems as follows:

- *Consumerism.* This deals with deceptive advertising, pricing policy, product quality, safety, service and issues of fraud. In economics we usually deal with the allocation of scarce resources but through advertising additional and multiple needs are created which utilise scarce resources not necessarily in their best alternative use.
- *Resource use and the environment*. Issues related to pollution and waste of scarce resources through inefficient or frivolous use.
- *Labour.* Job safety, wages, worker welfare and pensions, job security, meaningfulness of work.
- *Responsibility to shareholders*. The issues here are profits and growth, disclosure and shareholder democracy.
- *Poverty and social inequality*, including rural and urban poverty, issues of plant location and abandonment, and profiteering.
- *Perversion of public purpose* through bribery, fraud, tax evasion, misallocation of resources and exploitive development.
- *Issues of industrial democracy* or codetermination of economic structures by workers and management.
- Problems of *equal opportunity and compensation* as related to social discrimination based on race, sex or creed.

It is generally perceived that the task of producing fruits & vegetables is a virtuous activity - an ethical activity – doing well for society. But today everything to do with the production, processing and distribution of fruits & vegetables bristles with ethical issues. In linking with the problems related to market activity Schroder and Muschamp (2000) as well as Eccles (2002) highlight the specific key ethical issues in agriculture and agribusiness. Drawing from their discussions a comprehensive, but not complete, list includes the following issues:

1. The list refers amongst others to ethical issues in the workplace where firms engage with one of the key stakeholders – labour. Here the issues of fair labour conditions (such as minimum wages, and minimum working conditions); child labour, cultural aspects, and occupational safety at farm as well as secondary and tertiary levels of the food supply chain are critical and sensitive. Legislation as well as consumer demands are the different ways society makes sure that these aspects are adhered to. Consumer demands for good ethical behaviour in the workplace have produced opportunities for price discrimination and labelling of food products produced under sound ethical conditions.
2. Another group of stakeholders covered in the list is consumers. To them issues of transparency (labelling, advertising), food safety, and use of GMOs are all of particular concern. In the case of consumers all of the ethical theories discussed earlier are applicable. In terms of the teleological and utilitarian approaches, the availability of safe and acceptable food is important.
3. In terms of the deontology theory of ethics, consumers would like to see respect for individual autonomy and the right to make informed decisions. As a result, issues of transparency through true labelling and non-deceptive advertising are important. Consumers do not want to, and should not, be 'manipulated' by the large advertising budgets of food companies. In the final instance one of the key ethical issues linked to issues of justice and rights is the universal affordability of food. The issues of malnutrition and hunger and poverty in general are generally incompatible with the development of autonomy (Kant) and human potential (Aristotle).
4. As one of the stakeholders, farmers are concerned about fair trade and trade issues in general. Questions about the 'fairness' of their practices and dealings with farmers in many countries are continuously being asked. A fair contract between farmers and off-takers/buyers could be a solution. Other ones are the socially responsible initiatives (cf 1.4.3).

1.4.3. A selection of socially responsible initiatives

Many different initiatives/programmes/organisations are active in socially responsible or ethical purchasing and trade. Which initiative suits an exporter best depends on which market the exporter is selling their produce.

BSCI – Business Social Compliance Initiative

The Business Social Compliance Initiative (BSCI) is a broad-based business-driven platform for social compliance monitoring and qualification of the supply chain. The BSCI Code of Conduct includes elements of social management system and cascade effect, workers involvement and protection, freedom of association and the right to collective bargaining, prohibition of discrimination, fair remuneration, decent working hours, workplace health and safety, prohibition of child labour, special protection for young workers, prohibition of forced and compulsory labour and disciplinary measures, environment and ethical business behaviours.

The BSCI audit protocol demonstrates commitment to ethical treatment of a company's workforce throughout the entire supply chain. The audit is done on the export company and on a number of farms. Based on the results of the audit a plan of action/management for the exporter is made to move towards better social standards in the company. The benefit for an exporter is the report that shows the company's commitment to good social standards. BSCI participants have exclusive access to the BSCI database, clear assessment of audit results, an enhanced relationship with suppliers and an improved reputation. Suppliers of BSCI participants can avoid the need for multiple audits through recognition by different BSCI participants, improve their awareness of working conditions and ethical audit protocols, and leverage a good result in a BSCI audit to gain an easier access for the SA8000® certification process.

Fair trade

Fairtrade is one of these production systems, which has emerged over the past few decades to promote sustainable agriculture in developing countries. According to De Pelsmacker and Janssens, Fairtrade is an alternative trade approach, which aims to offer better trading conditions to marginalised producers and workers in developing countries.

Specifically, Fairtrade certification provides farmers with higher prices, access to pre-financing, protection against price fluctuations, and process premiums which enable them to adopt sustainable agricultural production techniques. To access these benefits, farmers are required to comply with certain set of environmental and socioeconomic "sustainability" measures and regulations. The socioeconomic measures aim to enhance small farmers income stability, strengthen farmer organisations, and improve farmers access to markets on fairer terms.

CASE STUDY 1

Homegrown Company Ltd in Kenya.

Homegrown Company Ltd in Kenya produces and exports packaged horticulture products. It entered into partnership with local farmers to complement its own production. Homegrown Company Ltd has expanded its out-grower network to over 1 000 contracted small-scale farmers who produce about 25 percent of its requirements. Out growers are small-scale farmers who have for the most part organized themselves into self-help groups or farmers' associations. Farms are up to 5 acres (2 ha) in size and use family labour and seasonal casual labour. Homegrown Company Ltd provides the farmers' groups with technical assistance and training to ensure their produce meets the high standards demanded by its customers, e.g. European market. Technical assistance includes provision of seeds and chemicals on credit. The advantages of this arrangement to the farmers include a market assured by the company; a written formal contract, which establishes the price, quantity and quality of produce; the provision of inputs on credit; and the latest farming technology and assistance, which ensure farmers an optimal output in terms of quantity/quality. Regarding disadvantages, price insecurity is the farmers' main concern. The price is determined in the contract but fluctuates from season to season. Farmers would like a more transparent pricing process and structure that determine a final price that does not vary by the season but is fixed over a pre-established period of time. Another major drawback for farmers is the rejection of produce that does not meet predefined standards.

Source: Dannson *et al.*, 2004.

CASE STUDY 2

Cuatros Pinos Cooperative in Guatemala.

Cuatros Pinos Cooperative is a smallholder farmers' cooperative that exports fresh vegetables to the United States and the United Kingdom. The associate producer's number 580 and cultivate an arable 350 ha per season. The producers sign a legally binding contract with the Cuatros Pinos Cooperative specifying quantity, quality, production schedule and a fixed annual price. The cooperative provides a number of services: (I) organization of vegetable production for exportation; (ii) provision on credit of technical assistance and training at the field level; (iii) provision of inputs on credit; (iv) collection of produce; (v) selection and storage of products; (vi) dissemination of marketing and trade information; and (vii) support for food and education. The credit that Cuatros Pinos extends to its members is recovered at harvest delivery. The cooperative received a seed fund and technical assistance from a private Swiss company and the public institutions of Guatemala provided the farm technology and credit for the producer members.

One of the main success factors was the support received by the private company and the links to foreign organizations, such as the Latin American Agribusiness Development Corporation, and private Swiss exporters. Other major factors contributing to success were the commitment of cooperative members, good leadership and an assured market.

Source: Santacoloma, P., Suarez, R. and Riveros, H. FAO, 2005.

CASE STUDY 3

BLUE SKIES juices – Private sector-driven

Blue Skies Ltd (BS) is a privately-owned fruit-processing company that procures from smallholders and has successfully implemented a contract farming arrangement. The company is located close to Accra. It processes 18 tonnes/day of fresh fruit into juice and packaged fruits sold nationally and exported to Europe. The present workforce includes 1 600 workers operating on a 24-hour shift, seven days a week.

The company does not have a plantation. BS procures 70 percent of its supply base from smallholders; the remaining 30 percent comes from large-scale farmers and import companies. BS selects farmers on the basis of their acreage (2–3 hectares), their potential to operate as commercial enterprises, and their ability to meet expected yields and standard requirements. Currently BS works with around 150 farmers.

To ensure a steady supply and to make sure fruits have the quality and certifications required, BS developed an out-grower scheme. Producers sign a seasonal contract (normally a six-month period). The contract specifies the fruit size, weight range and quality, including quality assurance checks and the rejection of fruits. The contract includes a sanction scheme. However, the company reports that breaching is not common.

BS works to the highest technical, social and environmental standards to ensure all of its fruit comes from a sustainable source. The standards it expects its suppliers to meet include GlobalGAP for food safety, SEDEX and Fairtrade for ethical compliance, and organic and LEAF for environmental sustainability.

LEAF's approach is built around the whole-farm principles of Integrated Farm Management, which achieves a balance between the best of modern technology and sound traditional methods, while enriching the environment. The LEAF standard focuses on soil management and fertility, crop health and protection, pollution control, animal husbandry, energy efficiency, water management, nature conservation and community engagement.

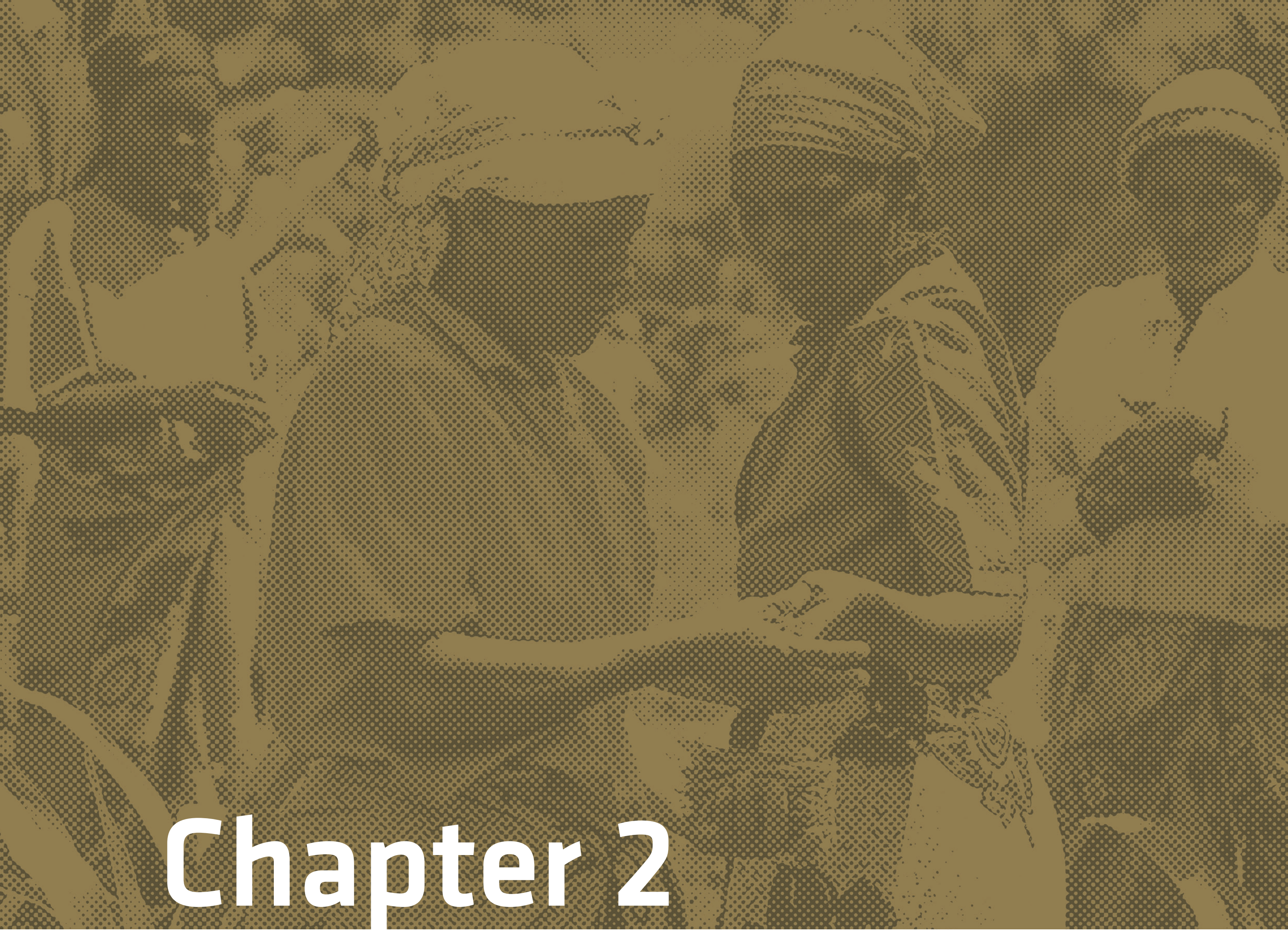
Farmers are organized into cooperatives (currently two cooperatives: Fotobi Cooperative and Bisease Amanfro Cooperative). One of the main tasks of the cooperatives is to provide assistance in contract negotiation and amount to be purchased. The price is set yearly by BS although it is negotiated with the cooperatives representing the out growers, particularly when a price modification is deemed necessary.

BS set up a technical team, which is responsible for training farmers, in coordination with the cooperatives, on good farming practices. Periodically, trainings are also organized on topics such as accounting, hygiene, soil fertility, and technology. The technical team is also responsible for quality assurance.

In addition to the BS technical team, within the cooperatives there are also quality assurance teams to ensure that quality and certification requirements are met.

BS provides crates and collects and transports the product. Prompt payments to farmers and fair prices have ensured regular supplies to the company and a steady market for the outgrowers. This has decreased side-selling: currently 80-85 percent of the farmers are loyal.

BS also used to provide credit through Standard Charters, Barclays and Ecobank, providing interest- free loans to loyal farmers. However, due to the international financial crisis and exchange depreciation, the company stopped the service. Currently only banks provide financial services. On some occasions BS borrows the capital on behalf of outgrowers and on-lends it to them at a subsidized interest rate.



Chapter 2

Business strategic planning

2.1. INTRODUCTION TO STRATEGIC PLANNING

2.1.1. What is Strategic Planning?

Many authors and scholars define strategic planning differently as shown below.

1. Strategic planning is an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy, including its capital and people (Bradford RW and Duncan J.P, 2000: Simplified Strategic Planning).
2. Strategic planning refers to the decision-making and planning process that guides the long-term direction of an organisation (Plunkett & Attner, 1994: Introduction to Management).
3. Strategy is defined as, "the framework which guides those choices that determine the nature and direction of an organization." (Tregoe B.B & Zimmerman J.W, 1980: Top Management Strategy).
4. According to Henry Mintzberg, in his book, "The Rise and Fall of Strategic Planning," a strategy is a plan, a pattern, a position, a perspective and, a manoeuvre intended to outwit a competitor.
5. According to Theo Haimann," Planning is the process of deciding when, what, when where and how to do a certain activity before starting to work." Precisely, Planning is the establishment in advance, what one has to do.

All the authors recognise that strategic planning is a **long-term** forward-looking activity that focuses on defining the long-term organisational **goals and objectives** and **articulates strategies and resources** for achieving them. A strategy is a course of action including the specification of resources required to meet a specific objective. Tactics refers to the deployment of resources to execute an agreed strategy.

In a nutshell, strategic planning is a top management role that is concerned with the growth and future of an organization. This for example may involve developing business templates, undertaking assessments/evaluation on the organizations' Strengths and weaknesses.

2.1.2. Difference between Strategic and Operations Planning

Strategic Planning entails setting and seeking to achieve the long-term objectives of the firm/organisation while **Operations planning** focusses on setting and attaining the short-term objectives of a firm/organisation that eventually lead to the attainment of the long-term objectives. These both require resources for the attainment of the firms/organisations' goal.

Once the horticultural business has developed its strategic plan, the focus turns to implementing the plan. Operations plans are the fully detailed specifications by which individuals plan to carry out the predetermined cycles of operations to meet the overall business objectives as articulated in the Strategic Plan.

Operations are the link between the strategy and the customers and to this end the key departments of a horticultural business, like marketing, finance/ accounting and production will develop and implement their respective operations plans. The table below highlights the differences between strategic planning and operational planning.

Table 8 - Difference between strategic and operational planning

BASIS FOR COMPARISON	STRATEGIC PLANNING	OPERATIONAL PLANNING
Meaning	Planning to achieve the vision and mission of the organization	Process to achieve the tactical objectives of business.
Time Horizon	Long term	Short term
Approach	Extroverted	Introverted
Modifications	Generally, the plan lasts longer	The plan changes every year
Performed by	Top level management	Middle level management
Scope	Wide	Narrow
Emphasis on	Planning of vision, mission, and objectives.	Planning the routine activities of the company.
Budget	Strategic/ Strat-Ex budget	Department's annual budget
Reporting	Annually and quarterly	Monthly

2.1.3. Need for strategic planning in the horticultural sector

The USAID Global Horticulture Assessment Report 2005 was the first global study of its kind that assessed the global horticultural sector. The study showed that global production of horticultural produce has risen over the past decades as the demand continues to accelerate in both domestic and international markets. This growth in horticultural produce is due to the increasing demand from the affluent urban consumers in developing countries, as well as by consumers in developed countries whose diets are increasingly incorporating greater amounts of horticultural products. Simultaneous with this growth in demand is an increasing relocation of production from the developed world to the developing world. Small growers can usually earn much higher farm incomes cultivating horticultural products compared to cereal crops, and horticultural production results in rural economic growth and the creation of off-farm jobs through value-added industries and the local marketing of these goods.

The SNV Capability Statement 2018-01 of March 2018 estimates the global fruits and vegetables market to be worth over €2.5 billion and with the continuing growth in incomes and urban populations; the prospects of the horticulture sector are promising. The projected growth notwithstanding, two billion people still suffer from malnutrition and can benefit from an improved diet due to a number of key constraints that include the following:

1. **Market systems for horticulture**

The modern market for horticulture is changing rapidly and new procurement strategies, fuelled by the growth of supermarkets around the world, increasingly require producers to meet stringent quality, consistency, and quantity standards.

In the developing world, local and regional market outlets are undeveloped, and accessing markets is often impossible because of infrastructure and a paucity of available agricultural inputs.

2. **Postharvest systems and food safety for fruits and vegetables**

Poor postharvest management and lack of knowledge about required technologies, quality standards, and food safety protocols severely limit many producers' access to markets. Improper harvest and postharvest procedures in developing countries result in losses that amount to more than 50 percent for perishable horticultural crops. Improper harvest and postharvest operations result in quality deterioration, short shelf life, rejection by consumers, and contamination risks.

3. **Sustainable production systems and natural resources management**

Compared to cereal crops, most horticultural crops demand high levels of inputs, water, and agro-chemicals. Negative environmental impacts are inevitable from misuse or mismanagement of chemical inputs. Producers in developing regions often lack access to appropriate inputs and the necessary technical production skills due to inadequate input and credit markets as well as weak agricultural extension systems.

4. Capacity building in horticulture

Horticulture is perhaps the most knowledge-intensive and dynamic agricultural system. Short-term growth and long-term viability are critically dependent on access to technical knowledge, the ability to adapt that knowledge to local conditions, and the flexibility to develop new production systems as market conditions change.

5. Enabling environment for horticulture

An enabling environment is a set of interrelated economic, social, and political elements necessary for development. A structured, reliable enabling environment plays an especially critical role in determining success in modern horticulture. Horticulture requires a sound legislative and policy framework, adequate local and regional infrastructure, and institutions with a focus on capacity building, management instruments, and monitoring and evaluation. Social and political stability are also necessary components of a secure enabling environment.

6. Gender equity supports horticulture success

In today's horticultural industries, women play significant roles as farmers, agricultural business labourers, entrepreneurs, and consumers. Women face unique constraints in horticultural production systems including inadequate or unequal access to land, credit, technology, information, and working conditions. Nevertheless, women have much to gain by investment in the horticultural industry, including increased opportunities for employment and income generation.

7. Nutrition and human health benefit from horticultural crops

Horticultural crops play a valuable role in food systems by diversifying diets and increasing dietary consumption of micronutrients and other plant products known to benefit human health (fibre, antioxidants, etc.).

Supplements and fortified foods can effectively address micronutrient deficiencies in the short-term, but food-based solutions, such as increasing the consumption of vegetables, legumes, and fruits represent the most sustainable method of reducing and controlling micronutrient deficiencies in resource-poor communities.

To ensure the sustainable growth of the horticultural sector, it is imperative that businesses in the sector and other entities develop plans to address the above challenges. Private businesses can develop comprehensive strategic plans as well as work to engage other key sector players particularly government departments responsible for the agricultural sectors, development partners and industry associations. The SMEs that are engaged in horticulture can seek to exploit these opportunities while mitigating all the threats in the sector by developing strategic plans and appropriate strategies to ensure sustained business growth.

2.1.4. Understanding the benefits and limitations of strategic planning

In developing strategic plans, business go through various processes that enable them to envision the future and proactively plan to realise the desire goals. Strategic planning provides numerous benefits[1] and limitations for the businesses in general.

2.1.4.1. Benefits of strategic planning

1. **Sets up a sense of direction**

As part of the strategic plan development process, the business will develop a vision and mission statements from which it will derive goals and objectives. The developed of the vision and mission statements enables the stakeholders to develop a common understanding of the future as well as sense of direction. A strategic plan therefore offers a much-needed foundation from which a business can grow, evaluate its success, compensate its employees, and establish boundaries for efficient decision-making.

2. **Businesses become proactive rather than reactive**

Developing a strategic plan entails conducting an external environmental assessment and devising strategies to exploit the opportunities while mitigating the threats. The strategic plans anticipate changes in the environment and proactively develop appropriate strategies to grow the respective businesses. A proactive approach will ensure the business determine their destinies thereby becoming and remaining competitive in the horticultural sector. Being proactive allows organizations to keep up with the ever-changing trends in the market and always stay one-step ahead of the competition.

3. **Increases operational efficiency**

A strategic plan provides management the roadmap to align the organization's functional activities to achieve set goals. It guides management discussions and decision making in determining resource and budget requirements to accomplish set objectives thus increasing operational efficiency.

4. **Increase market share and profitability**

Through a dedicated strategic plan, organizations can get valuable insights on market trends, consumer segments, as well as product and service offerings, which may affect their success. An approach that is targeted and well strategized to turn all sales and marketing efforts into the best possible outcomes can help to increase profitability and market share.

5. **Makes businesses durable**

A key part of the strategic plan is the risk management measures that articulates how a business mitigates any adverse effects that may arise thereby ensuring business continuity and durability.

1 https://envisio.com/blog/benefits-of-strategic-planning

2.1.4.2. Limitations of Strategic Planning

Strategic planning faces a number of limitations[2] as described below:

1. **Lack of Certainty of the future**

The strategic planning process seeks to envision what the future will be and derive strategies to gain business advantage. However, considering that no one can accurately predict the future the benefits from the planning process may not be realised.

2. **Could be expensive**

Strategic planning can be an expensive process especially if the business follows through all the stages of the processes. Some businesses therefore may skip some processes, which adversely affects the quality of the final strategic plan

3. **Lack of knowledge**

Strategic planning requires technical skills and needs a lot of knowledge, training, and experience. The managers' conceptualization skills and ability are very vital to guide and direct in the direction of the desired results. However, many businesses may lack the requisite knowledge and yet not have the resources to hire consultants to facilitate the planning processes.

4. **Inability to identify all critical issues**

Strategic planning will not result in the identification of all critical issues necessary for business success. This failure may greatly compromise the overall quality of the strategic plan.

5. **Replacing intuitive judgement**

The strategic plan may replace intuitive judgement since the various managers will mainly focus on implementing the strategic plan, which affects the quality of decision making in some scenarios.

2 https://www.tutorhelpdesk.com/homeworkhelp/Management-/Limitations-Of-Strategic-Planning-Assignment-Help.html

2.1.5. Steps in the strategic planning process.

Strategic planning can be an intimidating process for many organizational leaders. Conversely, different people, organizations, authors, and scholars have broader steps by step strategic planning processes. However, below are the 4-basic step-by-step phases comprised of the several details.

THE 4 PHASED STRATEGIC PLANNING PROCESS

DETERMINE POSITION

Strategic issues; identify strategic issues to address.

Industry & market data: identify market opportunities and threats.

Customer Insights: Assess current satisfaction and future demand.

Employment Input: Determine strengths and weaknesses.

SWOT: Synthesize the data into summary SWOT items.

DEVELOP STRATEGY

Mission: Determine your organization's Core purpose.

Values: Identify your core beliefs.

Vision: Create an image of what success looks like in 5 years.

Competitive Advantage: Solidify your unique position.

Org. Wide strategies: Establish the approach for how you will succeed.

Long-Term Objectives: Develop a 3-year balanced framework of 6 or less objectives.

Forecast: Develop a 3-year financial projection.

BUILD THE PLAN

Use SWOT: Process the SWOT to set priorities.

Organizational goal: Set short-to-midterm SMART goals. (1+yr.)

KPIs: Select key performance indicators to track progress.

Departmental Goals: Cascade org goals to departments. (12 months).

Team member Goals: Cascade dept. goals to individuals.

Budget: Align a one-year budget with the plan.

MANAGE PERFORMANCE

Rollout: Communicate strategy to whole organization.

Set Calendar: Establish schedule for progress reviews.

Leverage Tools: Train team to use My Strategic Plan.

Adapt Quarterly: Hold progress review and modify.

Update Annually: Review end of year, plan next year

Figure 9 - The Strategic Planning Process

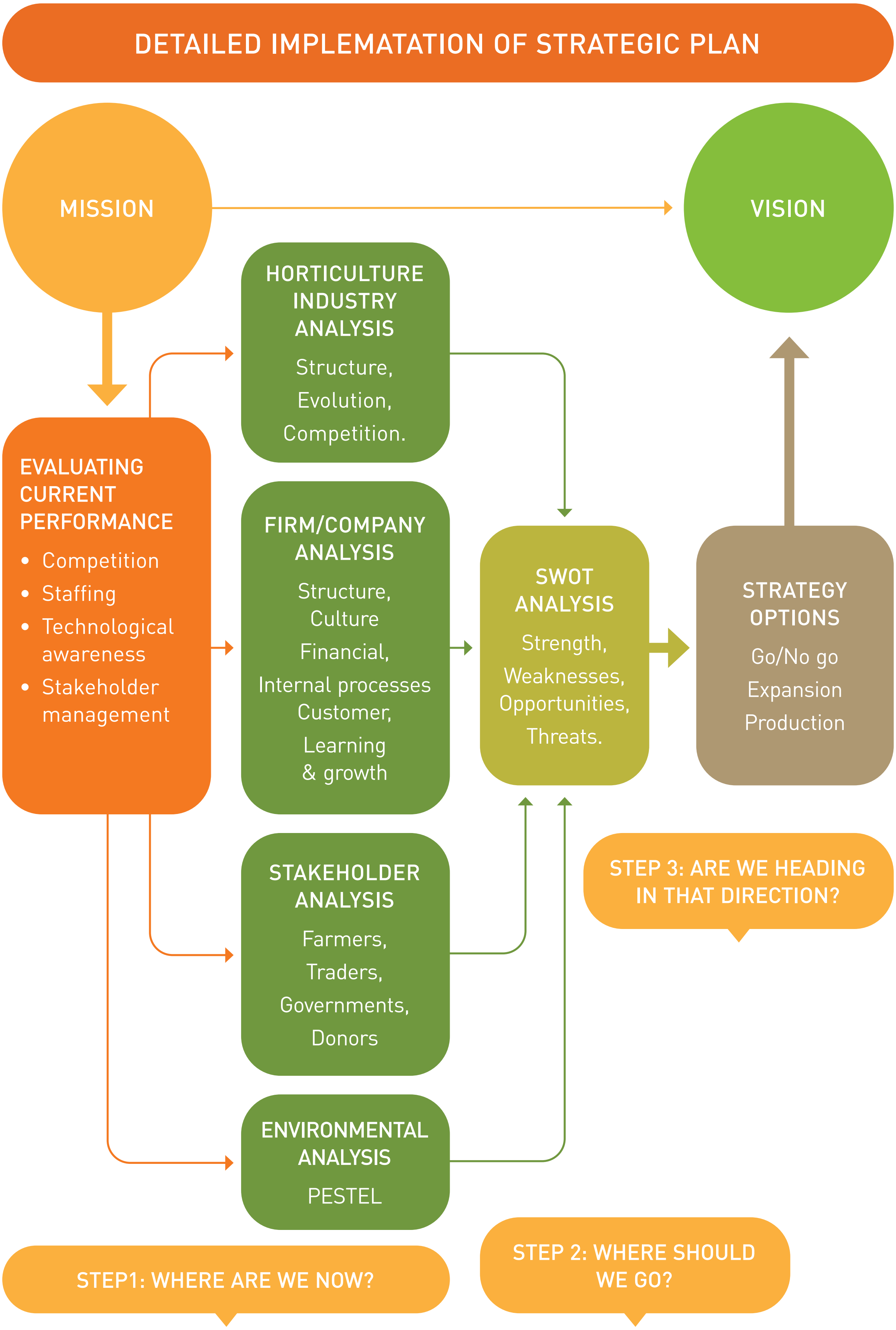


Figure 10 - The PESTEL Framework

2.2. STEPS 1–ORGANISATIONAL SITUATION ANALYSIS

This is a very profound stage of the strategic planning process since it seeks to establish the "What is the current" state in an institution/organisation. This stage is also often referred to as the Strategic Analysis phase during which a business seeks to address the following questions:

- What constraints exist on our resources?
- What are the key threats from the external environment?

What constraints exist on our resources?

The key resources that a business needs to implement activities include, Money, Machinery, Manpower, Markets, and materials. The typical questions, which the business will ask under each of these resource constraints will include;

- Money
  - How much do we have?
  - What is the current cost of capital?
  - Is the business excessively geared or do we have opportunities of raising additional finance?
- Machinery
  - How technically up to date is the machinery?
  - Is there a danger of obsolescence?
  - Has the machinery been poorly maintained over the years?
- Manpower
  - How expensive is our workforce?
  - Howe efficient are our employees?
  - Is the business overstaffed?
  - What is the labour turnover rate?
  - Are there good structures to allow management succession?
- Markets
  - Are the markets declining/ growing?
  - Where are the new markets emerging?
  - How strong are our brands in the current market?
- Materials
  - How expensive are our materials compared to our competitors?
  - Do our suppliers have excessive control of materials?
  - Do we have favourable access to materials?
  - Are our materials becoming exhausted?

What are the key threats from the external environment?

Once the internal resource constraints are established, the business will need to assess the threats posed by the external environment through the PESTEL framework, which is explained in the following section.

2.2.1. Pestel Analysis

This a framework or tool aids the analysis and monitoring of the macro-environmental factors that have an impact on the horticultural MSMEs. As indicated in the SWOT analysis, changes the operating environment can create either business opportunities or threat which the SME will need to respond too. For instance, opportunities can come from technological advances, which enables the SME to provide fresh and quality fruits and vegetables to new customers in distant areas, or from changes in government policies, which improve access to better farm inputs. The PESTEL analysis is a tool that in the analysis of the Political, Economic, Socio-Cultural, Technological, Environmental and the Legal aspects of the business environment.

PESTEL STANDS FOR

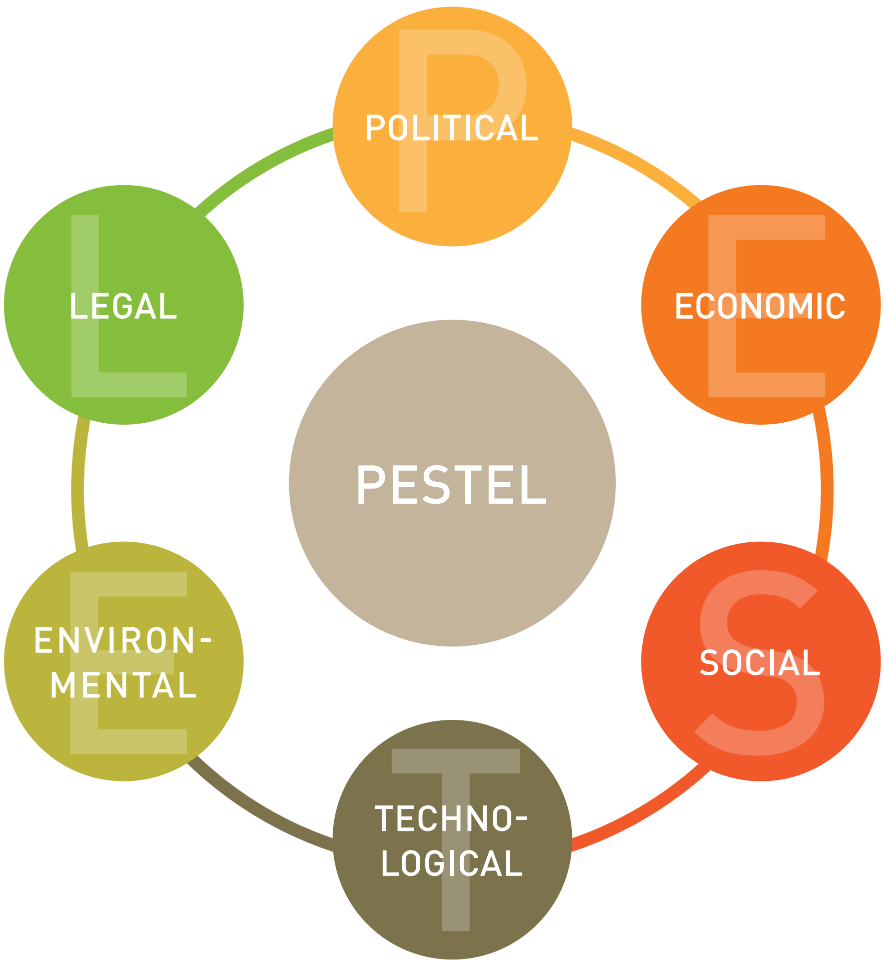


Figure 11 - The PESTEL Framework

The SME seeking to use the PESTEL should follow the steps in analysing its business environment, and the opportunities and threats that it presents[3]

1. Organise a brainstorming session on the changes happening around the business while tailoring the questions to suit the specific needs of the business
2. Brainstorm opportunities arising from each of these changes
3. Brainstorm threats or issues that could be caused by them
4. Take appropriate action

Some of the key questions to consider when analysis the various aspects of the PESTEL model include:

a. **Political aspects**

- When is the country's next local, state, or national election?
  How could this change government or regional policy?
- Who are the most likely contenders for power?
  What are their views on business policy,
  and on other policies that affect your organization?
- Depending on the country, how well developed are property rights and the rule of law, and how widespread are corruption and organized crime?
  How are these situations likely to change, and how is this likely to affect you?
- Could any pending legislation or taxation changes affect your business, either positively or negatively?
- How will business regulation, along with any planned changes to it, affect your business? And is there a trend towards regulation or deregulation?
- How does government approach corporate policy, corporate social responsibility, environmental issues, and customer protection legislation?
  What impact does this have, and is it likely to change?
- What is the likely timescale of proposed legislative changes?
- Are there any other political factors that are likely to change?

b. **Economic aspects**

- How stable is the current economy?
  Is it growing, stagnating, or declining?
- Are key exchange rates stable, or do they tend to vary significantly?
- Are customers' levels of disposable income rising or falling?
  How is this likely to change in the next few years?
- What is the unemployment rate? Will it be easy to build a skilled workforce?
  Or will it be expensive to hire skilled labour?

3 https://www.mindtools.com/pages/article/newTMC_09.htm

- Do consumers and businesses have easy access to credit? If not, how will this affect your organization?
- How is globalization affecting the economic environment?
- Are there any other economic factors that you should consider?

c. **Socio- Cultural aspects**

- What is the population's growth rate and age profile? How is this likely to change?
- Are generational shifts in attitude likely to affect what you're doing?
- What are your society's levels of health, education, and social mobility? How are these changing, and what impact does this have?
- What employment patterns, job market trends, and attitudes toward work can you observe? Are these different for different age groups?
- What social attitudes and social taboos could affect your business? Have there been recent socio-cultural changes that might affect this?
- How do religious beliefs and lifestyle choices affect the population?
- Are any other socio-cultural factors likely to drive change for your business?

d. **Technological aspects**

- Are there any new technologies that you could be using?
- Are there any new technologies on the horizon that could radically affect your work or your industry?
- Do any of your competitors have access to new technologies that could redefine their products?
- In which areas do governments and educational institutions focus their research? Is there anything you can do to take advantage of this?
- How have infrastructure changes affected work patterns (for example, levels of remote working)?
- Are there existing technological hubs that you could work with or learn from?
- Are there any other technological factors that you should consider?

e. **Environmental aspects**

- What is the environmental impact of the horticultural business practices?
- What logistical problems or opportunities exit due to the geographical location?
- How easily accessible are the roads, rail and air are Access by road, rail, air?
- What waste management legal requirement exist?
- What is the local populations' attitudes towards environmental pollution?

f. **Legal aspects**

- Industry Regulation
- General legal framework: contract, tort, agency (basic ways of doing business, negligence proceedings, ownership, rights and responsibilities, property)
- Environnent (pollution control, waste disposal)
- What labour/ employment laws exists? (Trade Union recognition, possible minimum wage, unfair dismissal, equal opportunities)
- Company laws (Directors and their duties, reporting requirements, shareholder rights, insolvency)
- Tax laws (corporation tax payments, collection of income tax, Value Added Tax)

Have conducted a detailed analysis of these key aspects, the SME will summarise the findings into its SWOT analysis tool before proceeding to develop its business strategies.

2.2.2. Swot Analysis Tool

SWOT analysis is a strategic planning technique used to evaluate the **S**trengths, **W**eaknesses/Limitations, **O**pportunities, and **T**hreats to the business. This helps to identify the internal factors that are favourable and unfavourable in the context of the external factors. The horticulture business can use the SWOT analysis to take advantage of its strengths while also reducing the likelihood of failure by understanding its weaknesses and eliminating threats posed by the external environment. The business can use the SWOT analysis to develop a business strategy that distinguishes it from the competition thereby gaining a competitive edge in the market place.

1. **Strength**

Strengths are things that a business does well or in a way, that distinguishes it from the competition. Strengths are in essence the advantages a horticultural business has over other businesses in the horticultural sector. These might be the motivation of your staff, access to certain materials, or a strong set of business processes.

The following key questions can enable a horticultural business to identify its strength[4]:

a. What does the business do so well?
b. What unique resources can it draw on?
c. What do other horticultural business see as your strength?

4 https://www.mindtools.com/pages/article/newTMC_05.htm

A business' strength is an integral part of it and it is what makes it competitive in the market. What do you do better than anyone else does? What values drive your business? What unique or lowest-cost resources can you draw upon that others cannot?

Then turn your perspective around and ask yourself what your competitors might see as your strengths. What factors mean that you get the sale ahead of them?

Remember, any aspect of your organization is only a strength if it brings you a clear advantage. For example, if all of your competitors provide high-quality products, then a high-quality production process is not a strength in your market.

2. Weaknesses (Limitations)

Now it is time to consider your business' weaknesses. Be honest! A SWOT Analysis will only be valuable if you gather all the information you need and so, it is best to be realistic, and face any unpleasant truths as soon as possible. In identifying the weaknesses, the business owners will need to ask the following key questions.

a. What could we improve?
b. Where do we have fewer resources than others do?
c. What are others likely to see as weaknesses?

Weaknesses, like strengths, are inherent features of your business, so focus on your people, resources, systems, and procedures. In identifying weaknesses, the business needs to think about areas of improvement and the practices to avoid.

Once again, imagine (or find out) how other people in your market see you. Do they notice weaknesses that you tend to be blind to? Take time to examine how and why your competitors are doing better than you. What are you lacking?

3. Opportunities

Opportunities are openings or chances for something positive to happen, but the business will have to exploit them to its advantage.

They usually arise from situations outside your organization, and require an eye to what might happen in the future. They might arise as developments in the market you serve, or in the technology you use. Being able to spot and exploit opportunities can make a huge difference to your organization's ability to compete and take the lead in your market.

In scanning for opportunities, the business owners will ask the following critical questions.

d. What opportunities are open to you?
e. What trends can you take advantage of?
f. How can you turn your strengths into opportunities?

Think about good opportunities you can spot immediately. These don't need to be game-changers: even small advantages can increase your organization's competitiveness. What interesting market trends are you aware of, large or small, which could have an impact?

You should also watch out for changes in government policy related to horticultural sector, changes in social patterns, population profiles, and lifestyles can all throw up interesting opportunities.

A case of Chad; The increased access to quality seeds for improving the agricultural production of smallholders, small and medium sized enterprises and multinationals through support to regional production of quality seeds braced by strong private and public support. Through the government of Chad and ITRAD (Chadian institute for agronomical research), the production of basic seed has been developed (Integrated seed sector development)[5].

This was viewed as the only sustainable integrated agricultural development approach besides addressing input availability (organic and inorganic fertilizer, disease, and pest management. This would result into sufficient quantities of quality seed of superior varieties at the right time and at an affordable price; and to increase male and female farmers' choice in terms of crop varieties.

4. Threats

Threats include anything that can negatively affect your business from the outside, such as supply chain problems, shifts in market requirements, or a shortage of recruits. It is vital to anticipate threats and to take action against them before you become a victim of them and your growth stalls.

Think about the obstacles you face in getting your product to market and selling. You may notice that quality standards or specifications for your products are changing, and that you will need to change those products if you are to stay in the lead. Evolving technology is an ever-present threat, as well as an opportunity. The questions that will aid the identification of threats include the following.

a. What threats could harm the business?
b. What is your competition doing?
c. What threats do the business weakness expose it to?

Always consider what your competitors are doing, and whether you should be changing your organization's emphasis to meet the challenge.

Nevertheless, be mindful that whatever the competition is doing might not be the right thing for you to do, and avoid copying them without knowing how it will improve your position.

5 https://edepot.wur.nl/464103

Table 9 - SWOT Analysis

Opportunities	Threats
• New funding program opportunities. • Locally produced fruits and vegetables. • New alliances with stakeholder associations flavour and quality. • Technology innovation to enhance programs. • Health benefits of fruits and vegetables • Positive publicity of fruits and vegetables. • Market output to public. • Presence of organics • Science of breeding adaptable to other similar regions. • International involvement.	• Reduction in budgets and personnel. • Decreasing in funding opportunities and more competition for funding. • Attracting and retaining brainpower. • Water availability • Lack of knowledge/appreciation for agriculture. • High price fluctuation • Lack of graduate student funding in agriculture. • Harsh climate and weather impacts • Poor water quality • Industry fragmentation
Strengths	**Weaknesses**
• Farmers and staff capabilities • Reputation and credibility of business • Dissemination of information to producers. • Effectiveness of addressing of producer's needs. • Extension and network presence. • Trainings and multidisciplinary research programs. • Effectiveness and resources for new breeding varieties. • Effectiveness screening and demonstration trials.	• water quality and availability • Lack of a sector plan • High Cost of production • Poor soil quality • High product prices • Tight government regulation • Food safety i.e. preservations • Environmental stress like famine, drought. • Industry fragmentation and • Agricultural bioterrorism to spread pathogens to cause economic stress.

Tabular snapshot of the SWOT analysis on Horticulture sector.
Source: http://agrilife.org/uvalde/files/2015/03/Full-Swot-Report-SCBS-Final.pdf

2.3. STEP 2 – DESIRED FUTURE

On concluding the organisational assessment, the business will seek to determine its desired future (where do we want to go?). The views from step 1 are often consolidated into the corporate vision and mission statements.

2.3.1. Stakeholder Analysis

A horticultural business like any other business undertaking will have many stakeholders and as such, it is prudent that the stakeholder relationships are appropriately managed, and their respective interest addressed by the business (stakeholders can be both organizations and people). There are three steps to follow in Stakeholder Analysis.

a. Identification of stakeholders: Identify who the business stakeholders are.
b. Prioritise the stakeholders: Work out their power, influence, and interest, so that you know whom you should focus on.
c. Develop a good understanding of the most important stakeholders, so that you know how they are likely to respond, and how you can win their support.

Primary stakeholders: Those ultimately affected either positively or negatively by the business. Double as the Internal Stakeholders (farmers, staffs, branch managers, direct beneficiary i.e. consumers).

Secondary stakeholders: Intermediaries in the delivery process i.e. buyers/retailers, wholesalers, middlemen of the fruit and vegetables.

External stakeholders: Those affected by the project indirectly (development partners (Funders), government). These may include the different government agricultural ministries/states, FAO.

The business owners will need to establish answers to the following questions in determining the stakeholder interests in the business:

1. What financial or emotional interest do they have in the business?
2. What motivates the stakeholders most of all?
3. What information do they want from you, and what is the best way of communicating with them?
4. Who influences their opinions generally, and who influences their opinion of you? Do some of these influencers therefore become important stakeholders in their own right?
5. If you don't think that you'll be able to win them around, how will you manage their opposition?
6. Who else might be influenced by their opinions? Do these people become stakeholders in their own right?

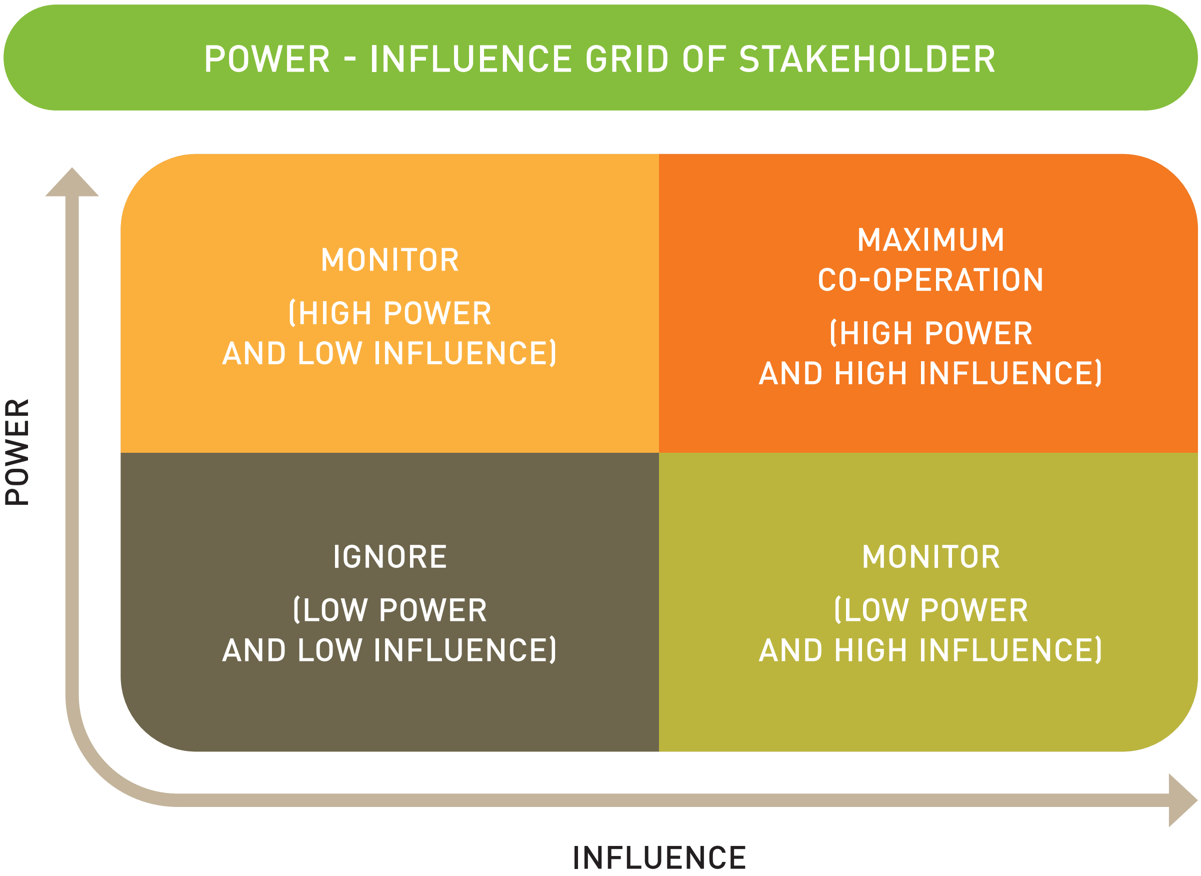


Figure 12 - Stakeholder Mapping

Monitor stakeholders with high power and low influence. Here, the stakeholder would wish to see the business succeed but have limited influence.

Maximally cooperate with stakeholders with high power and high levels of influence since the stakeholders are involved in every decision and actively help in your business/project to make it a success.

Also, Monitor stakeholders with low power and high influence. The stakeholder does not want or like the business or the decisions of the business/project. These are negative stakeholder and could be a potential risk to the business, if not handled properly.

Ignore stakeholders with low power and low influence. Here the stakeholder may not have any problem with the business neither have an interest and so they are just neutral.

2.3.2. What is a Vision, Mission, and Value?

Defined below are the terms for the Vision, mission, and value[6].

Vision

A vision is a statement of an organization's overarching aspirations of what it hopes to achieve or to become. A vision is a visual image of what the organization is trying to produce or become.

Mission

A mission is statement describes what the organization needs to do now to achieve the vision. A mission statement is more specific and it defines how the organization will be different from other organizations in its industry.

Value

Value is a statement that defines what the organization believes in and how people in the organization are expected to behave—with each other, with customers and suppliers, and with other stakeholders.

2.3.3. How to develop the organisation's Vision and Mission statements

Mission and vision statements are concise, inspiring statements that clearly communicate the direction and values of an organization. These statements can powerfully explain your intentions, and they can motivate your team or organization to realize an inspiring vision of the future.

The organisational mission clearly articulates the purpose and as such acts as a key motivation factor for its staff. A worthwhile mission and vision statements will genuinely inspire many stakeholders including customers, suppliers, and employees to engage with the business since they contribute to the common good through their interactions and interface with the organisation. To this end, it is imperative that a business develops well-crafted mission and vision statements that will inspire its stakeholders.

Below is a detailed step-by-step process of developing a business vision, mission and Value as shown[7];

6 https://courses.lumenlearning.com/wm-principlesofmanagement/chapter/reading-mission-vision-and-values/

7 https://www.mindtools.com/pages/article/newLDR_90.htm

DEVELOPING THE MISSION STATEMENT

Step 1: Develop Your Winning Idea

First, identify your organization's "winning idea," or unique selling proposition (USP). This is the idea or approach that makes your organization stand out from its competitors, and it is the reason that customers come to you and not your competitors.

Step 2: Clarify Your Goal

Next, make a short list of the most important measures of success for this idea. For instance, if your winning idea is to create cutting-edge products in a particular industry, how will you know when you have accomplished this goal? If your idea is to provide excellent customer service in an area, what key performance indicator will let you know that your customers are truly satisfied?

Keep this statement in the present tense, and make sure it is short, simple, and clear. The language needs to be inspiring, but do not include adjectives just so it "sounds better".

Step 3: Develop the mission statement

Remember a mission statement describes "why" the organization exists. Combine your winning idea and success measures into a general, but measurable goal. Refine the words until you have a concise statement that expresses your ideas, measures, and a desired result

Take the example of a produce store, "Farm Fresh Produce," whose winning idea is "providing farm freshness." The owner identifies two key measures of her success: freshness and customer satisfaction. She creates the following mission statement, which combines the winning idea and her measures of success

"To be the number one produce store in Main Town by selling the highest quality, freshest farm produce directly from farm to customer, with high customer satisfaction."

HOW TO CREATE A VISION STATEMENT

Step 1: Find the Human Value in Your Work

First, identify your organization's mission. Then uncover the real, human value in that mission. For example, how does your organization improve people's lives? How do you make the world a better place?

Step 2: Distil into Values

Next, identify what you, your customers and other stakeholders value the most about how your organization will achieve this mission. Distil these into values that your organization has, or should have.

Some examples of values include excellence, integrity, teamwork, originality, equality, honesty, freedom, service, and strength.

If you have a hard time identifying your organization's values, talk to your colleagues and team members. What values do they think the organization stands for, or that it should stand for?

Step 3: Combine Your Mission and Values

Combine your mission and values, and polish your words until you have an inspiring statement that will energize people, inside and outside your organization.

It should be broad and timeless, and it should explain why the people in your organization do what they do.

The owner of Farm Fresh Produce examines what she, her customers, and her employees' value about her mission.

The four most important values that she identifies are freshness, healthiness, tastiness, and the "local-ness" of the produce. Here is the vision statement that she creates and shares with employees, customers and farmers alike.

"We encourage the families of Main Town to live happier and healthier lives by providing the freshest, tastiest, and most nutritious local produce: from local farms to your table in under 24 hours."

Many organizations don't have a defined vision, mission, and values statement because they don't know how to do it, and the process scares them.

However, if you can get the right people in the room, and have a trained facilitator, it can be done in a few short hours.

2.4. STEP 3 – HOW TO REACH THERE

The final step in the strategic planning process is the development of strategies to reach the desired future (making the strategic choice). In making the strategic choice, the business will seek to look into the following issues.

- Strategic issues facing the organisation
- Formulate goals, strategic objectives, and action or tactical plans

2.4.1. Identify Strategic Issues Facing the Organization

Strategic issues are the basis on which goals, strategic objectives, and action or tactical plans are developed.

A strategic issue is a fundamental policy choice affecting an organisation's mandates, mission, values, product or service level and mix, cost financing, structure, or management. The way these choices are framed can have a profound effect on decisions that define:

- **WHAT** the organisation is
- **WHAT** the organisation does
- **WHY** the organisation does it.

Strategic issues are ALWAYS framed as questions. Virtually every strategic issue involves conflict as participants and planners are forced to weigh alternatives and choose the best, or most feasible options. Participants often disagree on, for example:

- **WHAT** will be done?
- **WHY** will it be done?
- **HOW** will it be done?
- **WHERE** will it be done?
- **WHO** will do it?
- Who will be **ADVANTAGED** or **DISADVANTAGED** by it?

Developing strategic issues is best carried out in small groups focusing around a specific set of strategic organizational concerns. Participants should also use all of the tools they have developed during planning—such as the environmental analyses, the SWOT, and vision of success—to identify the most pressing strategic issues.

In identifying strategic issues, one should:

- Describe the issue completely and accurately.
- Discuss the factors (mandates, mission, and internal or external environmental features) that make the issue strategic.
- Discuss the consequences of failure to address the issue.
- Make sure that the statement of the strategic issue includes or provides useful clues about how to resolve the issue.
- Recognize that strategic issues can be about addressing problems but also about capitalizing on opportunities.
- Focus on what is truly important.
- Focus on issues, not answers.

ALWAYS FRAME
THE STRATEGIC ISSUE
AS A QUESTION.

2.4.2. Formulate goals, strategic objectives, and action or tactical plans

This is the point at which the written strategic plan starts to take shape. Generally, organisation leaders, and senior managers participate in formulating goals and strategic objectives so that they can help focus the organization's directions and priorities over the plan period – usually five years.

Goals are broad statements that are directly related to your organization's mission and describe, in general terms, the benefits that will result from your organization's activities. Goals should be realistic and achievable even by organizations that are still emerging or consolidating their structures, resources, and activities.

Strategic Objectives describe the tactics you will use and the work you will do to achieve the desired results. This often involves selecting the alternatives that is the most cost-effective and feasible given the organization's SWOT analysis, and that is likely to advance the goals of the organization, making it simultaneously more competitive and sustainable.

Operational or strategic plan objectives should be SMART:

- SPECIFICS – to avoid differing interpretations
- MEASURABLE– to allow monitoring and evaluation
- APPROPRIATE – to the problems, goals, and strategic objectives and intended results
- REALISTIC – achievable, challenging, and meaningful
- TIME BOUND – with specific time frames for completion

In a well-written strategic plan, strategic objectives should be interlocking and complementary. A good strategic plan also integrates financial planning and sustainability issues into development of strategic objectives. In short, some consideration of costing or the financial implications of your organization's proposed strategic objectives will make your plan completer and more useful. This also means that good strategic plans outline approaches for mobilizing, increasing, and targeting resources where they are most needed.

Action or Tactical and **Financial Plans** are detailed descriptions of:

1. the bundle of activities that will take place, in sequential order, to achieve a specific strategic objective and
2. the resources, especially monetary, that will be required to undertake them.

Increasingly planners are concerned about achieving and documenting tangible results. Therefore, a detailed, well-articulated strategic plan should show not only specific activities, but also:

- Time frame for completion
- Persons responsible
- Resources needed
- Expected outcomes or results
- Indicators for monitoring and evaluating and documenting results

These detailed plans can also be used to support an organization's financial planning, budgeting, and resource mobilization or fundraising. Most organizations find that they should review these plans closely and systematically to ensure financial health and adequate resources.

It can be extremely frustrating to make "plans" that far exceed organizations' ability to pay for them or to acquire staff or technical inputs that are vital to implementation, or to otherwise finance the plans.

2.4.3. The Remaining Steps: Implementing, Disseminating, Revising, and Evaluating the Plan

Strategic planning is a useful, revealing exercise that requires all participants to look inward and outward, backwards and forward, and to think tactically and comprehensively. At the same time, no strategic plan can help an organization to make and sustain forward momentum if it is "shelved," not updated or revised in light of subsequent events or new realities, or perceived as a document with limited relevance to ongoing organizational growth, development, and priorities. Strategic planning can only be successful if the organization – at all levels – is committed to using the plan as a tool for organizing annual or operating, sustainability or resource mobilization, and unit or departmental planning.

A strategic plan should be used to measure performance and determine organizational needs. A well thought out plan should also provide an underpinning for diversification and sustainability initiatives since it represents an organization's vision and hopes for the future, and embodies where an organization seeks to be in several years. A strategic plan provides a covenant between an organization and its primary stakeholders – clients, communities, staff, directors, partners, and collaborating public or private sector agencies – which, if upheld, will result in better policies, services, or quality of life.

In general, a strategic planning exercise triggers a four-cycle process to ensure use, review, and revision of the plan for continuing efficacy. The four cycles are:

- Dissemination, finalisation and ratification
- Implementation, review, revision, and utilization
- Resource identification, mobilisation, and advocacy for the plan
- Monitoring, evaluation, and reporting

2.4.4. Outline of a Strategic Plan

There is no set layout for a strategic plan and what is proposed below is a guidance on the key issues that should be include at the very least to adequately inform any reader of what the strategic thrust of the business will be over the planning period.

Section 1: Executive Summary

This one to two-page section is a summary of the strategic plan and its highlights the business vision, mission, and core values. The executive summary also shows the goals and strategic objectives along with the proposed strategies. An overview of the projected financial performance and the monitoring framework is also included in the executive summary. The executive summary should stand alone, as well as flow with the rest of the document.

Sections 2: About the Organisation

This section introduces the business and contains a brief history of the business, who the key promoters and the rationale/ motivation for setting up the business. The section also covers the business strategic thrust highlighting the Vision, Mission, and Core Values. The section also highlights the past business performance (3-years) and key achievement tracked along the business Key Performance Indicators (KPIs). The performance of the business puts into perspective the projected performance over the strategic planning period.

Sections 3: External and Internal Analysis

This section summaries the assessment of the internal analysis including the key strengths and weaknesses of the business. The findings of the external environment analysis based on the PESTEL and Porter's five forces models with articulate the context within which the business will operate over the planning period. The Internal and external analyses will be summarised into the SWOT.

Sections 4: Proposed Goals, Strategies, and Tactics

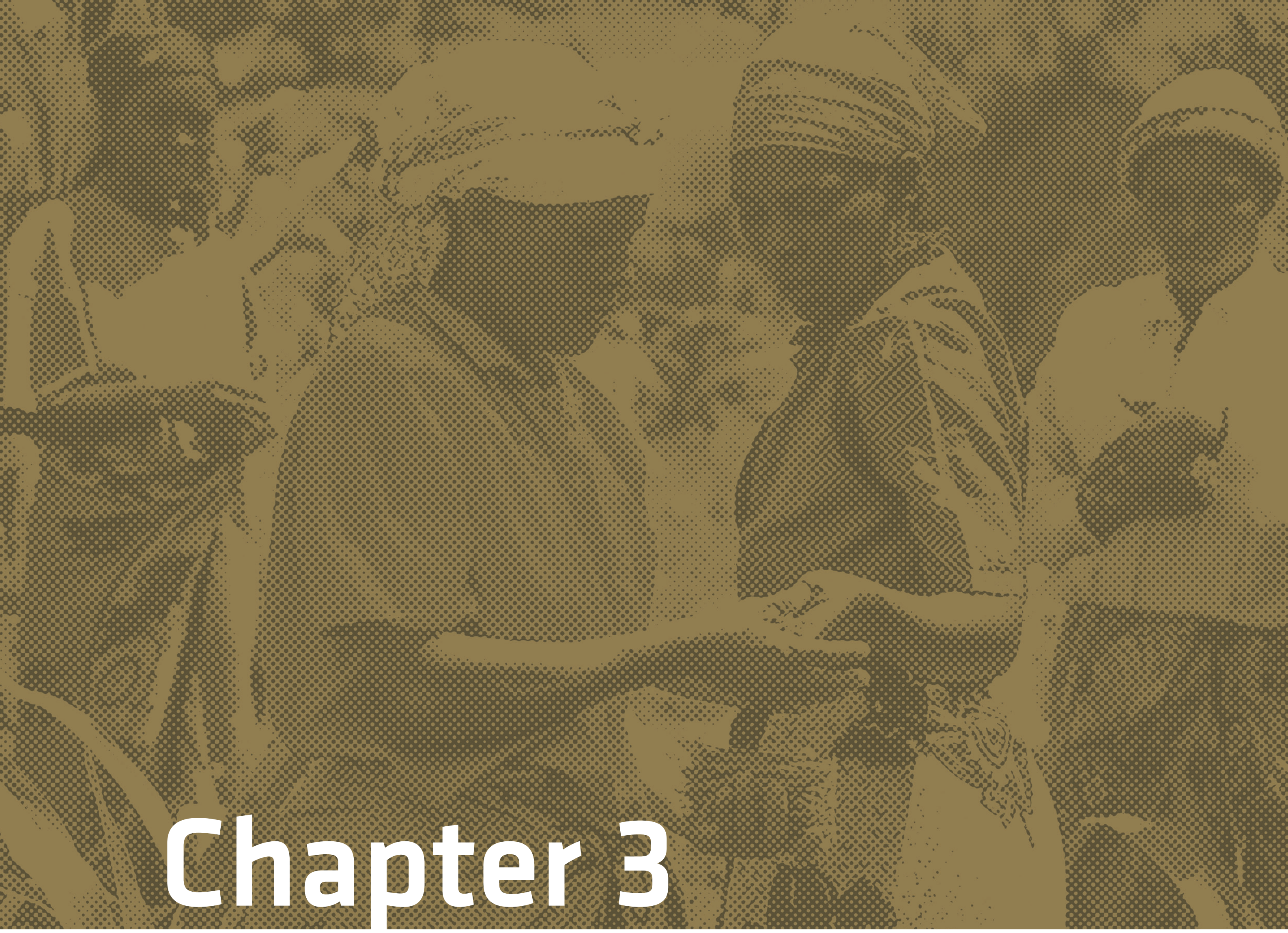
The section highlights the proposed goals and strategies the business will adopt to ensure it is competitive in the market. Most businesses will include 3-5 strategic goals along with the detailed implementation tactics to guide the business managers over the planning period. There are many acceptable layouts for this section.

Section 5: Projected Financial Performance

This section will contain the projected financial reports along with the key assumptions. Displaying aspects of the budget graphically may be beneficial.

Section 6: Appendices

This section contains any supporting documents that are necessary to provide context to the proposed business performance over the planning period. It may include the detailed SWOT analysis, detailed projected profit & loss statement, statement of financial position (balance sheet), cash flow statement, and any other documents.



Chapter 3

Business plan development

3.1. INTRODUCTION TO BUSINESS PLANNING

3.1.1. What is a Business Plan?

A business plan is a comprehensive, written description of the business of an enterprise. It is a detailed report on an enterprise's products or services, production techniques, markets and clients, marketing strategy, human resources, organisation, requirements in respect of infrastructure and supplies, financing requirements, and sources and uses of funds.

Business plans usually cover a period of up to five years depending on the nature of the business and in essence serve as a road map for the future and helps to avoid bumps in the road. This essential document should tell the story of the business concept, provide an overview of the industry in which it will operate, describe the goods or services provided by the company, identify customers and proposed marketing activities, explain the qualifications of the management team, and state the projected income and borrowing needs.

3.1.2. Why a business plan?

The following are some of the key reasons why any entrepreneur setting up or operating a fruits and vegetables business should draw a business plan.

- To get an integrated view of all issues regarding the business such as: target clients, market segments, pricing strategy, and competitive conditions under which the business must operates
- To show the expected cash flow and business expenditures in comparison to expected income in a given timeframe.
- To show which operations the company will undertake and how much money it will spend on such operations.
- To show funding or credit agencies how much the enterprise is worth and how well it will do in the future.
- To assess the chance of the fruits and vegetables enterprise and make necessary correction before starting the business
- To minimize risks by preparing a plan that will guide the operation of the enterprise and serve as continuous reference.
- To promote and market the fruits and vegetables enterprise
- To show how the enterprise will achieve its business goals and objectives.

Generally, the business plan is done when a company is looking for loan or capital to develop the business.

3.1.3. Elements of a business plan

After considering the purpose of the business plan and having done the necessary background preparation, it is time to consider the actual elements that will be included in the written document. These include:

1. **Executive summary -** a high-level concise overview of the business and strategy.
2. **Background** - summarized entity-specific information, highlighting key administrative points / Ownership and management / key milestones / vision and mission statement / activity and strategy
3. **Products and services** - product description and attributes, research and development, production process, quality assurance and control, sourcing and intellectual property
4. **Markets and marketing plan** - brief description of the market outlook, market characteristics, major customers, current size, projected market growth, competition, market segmentation, positioning, marketing strategy, and projected sales.
5. **Business operations** - location and premises, marketing and selling methodology, manufacturing, distribution, order processing/inventory control, company structure/organization, project management, and management information systems/reporting.
6. **Human resources** - management (executive/operations management, middle management, external support services), personnel as well as external support (consultant, transports)
7. **Financial planning** - financial history (financial statements), projected income statements, cash flow, balance sheet and important ratios, funding requirements and other supporting information.
8. **Risk Management Planning** - sources of risk and risk management strategies.

   Some of the information can be put in the appendices, which may include Product literature; Asset valuations; Historical financial statements and auditor's reports; Legal documents (for example, company registration); Curriculum vitae of key management persons; Market research; Other relevant and important information.

The above chapters are presented in the order in which they usually appear in a typical business plan. The format can be adapted to the specifics of the business. One important think is: the business plan needs to be clear, logic and easy to understand.

3.2. EXECUTIVE SUMMARY

The executive summary is a one to three-page overview of the business plan. It is actually the most important part of the business plan. Many readers look at the executive summary first and therefore, it should emphasize the key points of the plan and get the reader excited about the prospects of the business.

Even though the executive summary is the first thing read, it is written after the other sections of the plan are completed. An effective approach to writing the executive summary is to paraphrase key sentences from each section of the business plan.

The Executive Summary should briefly explain each of the below.

a. An overview of the business (one or two sentences).
b. A description of the product and/or service. What problems the company is solving for its target customers?
c. The goals for the business. Where is the business expected to be in one year, three years, five years, etc.?
d. The target markets. Who are the ideal customers?
e. The competition and what differentiate the business. Who is the business up against, and what unique selling proposition has helped it succeed?
f. The management teams. What do they bring to the table that gives the business a competitive edge?
g. Financial outlook for the business. If using the business plan for financing purposes, explain exactly how much money the company wants, how it will be used, and how that will make business more profitable, allow it to expand or achieve other goals.

After reading the Executive Summary, readers should have a basic understanding of the business, should be excited about its growth potential, and should be interested enough to read further.

THE EXECUTIVE SUMMARY

FORM

- Is placed at the beginning of the business plan
- Is 2 to 3 pages long
- Is briefly conceived.
- Has a precise structure
- Is Clearly arranged

LANGUAGE

- Is self-explanatory
- Concise and
- Convincing

CONTENT

- Serves as a guideline
- Contains the essential information and
- The most important data

Figure 13 - Main requirements of an executive summary

3.3. BACKGROUND/ HISTORY

Background is a brief (one-page) description of the company. Without going into detail, this section should include a high-level look at how all of the different elements of the business fit together. This section specifically contains the following information:

1. **Company mission statement**

A mission describes the purpose of the enterprise, its strategies, behaviour patterns, and values. The mission statement is a short (one sentence to one short paragraph) inspirational statement of the vision and goals of the company. The mission statement should be succinct and content rich.

2. **Company philosophy and vision**
   a. What values does the business live by? Honesty, integrity, caring, innovation and community are values that might be important to the business philosophy.
   b. The vision describes the future picture of the enterprise. The vision must be desirable, challenging, but also attainable as explained in Chapter 2. Without visions, enterprises will likely fail at the slightest signs of change, or they decline into destructive compromises.

3. **Target market**

This will be covered in-depth in the Marketing Plan section. Here, briefly explain who the target customers are.

4. **Industry**

Describe the industry (horticulture) and what makes the fruits and vegetables business competitive: Is the industry growing, mature or stable? What is the industry outlook long-term and short-term? How is the fruits & vegetables business taking advantage of projected industry changes and trends? What might happen to the competitors, and how will the business successfully compete?

5. **Legal structure**
   a. Is the business a sole proprietorship, LLC, partnership or corporation? Why this particular form of business chosen?
   b. If there is more than one owner, explain how ownership is divided. If the company has investors, explain the percentage of shares they own. This information is important to investors and lenders.

6. **Company history**

Tell the story of the business, including how long the enterprise has been in business, any previous owners of the business, an overview of its sales and profit history, how many employees it has and the business's reputation in the community. Highlight past successes, but also mention failures and what lessons were learned from them. Explain the most important challenges faced and how they were overcome.

7. Key strengths and core competencies

What is the business's core competency? What are its competitive strengths? What strengths does the entrepreneur personally bring to the business?

8. Significant challenges the company faces

Explain the biggest challenges the company faces, both now and in the near future. If the plan is intended to help the company get financing, explain how the money will help the company meet these challenges.

9. Company goals

What are the business' plans for the future? These might include growth, product diversification, increasing production or selling the business. Specify both short- and long-term goals, as well as the benchmarks or milestones the company plans to use to measure its progress. For example, if the company's goals is to open a second location, milestones might include reaching a specific sales volume or signing contracts with a certain number of clients in the new market.

After reading the Company Description, the reader should have a basic understanding of the business's mission and vision, goals, target market, competitive landscape and legal structure.

3.4. PRODUCTS AND SERVICES

The section of the business plan describes products and services in terms of the markets, application (use), value proposition, and life spans. In addition, the business plan also should clearly state whether the product/ services conform to national and international standard specifications. Explain in detail each of the below:

1. **The company's products:** What does the company sell, and how is it produced/ manufactured or provided? Include details of relationships with suppliers, manufacturers and/or partners that are essential to delivering the product or service to customers.
2. **The problem the product solves**: Every business needs to solve a problem that its customers face. Explain what the problem is and how the company's product solves it. What are its benefits, features and unique selling proposition? The company's products aren't the only solution (every business has competitors), but there is need to explain why its solution is better than the others, targets a customer base its competitors are ignoring, or has some other characteristic that gives it a competitive edge.
3. **Any proprietary features that give the business (fruits & vegetables) a competitive advantage**: Is the product patented, or does the company have a patent pending? Does the company have exclusive agreements with suppliers or vendors to sell a product that none of its competitors sell? Does the company have the license for a product, technology or service that's in high demand and/or short supply?
4. **How does the company price its product (fruits & vegetables):** Describe the pricing, fee, subscription or leasing structure of the product? How does the product fit into the competitive landscape in terms of pricing—is it on the low end, mid-range or high end? How does that pricing strategy help attract customers? What is the profit margin?
5. **Stage of Development:** Briefly describe the current status of your product. Where is the product in its lifecycle (early, growing, mature, declining)? Is it ready for the market, or is it in development? If in development, how far along is it? What obstacles remain?

Include any product or service details, such as technical specifications, drawings, photos, patent documents and other support information, in the Appendices.

3.5. MARKETING PLAN

This section provides details on the industry, the competitive landscape, the target market and how the company will market its business to those customers. Even if the entrepreneur knows all there is to know about the market, doing market research will confirm the entrepreneur's beliefs and give the company supporting evidence to include in its plan.

The Marketing Plan will make or break the prospects for the fruits and vegetables venture. In this Marketing Plan section, the entrepreneur must convince the reader that there is indeed an eager market for the fruits and vegetables products. The marketing plan thus represents a roadmap of the marketing activities, which are necessary in order to achieve the strategic marketing goals.

3.5.1. Market Analysis

This section should illustrate the entrepreneur's knowledge of the horticulture industry. It should also present general highlights and conclusions of any marketing research data collected; however, the specific details of the marketing research studies should be moved to the appendix section of the business plan.

There are two kinds of research: primary and secondary. Primary market research is information gathered by company itself. This could include going online or identifying competitors; interviewing or surveying people who fit the profile of the target customers; or doing traffic counts at a retail location being considered.

Secondary market research is information from sources such as trade organizations and journals, magazines and newspapers, Census data and demographic profiles. The company can find this information online, at libraries, from chambers of commerce, from vendors who sell to the industry or from government agencies.

This section of your plan should explain:

- The total size of the industry
- Trends in the industry – is it growing or shrinking?
- The total size of the target market and the share the company currently has
- Trends in the target market – is it growing or shrinking?
  How are customer needs or preferences changing?
- The growth potential of the business. What market share is realistic
  for the enterprise to obtain in the future?

a. Market Size and Growth

A market consists of a group of customers who are willing to buy products to satisfy a need. Markets rarely stand still. On the supply side, new competitors might enter, while old rivals go out of business.

On the demand side, the introduction of new substitute products might reduce demand for your product or new research might make it possible for you to make a health claim that helps you expand demand for your fruits and vegetables product. In the longer term, broad trends in customer and competitor demographics, technology and government policy can transform the size and structure of your market. For example, an outlook at Kenya's horticulture industry reveals that it continues to face growing competition both regionally and globally. Although the country is the most successful producer and exporter of fresh produce and flowers in sub-Saharan Africa, it has been losing market share in the global horticulture market[8].

b. Market Chain Actors

In horticultural market systems, the key market actors including the input providers, producers, aggregators/traders, wholesalers, retailers, consumers, and service providers interact, either directly or indirectly, with horticultural products at various nodes of the chain.

For the entire marketing system to perform there has to be a demand for the product and the horticultural actors need to understand the market demand, which is generated by customers/consumers. It is important to note that customers require the best quality at the lowest price so every producer should ask: How can I produce the best quality product at the lowest price possible?

Understanding the target customers prior to engaging in the fruits & vegetables business will help farmers source the right variety, produce, deliver, and present the right product.

3.5.2. Competitive Analysis

The concept of competitiveness is a very broad concept, applied both at macro-economic and micro-economic level.

According to Stephen Garreli (Garreli, 2008), competitiveness represents: "the modality in which a nation manages its total resources and competences in order to Increase its people's welfare."

When doing a competitive analysis for the fruits & vegetables sector, there is need to identify competition by product line as well as by market segment; assess strengths and weaknesses, determine importance of target market is to the competitors, and identify any barriers, which may hinder entry into the market.27

8 Global Competitiveness Study: Benchmarking Kenya's Horticulture Sector, For Enhanced Export Competitiveness

Identify key competitors for each of the fruits and vegetables products. For each key competitor, determine their market share, then make an estimate of the expected time before new competitors will enter into the marketplace. Finally, identify any indirect or secondary competitors, which may have an impact on the company's business' success.

In order to analyse the competitiveness of the horticultural sector of the ACP countries, Michael Porters' "Five Forces Model" is a good model that could be adopted.

Figure 14 - The analysis of the horticultural sector using Michael Porter' five forces competition model.

Competitive Analysis of the Fruits & Vegetables Sector

The analysis of the horticultural sector using Michael Porter's five forces competition model reveals that the competition on the local market is moderate, without great bias toward consumers or producers.

The risk of new entrants on the market is not very high because starting a fruit production business requires long-term investments in multi-annual plantations, which is a little different from the production of vegetables, which may need investments for greenhouses. The new entrants on the market must also ensure high quality, well-packaged products, so as to be competitive with the existing companies on the market.

Buyers are the final point of all the producers' concerns, because the purchase of the horticultural products by consumers represent the acceptance of the producers' supply by which commodity is traded for money. Unfortunately, in many ACP countries, there is no brand strategy for agricultural products, which would differentiate the products, thus influencing the prices. It is also worth mentioning that most horticultural products are bought by consumers from open-air markets, because prices are lower than in supermarkets.

Threat of substitute products. Fruit and vegetables have no substitute products. As the population's incomes increase in the ACP countries, the consumers will change their preferences to exotic products, from local products.

Suppliers. In the ACP countries, the number of suppliers of horticultural products is very high. Those who have a well-organized distribution network of horticultural products from the producer to the consumer (this is rather a small number) are more advantaged compared to those who do not have a well-organized distribution network. The local suppliers of horticultural products have no strong brands that could determine the consumers to give up some of their preferences in favour of local horticultural products. A very serious problem is the lack of cold storage rooms leading to lower shelf lives and thus the selling of horticultural production directly from the field during the harvest season at often-low prices.

Rivalry between players. The rivalry of horticultural enterprises often results in surplus production and price wars if no stable foreign outlet markets exist.

Source: Arthur Golban, The Analysis of Competitiveness and Competitive Advantage of The Horticultural Production from The Republic of Moldova: Challenges and Opportunities pg 13

3.5.3. Product Strategy

The description of products should be brief and straightforward. This strategic element requires careful planning in both developing new products and altering existing ones. Pricing structures, channels of distribution, and promotional mixes are all based on the products that are offered to the customers.

Describe all of the products being sure to focus on the customer's point of view. For each product or service:

- Describe the most important features. What is special about it? What are the unique characteristics that differentiate the product and make it more attractive to the customers? For example, "VegFresh farm" may be known by restaurant owners and food cooperative produce buyers for supplying vegetables that are fresh and high quality. As a result, these customers prefer to buy from "VegFresh Farm" whenever possible.
- Describe the most important benefits. What does it do for the customer? Examples include best quality, good service, convenience etc. For example, fruits & vegetables are an excellent source of dietary fibre, which can help to maintain a healthy gut and prevent constipation and other digestion problems

In this section, explain any after-sale services you provide, such as:

- Product delivery
- Warranty/guarantee
- Service contracts
- Ongoing support
- Training
- Refund policy

3.5.4. Identifying Your Target Market

Target market is simply the market (or group of customers) that the organisation wants to target (or focus on and sell to). When defining the target market, it is important to narrow it to a manageable size. This distinction is important because the consumer is often different than the entity that buys the product, i.e. pays the money. Another way to consider this is to identify a niche that exists which the enterprise could exploit.

The fruits and vegetables enterprise will need to identify the needs of its target market, do research to find the solutions to their needs, evaluate the solutions they come up with, and finally, identify who actually has the authority to choose the final solution.

In this section, the MSME should gather information, which identifies the following:

- Distinguishing characteristics of the major/primary market, the organisation is targeting. This section might include information about the critical needs of the potential customers, the degree to which those needs are (or are not) currently being met, and the demographics of the group. It would also include the geographic location of the target market, the identification of the major decision-makers, and any seasonal or cyclical trends, which may influence the industry. For example, consumers of fruits & vegetables in the EU, emphasis on aspects of quality and convenience.
- Size of the primary target market. There is need to know the number of potential customers in the primary market, the number of annual purchases they make in products or services similar to that of the enterprise, the geographic area they reside in, and the forecasted market growth for this group.
- Market share expansion and the reasons why. The entrepreneur should determine the market share percentage and number of customers the organisation expects to obtain in a defined geographic area.
- The pricing and gross margin targets. The enterprise should define the levels of its pricing, gross margin levels, and any discount structures that it plans to set up for its business, such as volume/bulk discounts or prompt payment discounts.
- Resources for finding information related to your target market. These resources might include directories, trade association publications, and government documents.

3.5.5. Positioning/Niche

After analysing the industry, product/service, customers and competition, the enterprise should be able to clearly state its business's niche (unique segment of the market) as well as its positioning (how it presents the company to customers). Explain these in a short paragraph.

3.5.6. Pricing Strategy

The prices are influenced by production costs and the customers' willingness to pay. From a farmer's perspective, it would be great to set product prices at levels that cover all costs and include a "fair" profit. However, the organisations ability to do this will depend on the actions of its competitors and on the strength of its customers' demand for the characteristics that make its product unique. Keep in mind that few small businesses can compete on price without hurting their profit margins. Instead of offering the lowest price, it's better to go with an average price and compete on quality and service.

Pricing Techniques

1. **Cost and Profit-Based Pricing Techniques**

An astute marketer knows the cost of production of each item so that he/she can use this information to set prices. If the goal is to maximize profits, items cannot be sold for less than they cost to buy or produce.

Two commonly used cost and profit-based pricing techniques are:

a. **Gross margin pricing**

The gross margin method is based on the selling price. It permits the marketer to use the income statement from the marketing enterprise to add a percentage margin that will allow attainment of the fruits and vegetables company profit objectives. This technique allows the incorporation of fixed costs into pricing objectives since these costs (e.g. interests, taxes, and insurance) are included in the income statement.

Gross margin is determined by subtracting cost of goods sold from net sales:

GROSS MARGIN % =

$$\frac{\text{Selling Price} - \text{Cost of Goods Sold Selling Price X 100}}{\text{Selling Price}}$$

So

SELLING PRICE =

$$\frac{\text{Cost of Goods Sold Selling Price X 100}}{\text{100 (\%)-desired gross Margin (\%)}}$$

b. **Mark-up pricing**

A mark-up is an addition to the cost of a product to reach a selling price. Many retailers and middlemen prefer to use mark-up pricing instead of gross margin pricing. Typically, mark-ups are expressed in percentages rather than dollars. It could be expressed in relation to cost.

The mark-up pricing is calculated as follows:

SELLING PRICE =

COST OF GOODS SOLD

+

(MARK-UP % X COST OF GOODS SOLD)

For an SME buying and selling fruits and vegetables from the farmer, the cost of goods sold will be the price it pays the farmers plus the costs of transporting the fruits to its premises.

1. **Some Other Pricing Techniques**

- **Relative to its competitors** – This is increasingly used to describe the practice of adopting a lower price while maintaining the product's basic value.
- **Skim pricing** – When introducing a new, innovative product, charge a high price, implying that you are "skimming the cream." The price can be reduced after customers who are early adopters have tried the product.
- **Penetration pricing** – When a firm wants to increase its presence in a given market, they often do so by setting a low initial price for a new product with the specific intention of gaining market share. This strategy can also be employed at a later stage in the product's life cycle to stimulate sales or defend market shares.
- **Psychological pricing**
  - Prestige pricing- Use price to help you position a product as high quality or exclusive. (Used in wine pricing.)
  - Odd-even pricing- Prices are set at uneven (or odd) amounts, e. g. 99 cents rather than $1.00. Odd prices are the rule in supermarkets. The rationale for odd pricing is that uneven price-endings suggest lower prices.

3.5.7. Distribution Strategy

Distribution entails making a product available for purchase by dispersing it through the market. A distribution system is described in terms of the logistics— processes used to store and transport the product, the places where the product is sold, and the market intermediaries that help facilitate the flow of the product (fruits and vegetables).

The marketing channels for horticultural crops, vary from commodity to commodity and from producer to producer. Small farmers usually sell their produce either to the village traders or in the village markets while large scale farmers sell their produce in the main market, where it goes in to the hands of wholesalers or commission agent.

The common and typical marketing channels for fresh vegetables and fruits, dried fruits and vegetables, juices, etc, are:

1. Producer - Consumer
2. Producer - Retailer - Consumer
3. Producer - Co-operative - Consumer
4. Producer - Co- operative- Commission Agent - Retailer - Consumer.
5. Producer - Forwarding Agent - Commission Agent - Retailer - Consumer
6. Producer - Grower's representative - Retailer - Consumer
7. Producer - Wholesale merchant - Retailer - Consumer
8. Producer - Wholesale merchant - Commission Agent - Retailer - Distributing market - Consumer.
9. Producer - Pre-harvest contractor - Commission Agent in assembling market - Commission Agent in distributing market - Retailer - Consumer.
10. Producer - Commission Agent - Wholesaler - Retailer - Consumer.
11. Producer – collector – exporter – forwarding agent – importer – retail – client

Depending of the countries, the system needs a lot of various interaction before arriving in the basket of the consumer.

3.5.8. E-commerce

E-commerce (EC), an abbreviation for electronic commerce, is the buying and selling of goods and services, or the transmitting of funds or data, over an electronic network, primarily the internet. All businesses need to consider how they can make use of e-commerce. Therefore, e- commerce should be an integral part of your marketing strategy. Consider the following:

- Brand building through affiliate programs and email marketing lead generation through search engines and affiliate programs
- Websites to provide information, product descriptions and pricing; conduct transactions and enhance branding
- Customer and technical support (online sourcing or selling)
- Extranets to provide coordination with customers

3.5.9. Promotion Strategy

Promotion is an attempt by marketers to inform, persuade, or remind consumers and B2B users, influence their opinion or elicit a response. People do not shop at businesses or buy products they do not know about. How will the organisation tell its customers about its products? What are the organisations advertising and promotional plans?

Effective product promotion is critical for successful marketing because company goals vary widely. Promotional goals include creating awareness, getting people to try products, providing information, retaining loyal customers, increasing the use of products, and identifying potential customers, as well as teaching potential service clients what is needed to "co-create" the services provided. We often think of advertising when we hear the term product promotion.

This may take the form of brochures, posters or a Web site. However, there are many other ways the organisation can inform potential customers about its products. For example, many producers offer taste tests for their products in retail stores and at farmers' markets. Other producers rely on promotional efforts by a commodity group or collaborative marketing group.

A good example of this kind of promotional strategy is "eco-labelling." Several organizations have certification programs to recognize food that is produced according to specified ecological or sustainability standards e.g. Fair Trade.

3.5.10. Sales Strategy

The sales strategy is based on the marketing strategy and turns it into operative sales objectives. How the organisation will sell its products is a critical component of its success. Remember, nothing happens until the sale is made.

- Describe how the product will be sold: Personal selling? TV infomercials? Direct mail?
- Who will do the selling? Company sales force? Producer's representatives? Telephone solicitors?
- How will leads be generated?
- How will the organisation recruit, train, and compensate the sales force?
- How will the organisation support the sales effort (e.g. internal staff, service operations, etc.)?

3.6. OPERATIONS PLAN

3.6.1. Overview

The Operations section outlines how the MSME will run its business and deliver value to its customers. Operations is defined as the processes used to deliver products and services to the marketplace and can include farm production, transportation, logistics, customer and technical service.

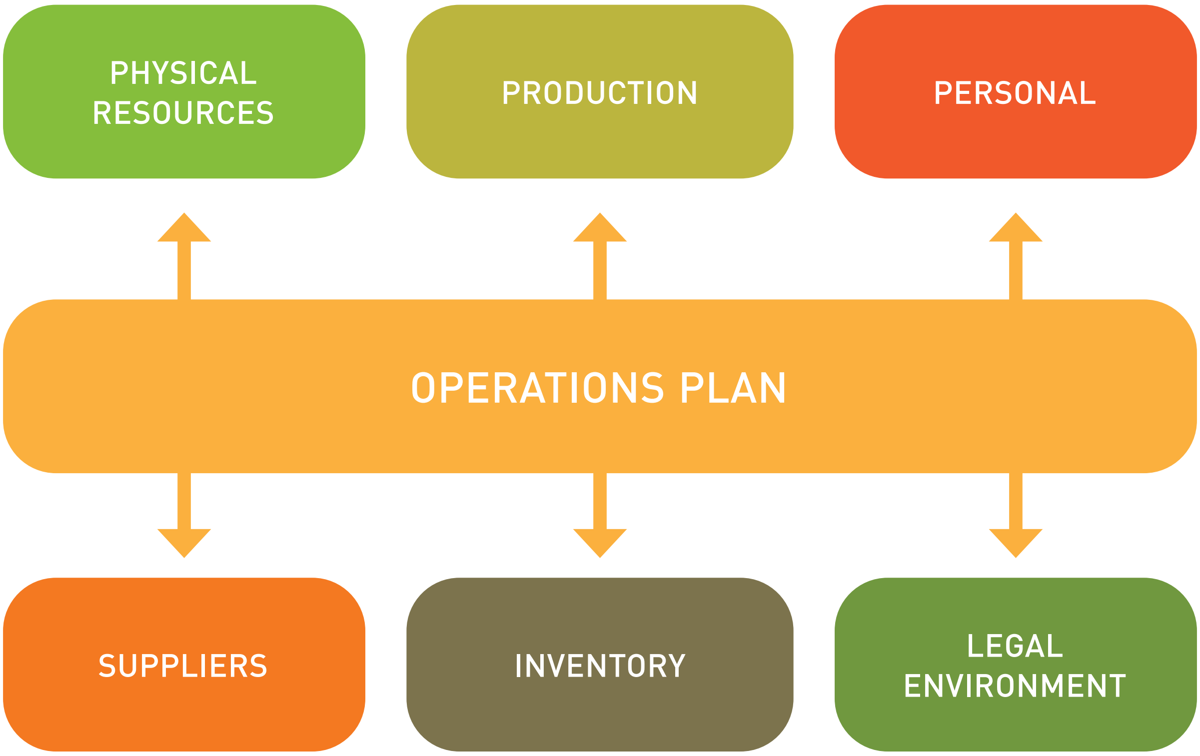


Figure 15 - Structure of the operational plan (Score 2016)

Figure 15 shows that operations plan contains 6 parts: Physical resources, suppliers, legal environment, inventory, personnel, and production.

Physical resources include land, buildings and other structures, machinery and equipment, which are the tangible assets that are used to produce and market products. Clearly, the quantity and quality of the resources the company controls affect its current operations and influence its future opportunities.

The ***production systems*** involve describing the crop rotations, timing of operations, the machinery and other inputs used, the quantity of production, and how the fruits and vegetables are stored, processed, and delivered to the market. It displays the data of product development, production costs and techniques, customer service, quality and inventory control. (Score 2016.)

Next part is ***legal environment***, which includes the description of the health, workplace, & environmental regulations in the company; special regulations for the horticulture industry and its employees; insurance; security system of the property and bonding requirements.

Personnel part shows the number of employees, their qualification level, payment structure, training methods and requirements as well as type of the contracts. In addition to it, it presents the channels, through which a fruits and Vegetables company hires new employees, schedules of the working day and number of new employees each year. (Score 2016.)

Operations plans also contain information about ***suppliers*** of the farm inputs in order to keep control of their activities. Suppliers' part introduces the information about their names and addresses, reputation and reliability, delivery policies and type, number, cost of the commodity supplied.

Apart from that, it includes the analysis about level of satisfaction with supplies services and further proposal to change the source of supply or not. (Score 2016.)

The last component of the operational plan is ***inventory***. This part presents the data about type of kept inventories (e.g. raw materials or finished commodities), value in stock and amount of inventory investments. (Score 2016.)

3.6.2. Operations Strategy

Describe how the enterprise will fulfil its marketing strategy using operations:

- Describe the process for producing and delivering the products
- How will operations be used to add value for customers in the target market?
- How will the organisation win in the marketplace on the dimensions of cost, quality, timeliness, and flexibility? Which dimensions will the organisation stress and which will it de-emphasize?
- Can the organisation use extranets to provide coordination with vendors and strategic partners?
- Does the enterprises' process or way of doing business give it a competitive advantage?

3.6.3. Scope of Operations

1. Describe which operations the enterprise will undertake in-house and if any that will be outsourced. Why it makes sense to outsource the selected operations? Details should be included where necessary in the appendix.

2. Describe how the business will undertake its operations clarifying any activities that will need outsourcing and the justification for the decision. This description will include the following:
   - Identifying the key vendors, suppliers, strategic partners, and associates. What arrangements has the enterprise discussed with them? What price agreements have been agreed on?
   - Based on sales forecast, estimate how much production or service capacity is required over the next three years. This is critical to answering the following questions:
     - What type of operations facility is required: size, type of space (office, laboratories, production, warehouse, and shipping)?
     - Where will the enterprise be located? Why this particular location?
     - What capital assets (equipment, vehicles, buildings, fixtures, computers and software, etc.) are required and how much each will cost, and will it be leased or purchased?
   - Determine the organisations personnel requirements to produce and deliver the fruits and vegetables product. What types of employees are needed (skilled, technical, supervisory, manual, etc.)?
   - Provide a layout of the production process. How will the products flow through the facility? The details are included in the appendix
   - Determine how much inventory is required to support the marketing strategy. Express it in terms of days or turns. Keep in mind that it is very difficult in the early stages of a new business to operate a just-in-time system. The order quantities are too small for suppliers to produce economically in small batches and deliver to the company warehouse every day.

3.7. ORGANISATION & MANAGEMENT

3.7.1. Overview

This section should include: the company organizational structure, details about the ownership of the company, profiles of the management team, and the qualifications of the board of directors.

People are an essential resource in any fruits and vegetables business. Those who plan, manage, and do day-to-day work may well be the most important factor in determining a horticulture operation's success.

Before we go any further it would seem helpful to clarify what we mean by human resource planning (HRP) and how we would distinguish it from other concepts.

We would define HRP as a process in which an organisation attempts to estimate the demand for labour and evaluate the size, nature, and sources of the supply, which will be required to meet that demand.

Human resource planning is the most important managerial function of an organisation. It ensures three main things:

- It ensures adequate supply of human resources.
- It ensures proper quality of human resources.
- It ensures effective utilization of human resources.

Planning for HR needs will help to ensure your employees have the skills and competencies your business needs to succeed. An HR plan works hand in hand with all other components of the business plan to determine the resources you need to achieve the business's goals. It will better prepare you for staff turnover, recruitment and strategic hiring and alleviating stress when you have emergency/last minute hiring needs.

3.7.2. Need for Human Resource Planning

Human resource planning is needed for foreseeing the human resource requirements of an organisation and supply of human resources. Its need can be assessed from the following points:

1. **Replacement of Persons**: A large number of persons are to be replaced in the organization because of retirement, old age, death, etc. There will be a need to prepare persons for taking up new position in such contingencies.
2. **Labour Turnover**: There is always labour turnover in every organization. There will thus be a need to recruit new persons to take up the positions of those who have left the organization.

3. **Expansion Plans**: Whenever there is a plan to expand or diversify the fruits & vegetables business, then more persons will be required to take up new positions. Human resource planning is essential under these situations.
4. **Technological Changes**: The business is working under changing technological environment. There may be a need to give fresh training to personnel. In addition, there may also be a need to infuse fresh blood into the organization. Human resource planning will help in meeting the new demands of the organization.
5. **Assessing Needs**: Human resource planning is also required to determine whether there is any shortage or surplus of persons in the organization. Human resource planning therefore ensures the employment of proper workforce.

3.7.3. Assessing the current human resource capacity

Based on the organization's business plan, the first step is to assess the current human resource capacity of the organization. The knowledge, skills, and abilities of current employees need to be identified. This identification can be done by developing a skills inventory for each employee. The best place to start is with a straightforward listing of all the people involved in the operation and the roles they play. This can provide insights on how the company has organized decision making and work responsibilities. A simple matrix with a column for each major enterprise or activity and a row for each individual is an effective way to structure this information.

Once a performance assessment has been completed, it can be reviewed to determine if the person is ready and willing to take on more responsibility and to look at the person's current development plans.

1. Skills

Note the gaps between the skills and abilities that the company's workforce needs to meet its business objectives in the future. As skills for people involved in the operation are reviewed, ask whether there are people in operations who have unique but untapped skills or critical skills that the company is lacking. Also ask whether there are people who would be happier in other roles. These are opportunities or problems that can and should be addressed in developing the business plan.

Table 10 - Employee Attributes Checklist

EMPLOYEE ATTRIBUTES CHECKLIST[9]	
EXAMPLES OF NEEDED SKILLS	
• Interpersonal • Organisational • Decision making/judgement • Typing/word processing • Plumbing	• Interviewing/counselling • Verbal and written communication • Leadership • Problem solving
EXAMPLES OF NEEDED KNOWLEDGE/EXPERIENCE	
• About industry • About product • About methods • About market • About technology • Completion of trade certificates	• Program planning • Product design • Languages • High school/university/college • Specialised training • Within specific business area
EXAMPLES OF NEEDED QUALITIES/APPROACHES	
• Self-motivated • Customer-oriented • Team-player • Flexibility/adaptability	• Innovative • Results-oriented • Competitive insight • Detail-oriented

The gap analysis includes identifying the number of staff and the skills and abilities required in the future. It is important to look at all of the company's human resource management practices to identify practices that could be improved or new practices needed to support the fruits and vegetables MSME's capacity to move forward. Questions to be answered include:

a. What new jobs will we need?
b. What new skills and abilities will be required?
c. Do our present staff have the required skills?
d. Are employees currently in positions that use their strengths?
e. Do we have enough managers/supervisors?
f. Are current human resource management practices adequate for future needs?

9 Hiring, Managing and Keeping the Best, 9.

2. **Change**

Now that the current human resources situation has been described, spend some time thinking systematically about how that situation may change in the next year, three years or five years. Likely Changes in the Human Resources Situation poses questions about three of the most common and most significant human resources changes in farm operations.

The first two questions focus on people who will be leaving or joining the operation and the opportunities and challenges created by these changes. The third question focuses on a difficult issue in many family farming operations—the transfer of managerial responsibilities from one person to another. One or more of these questions may be relevant for the company's operation—or the company may face some other important human resources change. Careful attention to potential changes, whatever they may be, will help clarify the issues that need to be addressed by the business plan.

3.7.4. Organizational Structure

A simple but effective way to lay out the structure of the company is to create an organizational chart with a narrative description.

In accordance with the job descriptions, the tasks, the activities, and the responsibilities are assigned to the different organisational units. Depending on the volume and complexity of the different tasks, that will be assigned to one or more organisational units. Figure 16 shows the organizational structure.

This approach is called a process-oriented organizational structure. In this particular example we have assigned each individual process to a specific department within the three organizational units. The organizational units concentrate on the management board, where reporting paths converge. The organizational structure can be summarised in an overall organization chart, where the company will describe its different organizational units.

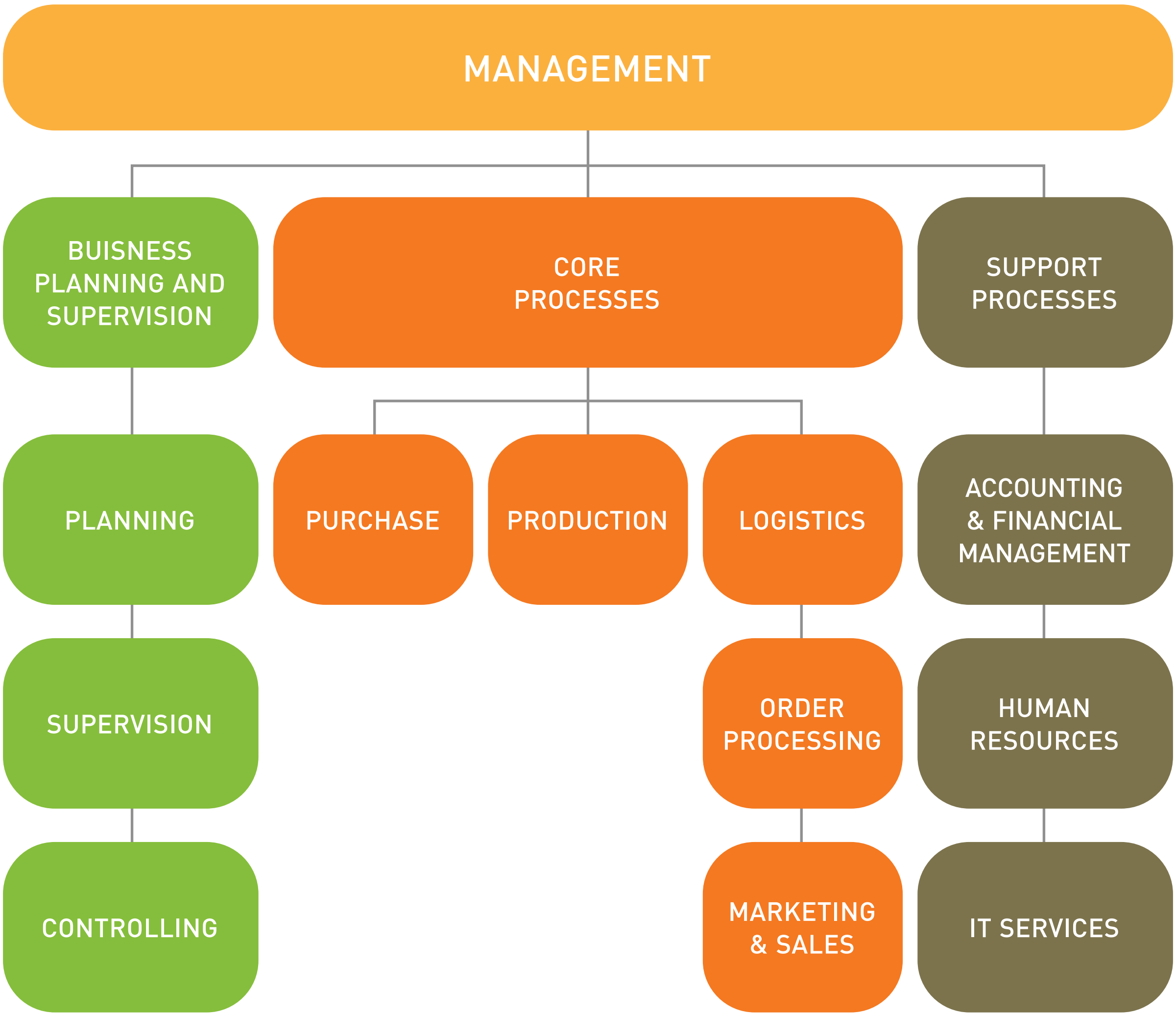


Figure 16 - A process oriented organisational structure

3.7.5. Management team

Experts agree that one of the strongest factors for success in any growing business is the ability and record of accomplishment of its owner/management team, so the business plan should include a synopsis of the key people in the company and their backgrounds. An explanation is needed of which people will be responsible for the management of the company and what experience they have had in comparable positions in the past. Their educational and professional background will help to profile the management team. Keep in mind that the quality of the management team is the most critical success factor of the company.

3.7.6. Board of Directors' Qualifications

The major benefit of an unpaid advisory board is that it can provide expertise that the company cannot otherwise afford. A list of well-known, successful business owners/managers can go a long way toward enhancing the company's credibility and perception of management expertise.

If the company has a board of directors, be sure to gather the following information when developing the outline for its business plan: Names; Positions on the board; Extent of involvement with company; Background; Historical and future contribution to the company's success.

3.8. FINANCIAL PLANNING

3.8.1. Introductory remarks

Financial planning is a key element of the business plan. It is a tool that allows evaluating current financial situation of an organization and predicting future financial performance. One of the objectives of the financial planning is to determine capital requirements and capital structure in order to understand the financial state of the business. Apart from that, financial planning process frames financial policies to control the cash flow; and ensures that the company is utilizing its financial resources in the most efficient way. In addition to it, financial plan shows the direction of the company's activities and analyses how each action influences at the financial stability. Last but not least, financial plan helps to make a decision about investments as it displays the ratios (e.g. equity ratio, debt ratio) which plays an important role in the decision-making process. (Boesch 2016.)

The two most important features of your financial planning are:

1. An indication of how profitable the business is expected to be in the future, and possible financial risks involved;
2. A definition of additional funds required for developing the business, i.e. how much money is needed, when it will be needed it and when it will be paid back.

Following is a list of major elements to be included in the financial part of the business plan:

a. Financial history/or start-up information;
b. Income statement projections/budget;
c. Balance sheet projections;
d. Cash flow projections;

The following sections provide guidance for preparing these elements.

3.8.2. Financial history

Results of past and ongoing operations will support the credibility of your fruits and vegetables business plan. A proven record of accomplishment is persuasive evidence of the company's chances of continuing success.

When preparing a business plan for an existing business, the following financial information for the last two to three years (or from the inception of the business if it is less than three years old) should be included:

- An income statement, which lists the sales revenues, expenses and net profit of the business;
- A balance sheet, which lists the type and book value of the business's assets, liabilities and shareholders' interest;
- A cash flow statement, which lists the cash generated, the cash spent, and the cash balance at the end of the period (per month or quarter for the last year, and per year for the years before);
- The financial ratios derived from the income statement and balance sheet.

For existing businesses, these financial statements should be presented in a format that is accurate, concise and easy to follow.

It is an advantage if the format and type of information included in the financial history section are similar to those of the financial projections (discussed below). This will enable the reader and entrepreneur get a better overview and quicker understanding of the development of the business.

3.8.3. Income statement projections

Prepare projected income statements for the fruits and vegetables business for the next three to five years. The most important question here is, "what will the income be in the year when the company has reached stable, full production"? The income statement also called the profit and loss statement is the first component of the financial statements. It shows revenues from sales, expenses and net profit (or loss). The net profit (or loss) is equal to revenues minus expenses.

An income statement for the fruits and vegetables business plan sets out expectations for revenues and expenses in each year. It should be broken down by month or by quarter for the first year. This projection (which is basically the budget) should include seasonal effects. The second year can be broken down quarterly. For the third and following years estimates can be presented on an annual basis. Specify the quantities and individual costs of all inputs and outputs and provide explanatory notes for each line of your financial statements. If the business involves more than one distinct enterprise, then enterprise budgets should be prepared for each.

Estimates of fixed costs (i.e. property taxes, insurance, depreciation, long-term interest and repairs and maintenance for buildings and equipment) are relatively easy to establish since they do not depend upon the level of production but rather relate to the level of investment in facilities. As long as the company can obtain an accurate measure of the capital costs, and the level of credit required, these expense items can be determined fairly accurately. Direct expenses are much more difficult to determine. These are much more dependent upon the operation of the business, the selection of inputs, and marketing decisions.

Table 11 - Projected Income Statement

EXAMPLE: PROJECTED INCOME STATEMENT			
	20XX	20XX	20XX
SALES	$40,000	$60,000	$70,000
COST OF GOODS			
Seed	$2,200	$600	$600
Fertilizer	$420	$600	$600
Supplies	$5,500	$9,000	$9,000
Wages & Benefits	$6,000	$6,000	$6,000
	$14,120	$16,200	$16,200
GROSS MARGIN	$25,880	$43,800	$53,800
OVERHEADS			
Advertising	$300	$300	$300
Dues & Fees	$150	$150	$150
Interest & Bank Charges	$50	$50	$50
Lights & Power	$4,700	$4,700	$4,700
Miscellaneous	$200	$200	$200
Office	$150	$150	$150
Professional Fees	$400	$400	$400
Telephone	$600	$600	$600
R/M Buildings	$1,200	$1,200	$1,200
R/M Equipment	$1,000	$1,000	$1,000
Depreciation	$2,500	$2,500	$2,500
Insurance	$800	$800	$800
Long Term interest	$4,000	$4,000	$4,000
Property Taxes	$800	$800	$800
TOTAL OVERHEADS	$16,850	$16,850	$16,850
NET INCOME	$9,030	$26,950	$36,950

Notes

Sales: Bedding plants - 2,600 flats in Year 1; 4000 flats in Year 2; and 4600 flats in Year 3 - at $15 per flat.

3.8.4. Balance Sheet Projections

The balance sheet is a statement of the company's relative wealth or financial position at a given date (say 31 December of each year). It is often referred to as a "snapshot" because it gives the picture of the business at a specific moment, but does not in itself reveal how the business got there or where it is going next. That is one reason why the balance sheet is not the whole story. Information in each of the other financial statements (including historical information) must also be looked at in order to get an overall picture of the financial situation of the business.

A balance sheet lists all business assets and liabilities, showing what is owned and what is owed. In other words, the balance statement depicts the claim to the business' financial assets or what is called net worth and owner's equity.

A series of balance sheets prepared at the same time each year for successive years shows the change in the business' financial position and the progress you have made. A balance sheet can also be used to make accrual adjustments to your income statement.

For a start-up fruits and vegetables business, the company will need to include an "opening" balance sheet. If the business already exists, include the balance sheets of the last two to three years. Analyse the balance sheet briefly and include this analysis in the business plan.

The balance sheet of a company limited by share capital consists of the following categories of items:

- Assets. Assets are those things owned by the business that carry a certain value. They include all the physical and monetary items that are necessary for operating the business. Assets must be valued in money terms and they must be valued at their original cost. Over time the value decreases by the accumulated depreciation. Assets are generally divided into two groups, long- term assets and current assets (short-term).
    - Long-term assets (fixed assets) such as plant and equipment are being "consumed" by the business over a number of years. The process by which they are "consumed" in the financial statements and therefore disappear from the balance sheet is termed "depreciation of fixed assets".
    - Current assets are entered in the balance sheet in the order of their liquidity. Since cash is the most liquid of all assets, it is entered the first, followed by marketable securities, accounts receivable, inventory, etc.

- **Liabilities.** Liabilities are obligations/debts of the company to third parties. They are claims that creditors have on the business. Liabilities come from two sources. They can be placed in the business through a borrowing process, or they can be unpaid expenses incurred during business operations. Liabilities are generally divided into two groups, long-term liabilities and current liabilities (short-term).
    - Long-term liabilities are those that must be paid during periods longer than one year such as bank loans
    - Current liabilities are those that must be paid within one year from the statement date. E.g. accounts payable, taxes payable etc
- **Shareholders' equity.** Shareholders' equity (or net worth) represents those assets that were placed at the disposal of the business by the owners of the company. It enters a business in one of two ways: through investments by the owners (shareholders) or through profits retained in the business. Accordingly, it leaves a business in one of two ways: the owners can withdraw assets from the business, or they can sustain losses from the business operations.

The three important positions in the balance sheet are:

- Share capital: Paid in by the shareholders/owners.
- Reserves: The position in the balance sheet to which part of the profit is allocated as a reserve (the minimum percentage amount allocated to cater for risk inherent in the business is regulated by law).
- Retained earnings: Profits (or losses) accumulated over different accounting periods after dividends and allocation to the reserves have been deducted. The retained earnings remain as wealth to the company.

For any business and at any point in time the assets of the company should be balanced with the liabilities plus the shareholders'/owners' equity (that is the reason for the name "balance sheet").

Table 12 - Projected Balance Sheet

EXAMPLE: PROJECTED BALANCE SHEET				
	Start-up	20xx	20xx	20xx
ASSETS				
Current	$30,000	$30,000	$30,000	$30,000
Land	20,000	20,000	20,000	20,000
Buildings & Equipment	50,000	47,500	45,000	45,000
TOTAL ASSETS	**$100,000**	**$97,500**	**$95,000**	**$95,000**
LIABILITIES				
Current Liabilities	$5,000	$4,000	$3,500	$3,500
Long Term	45,000	40,000	35,000	35,000
TOTAL LIABILITIES	$50,000	$44,000	$38,500	$38,500
OWNER'S EQUITY	$50,000	$53,500	$56,500	$56,500
TOTAL LIABILITIES & EQUITY	$100,000	$97,500	$95,000	$95,000

3.8.5. Cash flow Projections

An income statement shows the profit (or loss) made during an accounting period. It contains non-cash items such as accruals, income not yet received in cash, etc. A cash flow statement shows a company's in-and-out flow of cash and how cash is generated to cover outgoing payments.

Cash flow planning is essential to ensure that the company has the cash available throughout the year to meet the daily needs of the business. The two basic elements of your business's cash flow are the cash inflows and cash outflows.

Cash inflows are the movement of money into the business. Inflows are from the sale of fruits & vegetables to customers. If the company grants payment terms to its customers, an inflow occurs only when it collects money from the customers. Capital increase in cash and funds received from a bank loan are also cash inflow.

Cash outflows are the movement of money out of the business. Outflows are generally the result of paying expenses or investing, for example purchasing farm equipment. If the business involves reselling goods, its largest outflow is most likely to be for the purchase of retail inventory. A fruits & vegetables farmers largest outflows will most likely be for the purchase of farm inputs, payment of salaries, tax payments, among others. Purchasing fixed assets, paying back loans and settling accounts payable are also cash outflows.

Structure of the Cash Flow Statement

Title: The first area found in the Cash Flow Statement is the title. It indicates the name of the business or individual it was prepared for and the period for which it was prepared. This time period usually follows the calendar year. It helps the fruits and vegetables farmer better identify times throughout the year when cash is either in a surplus or a deficit position, the Cash Flow Statement is broken down into smaller time periods - either months or quarters.

Cash Inflow: All sources, amounts and timing of cash coming in are recorded in the cash inflow section. The sum of cash inflow for each source is recorded in the total for the year column. The cash inflow amounts entered are then added to create total cash inflow for each period.

Cash Outflow: The cash outflow section records all uses, amounts and timing of cash outflow for each period (as well as for the year). The entries are added to create total cash outflow for each period.

Cash Summary: The summary section examines the relationship between cash inflow and cash outflow for each period. This is done by subtracting cash outflow from cash inflow to create either a surplus or deficit for the period. This surplus or deficit is added to the period's Opening Cash Balance (Ending Cash Balance from the previous period) to create a Net Cash Balance for the period.

Table 13 - Projected Cash flow Statement

EXAMPLE: CASH FLOW STATEMENT NAME: FRUITS & VEGETABLES COMPANY PERIOD COVERED: JAN. 1 TO DEC. 31, 20XX					
CASH INFLOWS	Total	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Accounts Receivable	$10,000	$8,500	$1,600		
Fruits & vegetables sales	$37,125	$14,130	$12,195	$5,400	$5,400
Other farm incomes	$8,700				$8,700
New Borrowings	$10,000		$10,000		
Capital sales					
Net Non-farm income	$12,000			$6,000	$6,000
TOTAL CASH INFLOWS	**$77,825**	**$22.630**	**$23,795**	**$11,400**	**$20,100**

CASH OUTFLOWS	Total	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Seeds & Cleaning	$150	$150			
Fertilizer & Chemicals	$5,600		$2,400		$1,200
Hail & Crop Insurance	$3,300				$3,300
Machinery & Equipment Repairs	$4,000		$400	1,000	$600
Fuel, oil and grease	$6,000	$2,000	$1,000	$1,000	$1,000
Land Rent	$3,000		$1,500		$1,000
Property Taxes	$2,200				$2,200
Building & fence Repairs	$4,000	$500	$1,500	$1,500	$500
Utilities	$4,800	$1,200	$1,200	$1,200	$1,200
Hired Labour	$24,000	$6,000	$6,000	$6,000	$6,000
Accounting & Ledger fees	$1,500		$1,500		
Income Tax	$9,000		$9,000		
Debt Repayment (principal and interest)	$8,350	$6,900	$2,400	$1,100	$2,200
TOTAL CASH OUTFLOW	**$75,900**	**$16,750**	**$26,900**	**$10,800**	**$19,200**
SUMMARY	Total	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Surplus (Deficit)	$1,925	$5,880	($3,105)	$600	$900
+ Previous Ending Balance (Opening Balance)	($5,250)	($4,250)	$1,880	($2,509)	($2,900)
=Net Cash Balance	($3,325)	$1,630	($1,225)	($1,909)	(2,000)
-Interest on Operating loan	$581	0	$39	$346	$196
= ENDING CASH BALANCE	($3,906)	$1,630	($1,264)	($2,255)	($2,196)

The sources and uses of cash illustrated in the Cash Flow Statement may contain items (purchase and sale of capital assets, new borrowings, debt repayment, off farm income, income tax, etc.) that may be surprising due to their inclusion because they are not farm business income or expense items. They are however, sources of cash available to the farm or items that make claims on available cash. Remember the definition of a Cash Flow Statement - **it records all the sources and uses of cash flowing into and out of the farm business.**

3.9. RISK ANALYSIS

3.9.1. Risk – What Is It?

Agricultural production is subject to many uncertainties. Any farm production decision plan is typically associated with multiple potential outcomes with different probabilities. Many events related to weather, market developments and other hazards cannot be controlled by the farmer but have a direct incidence on the returns from farming. In this context, the farmer has to manage the risk in farming as part of his whole management of the farming business.

According to Peter Bernstein, the word risk implies an element of choice and is more action-oriented, which is as it should be. Risk ideally is a negative consequence that could occur at any time in the business. It may be unavoidable for business operators due to the very nature of engaging in business, which is a risk-taking activity; but it is imminently manageable.

Due to the perishability of their products, fruits and vegetables farmers/entrepreneurs live with risk and make decisions every day that affect their business operations. Many of the factors that affect the decisions that farmers make cannot be predicted with 100 percent accuracy: weather conditions change; prices at the time of harvest could drop; transport facilitation may not be available at peak times; machinery and equipment could break down when most needed; and government policy can change overnight. All of these changes are examples of the risks that farmers/entrepreneurs face in managing their business. All of these risks affect their enterprise profitability. Fruits & vegetables entrepreneurs therefore need to acquire more professional skills, not only in basic production but also in business management. Among these are risk management skills.

3.9.2. Source of Risk

The most common sources of risk in horticulture can be divided into seven areas:

1. **Production and technical risk**

Farmers produce without complete certainty about what will happen to their production. With quality of seeds, fertilization and adapted crop protection products, farmers minimize the risks. With an adapted irrigation system, risks are lower. Seed Insurances is one way to minimize risks.

Another source of production risk is equipment. A farmer's tractor or other equipment (cool storage equipment) may break down during the production season resulting in an inability to plant or harvest in time, store or transport appropriately, thus affecting yields. Similarly, if the farmer uses shared or hired traction or other equipment, will it be available when needed? If the farmer is using a new technology, will it perform as expected?

2. Marketing risk – prices and costs

Sales variation can have an important impact on the company's financial situation whether they are positive or negative. A decrease in sales of fruits and vegetables products means difficulties in financing fixed costs such as wages, rent and other overheads. Positive increases (more sales than) would require more working capital for inventory, accounts receivables, etc.

Sometimes price movements follow seasonal or cyclical trends that can be predicted. Many times, however, supply or demand will change unexpectedly and, in turn, affect the market price.

The fruits and vegetables farmer have to be aware of the risk of the potential effects of a new unexpected competitor in the market.

3. Financial risk

Financial risk occurs when money is borrowed to finance the business. This risk can be caused by uncertainty about future interest rates, a lender's willingness and ability to continue to provide funds when needed, and the ability of the farmer/entrepreneur to generate the income necessary for loan repayment. Smallholder fruits and vegetables farmers who borrow money at high interest rates may have particular difficulty making debt repayments. Lower than expected prices, combined with low yields, can make debt repayment difficult and even lead to the sale of the enterprise.

4. Institutional risk

Institutional risk refers to unpredictable changes in the provision of services from institutions that support horticulture farming. Such institutions can be both formal and informal and include banks, cooperatives, marketing organizations, input dealers and government extension services. Part of institutional risk is the uncertainty of government policy affecting farming, such as price support and subsidies. Subsidies, food quality regulations for export crops and the level of price or income support payments are examples of decisions taken by government that can have a major impact on the farm business.

5. Human and personal risk

Accidents, illness, sanitary crisis (Covid19) and death need to be considered. In many African countries' labour migration away from rural areas and political and social unrest can limit labour availability. The spread of HIV/AIDS and the most recent COVID-19 Pandemic has had a serious impact on labour availability and productivity in some areas. Entrepreneurs therefore cannot be certain whether they will have enough labour to manage the farm enterprises at any given time.

6. Casualty Risk

Property losses due to fire, flood, windstorms, theft, etc., are sources of risk in any business. The magnitude of property losses in agriculture has been increasing steadily due to increases in asset values and because of technological advances that have led to larger investments in machinery and buildings.

7. Legal Uncertainty

Another type of uncertainty that results from interaction with other people and institutions is the possibility of lawsuits or administrative compliance or enforcement proceedings. Farmers are especially vulnerable to large legal liability claims, because their assets are highly visible. Administrative proceedings, such as an audit, can lead to large unexpected costs. Laws and administrative rulings can be so complex and difficult to comply with.

3.9.3. Risk Management Strategies

Managers have a variety of mechanisms for managing risk. The best method(s) of managing risk depends upon the nature of the risk involved. Four general procedures for managing risk are: (1) avoidance, (2) reduction, (3) acceptance, and (4) transfer. A discussion of each follows.

1. Avoidance

Avoidance is the process of structuring the business so that certain types of risk are non-existent. Avoiding the risk completely by choosing various technologies, different enterprises, or alternative ways of doing business is a common way of managing strategic risk.

2. Reduction

Reduction is the process of lowering the risks associated with the business venture. For example, when a fruits and vegetables farmer use chemical or biological pesticides, he is controlling the risk of loss due to pest damage. Contractors for fruit production may, for example, supply experts who help the producer reduce production risks through timely advice. Again, this reduction of risk may result in implicit or explicit reductions in net returns.

3. Acceptance

Acceptance is the process of retaining or accepting risks with the objective that assuming this increased risk is to maintain control and/or enhance overall profitability. Assumption may occur simply because we cannot transfer it, rather than accepting it willingly.

For example, a fruits and vegetables farmer who chooses to not use the pesticides is accepting the risk of crop damage.

4. Transfer

Transfers of risk occur when one party lowers their risk by shifting that risk to someone else, often for a fee. There are numerous methods in agricultural production to shift risks in this manner. Common examples include crop insurance, and fire and hail insurance. These transfers are accomplished with a known cost, i.e. the cost of insurance, options contracts or the like.

Risk transfer can also occur in situations in which the "cost" of the transfer is more disguised or vague. For example, fruits farmers can transfer price risk through forward contracts. Likewise, a contract producer of vegetables may be able to transfer price risk to the contractor. The monetary and non-monetary costs of such risk transfer are often in the form of lost opportunities (the unexpected price rise) and are less clear.

CASE STUDY 1

JMB S.A. is one of the largest Haitian exporters of fresh mangoes and other tropical fruits and vegetables to North America. Its annual fresh mango exports to the USA currently amount to some 450,000 10lb boxes (approximately 2,000 tons), equivalent to about one fifth of annual national mango exports.

JMB obtains its mangoes from approximately 50 small estates, 250 small-scale farms which belong to farmer associations and 200 small-scale farms which sell their produce to collectors (voltigeurs). All three sources deliver to the JMB packhouse and to other exporters.

Harvesting and primary marketing

ASPVEFS, an agglomeration of small mango-grower associations, was established in cooperation with JMB to provide farmers with an alternative to selling to voltigeurs. The main role of ASPVEFS is to organise and undertake all activities from harvesting fruit from the tree through to sale to exporters and small-scale domestic buyers. The association buys mango directly from farmers aiming to pay a stable price using standardised methods of acquisition. Once a farmer makes an agreement with ASPVEFS to sell his/her mangoes, the association uses its harvesting team to carefully select ripe mangoes, pack and transport them to its conditioning centre, where they are washed and sorted into two grades - those suitable for export in fresh form and second class undergrads that are malformed, bruised or have blemished skins. Second class mangoes that do not meet the size and shape requirements of the fresh fruit export market are sold in fresh form for retailing domestically or dried by slow hydration at a processing.

ASPVEFS has been certified as a Fairtrade FLO-CERT Gmbh producer and has embarked on the process of obtaining organic certification for its members' production and for its packing facility. Both will allow its members to obtain premium prices for their crop in the North American market.

This, coupled with the well-organised, efficient picking, handling and processing undertaken by their association results in members obtaining farm-gate prices well in excess of those paid by voltigeurs.

Processing and exporting

Following the 2007 banning of Haitian mango imports into the USA which is the main market, JMB participated in a partnership with the Ministry of Agriculture, USDA/APHIS and the National Association of Mango Exporters (ANEM) to establish a detection and control programme in producing areas. All shipments to the USA are now subject to a Haiti Mango Preclearance Program run by the National Association of Mango Exporters.

In 2010, with the assistance of a debt and equity investment of US$2.3 million by the George Soros Fund, JMB invested in an IQF facility to quick freeze individual pieces of mangoes, including diced and halved fruits and chunks. This facility uses fruits that are unsuitable to export in fresh form, converting them into a high-value exportable product. In addition to generating additional income for JMB, the facility reduces the quantity of rejected fruits for which the only alternative is sale on the domestic market at very low prices. Thus, JMB's pioneering investments in new processing technology have both raised the mean price of its mango exports and increased the percentage of farm production that can be exported.

JMB packs mangoes with both its own brand labelling and third-party labelling for customers of long standing. By working closely with NGOs and their programmes in Haiti and with USDA/APHIS it has skilfully carved out a market niche in the USA, positioning its brands around natural production, organic and Fairtrade themes. Its exports to the USA include USDA/APHIS and BCS Oko Garantie GmbH certified products. It works closely on the development and exploitation of this positioning with one of its main customers, the up-market US Whole Foods retail chain, which also promotes its products around green and Fairtrade themes. Whole Foods, as part of its market positioning strategy, supports conservation programmes in Haiti.

Other JMB initiatives and support

JMB has helped further increase the efficiency of the domestic mango sector by:

- establishing three post-harvest collection centres to reduce post-harvest losses and serve as post-harvest training facilities for farmers
- training farmers to increase tree populations and productivity per tree and to improve the impact of mango farming on the environment
- training farmers, together with the Organisation for the Rehabilitation of the Environment (ORE), to propagate improved seeds, promote high value fruit tree grafting and soil conservation techniques, upgrade low-quality trees, and encourage tree infilling
- importing and testing numerous new mango varieties and establishing nurseries for Madame Francique seedlings
- promoting drip irrigation, including for new smallholder plantations;
- working with mango producers to adapt means of transport to local conditions (e.g. crate holders for donkeys), to improve temporary processing and selection centres (using appropriate technologies), and to establish fruit conditioning centres.

CASE STUDY 2

Test Marketing of Calamansi in the Philippines

At calamansi harvest time, farmers in Siay, a municipality in Zamboanga Sibugay in the southern Philippine island of Mindanao, used to wait for traders' agents to come so they could sell their fruit. These agents work for traders who buy fruit from many farmers, consolidate them into batches, and sell them on to bigger traders at Cagayan de Oro, a port on the north coast of Mindanao, or in Manila, a long ferry journey away.

Calamansi are highly perishable, so farmers understand very well that shipping them all the way to distant Manila is risky. The few who have tried encountered problems and made losses. Given such negative experiences, the farmers were resigned to depending on the traders' agents. That meant that sometimes their fruit would find a buyer, and at other times they had to leave it to rot.

Zamboanga Sibugay is the supply source furthest away from Manila, the main centre of demand. The fruit has to be taken by truck overnight from the farms to Cagayan de Oro and loaded onto a boat, which takes 2 days to reach Manila. Once at Manila, wooden crates containing 25 kg of the fruit are sent to retailers, institutions or processors who extract the juice. That has to happen within 3 days of arrival in Manila, before the fruit turns from green to yellow and loses value.

Speed, good post-harvest handling and the smallest number of handlers between the farm and buyers are key to ensuring that the buyers receive good-quality fruit. For many years, Siay's calamansi farmers had not been able to comply with these requirements, so buyers came to see their fruit as low-quality, and it was in demand only in the summer when other production areas could not supply enough.

Entering the Market with a Plan

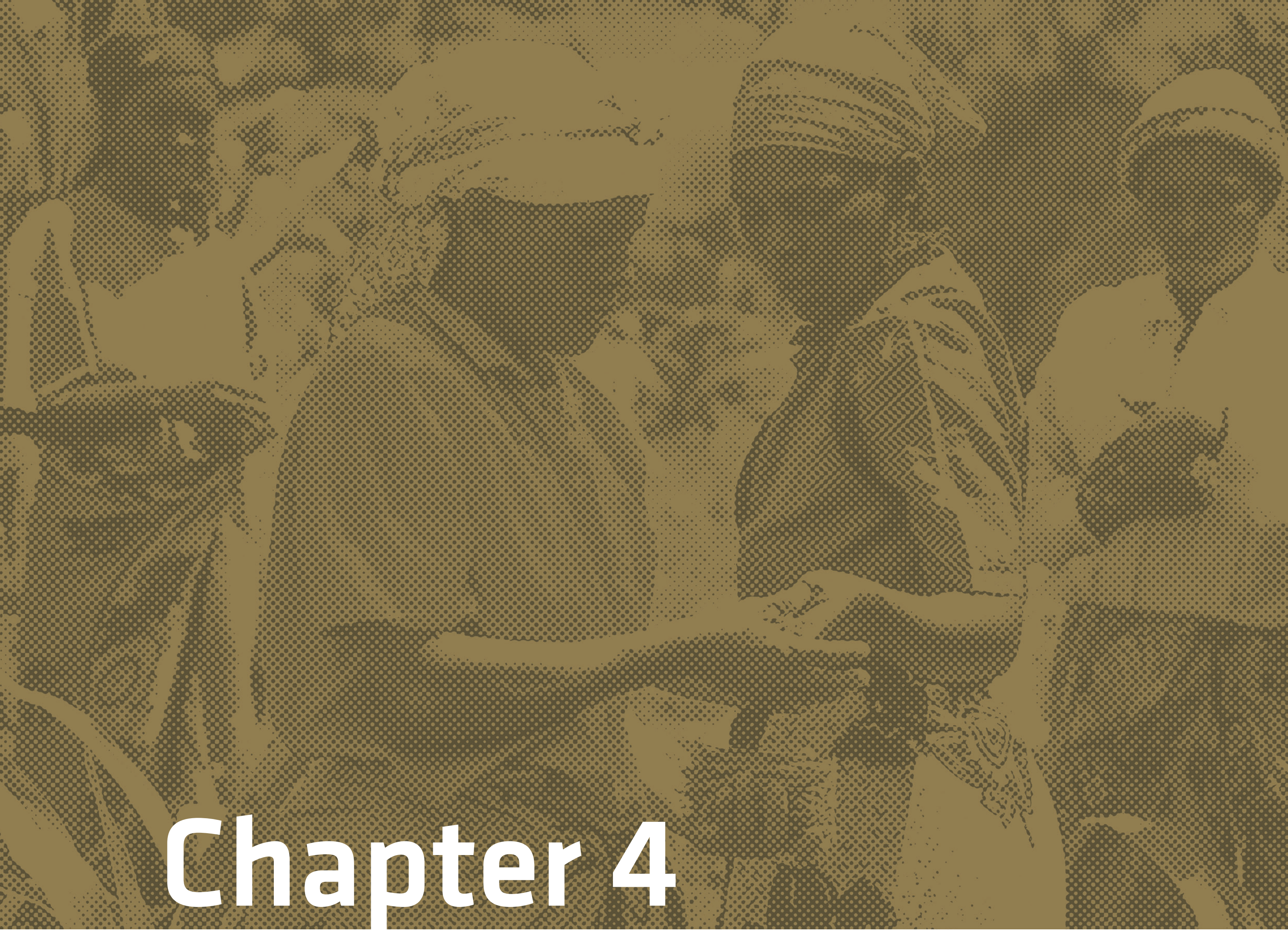
In 2005, CRS and the extension service of the Xavier University College of Agriculture started guiding the farmers in Siay on how to set up their own marketing enterprise. This was part of a three-year Small Farms Marketing Project with support from the U.S. Department of Agriculture. Almost at the same time, staff from CRS Philippines attended the first of the CRS/CIAT Southeast Asian regional agroenterprise learning alliance sessions.

Using the materials and ideas from both Xavier University and the learning alliance, the CRS Philippines project team organized a training course on preparing a business plan for leaders of the 11 "clusters" or farmer groups of calamansi growers. This plan guided the groups through the test marketing activities. The farmers realized that to improve product quality, they would have to pack the fruit in wooden crates rather than nets to prevent bruising and damage in transport. They also learned that it was economical to fill up a complete truck, containing at least 150 crates of fruit, or close to 4 tons. Anything less than a truckful would not be profitable.

Table 14 shows the components of the business plan. It was important to set down in a simple form who the farmers were going to sell to, at what quality and what price; which farmers were involved in supplying and how they were going to meet the quality standards set; who was going to manage the process of linking the farmers to the buyers; and what investment was needed, where the money would come from, what were the costs and how much would be made from selling the fruit.

Table 14 - Components of a business plan

Marketing Plan	• Buyers • Product and quality specifications • Sales target (volume and price) • Payment arrangement/procedures • Promotions
Supply Plan	• Suppliers • Estimated supply volume • Quality management procedures • Product operational flow • Materials, equipment and other needs
Management Plan	• Management structure • Tasks, responsibilities, compensation • Policies and procedures agreed
Financial Plan	• Capital requirements and source • Projected costs and returns



Chapter 4

Key business development roles

4.1. CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

4.1.1. Who is a customer

A customer is a person or company that receives, consumes or buys a product or service and can choose between different goods and suppliers[10]. For the SMEs to become sustainable in the long-term requires continuously attracting and retaining customers. The horticultural SMEs will therefore seek to identify their customers, develop strategies to attract and retain them through the provision of services that meet their expectations. The customer base of horticultural SMEs in the ACP countries is diverse and include households, market vendors/ traders, Institutions like schools and hospitals, retail outlets, street sellers, farm stall sellers, restaurants and hotels, individual consumers and the international markets like the European Union.

4.1.2. Concepts and context of Relationship Management

1. cted that it would top $18.4 billion in 2016.7Others, with a managerial rather than
2. technological emphasis, claim that CRM is a disciplined approach to developing and
3. maintaining profitable customer relationships, and that technology may or may not have a
4. role. That said, it is hard to conceive of a large organization dealing with millions of customers
5. across multiple channels that can implement a customer strategy cost-effectively without the
6. use of Information Systems technology and carefully designed business processes.
7. We can resolve the debate between managerial and technological schools by conceiving
8. of CRM as taking three main forms: strategic, operational and analytical, as summarized in
9. Table 1.2 and described below.

Customer Relationship Management (CRM) is an approach to managing the SMEs' interaction with current and potential customers. The SMEs gather data about the customers' history with the SME which its analysis and informs further action with the view of improving the business relationships, specifically focusing on retaining the customers thereby driving further business growth. CRM is a business strategy for improving profitability by focusing on customer needs and creating an attentive relationship with the customer (Fletcher & Alan, 2001, p. 540).

Chen and Popovich (2003) describes Customer Relationship Management as, a combination of people, processes, and technology to understand the company's customers.

10 https://marketbusinessnews.com/financial-glossary/customer-definition-meaning/

According to Swift (2001, p.16) CRM is defined as "an enterprise approach for understanding and influencing customer behaviour through meaningful communications in order to improve customer acquisition, customer retention, customer loyalty and customer profitability."

Pepper and Rogers (1995) defines that CRM comprises three phases: acquiring, enhancing and retaining. Each phase supports enhances the understanding between the SMEs and their customers.

Given the above definitions, it is vital for horticultural SMEs to get customers, develop a clear understanding of the customers' specific needs and to establish mechanisms of retaining these customers. Through implementing customer-centric processes, CRM facilitates more effective feedback and improved integration to better gauge the return on investment, maximizes profitability, revenue and customer satisfaction by organizing around customer segments, ensure behaviour that satisfies customers.

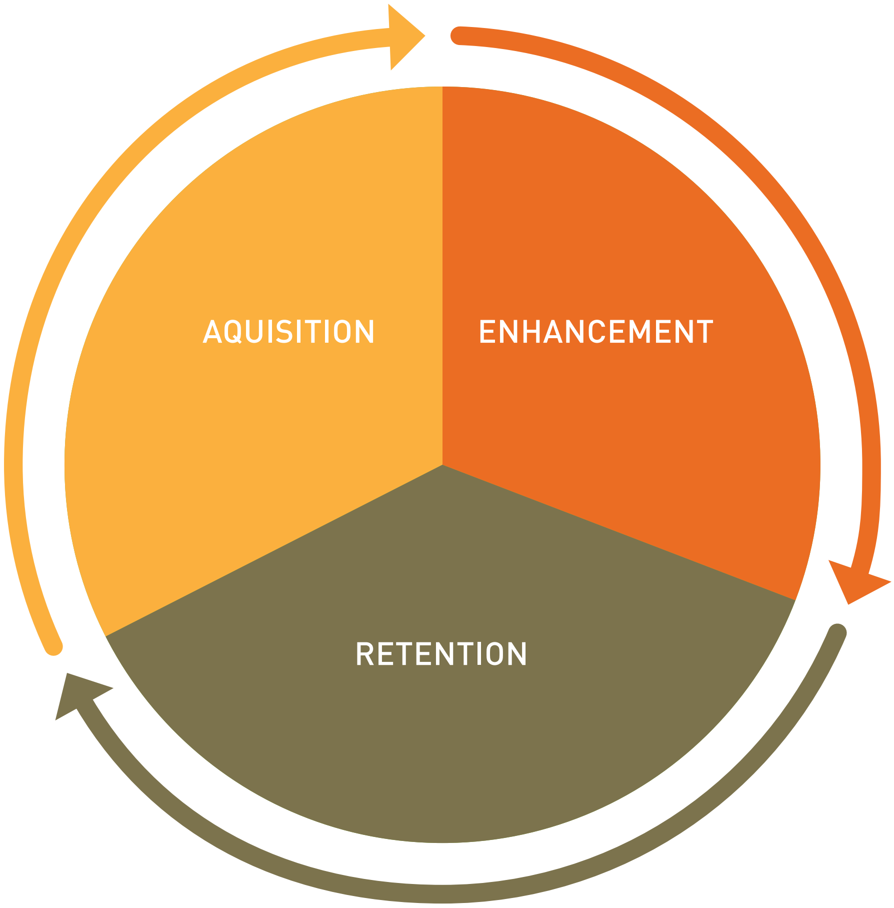


Figure 17 - Customer Relationship Management Phases

1. **Acquisition**: This is the first stage, which entails acquiring the customer and building the business relationship. The SME acquires key customer data such as name, address, phone contact, email address amongst others that will enable future communication with the customer as the SMEs seeks to better understand their needs and how to ensure the business meets these needs.

2. **Enhancement:** On acquiring a customer, the SME should focus on keeping them satisfied by providing support services. Satisfying a customer through support services increases the likelihood of follow on purchases.
3. **Retention:** Critical analysis of the customer data helps the SME to identify the specific needs of the customers and to develop targeted marketing initiatives that seek to retain the customers. Regular and systematic follow-up communication with contacts will enhance customer retention and overall business profitability.

SMEs should therefore seek to acquire customers by understanding their requirements and retain customers by satisfying their necessities more than expectations and interest or attract new customers through customer specific strategic marketing approaches[11].

4.1.3. CRM as a strategic marketing tool

A proper CRM system provides quality information for the SME to understand their customer preferences, which enables the development of appropriate marketing strategies. The focus of CRM is on enhancing the customers' experience and retention, which makes it a **critical strategic marketing tool** for the horticultural sector business.

An interdependent relationship between marketing, sales and after sales support will result in giving the customers the best experience as demonstrated below:

a. **Marketing phase**: Fir the SME to attract a potential customer, it's imperative that that it knows and understands their tastes and preferences and positions itself to address these needs. Understanding the customer needs is dome through rigorous research like undertaking surveys on their preferences; the appropriate channels of communication necessary to reach them and create awareness of their products and services.
b. **Sales phase**: it is adept to fully engage customers and undertake intuitive approach to enable one know the benefits from the SME's products and services. When well guided, customers will purchase the SMEs product that will result into an increased base of clients and revenues.
c. **Support phase:** After sales phase is the bedrock for more referrals or not. Through this customer journey, continuously care; provide assistance regarding the product for user friendliness. Also, establish feedback mechanism to help the enterprise identify their areas of improvement and their strength in the competitive markets. This bond creates an avenue for more returning customers, more referrals, and loyalty of the business brand.

11 http://www.ijetsr.com/images/short_pdf/1519020205_94-99-mccia882_ijetsr.pdf

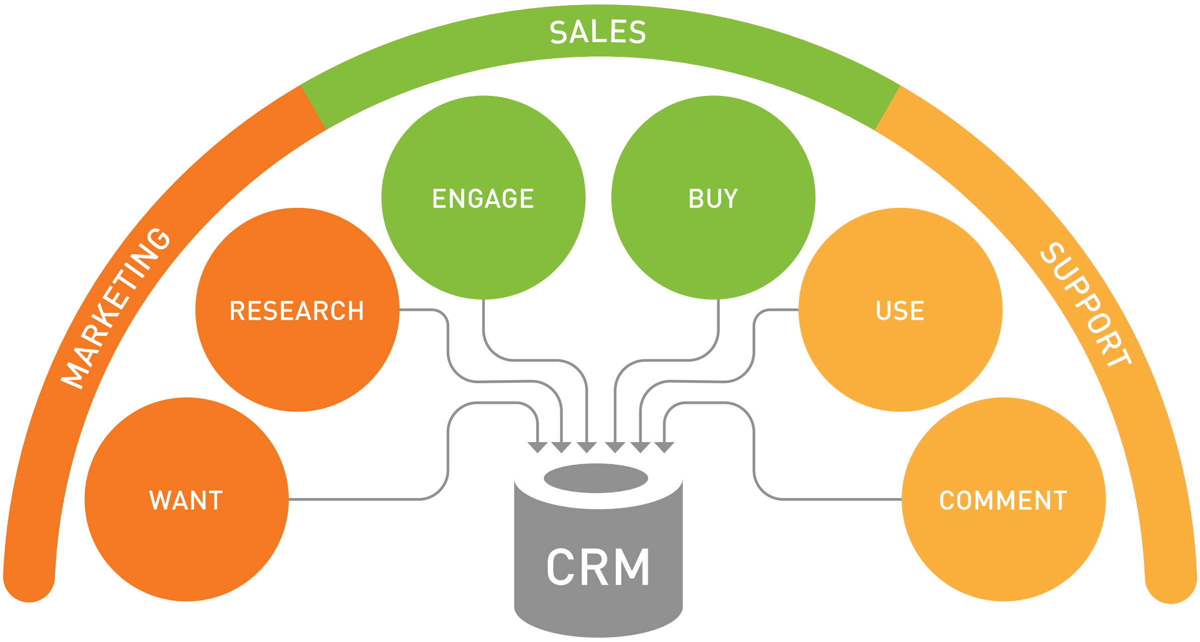


Figure 18 - Highlights from the above spectrum[12]

4.1.4. Customer satisfaction approaches

According to the entrepreneur Steve Tobak, "The key to business success is winning and keeping customers and the key to winning and keeping customers is, and has always been, relationships."[13] Below are some of the proposed customer satisfaction strategies:

1. **Know Your Customers (KYC):** this denotation has often been misunderstood and been limited to only knowing your businesses' customers at the levels of their names, gender, age and geographical locations. This strategy will uplift and explore managers' attitudes and influence their next steps to advance into growth. The manager has to understand and know tastes and preferences of their customers in the first place, customise and be flexible to delivery. As a manager, always know that intuition is the best since one will be solving customers' problems! After, sustain this practise to realise exponential growth into profitability that would also impact to the communities through a corporate social responsibility. To engage and know your customers better, a manager may need to concentrate on different avenues/sources like customer profiles, behavioural data, and purchasing patterns.
2. **Offer Personalized Services**: As a strategic marketing tool, the CRM enables managers to understand that their SMEs revenues is obtained from the customers as the bloodline.

12 http://srnairblog.blogspot.com/2009/02/c-r-m-as-strategic-marketing-tool.html
13 https://smallbiztrends.com/2017/07/client-relationship-management.html

Research shows that 55 % of customers are willing to pay more for a product if they receive better customer service[14] during and after a purchase. A manager will need to bolster business by offering effective customer loyalty programs; know customers into details like names, location, tastes and preferences; recognize and reward them. A case is when a repeat or referral, always offer to give these customers instant discounts and always smile and thank customers for their support. Wouldn't you enjoy that feeling of walking into a shop and being recognized, welcomed and treated as an individual? "Treat the customers well and they will build your business."

3. **Feedback Strategy:** In the past, feedback was so limited. Until recently, it's been researched and studied that both bad and good experiences do improve product delivery and service provision. It is cited that 97% of consumers are more likely to be loyal to a company that implements feedback[15]. After sales or post purchase follow up can be carried out using surveys or also talking directly over the phone or chats with customers. Both positive and complaints will support a manage to handle case by case issues hence customising solutions to the different customer base. "Always treat customers as though you would treat yourself" and also note that communication and being responsive to issues helps to improve procedures and customer satisfaction.
4. **Provide Additional Benefits** Surprising customers with these additional can be a good gesture that helps a lot to build on relationship to be more solid. These may be very little things like having for those who sale along the stalls as cited in chapter, an extra vegetable or fruit can mean a lot and before one knows it, a customer will keep returning to a particular vendor/enterprise. Additionally, as an enterprise, a manager can provide an extra support service free of charge in case they are prepaid for. These little gestures immensely lead to strong customer satisfaction irrespective of a client's status. Wouldn't you like an extra benefit or special packages/ service once in a while?

14 https://www.salesforce.com/blog/2013/10/customer-service-stats-55-of-consumers-would-pay-more-for-a-better-service-experience.html

15 https://go.apptentive.com/rs/170-TZF-108/images/FeedbackLoyaltyMobileFrontier.pdf

4.2. CORPORATE SOCIAL RESPONSIBILITY

4.2.1. Overview

In recent decades, there has been growing interest in Corporate Social Responsibility (CSR) largely due to an increasingly demanding society that is sensitive to irresponsible business behaviour (i.e., firms' behaviours that do not consider the impact their activities have on society and environment). In addition, the significant growth of competition in all markets has prompted companies to differentiate themselves in ways other than traditional ones (e.g., price, product quality, design, and advertising) by embracing the value of certain intangible assets such as reputation and relationships with its internal and external stakeholders.

Although the concept of CSR has gained a prominent position in the general management literature, there is still uncertainty about how to adequately define the term. Dahlsrud (2006), for instance, identified 37 definitions of CSR in literature.

Some of them stress the point that CSR involves only voluntary actions by enterprises; whereas, some are inspired by the notion of "externalities" and propose that enterprises should be also forced to manage the negative social and environmental effects of economic growth equally with governments and other agencies. For example, the European Commission (EC) defines CSR as, "the responsibility of enterprises for their impacts on society" (EC, 2011). The EC also states that, "to fully meet their corporate social responsibility, enterprises should have in place a process to integrate social, environmental, ethical and human rights concerns into their business operations and core strategy in close collaboration with their stakeholders" (EC, 2011).

The horticulture sector operates in an environment characterized by the existence of more informed and demanding markets in which consumers demand information, not only about the characteristics and quality of the product, but also on its origin, the production process, its ecological characteristics, and the social impact of the production chain. This has led to a significant increase in pressure regarding social and environmental requirements and guarantees, which affect all agents and that may constitute a threat to the reputation and legitimacy of both companies and the sector itself. In this context, the main challenge of the sector is to achieve levels of productivity that ensure self-sustainability, while at the same time, ensure balanced local or regional development and an efficient use of natural resources that reduce negative externalities.

Archie B. Carroll, one of the world's foremost CSR researchers, has claimed since the 1970s that companies have the responsibility to deliver upon their stakeholders' expectations. He stresses that CSR should encompass society's economic, legal, ethical and philanthropic expectations of a company or organization, and that companies, along with meeting their economic and legal obligations, should also be ethical and good corporate citizens (Carroll, 1979; 1991). Figure 1 outlines the responsibilities of companies in Carroll's CSR pyramid.

Figure 19 - The Pyramid of CSR (Carroll, 1991)

4.2.2. Developing a strategic approach to CSR

To develop and implement a CSR strategy, a company must map it's inside-out linkages, its value chain effects on society, and it's outside-in linkages, the effects of the context in which the fruits & vegetables firm operates on its activities.

The fruits & vegetables company must also be aware of the effects of society on its operating context. To understand its outside-in linkages, the firm should assess the interactions between four components: the context for its competitive strategy (firm rivalry), local customer needs and demands, the inputs available to the firm, e.g. human resources and technology, and the supporting industries available to the company.

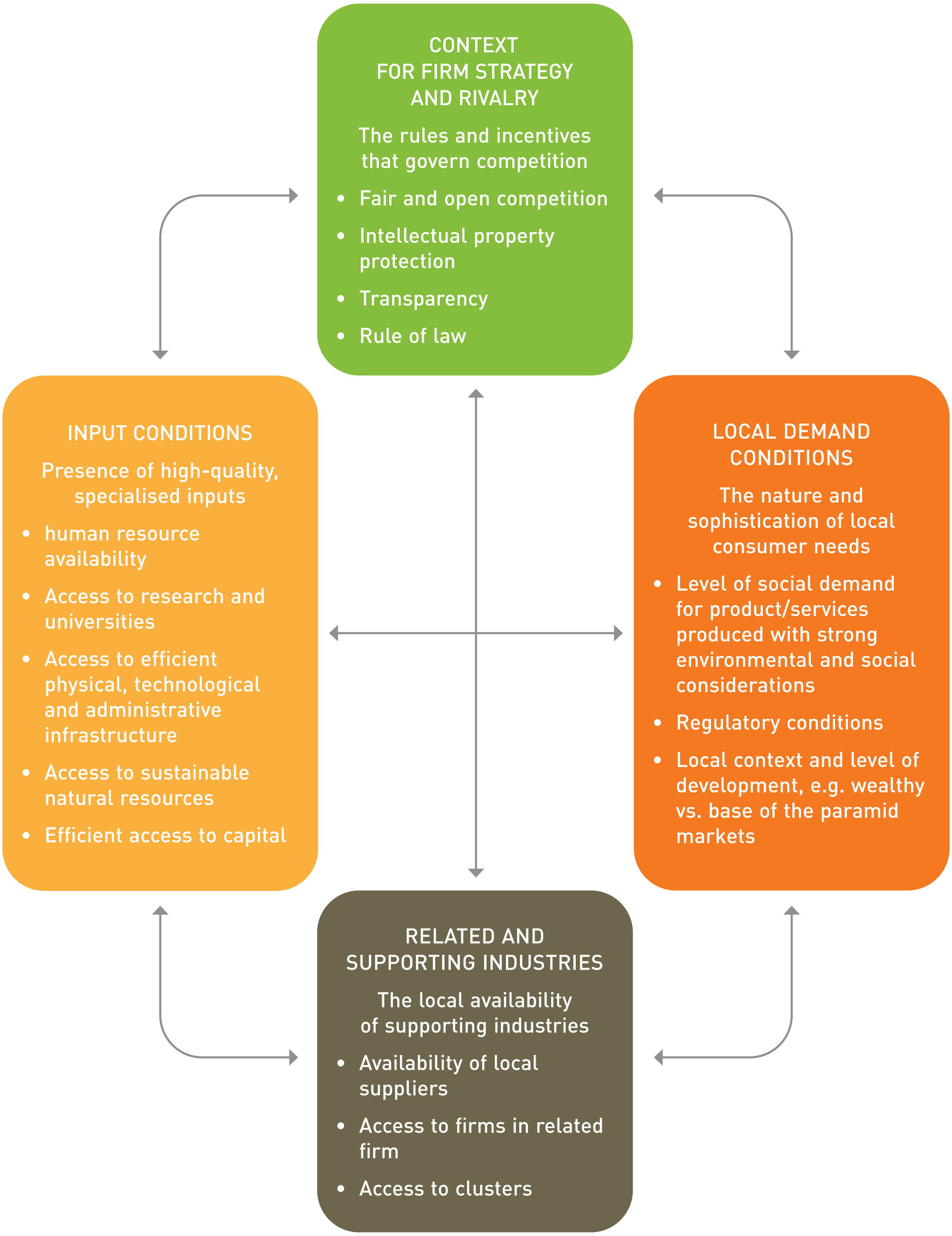


Figure 20 - Outside-in linkages
(Author's adaptation from Porter, 1990 as printed in Porter & Kramer, 2006)

Mapping both the inside-out and outside-in linkages gives the fruits & vegetables company insight into the areas in which it can create economic, environmental and social value through a strong CSR strategy.

4.2.3. Making the business case for CSR

The business benefits of CSR are often grouped into categories surrounding their effects on the company, or reasons the company may want to pursue a CSR strategy. There are many different categorical groupings, based on both theoretical and empirical research, but they tend to overlap across factors such as reputation, employee motivation and competitive advantage (Weber, 2008; Carroll & Shabana, 2010; Zadek, 2000; Kurucz, *et al.*, 2008; Schaltegger & Wagner, 2006). The next section will discuss the beneficial impacts of CSR on the fruits & vegetables company, namely:

1. **Company image and reputation**

With growing sustainability concerns permeating society, the incorporation of environmental and social aspects into a company's business model provides value to customers and stakeholders. A company's social performance has been shown to positively impact brand loyalty (Pivato, *et al.*, 2008). CSR has also been shown to improve a company's standing with external stakeholders, resulting in increased financial performance (Orlitzky, *et al.*, 2003). Similarly, employees may be more interested in working for a company with CSR, and investors may be attracted because of the reduced risk of a company with outward-looking and long-term views.

Concerning reputation, the quality of communication about CSR becomes crucial. The more open the communication about CSR is, the better the reputation of an enterprise will be. CSR reporting is beneficial to a company because it enables it to measure, manage and communicate its performance, supporting the building of trust in the company.

2. **Impacts on employee motivation, retention and recruitment**

Employee attraction to companies with strong CSR policies may start from the perception of a positive company image and reputation, or from the desirability of working for a company with fair labour standards, good wages and employee benefits. CSR positively influences employee engagement, performance, commitment, attitude and identification with their company (Aguinis & Glavas, 2012).

The quality of working life (QWL) offered by a company clearly influences employees' perception and representation of a company since such a large amount of their time and energy is spent at work. Employees that are better compensated, both financially and socially, are likely more committed and productive in the long-term than those that are exploited. CSR strategies often include strong human resource management, and therefore directly benefit employee QWL through, for example, on-the-job training, child care, job security and health and safety considerations.

3. Cost savings

There are also cost savings that can result from CSR. These may include efficiency gains, time savings or improved access to capital (Weber, 2008).

In terms of efficiency, the introduction of a CSR policy often initiates the analysis of material and energy resources used, and ways to reduce them for both cost reduction and environmental benefit. For example, the decision to redesign packaging with reduced material use can save a company financial resource.

Collaborative relationships with stakeholders, including regulators, civil society and other groups that drive legal requirements and public opinion may provide the fruits & vegetables company financial savings in the avoidance of fines and lessened chances of lawsuits. These savings will be discussed further in the section on risk reduction and management.

4. Increased sales and market share

The impacts of increased legitimacy and reputation, stakeholder and employee satisfaction and customer loyalty may directly benefit the company's position in the market. Customers may be willing to pay more for a product or service that is, for example, produced organically or under fair trade practices. CSR reporting and communication is essential to spread this awareness to the customer.

More directly, a company may also decide to offer a product or service that specifically addresses a social or environmental problem. Companies that address these problems in the core of their business may therefore attract consumer focus, and gain trust through their mutual and comprehensive understanding of the relationship between business and society.

5. Risk reduction and management

Interaction with stakeholders and local communities helps companies understand local needs and regulations, decreasing their risk of overstepping social boundaries. This can prevent negative press for an organization, and the chance of social unrest or company boycotts. Additionally, having a system in place for the company to measure and follow up on its environmental impacts, such as an environmental management system, can help to reduce environmental destruction and prevent crises. A forward-looking and systemized CSR policy therefore protects a company from having to scramble to solve problems when they occur, and ultimately saves it money in reducing the chances of activities that may harm its reputation. Incorporating environmental and social values into a company reduces the risk of it falling behind or performing poorly on sustainability aspects. Taking a long-term CSR perspective provides companies a way to systematically reduce and manage potential risk.

6. **Competitive advantage**

The five categories of CSR business benefits described above help build the competitive advantage of a company. Uniqueness and differentiation stem from the recognition of stakeholder perspectives and demands as opportunities, the investment in employees and communities as an increase in human capital and the incorporation of environmentally friendly technology as an investment in the future stability of the company.

Weber (2008) has mapped the business benefits in a CSR impact model, showing how both monetary and non-monetary benefits and capital provide competitive value to a company. Each of the benefits discussed above can be found in one of the four quadrants of the impact model presented in Figure 21. Along the vertical access, CSR benefits are divided between those that provide direct monetary impact (e.g. revenue increase and cost decrease) and those that contribute non-monetary value (e.g. improved customer attraction and reputation). The non-monetary benefits also contribute to financial gain, but in an indirect manner, as presented in the sections above. CSR benefits are also divided by the way they are measured, either qualitatively or quantitatively, along the horizontal axis.

To report and communicate on CSR, companies must monitor and measure their activities against defined qualitative and quantitative indicators. Benefits like increased trust and legitimacy (license to operate) and greater access to capital are measured qualitatively, while revenue, brand value and customer increases are measured in numerical terms. The combination and scope of these CSR benefits then contributes to the level of competitive advantage for a company, and its resulting economic success.

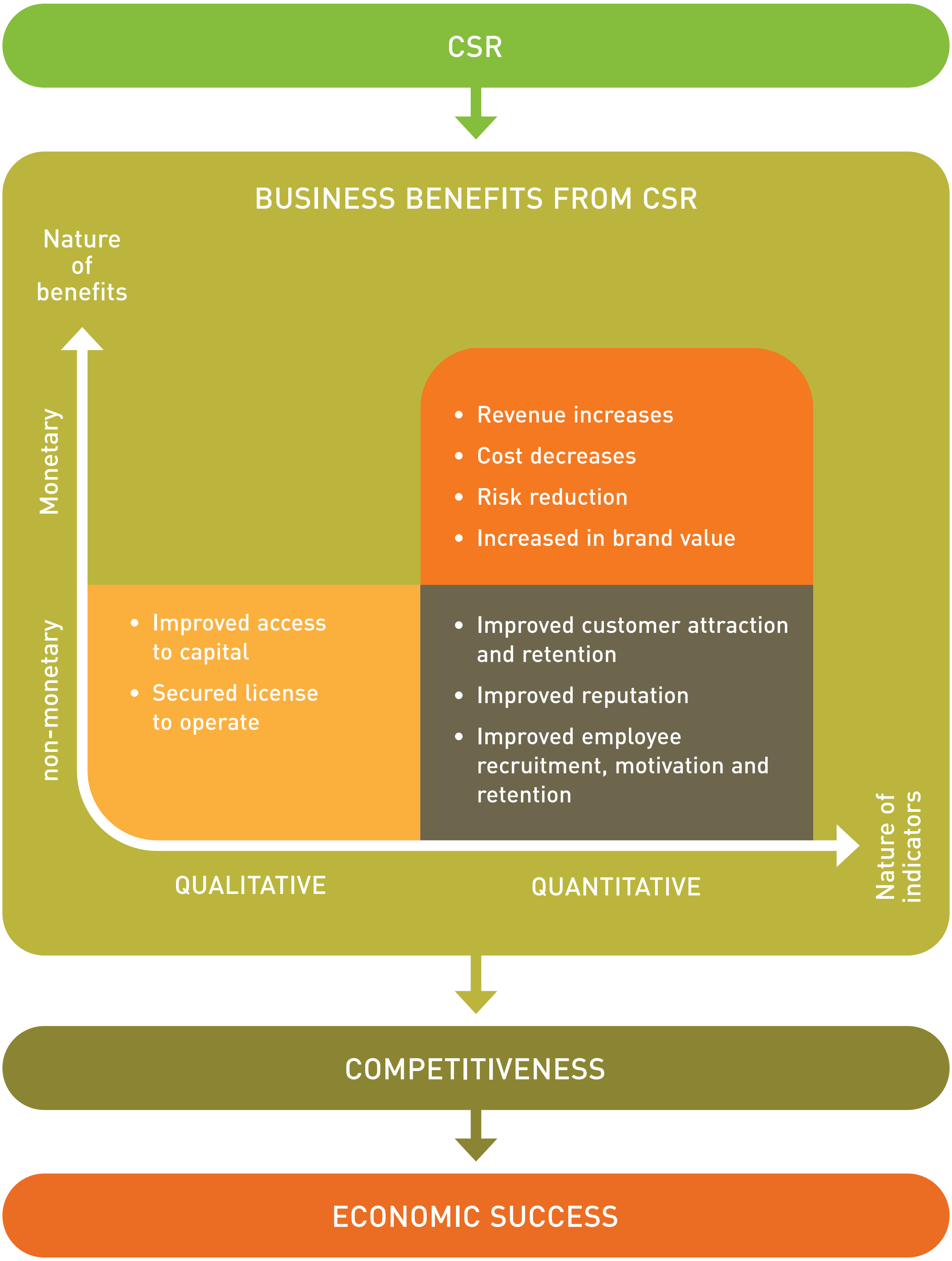


Figure 21 - CSR impact model (Weber, 2008, p. 250)

4.3. BUSINESS NEGOTIATIONS

4.3.1. Overview

In business, negotiation occurs between managers and staff, employers and employees, professionals and clients, within and between organizations and between agencies and the public. Negotiation is a problem-solving process in which two or more people voluntarily discuss their differences and attempt to reach a joint decision on their common concerns. This process includes constant communication between the parties so that they can find a solution that is the best for both of them.

Communication plays an important role in negotiation. Communication is the key to a successful business because with good communication everything is organized, carried out properly and operated smoothly.

4.3.2. What is Negotiation?

The word negotiate derive from the Latin infinitive *negotiari* meaning "to trade or do business." This verb itself was derived from another, *negare*, meaning "to deny" and a noun, *otium*, meaning "leisure". Therefore, the ancient Roman businessman would "deny leisure" until the deal had been settled (Curry, 1999). Negotiation is any activity that influences another person. McCormack define negotiation in his book McCormack on Negotiating (1995) as the process of getting the best terms once the other side starts to act on their interest.

The negotiating process involves balancing matters between two parties so that the negotiator not only gets what he wants but also gets what he wants in the best possible way (Forsyth, 2009).

Negotiators influence the negotiation process with their own experience and negotiating skills (Ghauri and Usuriier, 2003). People negotiate with external business counterparts outside the organization and also with internal co-workers within the organization. The main objective of all negotiation situations is to help to get what the negotiator wants.

4.3.3. Negotiation Skills

1. **Listening and Communication Skills**

A successful sales relationship today involves the seller being able to help the buyer identify his or his organization's true needs. The seller helps this process by being able to listen to and understand what the buyer is telling him. If the company can't clearly determine the correct solution for its customer, it is going to automatically face objections and the negotiations will be thwarted.

Good listeners are rare these days. Studies have shown that most listeners retain less than 50% of what they hear. In order to be a good listener, you should practice active listening skills. There are five key aspects of becoming an active listener.

a. Pay close attention by learning to give the speaker undivided attention. But you also let the speaker know that you are listening by using acknowledgements i.e. eye contact, stop any mental chatter, make sure the environment isn't distracting, notice the speakers body language among other.
b. Demonstrate physically that you are listening. Use non-verbal and verbal signals that you are listening to the speaker attentively i.e. nodding, use appropriate facial expressions, monitor your own body language, use small comments among others.
c. Check for understanding. It is possible for the other person's message to get mistranslated or misinterpreted, so that we hear a message that was not intended. So before responding, it's important to check for understanding.
d. Don't interrupt! There is nothing good that comes from interrupting the speaker, even if they are stating something that is incorrect. The listener will only be limiting chance of understanding the message and responding well because he/she won't hear it all – and because the speaker will get frustrated!
e. Respond Appropriately. When actively listening, respect for the speaker is being shown, as well as gaining the information that is needed to form a response to any objection. Once the information has been got and clarified, it's time to form the reply.

2. **Problem Solving Skills**

Problem-solving skills are vital in negotiations. The negotiator needs the ability to look at the situation objectively and work towards an agreement with the customer, even if it's not the one that was originally envisioned.

3. **Interpersonal Skills**

Interpersonal skills will help the negotiator to work with the customers and build rapport with them, and to negotiate in a professional, stress-free manner. But they will also help the negotiator to advocate for the customer with colleagues across the organization.

These skills include: courtesy, respect for other, ability to see things from other perspectives, ability to understand various communications styles among others.

4. **Persuasion Skills**

Persuasion skills are the tools that can be used to encourage the customer to choose the organisations product or service over the competition. The most important skill in persuasion is knowing how to provide information on the benefits and value of the organisations offer from the point of view of the customer.

5. **Customer Service Skills**

Sales is a service business – and if you offer superior customer service you can go a long way towards speeding up negotiations because the organisations customers will want to keep doing business with you.

6. **Integrity**

A simple definition is that someone with integrity acts in accordance with their values and their commitments. This means that acting with integrity, helps in handling an objection directly and addressing the customer's concern with honesty and sincerity.

A demonstration of integrity, results into trust and a depiction of the organisations best intentions for its customers. This can make you a valuable partner and a trusted colleague.

4.3.4. Negotiation Styles

Complex and strategic negotiations involve many conflicting interests. A simple, but typical, example is the buyer wants to buy at the lowest possible price and the supplier wants sell at the highest possible price. How we handle such negotiation conflicts determines the outcome of our negotiation. According to Thomas-Kilmann Conflict Mode Instrument, conflict resolution can be viewed along two dimensions:

1. Assertiveness, i.e. the extent to which we attempt to satisfy our own concerns; and
2. Cooperativeness, i.e. the extent to which we attempt to satisfy the other party's concerns.

Figure 22 below illustrates five commonly referenced conflict resolution, or negotiation styles, within this framework:

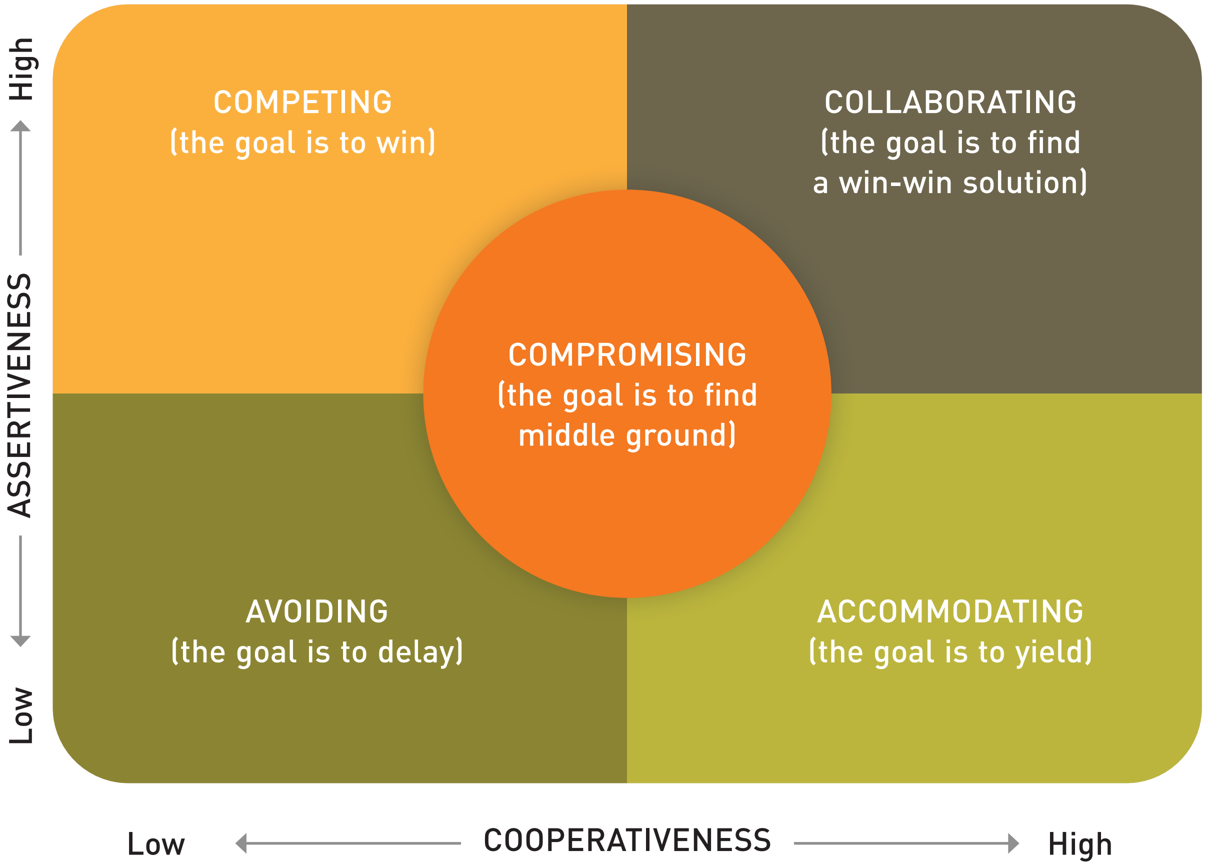


Figure 22 - Negotiation Styles (Source: TechnologyConnect)

Negotiation styles vary with the person, their beliefs and skills, as well as the general context in which they occur. Here are five different styles considered from different viewpoints.

1. **Competing (I win – You lose)**

Competing is assertive and uncooperative, a power-oriented mode. This style of negotiation is best described as competitive and is one of the most used styles in negotiating. Negotiators using this style are looking out for their own needs, asking themselves 'what do I need to get from this discussion / process?'. Competitive negotiators have strong instincts for all aspects of negotiating and are often strategic. They use a variety of tactics to get what they want. Because their style can dominate the bargaining process, competitive negotiators often neglect the importance of relationships.

Competing style is appropriate if your power balance is high, you have a good Plan B and you think he needs you more than you need him. This style is most effective when results are needed quickly, or you are certain there is no room for negotiation.

2. **Accommodating (I Lose – You Win)**

This style of negotiation is all about the relationship and is the polar opposite of the Competing style. Accommodating negotiators believe that the only way to ultimately get what they want is to satisfy all the demands of the other party, hoping maybe in time the other party will do the same.

Accommodators are sensitive to the emotional states, body language, and verbal signals of the other parties. They can, however, feel taken advantage of in situations when the other party places little emphasis on the relationship. This style, is naturally, well-liked by the opposite party.

3. **Avoiding (I Lose – You Lose)**

Individuals who do not like or do not wish to negotiate often resort to this style. They don't negotiate unless warranted. When negotiating, avoiders tend to defer and dodge the confrontational aspects of negotiating; however, they may be perceived as tactful and diplomatic. Avoiding is the strongest position of all — the other side has to make concessions just to get the process started.

In some cases, users of this style are unassertive and uncooperative because of their personality. They do not immediately pursue their own concerns or the other parties nor do they ever address the conflict. This style could be a vengeful style and while the adopters of this style won't address the conflict, they will seek ways of retribution. When this occurs, the avoiding style can be difficult to spot as it can go under cover for a time; it escalates to a 'passive aggressive style'. This style is usually in response to a highly competitive style. The avoider will shut down communication and contact and will seemingly disappear off the radar. While this is in play, mutual resentment builds and cracks to total breakdown of the relationship may occur, leading to a lose-lose scenario.

4. **Compromising (I Lose / Win Some – You Lose/ Win Some)**

The old adage 'pick your battles' applies here. This style values the relationship and acknowledges that there is a loss but it is better to compromise than completely lose. A compromising style results in both parties getting more or less half of what they originally wanted. This style is common when the negotiating parties have a high level of trust between each other and are time poor.

Compromisers are individuals who are eager to close the deal by doing what is fair and equal for all parties involved in the negotiation. They can be useful when there is limited time to complete the deal; however, compromisers often unnecessarily rush the negotiation process and make concessions too quickly. This style should not be confused with Collaborating (I win – You win).

5. **Collaborating (I Win – You Win)**

Collaborative negotiators are innovators! They recognize that both parties have needs that must be met and take the time to find creative solutions to this common conundrum. Collaborators are good at using negotiations to understand the concerns and interests of the other parties. In business, this style of negotiating is often seen as the "Holy Grail".

Collaboration is great when both parties have the power to implement a truly Win-Win business plan. When both sides are strong and both want the deal, then collaboration is possible. Most business to business negotiators plan for this type of negotiation. Some organizations are well known for their collaborative style of negotiating.

It needs to be recognized that this style of negotiating is somewhat wonderful ideological and is the most challenging to effect because in reality it is high on resources and time. It can, in some instances, create problems by transforming simple situations into more complex ones.

4.3.5. Types of negotiation

There are two relatively distinct types of negotiation. They are known as distributive negotiations and integrative negotiations. Different negotiation theorists may use different labels for the two general types and distinguish them in different ways.

1. **Distributive Negotiation**

Distributive negotiation is also sometimes called positional or hard- bargaining negotiation. It tends to approach negotiation on the model of haggling in a market. In a distributive negotiation, each side often adopts an extreme position, knowing that it will not be accepted, and then employs a combination of guile, bluffing, and brinkmanship in order to cede as little as possible before reaching a deal. Distributive bargainers conceive of negotiation as a process of distributing a fixed amount of value.

The term distributive implies that there is a finite amount of the thing being distributed or divided among the people involved. Sometimes this type of negotiation is referred to as the distribution of a "fixed pie." There is only so much to go around, but the proportion to be distributed is variable. Distributive negotiation is also sometimes called win-lose because of the assumption that one person's gain results in another person's loss. A distributive negotiation often involves people who have never had a previous interactive relationship, nor are they likely to do so again in the near future. Simple everyday examples would be buying a car or a house.

2. **Integrative Negotiation**

Integrative negotiation is also sometimes called interest-based or principled negotiation. It is a set of techniques that attempts to improve the quality and likelihood of negotiated agreement by providing an alternative to traditional distributive negotiation techniques. While distributive negotiation assumes there is a fixed amount of value (a "fixed pie") to be divided between the parties, integrative negotiation often attempts to create value in the course of the negotiation ("expand the pie"). It focuses on the underlying interests of the parties rather than their arbitrary starting positions, approaches negotiation as a shared problem rather than a personalized battle, and insists upon adherence to objective, principled criteria as the basis for agreement.

Integrative negotiation often involves a higher degree of trust and the forming of a relationship. It can also involve creative problem-solving that aims to achieve mutual gains. It is also sometimes called win-win negotiation.

4.3.6. Best Practices of Negotiations

1. **Sharing information**

Negotiation is often approached to with guard and not showing all cards. Yet, while some believe this is a smart approach, it has a negative impact on outcomes and inhibits trust. People tend to be matching and to follow the norm of reciprocity, responding in kind to how we treat them.

If we want to be trusted, we must first offer it. Studies have shown that revealing some information, even when it is unrelated to the negotiation, increases the outcome. There is no need to put all cards on the table at the outset. Simply putting something of one's out there – hobbies, personal concerns, or hopes – can set a positive tone that's conducive to gaining agreement.

2. **Go in knowing targets price and walk away terms**

Walk away price (or terms) is reservation price. The highest price that buyer is willing to accept from a seller before they are no longer interested in purchasing. Target price is the goal we are hoping for. Often, we go into negotiations with one or another – or letting the partner start the bidding. This puts entire team at a huge disadvantage. It is critical to do the research ahead of time here. Research is to be based on firm data, as not only will it provide more confidence and power to the team, but it also reduces the chance of throwing something crazy out there. By knowing team's own range, it will help make better decisions at the moment, and be clear about the limits.

3. **Make the first offer**

In negotiations, information is often equated with power. It is best to extract as much as possible from the other person before tipping our own hand. Fixed-pie negotiations assume there is a limited amount of benefit to go around. People who make first offer get better terms that are closer to their target price. The reason is the psychological principle of anchoring. Whatever the first number is on the table, both parties begin to work around it. It sets the stage. Often, we are reluctant to go first because we may be way off, and disengage the other party. Higher prices make the buyer focus on the positives, while lower ones invite focus on the downsides.

4. **Don't counter too low**

If the first offer cannot be made, then the team needs to protect themselves against the anchoring effect. Caution: most people go too low, too quickly. The counter should be based on the same information the team would have used if they would make the first offer. Re-anchoring is also to be considered. Letting the other person know that their offer is way off, and go back in with a new reset. It also may be helpful to call out what is observed to redirect the conversation.

5. **Counter offers make both parties more satisfied**

Every buyer wants to feel that they got a good deal; every seller wants to feel as if they drove a hard bargain. Parties are most satisfied on both fronts if there was some back and forth. It is advised that the first offer should not be taken, even if it meets desired needs. By going back and asking for concessions it can be ensured that the best deal is done, and it will increase teams' satisfaction as well. More satisfied partners are more likely to work harder and be more committed to the end result, which is the ideal outcome from the start.

4.3.7. Negotiation strategies

An effective negotiation process includes managing the negotiation's overall strategy or approach, its stages, and the specific tactics used (Adler, 2002). Acuff (2008) suggests the following negotiation strategies that could be universally applied especially in the world of business:

1. **Preparation and planning**

Before entering a negotiation, it is vital to plan beforehand. The negotiators need to decide what it is they want to achieve and why the other party should negotiate with them. Organizations need to understand that they must spend time planning. Not being prepared makes a person feel unprofessional and often proves costly.

2. **Adopt a win-win approach**

The ideal outcome for a negotiation is almost always a win-win situation in which everybody goes away satisfied. In most negotiations, it is in the negotiator's best interest to foster a cooperative atmosphere to increase the chances of a win-win outcome (Stark, 2003).

With a win-win outcome there is a greater chance to create beneficial long-term relationships. If a negotiator brings multiple issues to the negotiation table it will provide the opportunity to create a win-win outcome.

3. **Practice communication competence**

It is true that communication can lead to a complex problem or a brilliant solution. To achieve effective communication, a negotiator should ask both open and closed ended questions to make sure that the message is received. The negotiator should use tools such as paraphrasing and restatement to clarify issues that he might be uncertain about. It is always a good thing in communication to go straight to the point but in negotiation, it is better to talk about general issues first and then proceed to the details. This helps relieve tensions and create a friendly business atmosphere.

In international business, negotiation encounters numerous challenges because people from different cultures perceive, interpret, and evaluate the world differently. Accurately communicating needs and interests in ways that people from other cultures will understand is therefore very critical.

4. **Ask lots of questions; listen with your eyes and ears**

A negotiator should not be afraid to ask. He should be confident and realize that the other party would not offer anything unless it is asked. Ask a lot of questions. By asking open questions instead of closed ones, a negotiator will get more precise information. A negotiator listens to the person they are negotiating with and not only listen with his ears but also with his eyes. People send a lot of messages, positive or negative with their body without necessarily speaking. To interpret the other person is a very useful skill to master. What is often not said is more important than what is said. People communicate in terms of their physique, clothing, quality of voice (which includes tone, accent, and volume), facial expressions, posture and emotions (Buchanan and Huczynski, 2004).

5. **Maintain personal integrity and build solid relationships**

Relationships matter and it is important to understand the reason why they are so important to the fruits & vegetables business. Good business relationships offer more value in the long term. It is hard if not impossible to build solid relationship in competitive negotiation situations. During relationship building, parties develop respect and trust for members of the other team (Adler, 2002). One of the biggest barriers for negotiation is lack of trust. To maintain solid relationships, creditability is very important. Trust is built through deeds, not words (Stark, 2003). A negotiator has to do what he promised he will do and maintain the professional appearance. Trust is also developed with honesty. The negotiator should be honest also about things that may not be at his best.

6. **Be patient**

Being in a good mood before entering the negotiation table enables the negotiator have more confidence and is likely to be patient during the negotiation. All parties should invest a lot of time, energy, personal and spiritual commitment and other resources to ensure the best possible outcome is achieved (Hamilten, 2008). International business negotiation process is not a short process. It takes time and to achieve win-win outcome.

7. **Be culturally literate and adapt to the negotiating strategies of the host environment**

Negotiators need to adapt to the negotiating strategies of the host environment by doing some research. They should plan ahead how they would start their negotiation, for example, would they want to first talk about sport or climate and how to proceed from there to the real topic. Negotiators should be aware not to talk about politics or religions, which are taboo in their host environments.

As mentioned earlier, the most typical factors that affects how a negotiation will play out are time, environment, personalities, information, personal issues and hierarchy. Time has a crucial impact on effective international business negotiations. The duration of a negotiation can varies across cultures, for example Americans expect negotiations to take a minimum amount of time whereas the Vietnamese prefer to move slowly (Adler, 2002).

4.4. SUPPLY CHAIN MANAGEMENT AND LOGISTICS

4.4.1. Overview

A consumer that visits a supermarket in UK, France or Netherlands, can find papayas from Brazil, hot pepper from Uganda, tomatoes from Kenya, among many other imported foods from a diverse number of developing countries. This means, however, that developing countries must comply to the stringent quality and safety standards and regulations in these markets. They must also gain better control over production, trade and distribution of their agricultural products in order to guarantee traceability and operate in a cost-effective way, so as to compete in the global market.

These and other recognized trends indicate that it is opportune and important to develop and implement strong, robust Supply Chain Management (SCM) strategies in horticulture so that product quality is ensured and that consumer satisfaction and profitability of participants is sustained and enhanced.

4.4.2. Supply Chain Management

Supply Chain (SC) is a sequence of (decision- making and execution) processes and (material, information and money) flows that aim to meet final customer requirements that take place within and between different stages along a continuum, from production to final consumption. The Supply Chain not only includes the producer and its suppliers, but also, depending on the logistic flows, transporters, warehouses, retailers, and consumers themselves. Ballou (2004) says that Supply chain refers to all those activities associated with the transformation and flow of goods and services, including their attendant information flows, from the sources of raw materials to end users.

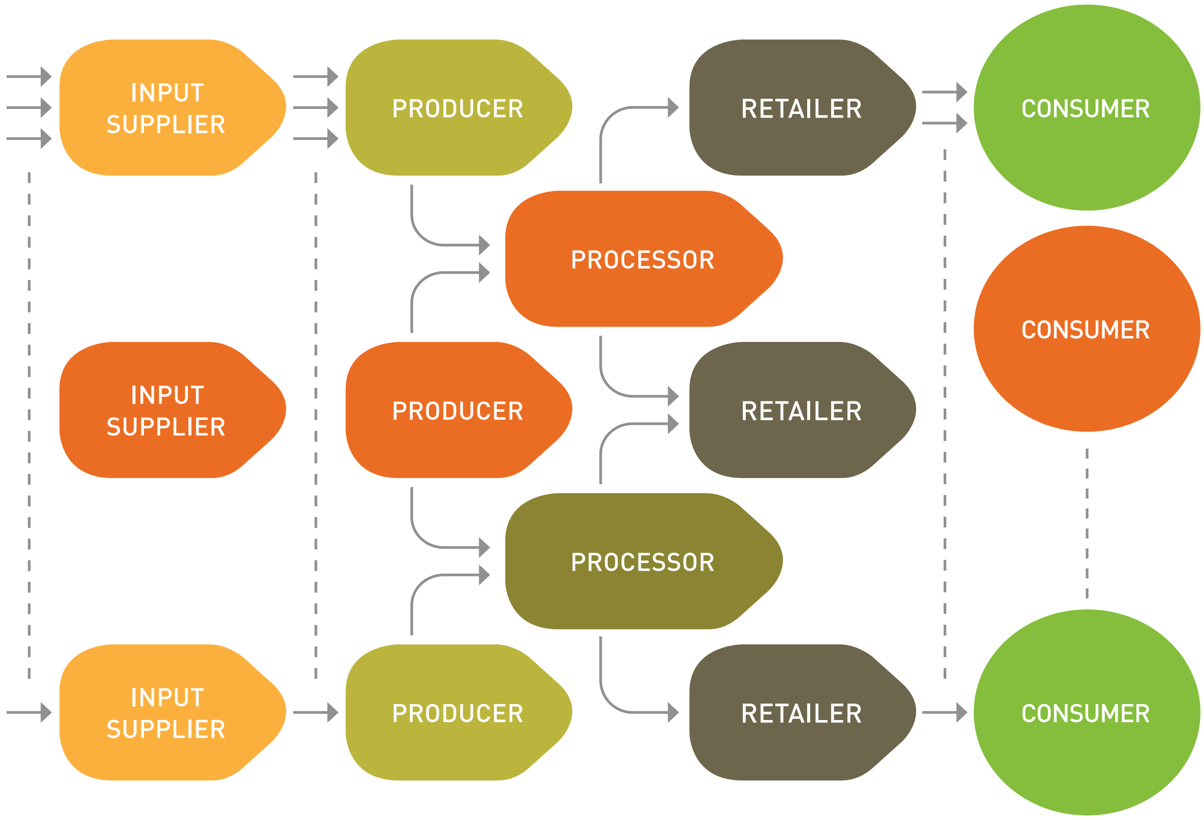


Figure 23 - Schematic diagram of a Supply Chain (shaded) within the total Supply Chain network

Figure 6 depicts a generic supply chain. It is shown within the context of what is usually referred to as a 'total Supply Chain network'. In such a network, each firm belongs to at least one SC; i.e. it usually has multiple suppliers and customers. A fruits & vegetables producer, for instance, obtains inputs such as seeds and pesticides from a number of different suppliers. He or she delivers fruits and vegetables to one or more processors, who in turn, distribute the processed products through one or more retail outlets.

4.4.3. What is the term Logistics?

Logistics contrasts with SCM, in that it is 'the work required to move and position inventory throughout the supply chain' (Bowersox *et al.*, 2002). In 1991, the international Council of Logistics Management (CLM) defined logistics as "the process of planning, implementing, and controlling the efficient, effective flow and storage of goods, services, and related information from the point of origin to the point of consumption for the purpose of conforming to customer requirements."

This definition was later modified to read "Logistics is the process of strategically managing the procurement, movement and storage of materials, parts and finished inventory and the related information flows through the organization and its marketing channels for the cost-effective fulfilment of customers' orders." Many organizations, over the decades, have focused on the logistics aspect of business. (Chandrasekaran, 2010)

Logistics describes the entire process of material and products moving into and through process centres, and out of a firm. The facets of logistics management include

- Order management
- Outbound transportation and distribution management
- Inventory management
- In-plant logistics, such as stores and movements towards lines and shops
- Inbound transportation
- Procurement
- Information management

4.4.4. Strategic Goals and Objectives in Supply Chain Management

Within operations and supply chain management, understanding the strategic goals and objectives are key when attempting to improve overall productivity and efficiency. This will also enhance the company's overall bottom line and bring massive financial improvement to its operation.

The top three strategic goals and objectives of supply chain management include the following:

1. **Ensuring Efficiency Within Your Operation**

Efficiency is one of the most important aspects of supply chain management. Effectively managing inventory, transportation, and logistics can be a complex process, but overall understanding how to do it can greatly benefit operations. When manufacturers, wholesalers, and retailers collaborate on a supply chain system, it is far much easier to maximize efficiency for the company operation.

2. **Optimizing Transportation and Logistics**

Within an independent business environment, each company is responsible for its role in ordering, shipping, and transportation of goods. With SCM, the company can plan optimized transportation and logistics activities with any vendors or buyers that it works with. Orders are automatically put into a system and alert other facilities that are needed to fulfil this order.

3. **Focusing on Quality Improvement**

It is important to keep in mind that providing consumers with the absolute best value is a goal that is shared by the company and its supply chain partners. Within a collaborative supply chain, the company is creating a system where customer feedback is enabled to the company and others within the supply chain.

4.4.5. The Horticulture Supply Chain

The SCM of Fruits & Vegetables constitutes the processes from production to delivery of the agro-fresh produce, i.e. from the farmer to the customer. SCM of Fruits & Vegetables is complex as compared to other SCMs due to the perishable nature of the produce, high fluctuations in demand and prices, increasing consumer concerns for food safety & quality (Vorst & Beulens, 2002), and dependence on climate conditions (Salin, 1998).

Players in the Supply Chain of Fruits & Vegetables

There are several players involved in fulfilling the needs of the consumer in the supply chain management of Fruits & Vegetables. Those are farmers, local traders, agents (commission agents), transporter, auctioneers, wholesalers, processors, traditional retailer of all type of formats family run stores, roadside shops, pavement shops and cart vendors apart from farmers and customers.

1. **Farmers:** Farmers are the trigger point in the horticulture supply chain. They are the producers of the fruits and vegetables and thus its important they effectively manage the resource within the horticulture supply chain.
2. **Input providers:** The fruits & vegetables production function requires a number of inputs, namely, seeds, fertilizers, pesticides, irrigation and equipment, capital equipment such as tractors, threshers, and so on.
3. **Market for direct consumption:** Many governments in the ACP have established regulated markets for agricultural products. This helps farmers to sell in markets where there is a fair play of market forces. An alternative channel available to them is direct procurement agents, who act as intermediaries between the farmers and the direct consumption markets. The ultimate consumers could be individuals or institutional buyers who serve individual consumers, such as large hotel chains and canteens.
4. **Processors:** Much of the fruits & vegetables produce gets converted into food and other products as it reaches the final consumers.
5. **Open market:** Produce for direct consumption moves through open markets. Similarly, processed fruits & vegetables also get sold through open markets, and directly from processors.
6. **Retailers:** There are various retail outlets of various sizes: small one and the bigger like Carrefour Auchan or Shoprite.
7. **Consumers:** Consumers are the final point at one end of the spectrum of a supply chain network.
8. **Financial agents and impact on physical flows:** Banks and financial institutions are the potential financial partners in the sector. The ability to raise funding for operations from the organized financial system is limited.
9. **Exporters:** conveys the fruits and vegetables product to markets that are outside the boundaries of the producing country
10. **Importers:** Procure the fruits and vegetables from outside the boundaries of their countries in to their country
11. **Transporters:** facilitate the movement of goods and services within the supply chain.

4.4.6. Supply Chain Drivers

In a way, supply chain drivers are to be viewed as operating tools for implementing supply chain strategies and carrying out operations. Drivers act as pillars of the supply chain on which blocks are laid and operations dwell. Apart from these drivers, certain external factors such as regulatory systems, international agreements, tax systems, and infrastructure may impact the performance of supply chains indirectly, through configuration of the drivers. Hence, it is important to understand the role of drivers in supply chain performance, their components, and how they influence and impact competition

1. **Facilities**

Facilities in a supply chain refer to the physical location of the organization or its partners in the supply chain; the locations where a product are being produced, processed, or stored. Because of the perishability and volume of the fruits and vegetables, their processing facilities tend to be located near raw material sources.

Furthermore, temperature control is also another important factor in warehouse decisions.

2. **Transportation**

A good transportation approach is necessary to keep the quality (including food safety) of the products and reach the destination in a timely manner. Joint route planning can be achieved by outsourcing transportation function.

3. **Inventory**

In the marketing of horticulture outputs such as fruits and vegetables, inventories across the chain, that ensures freshness, is important in the success of the organisation.

4. **Sourcing**

Sourcing refers to a number of strategic activities that go into supplier relationship management right from selecting a vendor, engineering and configuring products along with vendors, to making strategic investments for committing with the vendor as a competitive differentiator to being a single vendor who has a proprietary commitment on resource and technology.

In horticulture, factors such as seasonality and perishability adversely influence sourcing strategies.

5. **Pricing**

It is clear that price would be one of the drivers of the supply chain. With one's understanding of supply chain focus, in the trade-off between efficiency and responsiveness in a supply chain structure, price has connotations for both. An efficient supply chain is one where customers would prefer the best price at close to market efficient levels. Price would be one of the key factors in deciding demand.

6. Information

In today's business world, information and IT are paramount, and it needs a broad conception to encompass all the information that businesses create, and to use it. A wide spectrum of increasingly convergent and linked technologies helps to process information to collaborate, partner, and co-perform with entities and players across the supply chain, creating value for customers, suppliers, intermediaries, and the fruits & vegetables enterprise. All such linkages are usually managed by the MSME. Earlier, companies were competing through IT as a differentiator. However, the evolution of technology and reduced costs have made it a threshold competence for an organization.

7. Block Chain

Blockchain is well suited for use in supply chains because the technology has the potential to provide an unprecedented level of transparency. Unlike traditional centralized databases, Blockchain systems validate entries or changes in the ledger through a cryptographic consensus mechanism, thereby circumventing the need for intermediaries. This enables otherwise trust-less parties, such as individuals and firms that do not know each other, to engage in near frictionless peer-to-peer transactions.

1. UNDERSTANDING THE REQUIREMENTS OF YOUR CUSTOMERS
2. DEFINE CORE COMPETENCIES AND THE ROLES YOUR COMPANY WILL PLAY TO SERVE YOUR CUSTOMERS
3. DEVELOP SUPPLY CHAIN CAPABILITIES TO SUPPORT THE ROLES YOUR COMPANY HAS CHOSEN

	RESPONSIVENESS	EFFICIENCY
1. PRODUCTION	• Excess capacity • Flexible manufacturing • Many small factories	• Little excess capacity • Narrow focus • Few central plants
2. INVENTORY	• High inventory levels • Wide range of items	• Low inventory levels • Fewer items
3. LOCATION	• Many locations close to customers	• Few central locations serve wide areas
4. TRANSPORTATION	• Frequent shipments • Fast and flexible mode	• Shipment few, large • Slow, cheaper modes
5. INFORMATION	• Collect & share timely, accurate data	• Cost of information drops while other costs rise

Supply chain capabilities of responsiveness and efficiency come from decisions made about the five supply chain drivers.

Figure 24 - Three steps to align supply chain and strategy

4.5. THE BALANCED SCORE CARD

4.5.1. Overview

The Balanced Score Card (BSC) is a performance measurement tool useful for monitoring, managing, and controlling financial and non-financial performance that was introduced in 1992 by Robert Kaplan and David Norton (Saraiva, 2011; Kaplan and Wisner, 2009; Sharma, 2009). In 1996, the BSC expanded into an organization-wide strategic management system including four performance categories: finance, customer, internal process, and learning and growth (David, 2013; Saraiva, 2011).

A good BSC must reflect the organizations' strategic plan. It must provide decision makers with a framework that helps in shaping work behaviour and with data that helps in making immediate changes to improve performance quality (Campbell, 1997). Below are the four (4) different perspectives that help develop objectives and measure the different affiliated KPIs[16].

1. **Financial perspective**: This perspective mainly focuses on the financial aspects of the SME's performance. The financial performance tracks performance in the following areas:
    - Improve profits
    - Increase revenues
    - Cut costs
2. **Internal Processes perspective**: This perspective tracks improvement in the efficiency of operations. The focus is on business operations that seek to deliver on the value proposition to the customers. The performance measures include:
    - Innovating existing products
    - Improving speed to market

This perspective also may require manager to ponder more to direct questions to establish their standing points like the following;

a. What can a company do to decrease costs of operations and cycle time?
b. How does a company define operational efficiency?
   What can it do to improve it?
c. How can a company ensure high standards of quality and delivery time?
d. How can a company scale business operation?

3. **Customer perspective**: Customers are the end-users who pay for the SME's product or services. The key performance measures include:
    - Customer experience
    - Price and Time

16 https://bscdesigner.com/four-perspectives.htm

It should be noted that the phases of customer acquisition, satisfaction, retention, profitability and market share helps to have a positive customer journey that boost more referrals for the enterprise.

4. **Learning & Growth perspective**: This views the human capital, culture, infrastructure, technology, and other capacities that are key for breakthrough performances. The performance measure includes:
   - Employees Capabilities
   - Information Systems
   - Strategy Awareness and Motivation

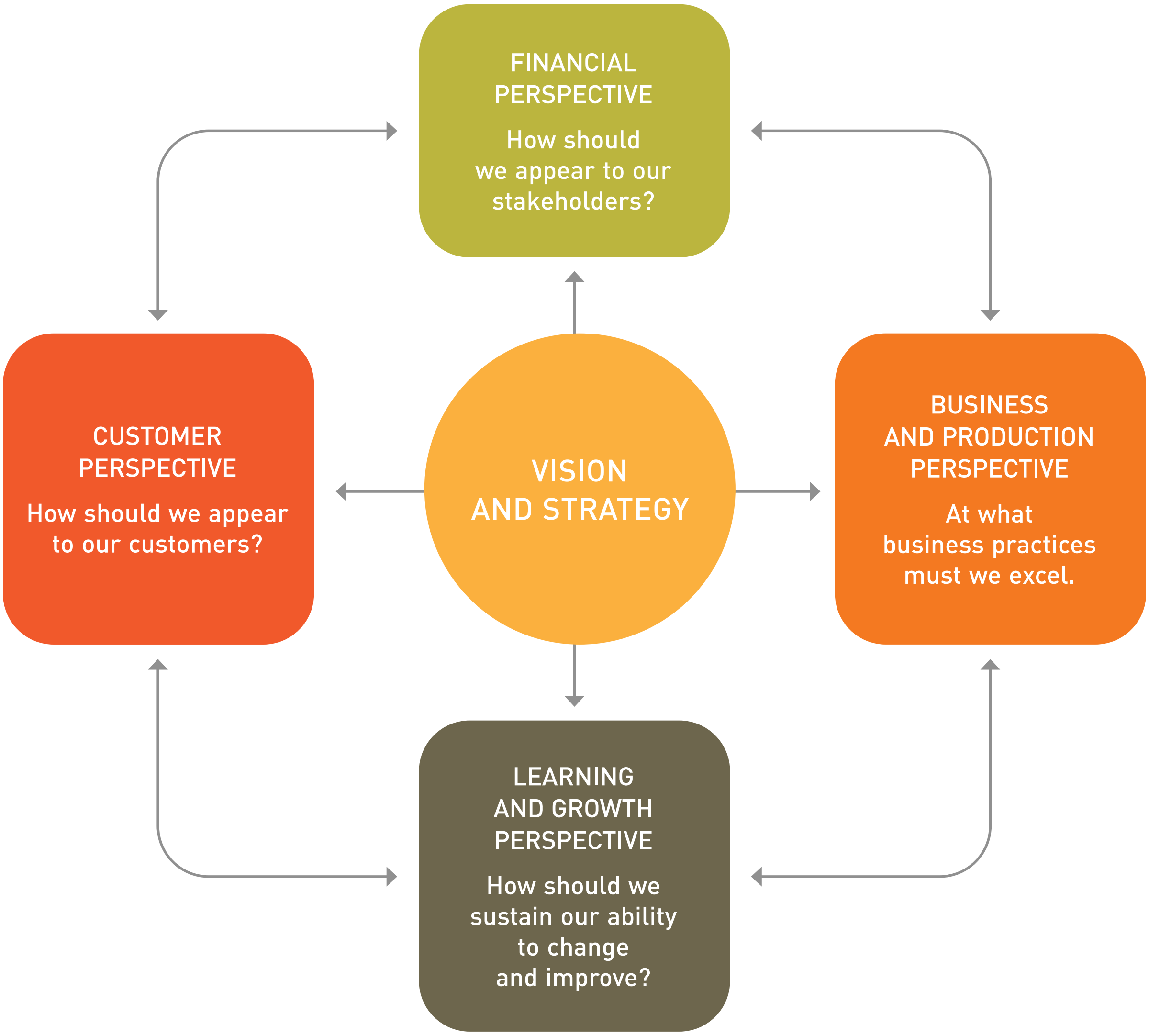


Figure 25 - The Balanced Scorecard Translating Strategy into Action
(Source: Kaplan and Norton)

4.5.2. Building and implementation of BSC into the horticulture sector

Different scholars have undertaken different Balanced Score Card toolkits and built different methodologies. For this particularly section, we will build and implement the BSC into the horticulture sector using the 9-step framework that was designed by Howard Rohm of the Balanced Scorecard Institute, a Strategy Management Group, (US, Washington)[17]. It looks at the two levels of operationalisation, which includes the corporate and the business unit or departmental scorecards. Also, this was viewed and seen as the most pertinent, hands on (practical), flexible, and an implementable one as described below;

Phase 1: Corporate Scorecard

Stage 1: Organisational Assessment

Firstly, it is prudent to conduct a readiness assessment to have the BSC adopted by the SME. Check on within the in-house capacity and resources of the enterprise or hire a consultant who will actively involve the enterprise team at all levels to ensure ownership and sustainability of the tool. Establish a communication strategy in which information will be released or shared and ensure that a change management plan is undertaken at all stages/levels of the development of the BSC.

Stage 2: Strategy

This will majorly involve establishing the strategic results that need to be attained at the end. However, this is undertaken through the four perspectives of Learning (making sure that the teams understanding and develop the necessary skills), Internal process (ensure that there will a better turnaround time to serve and undertake tasks), Customer (ensure that they are acquired, retained more customers) and Financial (increase revenues, cut costs and profit). We should note that in all, a customer centred approach/lens be instilled to ensure customers satisfaction.

Stage 3: Objectives

Under this stage, the enterprise should develop the underlying organisational objectives in all the four (4) perspectives; Learning (develop the necessary skills, employee retention and satisfaction), Internal process (better turnaround time through innovative and efficiency rates), Customer (customers retained) and Financial (cut costs, increase in revenues, and profit). The objective must be SMART Specific, Measurable, Attainable, Time bound).

17 http://www.workinfo.org/index.php/articles/item/69-successful-step-by-step-implementation-of-the-balanced-scorecard

Stage 4: Strategy Maps

A strategy map is a simple graphic that shows a logical, cause-and-effect connection between strategic objectives. This can be depicted as ovals on the map (the illustration below). This indicated interlinked connections help to communicate how value is created by the organization for its customers and stakeholders.

Stage 5: Performance Measures

This stage involves defining strategic/enterprise objectives clearly while distinguishing the output and outcome measures while having the intended targets at sight as well. It is therefore important to offer more critical time to this stage to have more meaningful measures that are clearly understood and be attainable within realistic time bounds. With the metrics, a manager in the horticulture sector is able to determine the level of skills obtained by their employees and level of revenues, profit margins and customers retained and referrals.

Stage 6: Strategic Initiatives

The ways of executing assignments/tasks have to be developed, supported, and aligned to the strategic objectives of the enterprise. For this to be realised, the performance measures and strategic initiatives have to be well documented in established data tables/dataset.

Stage 7: Software and Automation

The managers at this point undertake a critical thinking process to come out with well-established performance measure, strategic initiatives, and way forward. This will come at a time when all gaps in skillsets have been addressed and hence easier for this tool to be adopted.

Phase 2: Business Unit or Departmental and Individual Scorecards

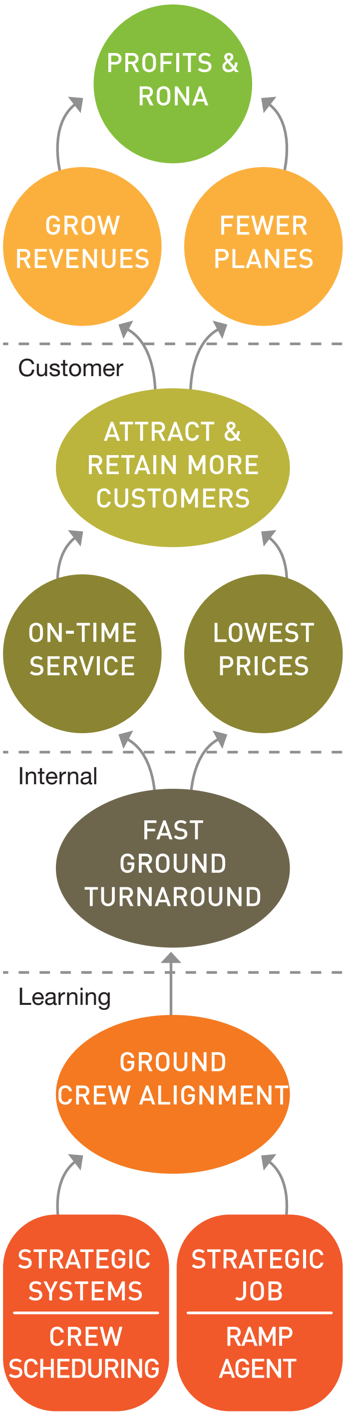
Stage 8: Cascading

In this stage, there will be a flow from the corporate scorecard throughout the business units/department or support units. Under these business units, individual scorecards are developed linking the tool to their routine work incorporated with the department goals. Through this process, the scorecard will be operationalised into the tactical and operational as the performance measures are developed based on the objectives for each perspective. A case in point in the customer perspective, the objective can be to attract and retain customer, number of repeat customers as a measurement and undertake customer loyalty programs that can be incorporated into the customer care, sales and marketing departments like making post sales calls, follow up on platforms like Facebook to get feedback from customers.

Stage 9: Evaluation

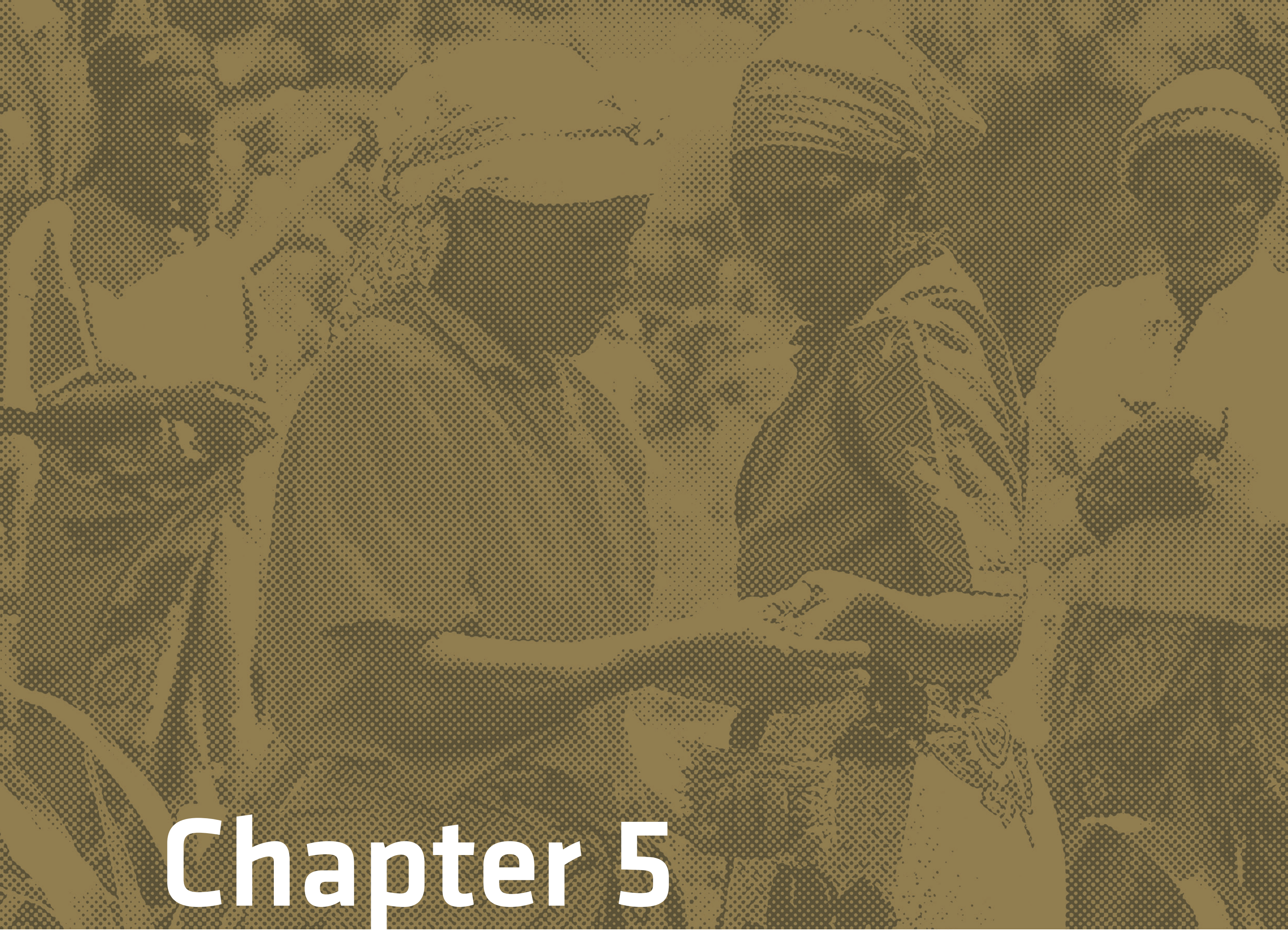
This stage will involve making assessments to ascertain the level of progress achieved. This will enable the manager to know the gaps to be filled through learning and making improvements. This gives a 360-degree dimension that enable the enterprise to discard programs that don’t incorporate more client focussed approaches and those with some workable gaps can be reviewed to meet customer needs that are cost effective.

STRATEGY MAP		BALANCED SCORECARD		ACTION PLAN	
Theme: Operating Efficiency	Objective	Measurement	Target	Initiative	Budget
Financial	• Profilability	• Market Value	• 30%CAGR		
	• Grow revenues	• Seat Revenue	• 20%CAGR		
	• Fewer planes	• Plane Lease Cost	• 5%CAGR		
Customer	• Flight is on-time	• F AA On-Time Arrival Rating	• #1	• Customer Loyalty Program	• $ XXX
	• Lowest prices	• Customer Ranking	• #1		
	• Attract and retain more customers	• # Repeat Customers • # Customers	• 70% • Increase • 12% annual		
Internal	• Fast ground tumaround	• On Ground Time	• 30 Minutes	• On Ground Cycle Time Optimization	• $ XXX
		• On-Time Departure	• 90%	• Quality Management	• $ XXX
Learning	• Ground crew aligned, with strategy	• % Ground Crew Stockholders	• 100%	• ESOP	• $ XXX
		• Strategic Awareness	• 100%	• Ground Crew Training	• $ XXX
	• Develop the necessary skills	• Strategic Job Readiness	• Yr 1-0% Yr 3-90% Yr 5-100%	• Crew Scheduling System Rollout	• $ XXX
	• Develop the support system	• Info system, Availability	• 100%	• CRM System	• $ XXX
				Total Budget	$ XXXX



COMMUNICATE | MEASURE | EXECUTE

Figure 26 - Illustration on Building and implementation of Balanced Scorecard for the airline industry.



Chapter 5

Role of market intelligence in national, regional and international fruit and vegetable markets

5.1. MARKET INTELLIGENCE IN HORTICULTURE

5.1.1. Understanding Market Intelligence

Today's agriculture has undergone a metamorphosis from production oriented agricultural practices into market led agriculture with the focus being to address emerging market needs. Market led agriculture needs an entirely different approach in which market research and market extension are of critical importance. Agribusinesses now need clear market information that provides knowledge and information to the farmers to make informed business decisions. It is inevitable that, in almost all sectors market intelligence is gaining importance.

Market intelligence is critical in developing the marketing strategy for any business seeking to grow and expand its operations. Availability of market information at an appropriate time and showing the right direction to the farmers is highly essential. Michail (2005) emphasized that market intelligence has been introduced with a purpose of providing valuable information to the stakeholders and to guide decision making in aspects such as customers' needs, competitors' actions, successes and failures and anticipated changes. Kemanian (2012) stated that conducting market intelligence is more than just collecting statistics and information. No research can be valid until it is analysed and transformed into relevant insights to assist managers to make informed decisions based on facts. Market intelligence is thus the process of collecting and evaluating information about a company's market. This process requires that we go from data to information to intelligence. Here is a basic example

- Data - Prices for our fruits & vegetables have dropped by 5 percent.
- Information - New export markets opening up in Europe.
- Intelligence - Our key competitor is about to acquire new technologies that will greatly improve their products and service quality.

The differences between data, information, and intelligence can be subtle, but very real.

- Data - Unconnected pieces of information.
- Information - Increased knowledge derived by understanding the relationships of data.
- Intelligence - Organizing the information to fully appreciate the implications and impact on the organization.

Intelligence differs from data and information since it requires some form of analysis. The purpose of this analysis is to derive some meaning from the piles of data and information. By going through analysis and filtering, we can refine it enough so that someone can act on it and understand their options, giving them an opportunity to make forward-looking decisions. When we present "intelligence" to people, they can draw a conclusion and quickly make important decisions. Therefore, competitive intelligence should put conclusions and recommendations upfront with the supporting research behind the analysis. Market Intelligence should not simply present the facts, declaring what we found; but instead make a statement, saying this is what we believe is about to happen.

Market Intelligence pulls together data and information from a very large and strategic view, allowing you to predict or forecast what is going to happen. This in turn allows you to effectively strategize in relation to your competitive environment. Therefore, Market Intelligence allows the company to remain competitive by improving its strategic decisions and this leads to better performance against competitors.

5.1.2. Relevance of Market Intelligence

No organization can sit still and expect things to be the same month after month, year after year. At some point, something will happen to change its assumptions. In addition, many decisions (especially strategic decisions) are made basing on facts and assumptions. Over time, these assumptions fall apart and if you fail to adjust with a continuous flow of new intelligence, then you will be forced to react in a way that makes it difficult to compete. Therefore, Market Intelligence can help test and validate your assumptions. Competitive intelligence also fills in gaps, covering areas that the company failed to consider in its assumptions. And of course, competitive intelligence can yield some basic benefits:

- Source for best practices – the only real way to isolate and find "best practices" is to engage in some form of Market Intelligence; otherwise one would end up relying on crude and generic type benchmarking data.
- Functions as the essence of strategic business analysis.
- Helps identify areas for improvement as well as risks and opportunities.
- Isolates performance gaps in relation to the competition.
- Reduces the level of risks in decision-making.
- Helps to establish what products are right for the market, which channels of distribution are most appropriate, how best promote products and what process are acceptable to the market.

5.1.3. Process of Market Intelligence

Market Intelligence follows a two-phase process when it comes to collecting information:

- Phase I: Secondary Research (80% volume / 20% time)
- Phase II: Primary Research (20% volume / 80% time)

Phase I (Secondary Research) as shown in Table 1 leads to Phase II (Primary Research). Secondary research consists of information that already exists somewhere and was collected for another purpose, such as press releases, analyst reports, trade journals, regulatory filings, transcripts of speeches, and other published sources of information. The bulk of the information (let's say 80% of it) that we collect comes through secondary research though it is not always very useable because it may not be current, useable and relevant. Once we shift through this information overload, we can move to Phase II where the Market Intelligence resides. Phase II-Primary Research is more hands-on and direct, interviewing sources of published information, meeting face-to-face with key decision makers and flushing out the critical unknowns not found in secondary research. It is here, primary research, where we should spend most of our time (80%) on the pertinent information (20%) derived from secondary research. Therefore, we should recognize the 80/20 rule of competitive intelligence: Spend less time gathering the information and spend more time analysing and refining it through primary research.

For example, market research journal has just released a very upbeat report (secondary research) about a large producer and exporter of fruits and vegetables from Kenya intending to enter the market in Uganda. The information in the journal is not very specific, but the analyst has issued a very strong re-strategize recommendation to players in the industry. In an effort to better understand what is driving this recommendation, you contact the analyst directly as part of primary research. This leads to a detailed understanding of how the competitor plans to acquire a warehouse and a major distribution company to exclusively selling its fruits and vegetables in Uganda.

Collection of Secondary research data tends to be easier and at a lower cost than primary research since secondary sources of information are public knowledge. Primary research is more difficult because the researcher is on a detective hunt, trying to track down loose ends. Primary research is often done through an interview, such as contacting suppliers, customers, business writers, and Government agencies. Surveys are sometimes used where several sources are involved. This method is flexible and allows for explanation of difficult questions.

Table 15 - Secondary Information

INFORMATION	SOURCES
Price trends, volume exported, value of exports, export destination	Commercial bank, foreign trade and export promotion agency, customs authority, chamber of commerce
Type of varieties, volume produced, volume supplied to market, buying and selling price	Plant quarantine office, exporters union, rural development office, university, cooperative

The 80/20 rule should also be considered in relation to internal vs. external sources of information. For example, most of what is needed to be known about the competition can be found somewhere within the organization. Sales people interact with other sales people within the industry. Many employees have experience from competing companies. Procurement personnel will have a complete listing of suppliers for your industry. Senior managers, research personnel, and others may have published reports, given speeches pertinent to developments in your industry. Call centre personnel are always engaged in listening to customer complaints and suggestions. Legal personnel can help define regulatory risks unique to your industry. All of these internal sources can represent great sources of intelligence that can lead you to appropriate external sources. The external sources represent the general body of information at large, easy to obtain, and widely distributed. Also, (both published and human).

Table 16 - Primary Information

INFORMATION	SOURCES
• Contact details of persons/group being interviewed • Role of person beoing interviewed in the market chain • Number of years involved in the market chain (description of chain) • Trends in market volume (over 3-5 years) • Quality requirements of target product (variety, size, color, shape, moisture content, etc) • Main production sources, transport, storage • Seasonal peaks and scarce supply times • Trends in market price • Market information, price formation, institutional and legal framework • Potential for innovation (variety, storage) • Financing of buying (support to other chain actors) • Frequency of buying • Interest in buying from smallholder suppliers • Key constraints, challenges and opportunities • Growth options • Readiness to invest in upgrading with other interested partners	• Farmer groups • Assemblers/collectors • Wholesalers and secondary wholesalers • Exporters • Retailers • Consumers – individuals and institutions

5.1.4. Steps in Market Intelligence

Market Intelligence is a logical approach to resolving critical marketing issues. A typical Market Intelligence project gets organized around certain steps which are as follows.

1. What critical question(s) must be answered?
2. What is the time frame for meeting the competitive intelligence objective?
3. Define the Market Intelligence Project, allocate resources, establish a scope, and issue a quick plan for execution.
4. Launch secondary research – collect and organize data.
5. Analyse appropriate information, conduct primary research, and enlist others in developing the deliverable.
6. Draft findings and recommendations; circulate for review.
7. Approve and distribute final report.

5.1.5. Best practices

There are several finer points that we need to consider throughout the Market Intelligence process. This following heading will highlight some of the underlying "best practices" behind Market Intelligence.

a. Time is critical

Slowness is the enemy of competitive intelligence. Having knowledge about something three weeks after the need to act is of little value. Two critical questions that must be address are: where do we go to get the information and how long will it take? This requires a very deliberate and strong Market Intelligence effort. Without a serious commitment to Market Intelligence, time will erase whatever hope available for effective decision-making.

b. Remain Neutral

Although it is not easy, it is critical that Market Intelligence remains free of bias, providing neutral type results. Market Intelligence is not intended to support an existing management decision. Good Market Intelligence should speak the truth and let management decide how it wants to proceed. One way to ensure Market Intelligence is neutral is to make it independent, similar to other independent functions such as internal auditing.

c. Go where the information is

Sometimes competitive intelligence can be highly effective through casual and obvious sources of information. One of the more time-consuming activities within competitive intelligence can be collecting and categorizing information. So, knowing where to look can be half the battle. The useful sources for Market Intelligence include commercial databases, trade publications, research reports from analyst, and regulatory reports.

d. Challenge conventional thinking

Great Market Intelligence will challenge management to think in new ways. There are too many changes taking place in the horticulture industry. There is no way management should be comfortable with the status quo. Therefore, Market Intelligence should deliberately test and validate critical management decisions. Likewise, management should welcome and encourage Market Intelligence to challenge both tactical and strategic decision-making.

e. Act ethically

Market Intelligence should not engage in illegal acts. Additionally, Market Intelligence should not jeopardize the reputation of a company.

5.1.6. Market Intelligence for Horticulture Industry (production and selling)

Market information and intelligence are crucial to enable farmers and traders to make informed decisions about what to grow, when to harvest, to which markets produce should be sent, and whether to store it or not. The most important marketing intelligence parts of the fruits and vegetables entrepreneur are the competitive insights (competitor intelligence, product intelligence) and Market insights (Market understanding and customer insights).

Figure 27 - The parts of Market intelligence

Market intelligence is closely associated with market research and can be explained in three simple parts as follows:

- **Competitor Intelligence** – Competitive intelligence essentially means understanding and learning what's happening in the world outside the business so the enterprise can be as competitive as possible. It means learning as much as possible-as soon as possible-about the industry in general, the competitors, or even the county's particular zoning rules.
- **Product Intelligence** – Product intelligence is gathering data related to competitor products or similar products in the market. For example, A juice processing company needs to monitor the prices of competitive juice processors in the same segment. A price drop in the competitor product can mean the company is introducing a new product in the market. Understanding such information can enable a company to strategically launch their products at the right time and price.
- **Market understanding** – Market understanding is knowing the market share of your company, trends in the market, the size of the market and which is your target market. Understanding the demand in the market, and customer wants can help a company tremendously to increase their revenues and market share. For example, A comprehensive market research can give valuable insights to a bran d, for instance, the target market is age 20-40, upper-middle-class family and the trend in the market is for fruits and vegetables for healthy living. A particular fruits and vegetables company can use this information and provide products specific to this requirement enabling them to penetrate the market.

Typical sources of information used in a market intelligence study are described below.

- **Press analysis** – Publicly available information such as headline financial figures, changes of key personnel, senior management statements etc can be of great interest, and most companies conduct such research in-house on a regular but unsystematic basis. On a more formal basis, a common project conducted by external market research and intelligence agencies is marketing analysis of competitors. For example, detailed tracking of adverts placed over a period of time can be combined with exploration of publications' advertising rates to come up with an accurate estimate of a competitor's advertising budget. Press analysis can also be used to assess competitors' marketing strategy (by assessing the messages behind the adverts) and, through examining employment advertisements, gain valuable intelligence on wage rates.

- **Pricing research** –This painstaking work involves trawling websites, price lists and other sources of information for the prices of competitors' products and services. This information is then benchmarked against one's own prices. Agricultural price data are based on thousands or millions of transactions, many of them on a small scale, that are taking place every day all over the country. Collecting an adequate sample and making sure that these are representative enough to be useful is not an easy task.
- **Competitor interviews** – Competitor interviews are a difficult, but valuable means of gaining competitor insights. Clearly senior management such as Marketing VPs are particularly useful sources of information, if they can be persuaded to talk. Mid-management employees such as Sales Managers can be an extremely useful source of information on products, innovations, overall strategies and a host of other topics.
- The typical format of an interview with a competitor's sales team is the 'mystery shop', where a market researcher rings makes contact as a prospective customer and obtains answers to a range of pre-defined questions.
- **Speaking to a variety of competitors** –Given that staff of all levels move between competing companies, and competitors talk to each other, asking Competitor 1 to 'dish the dirt' on Competitor 2, before asking Competitor 2 to return the complement, can be an extremely effective way of gaining competitor insight as well as an overview of the market as a whole.
- **Customer interviews** – Customers often display a remarkable level of candour when talking about their suppliers, even those with whom they have a close and collaborative relationship. Issues as diverse as price, service, contractual details and technical information can be discussed, as well as 'industry gossip' such as who is buying who, or which company is in financial difficulties.
- **Interviews with suppliers, distributors, other industry players and experts** – In every industry it is worth mapping out the supply chain in order to assess who might be able to provide valuable market intelligence. Those at the centre of the supply-chain – intermediaries such as distributors, agents and importers – are often those that know most about the market, as they are in frequent contact with manufacturers and sellers alike. Most markets have a number of 'experts' of some kind who are independent and willing to share the information they possess. Industry associations and journalists at industry publications are typical examples.
- **Company websites and social media platforms** are an obvious, but increasingly effective, source of competitor information. Information which only a decade ago would have been top-secret, or only obtainable by making a visit to the company, is now freely available. Technical data sheets, company vision and strategy, product innovation, staff credentials and a host of further information is available to anyone willing to spend the time sifting through the often-substantial content.

- **Observation** – Sometimes the data gathered through other types will not give reliable data or won't give insights about the customer attitudes or buying behaviour because the respondent might not be willing to give all the information. In such a case the observation method provides information such as habits of the customer, buying patterns, customer preferences such as quality or price, etc. Understanding this information will enable a company to sell better and make changes in their products according to the demand.
- **Field trials** – Field trials are like conducting experiments in real time. It involves placing a product in specific stores to understand customer response to the new product. It can be called a pilot run to test the product in the market. For example, A Fruit wine company wants to test a new product they want to launch. Hence a few select stores are provided with these wines to be tested with their target customers. These customers have to represent the target market and hence their feedback will enable the company to understand if the product will work in the market or not.

  If marketing intelligence is to have any meaning for fruits & vegetables farmers and agripreneurs (entrepreneurs involved with agriculture), the information provided must be accurate, timely and must be understandable so that a farmer/entrepreneur may decide how much to produce, when and where to sell and a trader may expand trade. Similarly, a consumer may find out alternative sources of supply.

Benefits of Market Intelligence

Market intelligence not only helps companies to distinguish their brand from its competitors but also helps in providing valuable information to stay in the game and excel at it. Following are some of the benefits that market intelligence provides.

- **Holistic view of the market** – Understanding the market completely can lead a company to success in no time. Market intelligence is gathering data in real time from the market and further understanding the customers, trends, behaviours, etc, thus enabling a company to stay competitive and meet market demands.
- **Customer retention** – No matter how old a customer is to a company; they are always being monitored and attacked by the competition. Understanding when the customer is dissatisfied and the reasons behind it can prevent loss of customers. Market intelligence can help in analysing and giving insights into the areas of improvements that are needed by the customers and thus help in retaining them and understanding customer lifetime value.
- **Improve sales process** – Businesses having a variety of products and a large number of customers often face an issue, i.e. which product to target to which groups? Market intelligence helps you to determine market segmentation, thus allowing the company to understand which product will succeed with which group of people.
- **Boost process efficiency** – Market intelligence helps businesses to boost overall efficiency and productivity by identifying gaps, giving actionable insights

to devise crucial strategies and provides an organization with real time data and analytics.

- **Gives a competitive advantage** – Market intelligence helps you keep a watch on the competition, the upcoming trends, and gives a complete picture of the market, which allows a company to penetrate the market or capture the market share by launching a product or a new feature at the right time thus giving them a competitive advantage.

The following measures are important for the business to enhance the quality of market intelligence

1. Generation of data on market intelligence would be a huge task by itself. Various departments of agriculture already possess much of the data. Hence, establishment of linkages between agriculture line departments and departments of Market strengthens Market Intelligence.
2. SWOT analysis of the market: Strengths (demand, high marketability, good price etc.), Weaknesses (the reverse of the above), Opportunities (export to other places, appropriate time of selling etc.), and Threats (imports and perishability of the products etc.) need to be analysed regularly. Accordingly, the fruits & vegetables farmers and agripreneurs need to be made aware of this analysis for planning production and marketing. The challenge remains in motivating the extension personnel to learn the new knowledge and skills of marketing.
3. Enhancing the interactive and communicative skills of the farmers to exchange their views with customers and other market for getting feedback and gain the bargaining during direct marketing would help in the long run for better Market Intelligence prospects.
4. Establishing marketing and agro-processing linkages between farmers' groups, markets, and private processors is the need of the hour.

5.2. MARKET TRENDS IN THE HORTICULTURE INDUSTRY

5.2.1. Overview

In most ACP countries, the supply of horticultural produce to the formal market is mainly controlled by big companies. However, most local farmers/entrepreneurs involved in horticulture are smallholder entrepreneurs whose products are majorly for consumption and for retail sale in the informal market, local communities and street corners in the cities. These farmers/entrepreneurs are mainly constrained by different factors, which include; pests, water, and shortage of basic farm inputs like seed and fertilizers, storage, and transportation. They also have limited knowledge of the standard methods of production required to satisfy the genetic requirement of improved seeds and have insufficient access to the formal market. Horticultural produce by these small-scale farmers however, is increasing over the past decade; though this has fluctuated significantly mainly due to the dependence on seasonal unreliable rainfall and poor farm management practices (Madisa *et al.*, 2010b). A major trend is that the number of literate households in the small-scale category has been increasing (Madisa *et al.*, 2010b) and this will have a positive impact on the sustainable growth in the sector (Dogliotti *et al.*, 2005; Kuponiyi & Adewale, 2008)

The complexity and retail-level concentration of the fresh-produce business, however, requires more than production efficiency. To compete more effectively in the local and regional fresh produce markets, fruits & vegetables growers and traders should understand the market windows open for their products, shadow window competition, market-access conditions and effective management practices. There should be greater focus on developing demand/pull, value-driven supply chains and recognition that the flow of information along the supply chains is as important as the flow of products from the production areas to the market place. Analysis of trends in horticultural production is thus important to the productivity of agricultural sectors in the ACP's. Below are the current trends to be considered for success of the fruits & vegetables sector in the ACP.

5.2.2. Current Trends in the Fruits & Vegetables Sector

According to FAO, Medium term outlook, total global production of bananas and tropical fruits is projected to grow at 1.8 percent per year between 2019 and 2028, after registering 2.3 percent per year growth in the previous decade. Under the baseline scenario, production is expected to slightly exceed 255 million tonnes by 2028. The largest suppliers of these fruits are expected to continue to be in Asia, which is projected to account for 55 percent of world tropical fruit output. Other than India, China and Indonesia, The Philippines and Thailand are noteworthy producers of tropical fruits in Asia. Production in Latin America and the Caribbean, which currently has a 26 percent global share, will continue to be led by Brazil, Ecuador, Mexico and Costa Rica. Developing Africa currently has a 15 percent production share, which is expected to rise by 1 percentage point.

World production of bananas is projected to grow at 1.5 percent per annum, to reach 135 million tonnes in 2028. In the same period, mango production is projected to reach 65 million tonnes, increasing at an annual rate of 2.1 percent, Pineapple production at 1.9 percent annually, to reach 31 million tonnes and Papaya production projected to rise to 15.8 million tonnes growing at 1.6 percent per year.

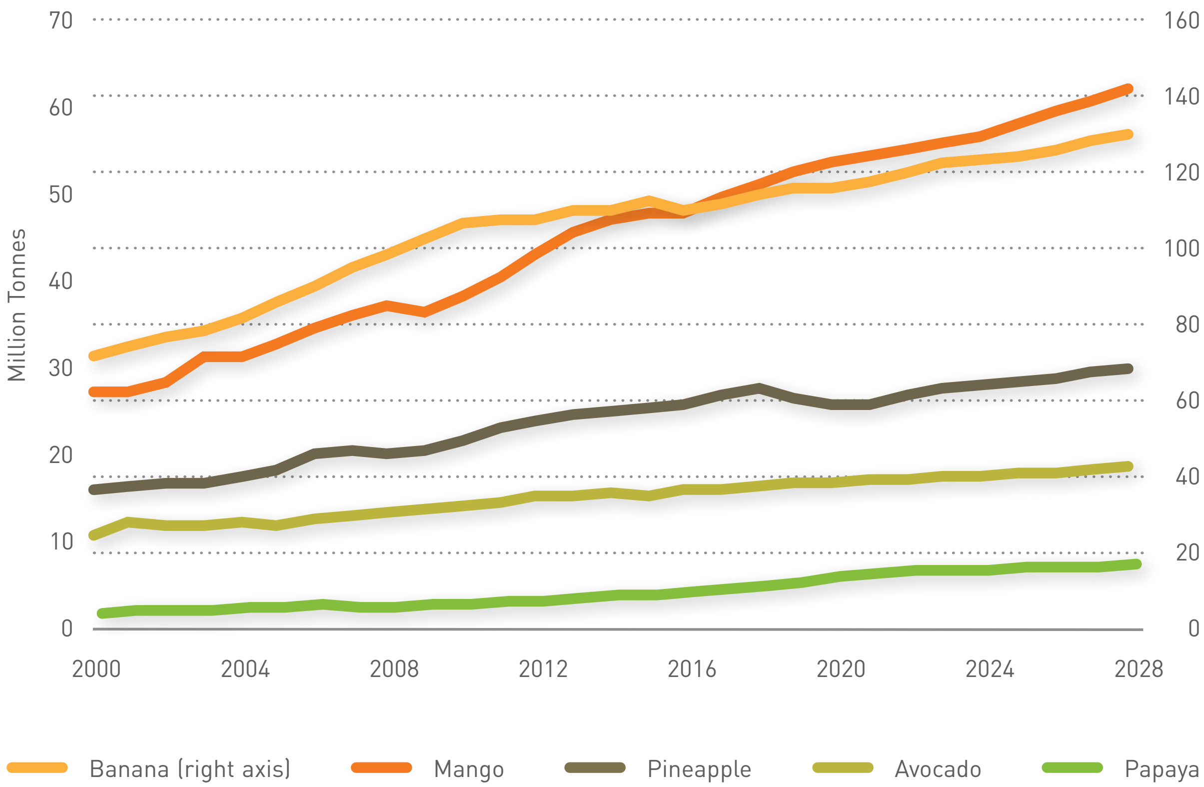


Figure 28 - Global production of bananas and tropical fruits
Source: FAO. Medium Term Outlook

5.2.3. Drivers of Trends in the Horticulture Sector

1. Consumer Power

Current trends indicate that consumers are looking for increased variety, freshness, and healthy options in their eating choices. They are also seeking greater ease and a higher proportion of fresh produce in their diets.

Increasingly therefore, consumer power will influence products and services provided by supermarkets worldwide. Product range will become more complex and fragmented as producers, manufacturers, marketers and supermarkets strive to meet the needs and demands of increasingly sophisticated consumers. Failure to recognise this will lead to commercial failure.

Consumer Power is demonstrated by the increasing demands for more knowledge about where a product comes from, how it was grown, and what its health and nutritional properties are. Negative consumer power can arise in the form of consumer boycotts against sellers and producers who do not meet the expectations of consumer groups.

2. Convenience Rules

To a large degree snacks and meals have become interchangeable and where 'convenience food' is associated with eating while moving and also quick home cooking.

Increasingly there are concerns that convenience foods should also be healthier. Real household incomes are growing and the percentage of income spent on eating food away from home is increasing and this trend will be especially important in many developing countries over the next decade as a growing middle-class population emerges.

For example, in Asia, there is predicted growth in convenience foods due to traffic problems, population growth, women working, and increased income leading to the emergence of a sophisticated middle class. Alongside this trend is an increase in cafes, trendy foods, sophistication, twenty-four-hour sales, snacking, sweet and gourmet and health foods.

3. Increasing Customisation of Food

Customisation of products, including food, is driven by the globalisation of businesses. People increasingly expect to be able to mix and match to suit mood, needs for time, and to use food to meet energy, health or leisure needs; one rule for all no longer applies. In short, consumer requirements are increasingly dynamic.

Manufacturers and suppliers are diversifying the customer base and tailoring services. Boundaries are blurring between food categories. There are increasing numbers of ingredients or processes that apply across foods, personal care and cleaning systems - and this applies to enzymes, proteins and compounds. Customisation needs are driving the development of indicator labels and systems for shelf-life, for product composition, and the presence of toxins and allergens.

4. Health and Wellbeing as drivers of Food Consumption

Concern for one's health has become a strong driver of food consumption in the markets of moderate-and high-income consumers. Health costs are causing a mini-boom in preventative medicine: increasingly important is obesity, Alzheimers, arthritis, back pain, diabetes, heart disease, and gut disease. Personal wellness can be achieved through a combination of diet, exercise, and lifestyle e.g. obesity has the same predicted risks as smoking in terms of life longevity.

There is increasing demand for food and food products that enhance human health and wellness on a global scale. Fresh fruit have been relatively "under-consumed" compared with snack foods. The trends towards health-related products, convenience products and value-added products represent a significant growth potential for new and novel fruit varieties meeting these demands.

Product differentiation on the basis of health components is critical. Future market opportunities lie in extending the harvest season and abilities to supply the market 12 months of the year. Opportunities also exist to develop new varieties specifically targeted at processing for fruit-based products (food, nutraceuticals, textiles, medical).

5. Sustainable Horticulture systems

The concept of sustainability of horticultural crops narrate both to the use of resources, such as water and nutrients, in a way which considers future needs, and the accountable use of objectionable compounds such as pesticides which will not compromise the quality of the environment.

There is a major trend towards a desire at personal, national and international levels to be environmentally responsible consumers, thus reducing adverse impacts on the environment. There are two aspects to this trend, a more objective aspect "eco-impact" and a more subjective one "eco-image". Both are significant and linked to a personal health trend.

a. Eco-impact

Availability of water is the most relevant issue that is facing horticultural production in almost all areas of the world. Hence, research is desirable to decide issues such as the development of drought tolerant crops, dealing with increased salinity, the management of crops under managed water deficits, use of low quality/ waste water and the use of more efficient application methods, viz. enclosed systems such as simple greenhouses. These are important for the promotion of sustainable Production and biodiversity.

b. Eco-image

Value systems play a vital role in determining social priorities, both locally and globally. This aspect is evidenced by trends towards a sense of "responsible consumption" at a personal level (e.g. recycling, assurances that sustainable production practices have been followed), by a perception that natural is better (e.g. organics, resistance to GMOs), and by a sense that native flora and fauna are part of our heritage need to be protected. Also significant in this respect, is the issue of indigenous culture and values, both globally and within the ACP countries.

6. Consumer, society and regulatory pressure for environmental sustainability

The issue of food safety has created many areas of concern for the horticulture sector including organic production, sustainability, traceability, regulations, trade various, marketing and biotechnology. Consumers want to know that their food is safe, that they find out where it came from, and how it was produced and who handled it.

7. Market and consumer pressure

Forecasts of growth in the organics sector are underpinned not only by increasing consumer awareness of environmental, health, nutrition and food safety issues but also by concern over genetic engineering and the aggressive promotion strategies being undertaken by major retail groups.

Organic marketing trends include development of organic supermarkets, biodegradable packaging, convenience organic foods, and sales through the internet. Supermarkets are the fastest growing organic outlets. Challenges in organics include productivity levels and long-term environmental sustainability.

8. Food safety

Proof of claims is becoming a key requirement, especially in the health benefit area. It is pertinent therefore, for products to be compliant with all the regulations in place regarding food safety such as HACCP.

Labelling is more and more required for nutritional/compositional information including GMO. ISO certification (and other) and tracking of food production for safety reasons is increasing. There is a shift from what a product is to what the product can do. The world is indulging in a proliferation of standards. There is a growing desire for "safe" and "natural" foods. Growth in the organic food sector is a consequence of this desire.

The development of safe processes and methods of detection of unsafe processes is becoming increasingly important.

9. Increasing Competition

Traditional international trade barriers are being lowered, resulting in an increasing amount of international global competition.

Fruits & vegetables suppliers therefore need to differentiate themselves from their competitors by demonstrating better cost structures, higher quality and consistency of product, ability to meet demand, efficient production systems, flexibility to incorporate new technologies and trends, continuous and faster stream of new products, rapid technology change and adoption, and decreasing product life cycles.

10. BioDigital

The exponential increase in the power of IT in its broadest sense, with its ever-shrinking physical size of hardware and increasing affordability, combined with new technologies for high throughput molecular sequencing and screening, is fast creating a new world where the monitoring and management of biological systems is available for real-time decision making. This covers a continuum from the most basic research, to production, sales, regulatory roles and beyond to consumer behaviour. There is access to huge amounts of data, knowledge and information world-wide, as well as the ability to process this data across international boundaries. Modelling enables “virtual experiments”.

In many countries large scale production of agronomic crops through genetic manipulation is being extensively used. However, in same countries, production of horticultural crops by genetic manipulations is of great concern and a matter of debates regarding the safety and the wider justification of GMOs. The lack of consciousness about the role that conventional plant breeding plays in the production of new cultivars and the uncertainty that often prevails between conventional breeding and plants produced using gene transfer technologies is a matter of concern regarding horticulture practices.

The use of artificial intelligence and robotics in horticulture production and processing is on the rise.

The reducing cost and increasing power of computer-based analysis will make current new technologies the preferred tool of regulation and monitoring internationally. This will include food tracing systems, and indicators of passage through specific environments. Nonhuman forms of life will be monitored, diagnosed, rescued and the planetary diversity enhanced using such technologies.

11. Information

The demand for useful and applicable information is growing as horticulture enterprises become more sophisticated and often more focused on exporting their produce. Further, with the advent of new technologies, viz. remote sensing, environmental monitoring, image analysis and others, there is a growing expansion of the different types of information. The challenges relate to the provision of relevant knowledge and the more effective means of transmitting the specific information that is required. Hence specific databases and web links providing useful knowledge related to horticulture would need to be put in public domain via internet.

12. Convergence of Sectors

Companies moving into new areas across traditional boundaries means that agricultural commodities are now being developed into value added ingredients or niche products. Biotechnology is impacting on the fresh product market. Rapid development of enough product and diversity to satisfy the market is important and biotechnology facilitates this, particularly in the area of breeding. Plants and microbes are starting to be used as factories.

Convergence of food, health of biotech areas is resulting in new products (value-added) and companies moving into new areas e.g. functional or fortified foods/ nutraceuticals; vaccines through food products; (plants as factories: biopharming, biomaterials, biocatalysts, biofuels, bio fermentation), slowly replacing the petroleum based chemical industries.

5.2.4. Impact of trends

Income growth and urbanization will continue to generate demand for fresh fruits and vegetables in ACP region. Growth in the number of supermarkets will necessitate the development of requisite retail management systems as well as logistics systems and technologies.

Supermarkets as a predominant player

Since the 1990s, supermarkets have assumed an increasingly important share in food retailing the ACP. Domestic retail supermarkets in many ACP countries currently compete among themselves and with international supermarket chains. Supermarkets are primarily very large chain stores that sell large volumes of both food and non-food items at low-cost and low-margins. Although in the past they targeted high income consumers in urban centres, they now target middle and lower middle-income consumers and are spreading into traditional local market areas, edging out small grocery stores and fresh fruit and vegetable stalls.

Given their ability to procure large volumes of produce, supermarkets command considerable strength and bargaining power. Large supermarkets generally source their fresh produce supplies from large farms that have the capacity to consistently satisfy their requirements for volume, safety and quality at competitive prices. They are increasingly involved in the accreditation of fresh produce suppliers for Good Agricultural Practices and Good Manufacturing Practices. These preferred suppliers must demonstrate their competence in farming, the use of pesticides and chemical inputs as well as in the use of tracking and tracing systems for their fresh produce outputs. The cost of conforming to all of these practices must, however, be fully borne by producers. Given the inability of many small growers to comply with these requirements and to meet the high cost of certification, commercial farmers are, in general, the major suppliers of large supermarkets.

Many supermarket chains also practice corporate social responsibility by returning benefits to farming communities through farm technical training and community services projects that involve both private sector and government agencies. Supermarkets are also increasingly involved with environmental protection programmes and standards that can be monitored and controlled by supply chain stakeholders.

Consolidation of local and multinational supermarkets

The past couple of years have witnessed a frenzy of consolidation of buying or the establishment of new stores by multinational supermarket chains in the ACP region. A growing number of foreign-owned (South African, European and American) supermarkets have become engaged in joint ventures with local and small supermarkets, given the inability of many of these local supermarket chains to compete with foreign-owned companies that possess vast financial resources, management technologies, electronic inventory control systems, purchasing power capacity and the ability to compete on pricing. Many large supermarkets are also engaged in the export of fresh produce to neighbouring countries, thereby increasing their control over the fresh produce supply base.

Major supermarkets are also expanding into other retail store types – specialty stores, discount stores and convenience stores. The intention is to integrate horizontally and cover a wider spread of the consumer base. All of these stores are located in the main cities and the suburbs. With the large urban population providing a ready market, this expansion will continue for some time.

Implications for stakeholders

The increased demand for high quality, safe and hygienic fruits and vegetables creates opportunities for trade, value adding, niche marketing and product specialization. However, to tap into these opportunities successfully and competitively, skills and capacities must be developed to manage quality, assure safety, and manage information flows within horticultural chains. Education and infrastructure must be improved and an open market system must be developed. The mindset and attitudes of producers must move from subsistence production, planned production and subsidized production, into profitable and competitive production. Produce specialization, trade specialization and industry innovation will be required and competitive, innovation systems will have to be developed by traditional rural farmers. Farmers will now be required to be more sensitive toward the needs of consumers for their production and marketing strategies and must take new approaches toward satisfying consumer demand. These approaches could include the introduction of new varieties of different colours, flavours, aromas and shapes and which fetch higher prices. At the same time, it will also be necessary for producers and retailers to make every effort to advertise and promote fresh produce in a manner that is appealing to the growing numbers of affluent consumers in the region.

5.2.5. The long-term benefits of following market trends

Understanding the long-term movement of the markets can make a massive difference to the long-term potential of your fruits & vegetables organisation. Below are some of the benefits of market trends;

a. Act before everyone else does

The first and most obvious reason why the company needs to stay up to date with market trends is that this places it in a position to get ahead of long-term market shifts so that it can trade at the best prices.

Most major industry slumps can be identified ahead of time if the company is paying attention to the right factors. Identifying these comes with experience. They don't just enable the company to take short-term actions to stay out of trouble but can also buy it the time to shift the focus of the company activities to make it more resilient when necessary.

b. Invest in growth areas

Watching markets can help the company to take advantage of strong prospects for growth. These could be centred on a particular country or region or on a particular industry.

Although they rarely last for more than a few years, getting in on the ground floor can enable you to do very well before the tide turns, and it also gives you a better chance of buying into the businesses that will survive and prosper afterwards. Other markets (such as biotech at the present time) offer slower growth prospects but more assurance of enduring returns.

c. Refine your networks

Success in business has a lot to do with personal connections. Being able to predict long-term market movements gives the company time to build up connections in particular areas. The company might also choose to refine its skills – for instance, by learning a new language or studying an emerging technology. This will place you in a strong position to develop business deals as growth develops. Other businesses won't be ready, but the company will know exactly who to talk to, and it will make the right impression exactly when it matters.

d. Look like the business of tomorrow

Businesses that spend all their time playing catch-up and reacting to past events don't make a great impression on potential trading partners or customers. If the company can stay one step ahead, then it will not only give an advantage to the business in trading terms, but it will also enhance its reputation. This can help when you're seeking investment and can push up your share price. Being able to speak authoritatively about the long-term direction of the markets at trade expos or in the media makes people see your company as one that they can trust.

5.2.6. How to identify market trends for long-term business planning

Keeping up with trends is not something that an advisor can do for the organisation, and it requires more than a single source of input. It's important to acknowledge that industry is ever-changing and in order to stay ahead of the curve and avoid competitors passing you by the company needs to be able to move with the times for the benefit of long-term business planning.

Market trend analysis needn't be as scary as it sounds. It's simply the comparison of industry data over a set time period, designed to recognise any consistent trends or results that could be used to map the fruits & vegetables business strategy – aligning it with the general direction of your industry.

Market trends tend to be heavily influenced by consumer habits and behaviours. By carrying out the following types of industry trend analysis the organisation will be able to determine the moves that could have a direct impact on its overall business performance:

a. **Keep track of industry influencers and publications**

As a busy fruits & vegetables entrepreneur, being pressed for time is by no means a rarity! Entrepreneurs don't always have the time or head space to be able to read through every interesting thought leadership article within the fruits & vegetables industry, so how can the company keep track of industry developments? Social media is a powerful tool to keep track of industry influencers, their points of view and ensure the company remains part of the conversation.

b. **Absorb up-to-date industry research and trends reports like a sponge**

To get a real picture of the industry landscape and determine the direction it is heading in, the entrepreneurs need to be reading up on the wealth of industry reports readily accessible to you. For example, online market reports from top publishers such as Frost & Sullivan, Euromonitor and many more, as well as up-to-date sector and company data for major industry players.

c. **Make the most of digital tools and analytics to assess industry behaviour**

There is a wide variety of analytical tools and systems available for following market trends. It's great because the organisation can let these tools do all the work for it to help it understand the bigger picture of the marketplace much more quickly.

Digital analytics can help the company discover trends increasingly searched for by consumers online. For instance, Google Trends displays a long-term overview of niche trends while Google's Keyword Planner allows the search of the most popular keywords used by target demographic online and the potential scale for using and bidding on them for the business as part of a digital advertising campaign.

d. Listen to your customers

It pays to talk to customers. Have a chat with them and learn more about their pressure points to discover what more the business can do to help them.

Regular quantitative surveys of the existing customer base or – if it's a completely new start-up – the target market could provide valuable insight into possible changes in their behaviours and needs.

e. Competitor observation

Most successful fruits & vegetables businesses don't follow the crowd; they innovate and break new ground in order to stand out from the noise. However, observation of competitors can often give the company a good picture of their market positioning and whether they are reacting to what could be seen as an emerging trend. Competitor analysis can be as simple as reviewing their website, customer reviews and social media channels. Through this, it is possible to understand how the company compares to its competitors.

CASE STUDY 1

Identifying Market Opportunities in Burkina Faso
"You Opened My Eyes"

"Do you know that I learned a lot today?" said Lamourdia. A farmer from Gnagna province in eastern Burkina Faso, he had spent a long day in the busy market. But he was not there to buy or sell. Instead, he was doing research: he had walked from stall to stall, questioning traders, watching negotiations, and inspecting the sacks of produce that were being bought and sold.

Lamourdia's fellow villagers had sent him as part of a team of farmers to collect data in the market. It was a new experience for him; he told the Coleacp market facilitator who was coordinating the team. "You opened my eyes. At the beginning, I wondered why it was necessary to ask all these questions about the quality of the products bought by the traders, the quantities that they require, the measuring units, the periods of purchase, the customers' needs, etc. Now, with the explanations given by the wholesalers, I understood that if we bulk our stocks of products such as oranges and mangoes at the village, they can directly come to buy them from us without passing through the middlemen."

Lamourdia was confident that the information would be valuable to plan the village's marketing efforts: "When I go back to the village, I will report to the other members of our market committee", he said. "We will begin sensitizing the whole village about bulking of our products for sale during the next campaign. I asked for the cell phone numbers of the main wholesale traders and I will call them myself as soon as we are ready next year. I will agree to sell our oranges or mangoes stocks to those of them that offer the best price.

CASE STUDY 2

Lost in The Market Place

After years of farm marketing Doris feels she has been cheated and is not making progress so she calls her son Nuwa a second year University student pursuing his business degree and pours out her heart.

What hurts is she did not know it until she discovered that the same pineapples and tomatoes she sold at a price she one thought was good where being resold at a higher rate by Juma, her purported market messiah.

When she set out to farm, in her mind she thought of it as a business. She would produce her vegetables and fruits, then put them on the market. The first year she struggled with her produce, and then she met Juma.

Juma was a vendor in the city and promised that he would ensure all her produce was cleared off her farm shelf. That way she would earn from it. Without making further inquiry, Doris jubilated and started selling her products at what Juma called a wholesale price. She got some money but Juma after a year upgraded to a truck and was asking if she would help him locate an acre of land so that he also starts farming.

Doris wondered how this could be. Then grapevine through similarly jealous and discontent farmers in her neighbourhood she learned Juma bought bulk and then sold in them at double the price.

Nuwa after listening to his mother remembers his lesson on marketing. He tells his mother that she needs in to do more research on the market and know who buys the product, when and how. She wonders how that is going to help and he reminds her, that it was through what she heard, inquired about and saw that she learned she was being cheated.

Doris admits she needs to dig deeper and find out how to best position her produce for the market. Besides she wants all the profit to herself.

Questions

1. Why is Doris and the other farmers lost in the market?
2. What puts Doris at a disadvantage
3. What was lacking in boosting Doris' farming business?
4. Identify some of the unethical marketing dynamics market research would eliminate

Answers

1. They lacked the right market information to direct them into making strategic market plans and choices
2. She relied on crude and generic benchmarked data provided by a competitor

   Doris got into farming without understanding it as a business and thus not paying attention to:

   - Present horticulture scenario and land use pattern
   - Suitability of land holding to various crops/enterprises
   - Fruits & Vegetables crops in demand in near future
   - Market prices of the fruits & vegetables crops
   - Availability of inputs
   - Usage of inputs
   - Desired qualities of the fruits & vegetables by consumers
   - Market network of the local area and the price differences in various markets
   - Network of storage and warehouse facilities available
   - Transport facilities
   - Production technologies like improved varieties, organic farming, usage of bio-fertilizers and bio-pesticides, and right methods of harvesting
   - Post-harvest management like processing, grading, standardization of produce, value addition, packaging, storage, certification, etc. with reference to fruits and vegetables.
   - Contract farming
   - Private modern terminal markets
   - Fruits & vegetables retail chains
   - Food safety and quality standard Certification

3. **Answer:**
   - Market research (Primary & secondary)
   - SWOT Analysis of the business
   - Market networks of the local area and the price differences in various markets
   - Market prices of the fruits & vegetables crops
   - Keeping track of influencers in the business
   - Observing her competitors
4. **Answer:**
   - Price fluctuation
   - Half-truth on market availability
   - Reliance on grapevine
   - Unhealthy competition practices

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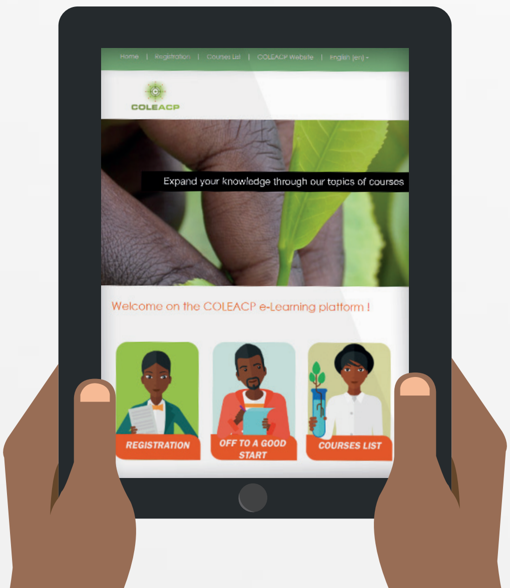

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