

**UNIVERSITY OF KWAZULU-NATAL**

**THE PRACTICE OF MARKETING STRATEGIES BY NATIONAL  
FRESH PRODUCE MARKETS IN SOUTH AFRICA**

**By**

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- Cape Town Market, and
- Tshwane Fresh Produce Market.

## DECLARATION

I, Zamantungwa Clara Nobandla, student number: 208522086, declare that:

- (i) The research reported in this dissertation, except where otherwise indicated, is my original research.
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## **ABSTRACT**

Fresh produce markets have long been lauded as a vital yet declining part of the price-determining function and distribution of fresh produce by the agricultural industry in South Africa. However, an investigation carried out by the Section 7 Committee on the Johannesburg Fresh Produce Market in 1998, which is synonymous with all fresh produce markets, clearly indicates the different meaning the word marketing holds for markets as has been defined by many marketing scholars.

The research problem in this study identified the need to establish the practice of marketing strategies exercised by national fresh produce markets in South Africa, and to re-evaluate the environment within which these strategies are implemented.

A qualitative research study was conducted with twenty two national fresh produce markets in South Africa by means of semi-structured questionnaires that were administered via telephone.

A total of two out of the twenty two markets operating in South Africa participated in the study. The data collected from the investigation was successful in indicating the type of marketing strategies the two markets are currently employing. Further to this, the enquiry revealed that national fresh produce markets realise the vital role they play within the South African economy. Thus, they foresee a long and bright future ahead for their existence.

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# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1. Introduction**

Marketing is perceived the world over to refer to the all-encompassing activities or instruments that holistically embody what has become termed as the marketing mix that includes “product, distribution, price and marketing communication” (Strydom, 2004). However, this does not stand entirely true for fresh produce markets (FPMs) in South Africa where marketing still refers to the pricing and distribution of fresh produce from the farmers to the buyers and not to the marketing communication that is required to attract both the farmers (producers) and the buyers to the markets in order to create a robust place of trade.

The aim of this research study was to provide insight into the marketing strategies employed by FPMs in South Africa making no differentiation between those that are municipality or privately owned. It further highlighted the need for such marketing communication during an era where the tonnage of produce moving through the national fresh produce markets (NFPMs) is decreasing whilst sighting the various limitations experienced in gleaning the necessary information to conclude the research due to the nature of the industry in South Africa.

### **1.2. Motivation for the Study**

Much of the research conducted on FPMs serves to investigate operational and legislative issues rather than the softer issues of marketing which aim to attract better produce from farmers and a higher number of buyers from the market. A need existed to investigate the type of marketing activities FPMs are using in light of recent advancements in marketing platforms such as social media applications available on smartphones which in turn give access to electronic communication platforms as well as more affordable means of communication such as the internet and email thus surpassing the need to rely on posted

communication or short message service (sms) services with buyers, and to some extent farmers.

The research aimed to give recommendations on how FPMs and market agents, through their respective associations, can make use of marketing communication within their limited resources to increase the presence of FPMs in the industry.

Very little investigations have been conducted on the practice of marketing strategies by bulk FPMs in South Africa. Therefore, this research aimed to provide a view of marketing strategies that can assist an area that has long been seen as ailing in our country.

### **1.3. Focus of the Study**

This research focuses mainly on the marketing strategies employed by the 22 FPMs in South Africa (NAMC, 2007). This means the act of promotion as entailed in the various definitions that exist in reference to the marketing mix, and will not look into the use of place, price and product as the remaining components constituting the traditional concept of marketing that bring about “a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others” (Strydom, 2004).

### **1.4. Problem Statement**

Fresh produce markets have long been lauded as a vital yet declining part of the price-determining function and distribution of fresh produce in South Africa by the agricultural industry. However, an investigation carried out by the Section 7 Committee on the Johannesburg Fresh Produce Market in 1998, which is synonymous with all FPMs, clearly indicates the different meaning the word marketing holds for markets as has been defined by many marketing scholars.

Fresh produce markets deem marketing as the movement of fresh produce from the farmers, via the market to the customer who may come in the form of a wholesaler, a retailer or end consumer at a price that is determined by a multitude of factors including

produce quality and availability at the market. The customer merely walks through the market in search of a business transaction that will suit his or her needs, and may be open to negotiate the price at which he or she procures the produce entrusted by the farmer to the respective market agents commissioned to sell the same produce off the market floor.

The above rendition of how marketing takes place in FPMs suggests that very little, if any, promotion with regards to the various marketing communication methods is employed to inform the consumer or target market of the product offering either prior nor during his or her visit to the market. Hence, the intention of this research was to establish the practice of marketing strategies by the bulk FPMs in South Africa.

## **1.5. The Aims and Objectives of the Study**

The aim of this research is two-fold: firstly, to establish the practice of marketing strategies currently employed by NFPMs in South Africa, and secondly to reassess the operating environment within which the markets implement these marketing strategies.

The objectives of the research are to:

- establish how FPMs perceive marketing as a function;
- identify the current marketing strategies implemented at FPMs;
- evaluate the environment within which FPMs operate; and
- investigate any possible perceived changes that have taken place within the operational environment of FPMs since the disbandment of the control boards.

## **1.6. Key Research Questions**

In order to establish an understanding of the practice of marketing strategies undertaken by FPMs, and to re-evaluate the environment within which they are executed, this study will attempt to answer the following key research questions:

- Do FPMs allocate resources dedicated specifically to the marketing function?
- What marketing strategies do FPMs employ?

- How do FPMs measure their marketing strategies?
- How do FPMs perceive the environment within which they operate?
- What are the changes that have taken place in the FPM's operating environment?

## **1.7. Structure of the Study**

Chapter Two contains the theoretical background of the study where literature is reviewed on what marketing strategies are, and how they fit into the overall business strategy and either success or downfall of an organisation. A review of the agricultural industry in South Africa is conducted from previous studies undertaken in this field.

Chapter Three discusses the research methodology, design and rationale thereof for the study. Qualitative research was identified as the most suitable method of conducting this study. The sample drawn was of 22 FPMs which comprises of the entire population of FPMs in South Africa. Therefore, a census of the entire agricultural industry was undertaken using the interpretivist paradigm.

Semi-structured interviews were conducted telephonically as a means of data collection as this method was deemed more appropriate given the national footprint of the population being studied.

In Chapter Four, the results collected from the two NFPMs that participated are presented and discussed. Chapter Five contains the recommendations and conclusion to the study.

## **1.8. Summary**

Very little attention has, over the last couple of years, been given to how bulk FPMs can make use of marketing communication to regain their footing in the fresh produce industry in South Africa (Chikazunga, Louw and Van Deventer, 2008). Marketing has always referred to the manner in which produce moves from the producer via a market agent to the customer rather than to the use of the element of promotion or communication which constitutes part of the marketing mix.

Through the use of primary research, this research will investigate the current level of marketing activity of bulk FPMs in South Africa and also aim to re-evaluate the industry within which markets must land marketing activity in South Africa. It will endeavour to do so in an environment that poses several limitations yet it will attempt to contribute towards a better understanding of the marketing activities FPMs must now consider in order to thrive in this deregulated fresh produce industry.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1. Introduction**

This chapter serves to place FPMs in context by providing an academic platform from which an analysis of the various marketing strategies and the manner in which they are practiced is reviewed through a body of literature within the South African context. Fundamental marketing concepts are explored in this chapter, and are preceded by an appraisal of the agricultural sector with a single-minded focus on bulk FPMs. The structure of the chapter includes a discussion on marketing strategy and the multi-faceted environment in which they are executed. The chapter concludes with a discussion on the concept of positioning.

#### **2.2. Theoretical Background**

The manner in which business was conducted by agribusiness managers in South Africa took a great turn towards the end of the decade in the 1960s. This change was heralded by an encroaching change in the societal and governmental climate, a greater call for novelty in manoeuvring within governmental structures, and competition from both the local and foreign domains was on the rise. One particular act of parliament radically changed the face of the agricultural industry in South Africa by radically altering the structure, and thus duties, of the main participants in the industry. This change was the revoking of the Agricultural Marketing Act, 1968 (Act no. 59 of 1968) which had the following implications: nominal government jurisdiction and a relatively open market to facilitate trade (Doyer, D'Haese, Kirsten & Van Rooyen, 2007).

The revoking of the Agricultural Marketing Act no 59 of 1968 saw NFPMs throughout South Africa operating in uncharted waters. The newly formed free market environment created a new operating environment for FPMs whereby they encountered new forms of competition in the form of other industry players against which they had never competed. The direct result of the repealing of the act saw FPMs becoming an option rather than the

first port of call for farmers throughout the country as fresh produce supplies rerouted from the traditionally used process of going from farms directly to markets to newer conduits which included retailers, wholesalers and other avenues of a similar nature.

The new operating environment and situation that FPMs now found themselves was succinctly captured by Chikazunga, Deall, Louw & Van Deventer (2008) and is listed in the following pertinent points:

- From the onset, a notable discrepancy existed between the operations of large and small-scale trade. The primary function of FPMs was to act as an intermediary thus removing the discrepancy.
- The share of fresh produce channelled through the majority of FPMs has decreased since the Agricultural Marketing Act was repealed. This is driven mainly by the sharp increase in commercialisation and privatisation.
- Two key macro-economic factors are instrumental in the decrease of the market share enjoyed by FPMs: technological advancements in the handling of fresh produce and enhanced means of transportation. These two factors are vital in the fresh produce industry as the former enables the delivery of quality produce and the latter facilitates a more conducive avenue for commercial and private industry players to access the market.
- FPMs play a vital role within the industry due to their unique ability to be the most relevant and dominant price setting entity. South African markets are able to deliver this distinctive characteristic through the commission-based system which is operated on the ground by the wholesale agent structure employed by the majority of FPMs.
- The growth of retail trade, which is presented by the increase in density of the retail industry, is placing immense pressure on FPMs.
- The current operating environment of FPMs calls for more stringent quality and health stands. This, coupled with the market's decreasing combined market share, ranks high on the list of threats facing FPMs in the current South African landscape.

The bulk of FPMs are managed and owned by local government in South Africa whilst the minority have since been privatised. The general connotation associated with public entities is that, unlike their private entity counterparts, they lack strategic direction and

their business models are generally service driven rather than profit driven. The FPMs inability to execute swift changes in accordance to their fast-changing environments is driven mainly by the bureaucratic structures that govern them (NAMC, 2000; HSRC, 1991; DoA, Undated, cited in Chikazunga *et al*, 2008).

However, there has been movement within the public sector that suggests a change in the mind-set within which public entities are viewed. This change comes in the form of the concept of new public management (NPM) which has been described as “the intellectually and practically dominant set of managerial and governance ideas” of recent decades (Dunleavy, Margetts, Bastow & Tinkler, 2005). The fundamental assumption of NPM, which has been a dominant paradigm in the public sector over the past thirty years, is that the introduction of management principles and techniques garnered from the private sector leads to improvements within the public sector (Hood, 1991; Pollitt, 2007b). Gromark and Melin (2013) are of the opinion that several organisations in the public sector have been forced to change in line with this paradigms’ assertions.

Such changes cannot be seen in a negative light as the ability of entities to thrive within their designated operating environments is a business imperative for both private and public sector organisations. Luoma-aho (2008) states that public sector organisations the world over have come to the realisation that diversification and growth in functionality is key for survival. However, the challenges they encounter still remain the same. Public sector organisations still operate in a sphere where resources are susceptible to the ever changing environment where legislation and the state of the economy continue to determine the nature of the relationship that exists between the public, the public sector entities and the various stakeholders that surround it.

Although the notion of stakeholder relations is a concept that originates from management literature, it is said to be a valuable concept for both public and private sector enterprises to grasp as no organisation exists within a vacuum (Luoma-aho, 2008). The markets that FPMs generally service are community focused and have been identified as: households; farmsteads, and the industry at large. These can be viewed as the FPM’s stakeholders (NAMC, 2000; HSRC, 1991; DoA, Undated, cited in Chikazunga *et al*, 2008).

Thornhill (2006) identifies three main reasons why a thriving and industrious public sector is central in any economy:

- The public sector is a major creator of employment.
- A bulk percentage of social and business services are provided by the public sector.
- It is one of, if not the greatest, consumers of tax resources.

The economy endures substantial implications in instances where changes in public sector productivity have taken place. It is becoming a business imperative that the demands of the marketplace be reflected more effectively in the structure and management of public and private sector organisations (Harris & Piercy, 1997). The thriving of FPMs in South Africa is of great significance because efficiency of the public sector is as important to the economic performance and well-being of a country as that of the private sector (Linna, Pekkola, Ukko & Melkas, 2010).

The lagging performance of the fresh produce industry is a challenge that is not synonymous to the South African context only. Fearn and Hughes (2000) stated that the fresh produce industry has traditionally performed at levels lower than those of the fast-moving consumer goods (FMCG) industry in areas of marketing and merchandising in the United Kingdom. Academic opinion is that FPMs have become content with being known as commodity trades. Suppliers in the United Kingdom though have succeeded in breaking away from the commodity trading mind-set by recognising the strategic significance of own-label products and through the dominance of numerous retailers. This stance has positioned the fresh produce industry in that region as innovative and value driven.

Kohli & Jaworski (1990) state that as an organisation encounters increasing levels of competition the resultant effect is the myriad alternative products and services it offers to consumers in an attempt to maintain and grow its profits. Organisations gradually shift their focus towards market orientation as becoming value driven and innovative is seen as the only means of survival. The benefit to the consumer becomes the greater value that is generated in this process. Given the declining market share of FPMs, the question becomes whether or not South African NFPMs should follow suit or not?

## **2.3. The South African Agricultural Sector in Context**

### **2.3.1. Operating in a Deregulated Environment: from Past to Present**

During the pre-democratic era, the South African government placed great emphasis on ensuring the protection, safety and health of natural agricultural resources. Several government intercessions were employed in the form of an assortment of policy instruments which included support to commercial farmers and subsidies for use in maintaining regulatory instruments and research. However, the most significant instrument introduced by the government of that era was marketing intervention in the form of the Marketing Act. This specific piece of legislation led to the establishment of a control board whose main role was to oversee the marketing scheme introduced by farmers and the Minister of Agriculture of that time (Kirsten, Edwards & Vink, 2007).

Immense government intervention formed the main characteristic of the agricultural sector prior to the democratic government. From as early as 1937, the year in which the Marketing Act was drafted, up until 1996 when the new Marketing of Agricultural Products Act came into effect, the majority of agricultural output in South Africa was under government control. As government continued to invest in the agricultural sector output steadily began to increase throughout much of the 1950s and 1960s (Kirsten *et al*, 2007).

The post-apartheid government came into power in South Africa during 1994. This change in regiment brought several changes to the South African political and economic landscape. However, the most significant changes introduced within the agricultural sector were the arrival of the new Marketing of Agricultural Products Act, No 47 of 1996 that aimed to open the agricultural sector to world market influences never experienced in South Africa before, and dismantled the control boards that had historically existed to regulate the sector replacing them with a new structure whose primary focus was to manage and monitor government intervention (Kirsten *et al*, 2007). The support for the liberalisation of the agricultural industry was galvanised around the belief that imported food could come in at a lesser price, and the need to remove the partiality against commercial farmers who were deemed privileged and supported. South African agriculture became fully integrated into the global sphere of agricultural commodity markets with the resultant effect that the bulk of the so called tariff lines incurred a zero tariff amount

(Kirsten, 2012). The National Agricultural Marketing Council (NAMC) was also borne out of this change which ushered in a new era in the South Africa agricultural Sector (Kirsten *et al*, 2007).

The changes that followed the advent of the new Act had far-reaching consequences. Although Kirsten *et al* (2007) states that the agricultural sector was the most effected segment in the South African economy during the 1990s, extensive changes took place across the board as major institutions such as the Land Bank, the Agricultural Research Council and the Development Bank were restructured to ensure that none of the policies instituted prior to 1994 were practised (Callear & Mthethwa, 1997, cited in Kirsten *et al*, 2007). Similar changes in structure took place at all public sector agencies synonymous with the industry in a move that saw the structures playing a more provincial role (Kirsten *et al*, 2007).

Important to note is the most fundamental change introduced by the Marketing of Agricultural Products Act, No 47 of 1996 that contains the greatest relevance to this study. Prior to 1994, suppliers of fresh produce never bore the obligation of marketing the products they produced. This was a function administered by the marketing boards which had ceased to exist at the dawn of the new democratic era. Therefore, farmers and the agribusiness sector were required to establish new means and structures through which to market the fresh produce (Bayley, 2000; Vink & Kirsten, 2000).

The state of the agricultural industry post deregulation is succinctly captured below as follows (Durban Fresh Produce Market, 2009):

- “Marketing of fresh produce was de-regulated in South Africa in the early nineties with the disbandment of control boards. The resultant enhancement of the ‘free market’ concept opened up many alternative marketing channels for producers and suppliers alike. Farmers are now not obliged to market their produce via the FPMs only, and may in fact sell directly to wholesalers, retailers, and supermarkets, thereby effectively by-passing the bulk FPMs.
- Tonnage of fresh produce delivered to markets has not grown over the number of years. Turnover has gradually increased and is purely a result of supply and demand, and high input and traveling costs. Bulk markets have generally lost

market share over the years” (Development of a Marketing and Business Development Strategy: Terms of Reference, 2009:2).

The performance of the agricultural industry post the removal of the Marketing Act and Control Boards can be described as follows (Statistics South Africa, 2012):

- The agricultural industry, including forestry and fisheries, contributed 0.2 of a percentage point towards the real gross domestic product (GDP) of South Africa. The contribution was based on growth of 10.0 percent at market prices that increased by 2.1 percent when one compares one quarter to the next which were annualised and seasonally adjusted.
- The same industry reported to have declined by R9 billion down to a figure of R68 billion within the approximately R815 billion nominal GDP at market prices in the last quarter of 2012.

The figures above are an indication that the agricultural sector is continuing to decline. Although a contribution of 0.2 percent is recorded, it is vital to note that this growth is driven by animal as opposed to agricultural products. This apparent demise of the agricultural sector continues to be a source of concern for many within the industry with various calls being made for more concerted effort in stimulating agricultural trade (Poulton *et al*, 2006; World Bank, 2007).

The reality within many African countries is that, in spite of most internal agricultural markets becoming free, the challenges still remain. Barrett and Mutambatsere (2009) sight these challenges as being the “continuing high transactions costs in agricultural markets, combined with large price fluctuations affecting incentives for smallholder productivity growth.” The grim outlook is not due to a lack of state interventions. “A variety of donor-supported government initiatives and interventions take place, including information sharing, storage and credit, again within the simple model achieving the ‘perfect’ market with large numbers of small traders. Many have remarked that before the wave of liberalization in the 1980s and 1990s, marketing boards performed many of these functions and some have even called for their reinstatement as the solution” (Barrett and Mutambatsere, 2009).

### **2.3.2. Distinction of Markets in South Africa**

The National Guidelines for Public Investment in the Establishment of Agricultural Marketing Infrastructure (2010) makes a distinction between three types of FPMs in South Africa:

- Farmers' markets;
- Wholesale markets, and
- Commission markets.

For the purposes of this study, farmers' markets and wholesale markets are set aside. The primary points of distinction between the three establishments are: the onsite sellers of produce in farmers' markets are the very farmers who produce the product; wholesale markets are profit-driven procuring the fresh produce from the farmers and selling it at higher margins, and lastly commission markets represent the case of market agents trading as merchants who enter into agreements with farmers to sell the fresh produce on their behalf (National Guidelines for Public Investment in the Establishment of Agricultural Marketing Infrastructure, 2010).

In recent years, a fourth type of market has been identified: the informal market. Shielded from the regulations and bureaucracy that govern FPMs, informal markets are characterised by makeshift structures located largely along places that experience high foot traffic such as taxi ranks, bus stations, main roads and at times on the outskirts of FPMs themselves. The South African government recognises informal markets as wholesale markets because the produce resold to the public is procured, and repackaged into smaller quantities, from the markets mentioned above (National Guidelines for Public Investment in the Establishment of Agricultural Marketing Infrastructure, 2010).

### **2.3.3. Fresh Produce Markets**

South African FPMs had their origins in the simplistic system that allowed producers and consumers to meet in a central place under close supervision and control of an official government body. What now has become a central hub of formalised trading serving a limited geographical area began as centrally located meeting places serving specific towns

and outlying areas. In 1967, the Department of Agricultural Economics formalised the separation of national markets from local markets (Chikazunga *et al*, 2008).

The main aim for the establishment of FPMs was to level the playing fields between large-scale and small-scale farmers granting equal opportunity for both to generate profit from the produce farmed in the free market environment formed post the disbandment of control boards. The general trend the government was rebuking was that of large retailers disengaging with small-scale farmers because of the fluctuating yields they produced which also varied in quality. By law, FPMs cannot turn away any fresh produce on the basis of origin, size or colour. (NAMC, 2000 cited in Chikazunga, 2008).

The daily operations of FPMs remain simplistic to this day with the bulk of the administration still dependant on paper rather than technology. From a farmers' perspective, the process involves the farmer transporting his or her produce from the farm to any market of their choice within South Africa where it is received by market agents and logged onto the FPM's computer system. The farmer is issued a delivery note as surety of the market having received the goods. The produce is then sold on the market floor for the benefit of the farmer and market agent. The buying process is as straightforward and paper laden. Buyers peruse the produce available on the market floor with an opportunity to negotiate the price directly with the market agent. Thereafter, given that funds are available on the market buyers' card, they may then 'swipe' for their fresh produce using coded plastic cards (Report on the Investigation into Fresh Produce Marketing, Report 1, Johannesburg Fresh Produce Market, 2006).

Governance of the operations of FPMs is maintained by the market's authorities through a managed computer system. The systems across all markets generate information that keeps the market authorities abreast as to the volumes both sold and on-hand, and keeps track of gross sales revenue. The data contained therein allows the market to retain commission on all sales transactions performed and transfer the negotiated commission earned by each respective market agent. It is the role of the market agents to transfer the balance owed to farmers according to the agreements they establish within a specified time-frame which generally is within 15 working days (Report on the Investigation into Fresh Produce Marketing, Report 1, Johannesburg Fresh Produce Market, 2006).

There are currently 22 NFPMs operating in South Africa consisting of a combination of ownership and management styles. The markets are listed as follows in no specific order (Young, 2013):

- Butterworth Fresh Produce Market
- Cape Town Fresh Produce Market
- Durban Fresh Produce Market
- East London Fresh Produce Market
- George Fresh Produce Market
- Joburg Fresh Produce Market
- Kei Fresh Produce Market (Mthatha)
- King Williams Town Fresh Produce Market
- Lowveld Fresh Produce Market (Nelspruit)
- Mangaung Fresh Produce Market (Bloemfontein)
- Matlosana Fresh Produce Market (Klerksdorp)
- Mpumalanga Fresh Produce Market (Nelspruit)
- Noord-Einde Fresh Produce Market (Port Elizabeth)
- Pietermaritzburg Fresh Produce Market
- Port Elizabeth Fresh Produce Market
- Sol Plaatjie Fresh Produce Market (Kimberley)
- Springs Fresh Produce Market
- Tshwane Fresh Produce Market (Pretoria)
- Uitenhage Fresh Produce Market
- Vereeniging Fresh Produce Market
- Welkom Fresh Produce Market
- Witbank Fresh Produce Market

#### **2.3.4. The Free Market Environment**

The end of the controlled food marketing epoch during the mid-1990s signalled the start of a new trading environment characterised by limited to no control over borders, the behaviour of food companies, retailers, traders and producers operating within the food

value chain. Many government-owned entities involved in the business of dispensing permits, quotas and licenses were no longer in existence. “The spirit of liberal capitalism was in full operation” (Kirsten, 2012).

Michael, Hamilton and Dorsey (1995) suggest that a free market environment is most suitable to organisations best described as adaptable and reactive to change within the environments they operate in. Further to this, they view such organisations as having employed marketing tactics in pursuit of a singular business objective which is survival in the marketing place. The free market economy is seen as an attractive option for organisations that have the ability to harness the innovative and creative capabilities of those they employ in order to survive the volatility of the business environment. Production and consumption abilities enabled by a free market system allow for competition to thrive. Organisations that are unable to keep abreast of the changes introduced by the competition perish in a free market environment (Michael *et al*, 1995).

For decades the world has been galvanising towards a global market. In so doing shifting consumer mind-sets towards a market economy capable of fulfilling the innate desire humans possess to produce and consume products and services in a continuously more efficient manner (Michael *et al*, 1995). National fresh produce markets are viewed as failing to keep up with these changing patterns of production and consumption. The apparent lack of transformation within the agricultural industry at a pace deemed necessary to ensure they remain competitive in this free market environment is what underlies their loss of market share (Chikazunga *et al*, 2008).

Ghosh (1992) holds the opinion that no market is ever totally free. He states that the rate and manner in which a market develops is dependent vastly on the nature of the state and the various stakeholders with influence on the states’ ability to exercise pressures and controls that best serve their vested interest. Jayne (2008) maintains the view that government institutions such as commodity boards may still be regulating traditional markets thus still dictating the selling channels of some farmers. More than a decade later, Mraovic (2011) still holds a similar sentiment to Ghosh and is documented as stating that “free markets are directed by the hands of politics”.

An example of the unceasing monitoring effect government still maintains on South Africa’s agricultural sector is the response given to the food price increase crisis the

country witnessed during the years 2002 and 2003. Kirsten (2012) agrees that government did not introduce any key policy changes in response to the food price crisis. However, it did appoint the Food Pricing Monitoring Committee (FPMC). The recommendations which followed the FPMC's investigation included:

- “The implementation of a reliable and consistent food price monitoring network;
- Improvement in the accuracy of crop estimates by means of better technology, expertise and dedicated funding;
- Increased budgetary allocation for agricultural information and statistics” (Kirsten, 2012); and
- The request for the competition commission to “conduct a thorough investigation into the market structure of the food industry, as well as the agricultural input industry” (Kirsten, 2012).

Evidence indicates that although FPMs operate in a free market environment, they are affected by the influences of the state to which many belong.

## **2.4. Fresh Produce Market Structures**

Global trends indicate differing management structures for FPMs across the world whilst the majority remain under the ownership of local governments. A similar trend is observed for South African FPMs where the majority are state-owned but follow several management structures. One of the significant discoveries of the investigation conducted by the NAMC is the level of influence management has on the operations of markets which is diminishing, a factor that is seen to be closely linked to disharmony between ownership and management structures. The impact that this has on FPMs is that most are experiencing challenges in expanding their operations (Section 7: National Fresh Produce Markets, 2007).

The dominant tenure and administration structures within the South African agricultural industry are listed as follows:

- Departmental;
- Municipal, and

- Private.

Markets employing a departmental ownership and management structure operate similarly to an organisation whose actions need to be sanctioned by the management board before they are executed. Under this structure, all assets including land, property and buildings are owned by the municipality. Management within this structure may conduct normal day-to-day business operations but cannot undertake major interventions that may alter the course of operations (Section 7: National Fresh Produce Markets, 2007). Fresh produce markets that are currently managed as departments of their respective municipalities include Tshwane, Durban, Springs, Pietermaritzburg, East London, Bloemfontein, Klerksdorp, Port Elizabeth, Welkom, Vereeniging, Kimberley and Witbank.

Under the municipal ownership and management structure, the municipality as an entity accrues no real risk in the operations of the market. Municipal-owned FPMs are in essence private companies incorporated in terms of the Companies Act where various types of shareholding may take place. The property, which includes buildings, land and any improvements conducted on non-moveable assets, is generally leased as a normal business and all moveable assets of the market including operations, systems and employees are transferred to the municipality. Two such markets exist in South Africa: the Johannesburg Fresh Produce Market and the Kei Umtata Market. In terms of the Municipal Systems Act, both markets qualify as municipal entities. Joburg Market, as it is commonly called, is a private company in terms of the Companies Act and the Kei Umtata Market is a Section 21 Company (Section 7: National Fresh Produce Markets, 2007).

Fresh produce markets that are privately owned are markets whose business operations were sold as part of a contractual arrangement by the respective municipalities. Epping Market, Nelspruit Market, Uitenhage Market, George Market, Mpumalanga Market, NewMarket Market, Noord-Einde Market and Philippi Market have been identified as private markets. Generally, the entities are sold without the municipalities attempting to do any improvements to the business nor its operations (Section 7: National Fresh Produce Markets, 2007).

## **2.5. The Marketing Discipline**

Vargo and Lusch (2004) state that, over several decades, marketing as a discipline has evolved from being purely based on tangible resources to becoming a discipline rooted in intangible resources, value creation and the establishment of relationships where the provision of services takes precedence over the exchange of goods.

### **2.5.1. Marketing Defined: the Evolving Face of Marketing**

Over time, academics have offered numerous definitions and meanings of marketing. Doyle (2008) defined marketing as:

*“The management process that seeks to maximise returns to shareholders by developing relationships with valued customers and creating a competitive advantage.”*

In earlier years, Kotler (2003) defined marketing as:

*“A societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others.”*

The roots of the concept and definition of marketing can be traced back to an era etched in economics. The process of supplies and man-made goods exchanging hands formed the basis from which the academic study of marketing began (Vargo and Lusch, 2004). As the bartering process evolved so did the academic focus shift from an element of distribution to one of management whereby the study of marketing turned to investigating the best means of achieving an increase in the amount of supplies and man-made goods exchanging hands at any given time, and again to better understanding the behavioural implications inherent in the process of marketing (Kotler, 1972).

Kotler and Levy (1969) have offered an even richer, all-encompassing definition of marketing stating that:

*“Marketing is seen as the task of finding and stimulating buyers for a firm’s products. It involves product development, pricing, distribution, and*

*communications; and in more progressive firms, continuous attention to the changing needs of the customers to allow for the development of new products, product modifications and new services to meet those needs”.*

The above definition succinctly captures the essence of the type of approach FPMs should be adopting in order to survive.

### **2.5.2. Brand Positioning: the Act of Value Creation**

The American Marketing Association (2008) defines marketing “as the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.”

The concepts of brand value and brand equity are often used interchangeably. Raggio and Leone (2006) draw attention to the differing meanings each concept holds. Brand value is “synonymous with financial brand valuation”, and brand equity “is taken to refer to consumers’ (and sometimes other stakeholders’) perceptions of a brand”.

Brand positioning is a key element of the marketing strategy, and of marketing itself, which delivers the perception of value for the targeted audience. Placed in simple terms, it is the reason why consumers buy into a brand’s promise by purchasing a product or use a specific service over that of a competitor. Kotler (2003) defines positioning as:

*“The act of designing a company’s offering and image to occupy a distinctive place in the mind of the target market.”*

Public sector organisations such as FPMs are facing increasingly difficult organisational challenges in their bid for survival within the free market environment. The resultant effect of the increased competition they now face has led to the extinction of some organisations, and in some cases, mergers with other organisations. In order to survive, organisations have had to significantly reduce “the organisation’s size in order to adapt itself to a liberalisation that was implemented or substantially reduce funding. Regardless of the reason, it is important for the individual organisation to continually justify its existence through high legitimacy and trust, which is often expressed in terms of a strong brand” (Dahlqvist & Melin, 2010).

It is important to note that the meaning of brands is not limited to only services and products; “the key principles in the concept of branding are trust, quality, equity, ownership and communication” (Kocaoglu, 2014). These elements become significant for organisations such as FPMs which operate in environments where product differentiation becomes a difficult task to achieve. In such instances, Jones (2005) suggests corporate characters are used to establish a brand identity.

### **2.5.3. Marketing Within the Public Sector**

Gromark and Melin (2013) are of the assertion that no simple means of defining the public sector exist. This statement is driven mainly by two factors:

- Firstly, the movement by the public sector towards assimilating the private sector in terms of orientation has resulted in the characteristics that served to differentiate the two becoming blurred, and
- Secondly, each country throughout the world elects how best to organise services that fall outside of those specified for private sector entities. In short, no general guidelines exist.

In this context, the public sector has been defined by Wegrich (2012) in terms of ownership as follows:

*“The public sector is defined as the portion of the economy composed of all levels of government and government controlled enterprises”.*

Gromark and Melin (2013) are of the opinion that this definition by Wegrich is insufficient for any inferences to be made regarding the public sector’s market orientation. This belief is driven by the fact that the definition excludes companies, households, voluntary companies, non-profit organisations and private companies which may be service providers for the public sector. Market orientation is viewed by Hodgkinson, Hughes and Hughes (2012) as the most central and resilient pillar of marketing literature. In explaining the benefits enjoyed by market oriented organisations, Atuahene-Gima, Slater and Olson (2005) state that “it is almost axiomatic that through ongoing monitoring of customers,

their needs, and market conditions, firms adapt to develop and deliver the products and services that are valued by customers”.

Two problems manifest themselves when a market oriented approach is applied in the public sector. The first is public sector organisations rarely perceive customer satisfaction as a value because they are primarily occupied with creating long-term value for a society. The second is market orientation may be inappropriate for organisations that do not perceive themselves as operating within a market per se (Liao, Foreman, & Sargeant, 2001).

That being said, marketing as a function has only begun to gain popularity in the public sector in recent years. Prior to this, public services such as education and health were deemed core functions in the public space. Even in its inception stages, marketing within the public sector realm was limited to specific practices and did not translate into public entities fully embracing a marketing orientation (Walsh, 1994).

Public sector marketing has always been viewed as satisfying a limited range of expectations given that governmental entities are often associated with services and non-profit functions. As such, Dobson (1996) proposed that in order for marketing to be of value to the public sector as a function, it needs to draw meaning from a number of definitions of marketing to formulate a single definition which will be relevant for the public space.

The NPM which “postulates that the public sector should be looked upon from a market and customer perspective, which means that the public sector should use knowledge and methods from the private sector” (Denhardt & Denhardt, 2000) is a platform that may deliver the many definitions of marketing garnered from the private sector. However, Van der Wal, de Graaf and Lasthuizen (2008) highlight the fact that the adoption of private sector approaches by public sector organisations is still a contested issue among public administration academics and specialists. This may be the result of the rigid legislative framework within which public sector organisations operate, and that service-oriented organisations attach less significance to issues associated with profitability (Goodwin, 2004).

The need for market orientation is brought to the fore once the monopolistic advantage that many public sector organisations enjoy comes to an end. Such cases call for public entities to adapt their mind-sets to mirror those of private sector organisations in a bid to survive. Market failure is a real danger for many public sector entities that have not been innovative and adaptable enough to survive (Walsh, 1994). Within the agricultural sector, such closures are fast becoming a reality as markets fail to curb the downward trend of their market shares. One of the last markets to face closure has been the former Ugu Fresh Produce Market which was situated on the southern coast of the province of Kwa-Zulu Natal. South Africa would boast 23 markets had it not been for this closure (Young, 2013).

## **2.6. Marketing Orientation, Strategy and Marketing Strategy**

### **2.6.1. Marketing Orientation**

Marketing scholars view the theory of market orientation as the foundation from which all strategic management and strategic marketing stem (Harris & Ogbonna, 2000).

Market orientation was defined by Kohli and Jaworski (1990) as:

*“The organisation-wide generation, dissemination, and responsiveness to market intelligence.”*

A market orientation approach requires an organisation to be both inward and outward looking. This perspective requires multi-disciplinary task teams to actively engage with each other in the quest to determine the needs of customers (Kohli & Jaworski, 1990).

No organisation operates in a vacuum. Therefore, a number of factors are at play at any given time, which affects the extent to which an organisation can adopt the marketing orientation approach. Ellis (2005, 2006) calls these factors “contextual moderators” and states that they include “cultural variations, market size, economic development, and characteristics of the country in which a company operates” (Ellis, 2005, 2006). Consequently, numerous environmental and conditional undercurrents impact on an organisation’s need for employing a market orientation as well as the benefit it derives from it (Taghian, 2010). Therefore, regardless of whether an organisation is a private or public entity it will be affected by market orientation to a lesser or greater extent.

## 2.6.2. Strategy

The type of strategy an organisation pursues relates to a multiple number of factors bearing great consequence to its survival. It is a business decision that serves to elect the range of an organisation's territory. Clarity regarding choice of market segments and business tactics that will be employed to reach those elected segments gives an organisation its strategic direction.

Brownlie and Spender (1995) define strategy as:

*“A term which probes the belief that organisations are not all alike but are as individual as people; they are not independent, inorganic, mechanical monoliths, as some of the orthodox marketing management and strategy literature suggests in its treatment of the organisational variable.”*

Boyd and Walker (1990) and Hofer and Schendel (1978) make a distinction between three levels of strategy:

- Strategy that takes place at a functional level dealing mainly with the operations of an organisation;
- Business strategy which interprets and puts into practice the decisions taken at corporate level, and finally
- Corporate strategy that drives the overarching purpose and intension of the business.

Bourgeois (1980) states that “business strategies are formulated by the management of individual business units, or strategic business units, and they focus on how the business should compete in a particular industry or market segment. Functional strategies are the plans and activities of functional units such as marketing, production and finance, and aim to achieve the business objectives and corporate goals”.

Operating in tandem with the three levels of strategy are a set of three unique dimensions which Webster (1992) identifies as: “marketing as culture, marketing as strategy, and marketing as tactics”. These three dimensions are explained as follows:

- Culture of an organisation places the customer at the centre, and is the responsibility of corporate and business level managers. It determines the value system of the organisation and the beliefs to be acted out by employees.
- Marketing as strategy represents the nuts and bolts of an organisation. It is driven at business level as it dictates factors such as the firm's competitive position and how best the firm will go about segmenting its markets and mobilising itself into the most profitable position.
- The last dimension is marketing as tactics. This encompasses the traditional marketing mix and determines at operating level the products for each segment, the most competitive price points, the best communication mix and distribution avenues.

### **2.6.3. Marketing Strategy**

#### **2.6.3.1. Characteristics of Marketing Strategy**

Stanley, Ronald, Ward & Harris (1999) define marketing strategy as:

*“An integrated, multi-element or multi-component strategic concept guiding a firm’s marketing plan of action for a specific product or product line during a given time period.”*

Marketing strategy can be interpreted as the invisible border that separates an organisation from its shareholders, clients and opponents. It is also the one mechanism that ensures the same elements it aims to separate function without discord in an attempt to attain the organisation’s objectives (Wind & Robertson, 1983).

The function of a marketing strategy is to deduce the environmental factors, conduct an exploration of consumer needs and gain an understanding of the actions of competing firms in order to attain an integrated business strategy supported by other inputs such as finance, research and human resources (Wind & Robertson, 1983).

The primary concern, in the pursuit of achieving a competitive advantage, is a favourable response from the targeted audience to the chosen strategy. A prosperous strategy is one

which achieves consistency with the target market's: requirements, views and penchants; regardless of whether it is driven by cost, technology, distribution, service or other competitive advantages of the firm (Wind & Robertson, 1983).

Characteristics of a sound marketing strategy according to Jain (undated) include:

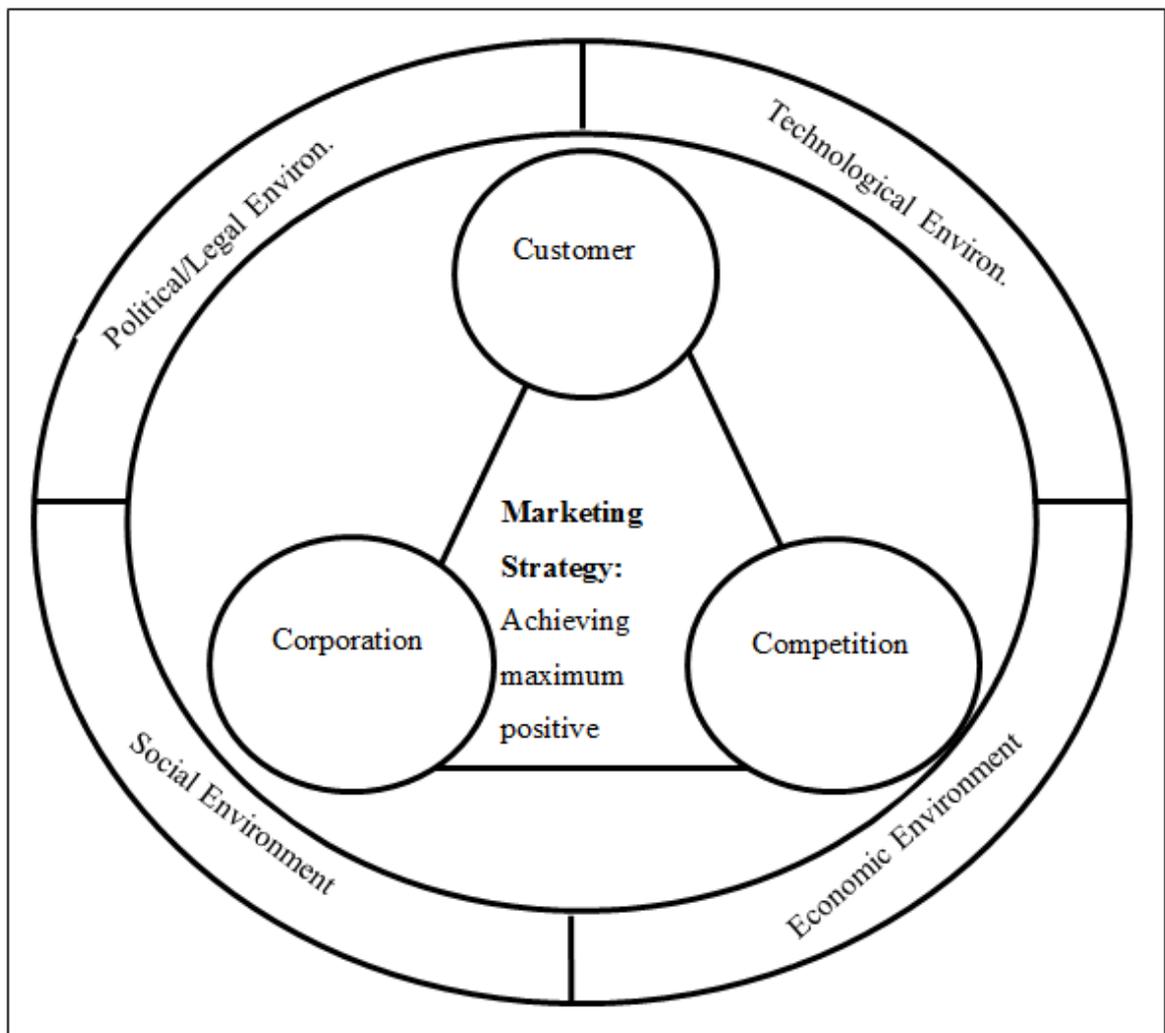
- A clearly defined market;
- Market needs that can be met by the organisations' current resources, and
- The strategy's ability to outperform the competition.

### **2.6.3.2. The Role of Marketing and Marketing Strategy**

Historically, the performance of organisations has been based on the assumption that positive financial returns are a direct result of the organisations' ability to grow its market share through satisfied stakeholders (Doyle, 2008).

In recent years, the content of marketing literature and practices suggests that marketing has evolved to focus increasingly on values shared by all departments within an organisation as opposed to the traditional view which depicted marketing as a standalone function within an organisation (Moorman & Rust, 1999). Hence the role of marketing is to not only deliver holistic marketing programs offering unsurpassed value to consumers, but to be a source of relevant information to thought leaders throughout the organisation (Webster, 1994). Marketing now plays a more integrating function that manages relationships spanning the entire communications process linking internal and external participants (Gok & Hacıoglu, 2010).

Figure 2.1. below is a graphic interpretation of the evolution of marketing. It also depicts the inter-related nature of the customer, the competition, the corporation and all the external factors that impact on the relationship of these three.



**Figure 2.1. Key Elements of Marketing Strategy Formulation (Adapted from Jain, undated).**

Based on the interplay of the corporation, the customer and the competition as depicted in the figure above, the role of marketing is:

- *“To assess market attractiveness by analysing customer needs and requirements, and competitive offerings in the markets potentially available to the firm, or otherwise to assess its potential competitive effectiveness;*
- *To promote customer orientation by being a strong advocate for the customer’s point of view, versus that of other constituencies in management decision making, as called for by the marketing concept, and*

- *To develop the firm's overall value proposition as a reflection of its distinctive competence, in terms of reflecting customer needs and wants, and to articulate it to the organisation and throughout the marketplace” (Webster, 1992).*

## **2.7. Determining the Success of Marketing Strategies**

For many years, organisations have attempted to develop mechanisms of understanding the success of their marketing process. In recent years, a concept known as the marketing dashboard has been devised to provide firms with a single display of key marketing metrics, to present a complete understanding of the current success and health of their marketing strategy (Pauwels, Ambler, Clark, LaPointe, Reibstein, Skiera, Wierenga & Wiesel, 2009).

In various industries, organisations have created such dashboards, either internally or with a dashboard service provider, to compile the necessary operational statistics on their organisation, and in recent years, service frameworks for understanding marketing strategies have greatly increased (Rust & Chung, 2006). Many industries have applied the use of marketing dashboards to track the effectiveness of their marketing drives, and to guide future decision-making. According to Pauwels *et al* (2009), this includes organisations from industries for instance business communication, consumer credit, investment banking, mutual funds, online services, systems integration, pay-TV broadcasting, hospitality, and gaming, and includes big-name corporate players such as British Sky, Google, the Hilton Hotel group, Unisys and Vanguard.

### **2.7.1. Development of Marketing Dashboards**

Dashboards are termed as such because of their similarity to the dials of a car or plane dashboard, which similar to those presented to a ‘driver’, offer the management and stakeholders of an organisation with a single display of the operating gauges of that organisation. Within a dashboard are a collection of individual decision support systems that provide feedback on a range of performance metrics, and the dashboard display is the

output of this larger system of calculations (Wind, 2005, cited in Pauwels *et al*, 2009). This therefore makes dashboards a very powerful management tool.

Marketing dashboards are a modern representation, and are the outcome of many years of refined development. In 1992, Kaplan and Norton (1992) devised the concept of the balanced scorecard, which was devised to present a single presentation of the performance of an organisation for use by management and key stakeholders. Its purpose was to present a single performance measure of key financial and non-financial metrics relating to the operation of the organisation. However, prior to the advent of the balanced scorecard were other performance indicators such as the Tableau de Bord, which was introduced in France at the turn of the century (Epstein & Manzoni, 1998). It was devised as a performance management system by process engineers who were seeking ways of improving their production process by better understanding the relationships between cause and effect. The principles were adjusted and applied at top management level in organisations, as a system of allowing stakeholders and management to observe the result of their actions, and consequently, to take corrective action (Ittner, 2008).

#### **2.7.1.1. The Tableau de bord**

The Tableau de bord was a form of business or marketing dashboard, and in business terms was a visual representation of various individual performance indicators that illustrated the performance of a firm as a whole. It was devised as a comprehensive document that analysed the various subunits of an organisation. There was no single document applying to the entire firm, however, because each subunit of the organisation along with the manager for each subunit would have had different responsibilities and requirements, a Tableau de bord would have been required for each subunit (Epstein & Manzoni, 1998).

To provide managers with information to assist with their decision-making, the document primarily contained indicators that were controllable by each subunit, and it presented actual performance statistics of each subunit, based on a small range of indicators that applied to that subunit. A downfall, however, was the potential for overloading managers with large amounts of information. The report included statistics covering the period since the last report, and the cumulative performance of the organisation from the beginning of each subsequent year. Actual performance was therefore compared to the benchmarks of

previous years and external benchmarks. The Tableau de bord was more than just a document, and it was revered as more of an “overall management approach”, useful for supporting local decision-making needs, and entire situation analyses (Epstein & Manzoni, 1998: 193).

### **2.7.1.2. The Balanced Scorecard**

The balanced scorecard was developed from the recognition that no single performance indicator could capture the full complexity of the performance of an organisation. For example, financial indicators are known to record the delayed impact of decisions rather than the immediate effect of a decision, and the effect of a decision can only be realised long after a the decision has been made (Ittner, 2008; Chenhall, 2005). Furthermore, most firms report, track and emphasise the symbol of their success on profitability measures, whereby companies reward their management and staff based primarily on profit, rather than considering the value of the quality of the products and services that are offered, or the customer and employee satisfaction. In recent years, many studies have noted that financial indicators alone are insufficient for measuring the complete past and future performance of a marketing strategy, and therefore features regarding customer satisfaction, product and process quality, innovation, and growth have proven to be better indicators (Epstein & Manzoni, 1998).

The balanced scorecard therefore has four important characteristics (Chiapello & Lebas, 1996):

- It presents a series of indicators on *a single document* to present a more complete view of the entire organisation combined.
- The document offers a concise overview of the company’s information system, as opposed to a monthly manuscript which must be digested and understood, and which seizes the time and resources of management.
- Instead of highlighting indicators in a random order, the balanced scorecard typically illustrates indicators in four categories, or boxes, which each harness a specific aspect of the company’s performance.

- Finally, the indicators that are presented in the balanced scorecard are chosen based on the entire company's vision and strategy, as opposed to just those of a single subunit.

Kaplan & Norton (1992) suggest that the selection process for these indicators should be based on the objectives that the firm is trying to achieve, and the methodologies being applied to reach them. The process of selecting performance indicators thus often requires data to be collected, which is not currently available, and which must therefore be developed (Epstein & Manzoni, 1998; Chenhall, 2005).

When compiling the performance metrics for a balanced scorecard, both financial and non-financial indicators are required. Financial indicators have benefits such as representing the impact of decisions in the universally comparable unit of money, which allows for the accretion of results across departments. They also allow decisions regarding various resources to be analysed, and offer a measurement of the spare available capacity within the organisation (Epstein & Manzoni, 1998). The performance metrics can be categorised as either lagging or leading indicators, although metrics often fit onto a continuum scale between the two (Kaplan & Norton, 1992). The financial perspective, for example, can be considered as a lagging performance indicator on the continuum, because it records the effect of decisions long after a decision was made, and therefore tends to be less proactive than operational or non-financial indicators for highlighting potential problems.

Performance indicators are traditionally based on four different perspectives. They fit into the categories of the financial perspective, customer perspective, learning and growth, and the internal business process. On the continuum scale, learning and growth perspectives such as employee skills, employee morale and employee suggestions can be regarded as leading indicators because they tend to be more proactive for highlighting potential problems (Kaplan & Norton, 1992). Aside from the four traditional perspectives, additional perspectives can also be considered on the balanced scorecard to allow it to be customised to the marketing strategy and organisation concerned. These include the impact of the firm on society, consumers versus customers, the firm's economic, political and social environment, and major projects that are currently underway.

## **2.7.2. Dashboards for Analysing Marketing Strategies**

In recent years, the 'Marketing Dashboard' has been introduced, based on the concepts of the balanced scorecard and the Tableau de Bord, to assist marketing managers with their decisions on marketing strategies, such as their promotion activities, and the allocation of their sales force.

### **2.7.2.1. Purposes of Dashboards**

LePointe (2005, cited in Pauwels *et al*, 2009) highlights four main driving forces that infer the use of marketing dashboards. These are:

- To organise the many fragments of decision-relevant data that are available.
- To overcome managerial biases that may be present in decision-making.
- To facilitate the increased demand for marketing accountability, which requires companies to grow their bottom-line financials with minimum expenditures.
- To facilitate the inter-departmental integration of information, so that resources may be most efficiently allocated.

### **2.7.2.2. Choosing Key Metrics**

Choosing the performance metrics constitutes an important part of the marketing dashboard. Ambler (2003, cited in Pauwels *et al*, 2009) suggests that there are two primary approaches to selecting metrics, which he notes as either a general or a tailored approach. The general approach involves the use of a smaller variety of standard metrics that can be applied to virtually any application, which has the advantage of comparability across firms, industries and time. These metrics include P&L measurements such as revenue, profit and marketing expenditure, as well as seven brand equity measures that include the relative price, availability, market share, awareness, preference, customer thoughts and feelings, and brand loyalty.

Skiera & Villanueva (2008, cited in Pauwels *et al*, 2009) conversely propose five other performance indicators, which all relate to the customer such as the number of customers,

the customer cash flow, customer retention rates, and the expenditure of acquiring and retaining these customers. A supporting study by Rust & Chung (2006) alludes to various important metrics, which relate to the customer-oriented metrics of expectations, satisfaction, complaints, and the employee-related metrics of employee satisfaction and company productivity.

While many firms have access to considerable quantities of data from many sources, DeBusk, Brown, and Killough (2003) suggest that the lack of periodicity of the data can often constitute a major shortfall. Some of the data may be available from sales statistics, while others may be collected annually, or even less frequently. The authors note that some metrics will be more important than others, and this should be carefully considered to present the most reliable dashboard statistics.

### **2.7.3. Analysing the Marketing Dashboard**

An important part of the process of measuring the success of marketing strategies, based on the information presented on the marketing dashboard, involves determining the underlying relationships between the metrics used. Wyner (2008, cited in Pauwels *et al*, 2009) states that metrics alone do not address the cause and effect relationships between attributes, and therefore do not individually present measures of the success of the marketing strategy. For this reason, a framework was developed by Rust, Lemon, and Zeithaml (2004) to enable competing marketing strategies to be weighed on the basis of their projected financial returns. To do so, the authors established relationships between the various customer equity drivers, such as the frequency of purchases, the average quantity of purchases, brand-switching patterns, and the firm's contribution margin, by generating a matrix termed the brand-switching matrix (Rust *et al*, 2004). Other systems of observing the relationships between metrics include linkage analyses and structural equation models.

The marketing dashboard may then be used for planning and forecasting the company-wide outcomes of the marketing strategy. This requires the application of tools for evaluating marketing productivity and various 'what-if' analyses (Rust *et al*, 2004). The final stage of application of the marketing dashboard involves observing the marketing expenditures and comparing them across the various marketing matrices onto the sales, and resulting financial returns that are received (Lehmann & Reibstein, 2006, cited in Pauwels

*et al*, 2009). Based on previous studies conducted (Fornell *et al*, 2006), marketing metrics relating to brand equity, customer equity, customer satisfaction, and marketing activities such as the firms advertising are all typically seen to be linked to improvements in the value of the firm.

#### **2.7.4. The Effectiveness of Dashboards and Alternative Systems**

Morgan, Clark & Gooner (2002) distinguish marketing performance measurements (MPM) as being divided into three research streams, noted as marketing productivity, identification of metrics in use, and measurement of brand equity (O'Sullivan & Abela, 2007). The authors note that while the analysis of primary and secondary data was able to generate a positive effect on the organisations marketing performance, they observed that the use of dashboards did not always influence the key relationships that were analysed.

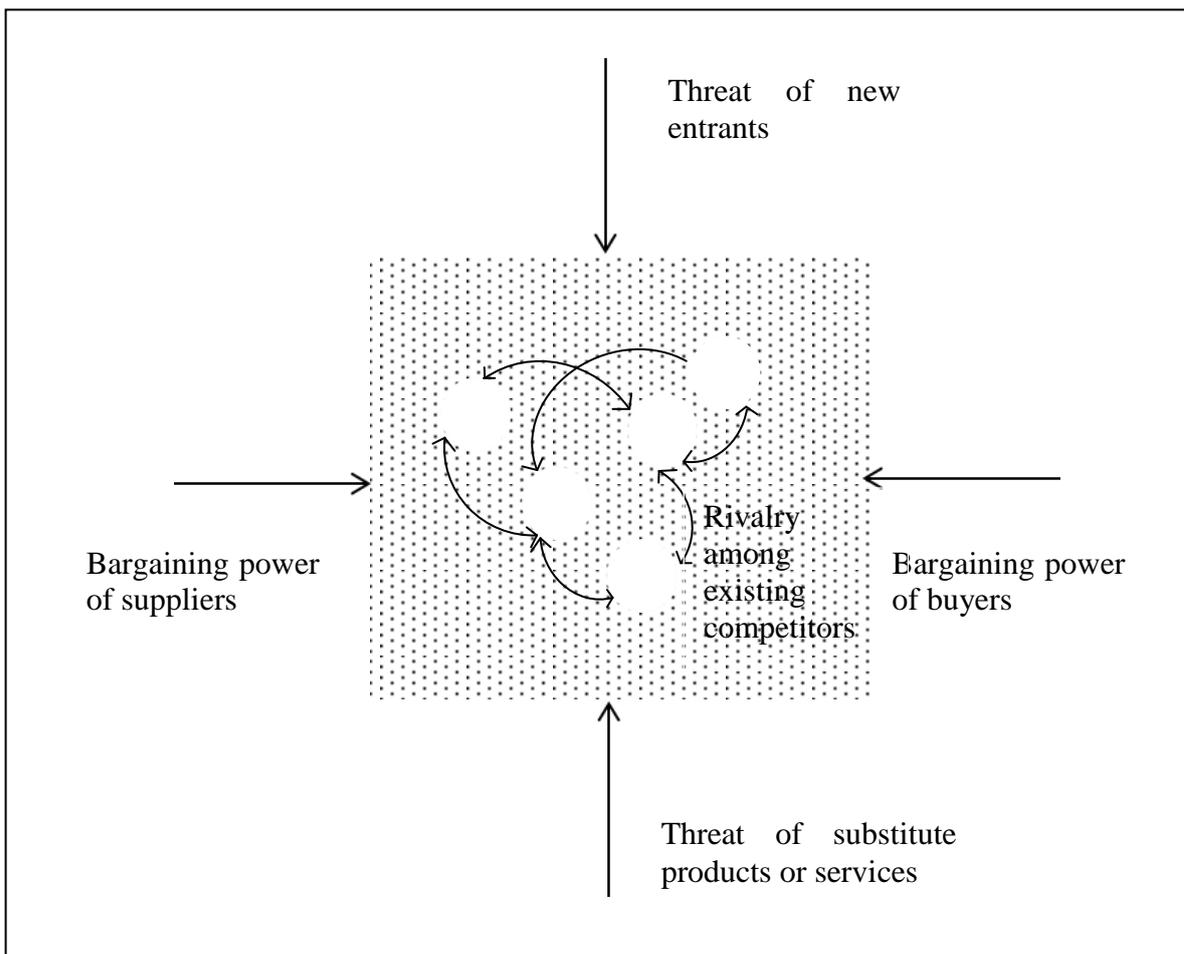
Various research has been done on the measurement of intangible business elements for assisting in the improvement of marketing performance. Ittner (2008) notes that evidence exists to suggest that such measurement is often associated with at least some degree of increased performance. While the observed outcomes of some marketing strategies are limited by the “over-reliance on perceptual satisfaction or outcome variables, inadequate controls for contingency factors, simple variables for capturing complex measurement practices, and the lack of data on implementation practices” (Ittner, 2008: 269), ultimately, the success of a marketing strategy comes down to the quality, pertinence and clarity of the data analysed.

#### **2.8. The Competitive Structure of the Industry**

Competition has become a far broader term than in recent years. Competitors no longer only comprise of firms with whom the organisation fights for the same consumers. The term competitor now encompasses competing firms, suppliers, potential entrants, substitutes and customers who each may pose a differing form of threat to the organisation depending on their particular situations but who all have an effect on the state of competition within an industry (Porter & Millar, 1985).

For a firm to be considered successful, Porter (1998) maintains that it has to obtain a competitive advantage above its competitors. He further states that “firms must achieve a more sophisticated competitive advantage over time by providing higher-quality products and services, or by producing these more efficiently”. Value creation through differentiation or cost leadership is deemed as the key to competitive success.

Figure 2.2. below depicts the five competitive forces that determine an industry’s attractiveness and competitive levels.



**Figure 2.2. Determinants of Industry Attractiveness (Adapted from Porter & Millar, 1985).**

The entrance of new players in an industry serves to rejuvenate its current state as they introduce an inspiration amongst current industry players as well as introduce new capacity. The secondary benefits of increased competition for an organisation are limitless

for organisations that are capable of thinking outside the box. Porter and Millar (1985) elaborate on these secondary benefits and state that they can:

- *“Reveal the basic attractiveness of an industry;*
- *Highlight the critical strengths and weaknesses of a company;*
- *Clarify the areas where strategic changes may yield the greatest payoff, and*
- *Pinpoint the industry trends that promise the greatest significance as either opportunities or threats” (Porter & Millar, 1985).*

What Figure 2.2 reveals of the agricultural industry is that it still remains attractive if it is succeeding in attracting new competitors in the form of retailers. The strengths and weaknesses of FPMs are highlighted and can be interpreted as their inability to adapt to the current trading environment. In order to remain in business, FPMs may need to take an introspective look at their management and ownership models in a bid to making strategic decisions which may see them either thrive or perish.

### **2.8.1. The Relation to Fresh Produce Markets**

National fresh produce markets no longer compete in a monopolistic environment where they only had each other to contend with. The agricultural sector has opened up to reveal numerous opportunities for agribusinesses and retailers. Chikazunga *et al* (2008) stated that “retail concentration is constantly increasing as retailers are the most significant players between producers and consumers. One view is that as retailers move towards category management, the NFPMs will play a smaller and smaller role in the retailers’ sourcing strategy, to the detriment of all small producers, both established and emerging”.

The changes that we see in the South African agricultural industry are no different to what our international counterparts experienced in prior years. Supermarkets in Europe saw the same opportunity then as our retailers see in South Africa now. Fearne & Hughes (1999) list the following four factors as the main drivers of the revolution which took place in the European Fresh produce industry:

- *“Supermarket strategies;*
- *Food safety legislation and supply chain integrity;*

- *Rationalisation of the supply base, and*
- *Innovation.*”

## **2.9. Positioning Strategy**

Positioning is a key element of the marketing strategy. Placed in simple terms, it is the reason why consumers buy into a brand’s promise by purchasing a product or use a specific service over that of a competitor. Kotler (2003) defines positioning as:

*“The act of designing a company’s offering and image to occupy a distinctive place in the mind of the target market.”*

Doyle (2008) refers to a market positioning strategy as:

*“The choice of target customers, which defines where the firm competes, and the choice of the value proposition, which determines how the firm competes.”*

There are four positioning strategies that a company may pursue (Doyle, 2008) in an attempt to win over customers:

- Product leadership;
- Service leadership;
- Customer intimacy, and
- Brand leadership.

McKechnie, Grant & Katsioloudes (2008) maintain that it is vital for managers to understand the drivers of their customer’s loyalty. In a competitive environment, the ability of an organisation to maintain market share may be dependent on “the strategies used to differentiate their products or service offerings in the minds of the consumers” (McKechnie *et al*, 2008).

## **2.10. Summary**

The aim of this chapter was to introduce an academic view of some of the key marketing concepts that have an impact on the South African agricultural industry and this research study. This chapter began by placing the agricultural sector in context. It continued to discuss various marketing concepts pertaining to the operations of FPMs.

The majority of FPMs in South Africa are public entities operating in a sphere that is fast becoming reminiscent of a true free market. They find themselves struggling to maintain market share in light of new competitors entering the market. Learnings from the European fresh produce industry are introduced in an attempt to show how other sectors in the global arena have navigated the changes in their operating environments.

The following chapter discusses the research methodology pursued for this study.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1. Introduction**

Fresh produce markets have long been lauded as a vital yet declining part of the price-discovery mechanism characteristic of the agricultural industry in South Africa. An investigation carried out by the Section 7 Committee on the Johannesburg Fresh Produce Market in 1998, which is synonymous with all FPMs, clearly indicates the different meaning the word marketing holds for markets as has been defined by many marketing scholars. Marketing strategies practiced by FPMs still appear rooted in the origins of marketing as a branch of applied economics as opposed to it being characterized more as an applied behavioural science.

This research seeks to establish an understanding of the current marketing strategies practiced by NFPMs in South Africa and highlight some of the factors that contribute to the current situation.

This chapter declares the period that the study took place in and identifies the subjects under investigation. The objectives of the study are outlined followed by the research methodologies that were undertaken to carry out the study. How the data was analysed is discussed followed by the ethical issues surrounding this research.

#### **3.2. Aim and Objectives**

##### **3.2.1. The Aim of the Study**

The aim of this research is to establish an understanding of the current marketing strategies practiced by NFPMs in South Africa, and the current perceived environment within which these marketing strategies are delivered.

### **3.2.2. The Objectives of the Study**

This research study had four main objectives:

- To establish how FPMs perceive marketing as a function;
- To identify the current marketing strategies implemented at FPMs;
- To evaluate the environment within which FPMs operate; and
- To investigate any possible perceived changes that have taken place within the operational environment of FPMs since the disbandment of the control boards.

### **3.3. Key Research Questions**

The key research questions which attempt to address the study's aims and objectives are as follows:

- Do FPMs allocate resources dedicated specifically to the marketing function?
- What marketing strategies do FPMs employ?
- How do FPMs measure their marketing strategies?
- How do FPMs perceive the environment within which they operate?
- What are the changes that have taken place in the FPM's operating environment?

### **3.4. Data Collection Strategies**

#### **3.4.1. Research Paradigms**

When drawing a distinction between research paradigms that played a pivotal role in the formation of marketing as an academic discipline, academics frequently name two such research paradigms: the positivist paradigm and the interpretivist paradigm (Kapoulas & Mitic, 2012). The quest to unearth novel concepts and investigate uncharted marketing phenomena, which took place towards the end of the twentieth century, saw a resurgence of interest in reviving constructivism, relativism and subjectivism and interpretive research approaches (Hunt, 1994; Hanson & Grimmer, 2007). According to Hanson and Grimmer

(2007), researchers took a greater interest towards the use of the interpretive stance as a qualitative method to explore contemporary issues in marketing.

Jonker and Pennink (2010) describe research paradigms as:

*“Sets of fundamental assumptions and beliefs as to how the world is perceived which then serve as a reference that guides the behaviour of the research.”*

Emphasis is placed on the significance of questioning the research paradigm to be applied in a research study first as it substantially influences how the researcher undertakes a study from the way it is set to the manner in which appreciation of the social phenomena is given (Saunders, Lewis and Thornhill, 2009). Following this suggestion, the various research paradigms are tabulated in the table below to explain the reasoning of the assumptions and beliefs that underpin social research.

**Table 3.1. Fundamental Beliefs of Research Paradigms in Social Sciences (Based on Saunders et al., 2009 p.119; Guba and Lincoln, 2005; and Hallebone and Priest, 2009).**

	<b>Research Paradigms</b>			
<b>Fundamental Beliefs</b>	<i>Positivism (Naïve realism)</i>	<i>Postpositivism (Critical Realism)</i>	<i>Interpretivism (Constructivism)</i>	<i>Pragmatism</i>
<i>Ontology: the position on the nature of reality</i>	External, objective and independent of social actors	Objective. Exist independently of human thoughts and beliefs or knowledge of their existence, but is interpreted through social conditioning (critical realist)	Socially constructed, subjective, may change, multiple	External, multiple, view chosen to best achieve an answer to the research question
<i>Epistemology: the view on what constitutes acceptable knowledge</i>	Only observable phenomena can provide credible data, facts. Focus on causality and law-like	Only observable phenomena can provide credible data, facts. Focus on explaining within a context	Subjective meanings and social phenomena. Focus upon the details of situation, the	Either or both observable phenomena and subjective meanings can provide acceptable

	generalisations, reducing phenomena to simplest elements	or contexts.	reality behind these details, subjective meanings and motivating actions	knowledge dependent upon the research question. Focus on practical applied research, integrating different perspectives to help interpret the data
<i>Axiology: the role of values in research and the researcher's stance</i>	Value-free and etic  Research is undertaken in a value-free way, the researcher is independent of the data and maintains an objective stance	Value-laden and etic  Research is value laden; the researcher is biased by the world views, cultural experiences and upbringing	Value-bond and emic  Research is value bond, the researcher is part of what is being researched, cannot be separated and so will be subjective	Value-bond and etic-emic  Values play a role in interpreting the results, the researcher adopting both objective and subjective points of view
<i>Research Methodology: the model behind the research process</i>	Quantitative	Quantitative or qualitative	Qualitative	Quantitative and qualitative (mixed or multi-method design)
<i>Based on Saunders et al. (2009, p.119), Guba and Lincoln (2005), and Hallebone and Priest (2009).</i>				

From the table above, it is apparent that there are four main views about the research process that dominate research literature namely; positivism, post positivism, interpretivism and pragmatism. This study is conducted in the interpretivism paradigm.

A definition of interpretivism is given by Bryman and Bell (2007: 19) as follows:

*“Interpretivism is taken to denote an alternative to the positivist orthodoxy that has held sway for decades. It is predicated upon the view that as strategy is required that respects the differences between people and the objects of the natural sciences and therefore requires the social scientist to grasp the subjective meaning of social*

*action. Its intellectual heritage includes: Weber's notion of Verstehen; the hermeneutic – phenomenological tradition; and symbolic interactionism”.*

According to Wahyuni (2012), interpretivists carry the belief that reality is created by individuals and people's interpretations of what reality means to them personally. This takes cognisance of the fact that individuals each have their own histories, expectations and experiences which contribute to the ongoing creation of reality that exists in the broader social context through their social interactions with each other.

The interpretivist paradigm was deemed the most suitable approach for this study as this research aims to unearth information surrounding the nature of marketing activities undertaken by NFPs which has never been undertaken before.

### **3.4.2. Qualitative Research**

Qualitative data is characterized by its form, which is words (Uma, 2010). Qualitative researchers methodically collect and analyse first-hand evidence in order to understand and explain the world.

The qualitative research method was described by Bryman and Bell (2007:28) as one that:

- predominantly places weight on an inductive approach to the relationship existing between theory and research, wherein the prominence is placed on the generation of theories;
- has rejected the practices and norms of the natural scientific model, and of positivism in particular, in preference for an emphasis on the ways in which individuals interpret their social world, and
- represents a view of social reality as a constantly shifting emergent property of individuals' creation.

Qualitative methods do not adopt a simplifying approach; they do not focus on any single aspect; they do not attempt to break complex problems down into a number of simpler

specific issues. The issue, or problem, is viewed in its entirety with respect to one or a small number of subjects of the analysis (Guercini, 2014).

Qualitative marketing research is generally characterised as involving intensive research constituted by small samples where little emphasis is placed on the possibility of generalising findings from the sample to the general population. Instead, the focus is characteristically on the depth of understanding achieved within the boundaries of the project sample (Christy and Wood, 1999).

Blaxter et al (2006) compared the quantitative and qualitative paradigms in terms of the characteristics synonymous with each research method in table 3.2 below.

**Table 3.2. The Differences Between Qualitative and Quantitative Research (Adapted from Oakley, 1999: 156 as cited by Blaxter et al, 2006).**

Qualitative Research	Quantitative Research
<ul style="list-style-type: none"> <li>• Concerned with understanding behaviour from actor’s own frames of reference</li> <li>• Naturalistic and uncontrolled observation</li> <li>• Subjective</li> <li>• Close to the data: the ‘insider’ perspective</li> <li>• Grounded, discovery oriented, exploratory, expansionist, descriptive, inductive</li> <li>• Process-oriented</li> <li>• Valid: real, rich, deep data</li> <li>• Ungeneralizable: single case studies</li> <li>• Holistic</li> <li>• Assumes a dynamic reality</li> </ul>	<ul style="list-style-type: none"> <li>• Seeks the facts/causes of social phenomena</li> <li>• Obtrusive and controlled measurement</li> <li>• Objective</li> <li>• Removed from the data: the ‘outsider’ perspective</li> <li>• Ungrounded, verification oriented, reductionist, hypothetico-deductive’</li> <li>• Outcome-oriented</li> <li>• Reliable: hard and replicable data</li> <li>• Generalizable: multiple case studies</li> <li>• Particularistic</li> <li>• Assumes a stable reality</li> </ul>

It is apparent from the table above that significant distinctions exist between qualitative and quantitative research drawing a clear comparison that highlights the differences between the two approaches. It is because of the characteristics highlighted in the table above that qualitative research is deemed the best method to conduct this research.

According to Hogg and Maclaran (2008), qualitative research knowledge is derived from the context-specific outlook on the examined phenomena, subjectivity to participants' frames of reference, interpretations, and depiction of social experiences.

### **3.5. Research Design and Methods**

Due to the subjective nature of the study, and the need to gain an 'in-siders' perspective from the respondents selected to participate in the investigation, the qualitative method of research was selected for this study. The purpose of the study is concerned with understanding behaviour of the NFPMs from the actor's own frames of reference, and to explore their beliefs surrounding the environment within which they operate.

The study was carried out during November 2014 and targeted all NFPMs across South Africa.

#### **3.5.1. Methods of Data Collection**

One method of data collection was used in this study: telephonic interviews. Telephonic interviews allow for less time consuming data collection over vast geographic areas (Coombes, 2001), and in some instances are the best means of gathering information when the researcher does not necessarily have direct access to respondents (Creswell, 2007) as was the case with this research study that involved respondents from across the country. One of the main advantages of telephonic interviews for research studies is their ability to deliver almost instantaneous communication between the researcher and the subject (Coombes, 2001), which was key due to some of the constraints experienced in conducting this study.

### **3.5.2. Interview Structure**

Semi-structured interviews were conducted with the respondents in this study. In Semi-structured interviews, the questioning falls in-between the rigid structured format of a structured interview yet gives the researcher a framework through written questions to guide the discussion. Generally, interview guides vary from highly scripted to relatively loose. However, the guides all serve the same purpose, which is to ensure the same thematic approach is applied during the interview (Qu & Dumay, 2011).

In addition to having a framework, semi-structured interviews allow for further comments to be documented and brief consideration of other research opportunities perhaps not included in the written questions to be taken into account. The additional information garnered in semi-structured interviews often becomes valuable when the questionnaires are analysed (Coombes, 2001).

Further to the above, the use of semi-structured interviews is advantageous in the following ways:

- in addition to attaining expansive straightforward data, semi-structured interviews allow for additional data to be generated and captured.
- the use of more than one research may be used.
- although controlled and limited to some extent, the gathering of spontaneous information can be achieved.
- it is reasonably easy for inexperienced researchers to conduct the interviews.
- individual interviews can be conducted within a fair pace.
- it is not necessary to take copious amounts of notes although added data will need to be duly noted (Coombes, 2001).

### **3.5.3. Recruitment of Study Participants**

This section explains the rationale for the selection of the participants.

### **3.5.3.1. Study Population**

Sekaran and Bougie (2010: 263) define a population as:

*“The entire group of people, events of things of interest that the researcher wishes to investigate.”*

In the case of this research study, the marketing strategies employed by the entire population of all 22 NFPMs in South Africa constituted the element of interest, thus the population.

### **3.5.3.2. Census**

In an academic journal written about a body of research that had been recently conducted, Norris (2006) stated that “occasionally, the size of the affected population was small enough to make sampling unnecessary, and the sample was a census of the population”.

In this research study, the size of the population under investigation constituted a small number of NFPMs. Therefore, the sample was the population.

## **3.6. Analysis of the Data**

The first step in analysing qualitative data is concerned with data reduction which refers to the process of selecting, coding and categorizing the data. Data display refers to the manner in which the data is presented which may include a selection of quotes, a matrix, a graph or a chart illustrating patterns that help the researcher understand the data. What is important to note is that qualitative data analysis is not a step-by-step linear process. In this instance, data coding is used to display the data thus allowing the researcher to draw some preliminary conclusions (Uma 2010).

### **3.7. Ethical Issues**

The relevant ethical clearance application forms were completed and submitted to the University of KwaZulu-Natal's Graduate School of Business. An Ethical Clearance certificate (Appendix 3) granting full approval has been issued to the researcher to confirm this research may be carried out. The researcher distributed an introductory email briefing all the targeted participants about the aims and objectives of the study. The email contained both the letter of Informed Consent for participation and the full questionnaire. All the participants signed Informed Consent forms for participation.

Due to the competitive nature of the environment under which the research was undertaken, it was imperative that cognisance be taken of the ethical issues pertaining to the behaviour of both the researcher and the respondents. Sekaran and Bougie (2010) succinctly outline the ethical issues pertaining to the ethical behaviour of individuals involved in a research study. The behaviours listed below were deemed most relevant for this particular study:

Ethical behaviour of the researcher:

- Retaining confidentiality and guarding privacy of respondents.
- The nature of the study should not be misrepresented to the subjects of the study.
- The researcher should steer clear of personal or seemingly intrusive information. In the event that such information is required, it should be solicited with utmost sensitivity and specific reasons given for its requirement.
- An individual's desire to not partake in the study should be respected.
- Misrepresentation or distortion in the reporting of data collected during the study is completely unacceptable.

Ethical behaviour of respondents:

- The respondent should cooperate fully in the tasks ahead, such as responding to a survey or taking part in an experiment, once having exercised the choice to participate in a research study.
- The respondent is obligated to answer all questions in a truthful and honest manner.

### **3.8. Summary**

This chapter outlined the research methodology and design of the study. The chapter begins by stating the paradigm in which the research takes place as the interpretivist paradigm. The type of research conducted is stated, and the ethical issues surrounding the research are discussed.

The next chapter will present and discuss the findings of the research study.

## **CHAPTER FOUR**

### **PRESENTATION AND DISCUSSION OF RESULTS**

#### **4.1. Introduction**

Qualitative interviews were intended to be conducted with the 22 NFPMs operating in South Africa with the view to ascertain the marketing strategies practised by the markets, and to re-evaluate the environment within which these strategies are implemented. The data collected from the interviews that were conducted is shown in Appendix 2. This chapter provides the responses of two of the only participating respondents.

#### **4.2. Research Study Response Rate**

A revisit of the data collection method elected for this research study, as discussed in Chapter Three, reveals that telephonic interviews were chosen as a means of collecting data from the census of 22 respondents. Creswell (2007) suggested that telephonic interviews were the best data collection means when the researcher did not necessarily have direct access to respondents in cases where data collection took place over vast geographic areas (Coombes, 2001). Of the 22 markets that were contacted for a telephonic interview; five remained unreachable via telephone, email and facsimile; 12 remained unresponsive following futile attempts to reach them via telephone and email; two remained unresponsive although contact was made and an undertaking for them to participate in the research was made, and only two responded to the research via the elected data collection method.

#### **4.3. Ownership and Management Structure of the Market**

The results show that the one market is municipal owned and the other privately owned.

#### 4.4. Employment of Dedicated Marketing Staff

Both markets indicated that they do employ dedicated marketing staff as indicated below with one employing five.

**Table 4.1. Responses with regards to Employment of Dedicated Marketing Staff**

<b>NFPM 1</b>	Yes, the market has five people dedicated to the function.
<b>NFPM 2</b>	Yes

#### 4.5. Type of Marketing Activities Conducted

Both markets indicated that they engaged in various marketing activities such as market research, advertising in industry publications, promotional events and media campaigns. The activities conducted by each market are indicated in table 4.2. below.

**Table 4.2. Marketing Activities**

<b>NFPM 1</b>	<ol style="list-style-type: none"> <li>1. Client development from the producer and buyer side</li> <li>2. Customer care</li> <li>3. Product promotion (which is conducted on the market premises)</li> <li>4. Market research</li> <li>5. Information distribution</li> <li>6. Complaints handling.</li> </ol>
<b>NFPM 2</b>	<ol style="list-style-type: none"> <li>1. Producer engagement and visits</li> <li>2. Participation in industry events, projects and organisations</li> <li>3. Advertising in industry publications</li> <li>4. Stakeholder engagement</li> <li>5. Promotional events on Trading Floor and local communities</li> <li>6. Media campaigns (Twitter, Facebook, Email, Newsletters)</li> <li>7. Sponsorships and Endorsements</li> </ol>

## 4.6. Perceptions About the Role of Marketing

The views of the role of marketing differed between the two markets; the one saw marketing as playing a vital role in a highly competitive space whilst the other was of the opinion that markets, by their very nature, do not require additional exposure through advertising and marketing.

**Table 4.3. Role of Marketing**

<b>NFPM 1</b>	Marketing is very important as there are 18 NFPMs i.e. reporting NFPM, in South Africa, 4 of which are in Gauteng. Therefore, these four markets compete for the same producers and buyers. The market share of these four markets in terms of turnover constitutes 74% of the national turnover of the 18 NFPMs.
<b>NFPM 2</b>	Given that Fresh Produce Markets naturally attract a buyer base advertising and marketing they rarely viewed as being businesses that require additional exposure. As producers continue to deliver to the markets and buyers have few viable choices to procure, markets tend to exist and continue to do so due to price, product and place and less so promotion. This view however is and will shift as the true customers of markets, the farmer, do have options and markets will need to create campaigns geared at farmers or risk becoming obsolete.

## 4.7. Differences Between Private Companies and National Fresh Produce Markets

The markets appear to have differing views on the differences that exist between public and private sector enterprises. The one aspect that the two markets appear to share a similar view on is the flexibility that private sector companies enjoy in terms of their sales and business strategies. Table 4.4 below indicates the differences as listed by the two respondents.

**Table 4.4. Differences Between Private and Public Sector Entities**

<p><b>NFPM 1</b></p>	<ol style="list-style-type: none"> <li>1. Private companies have larger budgets than local government.</li> <li>2. Private companies decide what products to supply whereas markets have to work within set regulations that determine their supply.</li> <li>3. In essence, the function of marketing has no difference as both market in order to enhance sales and development in order to attract new buyers.</li> </ol>
<p><b>NFPM 2</b></p>	<p>There are 4 primary differences between the marketing of private companies and that of markets, irrespective of the ownership model:</p> <ol style="list-style-type: none"> <li>1. Markets have to promote themselves to both suppliers and buyers, conventional businesses only target buyers.</li> <li>2. Markets have specific services, geared at specific stakeholders and seldom can, or do, focus outside of these groups, private business looks to alternative avenues to generate income and may venture into completely new, uncorrelated industries.</li> <li>3. Markets historically do not have competition and are by default natural monopolies, this however is changing with more and more markets facing external competition.</li> <li>4. As facility providers, markets do not sell the goods traded on their floors and therefore do not attempt to promote such goods, conventional business operate on a model that seeks to promote what they sell.</li> </ol>

#### **4.8. Marketing Strategies Practiced by the Market**

Both markets appear to have marketing strategies in place with which they are satisfied. The strategies tend to go over and above marketing with a focus on business development.

**Table 4.5. Marketing Strategies**

<p><b>NFPM 1</b></p>	<p>We have a five year plan and strategy in place. In addition to that we have development programmes that incorporate countries into the rest of Africa. Therefore, we are fully satisfied with our strategies.</p>
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<b>NFPM 2</b>	The marketing strategies employed by the market are at present sufficient to reach the target market however this needs to be monitored and constantly altered to respond to the challenges of the industry. There is a case for marketing activities to be further improved but presently the degree of marketing and involvement from markets is at a level where impact can be made.
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#### 4.9. Influence of Marketing on Market Performance

The one market sees a great correlation between marketing and market performance as shown in table 4.6 below.

**Table 4.6. Influence of Marketing on Market Performance**

<b>NFPM 2</b>	Marketing allows markets to understand what farmers and buyers want and to respond to these needs. For market, marketing is a two way street with a campaign or activity often getting a response. These responses act as signals to tell markets what needs to be improved or what changes are receiving positive feedback, this in turn improves the performance of the market as it addresses the needs of our clients.
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#### 4.10. Monitoring Impact of Marketing Activities

Both markets monitor the impact of their marketing activities as shown in table 4.7. below.

**Table 4.7. Activity Monitoring**

<b>NFPM 1</b>	We hold a marketing committee meeting once a month to review all activities. We monitor turnover on mass growth and turnover per ton in order to gauge growth and return on investment.
<b>NFPM 2</b>	Measuring the impacts of marketing activity is not a simple process however markets are able to make use of some trading tools to estimate

	<p>the effect of these activities. These are:</p> <ol style="list-style-type: none"> <li>1. Tonnage: Increased tonnages implies higher deliveries which in turn leads us to believe that we are the preferred choice for more farmers and hence our message is getting out.</li> <li>2. Signup of new farmers: The monthly number of new producers choosing to deliver to the market is a clear indicator of visibility of the market and so the effects of campaigns.</li> <li>3. Signup of new buyers: The monthly number of new producers choosing to buy from the market is a clear indicator of visibility of the market and so the effects of campaigns.</li> <li>4. Feedback about activities and campaigns is compared against positive vs negative</li> </ol>
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#### 4.11. Critical success factors

Both markets feel their success hinges largely on the customer as is shown in table 4.8. below.

**Table 4.8. Critical Success Factors**

<b>NFPM 1</b>	<p>I think there are two critical factors:</p> <ol style="list-style-type: none"> <li>1. Customer retention: which includes quarterly and yearly visits to producers (this is critical), annual trend analysis, customer analysis (of both producers and buyers), as well as new and enhanced service delivery.</li> <li>2. Infrastructure development and enhancement.</li> </ol>
<b>NFPM 2</b>	<p>The most critical factor is identifying who your customer is; if a market cannot do this then all other activities will not be as effective. Beyond knowing who your customers is a market needs to know their customer, this way you know who you are targeting and you know what their drivers are. In order for markets to have successful marketing strategies they also need to segment carefully so that campaigns are geared at the correct group, promotions for buyers focus on buyer needs, promotions for producers, respond to producer concerns. Therefore successful marketing strategy cannot be implemented without these critical factors:</p>

	<ol style="list-style-type: none"> <li>1. Identify your customers</li> <li>2. Know your customers</li> <li>3. Segment you customers</li> <li>4. Customise marketing message based on target group</li> </ol>
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## 4.12. Brand Positioning

Both markets have a strong sense of brand positioning, and take cognisance of the fact that many factors come into play when it comes to how their respective brands are perceived.

**Table 4.9. Brand Positioning**

<b>NFPM 1</b>	Because the market offers a service which is an intangible experience, we have to link the service to the brand. Therefore, the market is positioned as a unique trade centre.
<b>NFPM 2</b>	<p>The brand has been in development for over 10 years. As a facility provider we are not only providing the environment in which to trade but are also required to provide an oversight function. The essence of this is that we need to be a brand that is transparent, trustworthy, honest, reliable and above all acting in the interest of our customer, the farmer. Having established this criteria we created a customer convenient which addresses all of these points and reassures our farmers that we act in their interest.</p> <p>This, along side other strategic plans and implementations has allowed us to become a brand and for us to cherish the reputation of this brand. In todays Fresh Produce Market a brand is critically important, a farmer never says “I deliver to a agency”, they say, “I deliver to a market”, this requires a strong brand that can be trusted and for this market, this has been a goal which we believe we have achieved.</p>

## 4.13. The Market’s Operating Environment

The respondents both view the environment as being quite competitive amongst other factors.

**Table 4.10. Operating Environment**

<b>NFPM 1</b>	It is very competitive and fast changeable. It is also an environment where nature plays a big role, and where everybody must eat.
<b>NFPM 2</b>	The environment that Fresh Produce Markets operate within are dynamic. Much can be said about the environment but the best way to describe it is to say it is a market place, the pace and thrust of daily market life is unlike any other in the industry. Prices are formed, deals are made and huge tonnages moved all while keeping monies safe, areas clean and complying to occupational health and safety.

#### **4.14. Current State of the Agricultural Industry**

Both markets acknowledge movements taking place within the industry which inspire confidence, although there is a call from one of the markets for a change in thinking as the landscape of the industry changes due to new legislation and new entrants.

**Table 4.11. State of the Industry**

<b>NFPM 1</b>	I am comfortable with the current state of the industry because there are new producers coming in both locally and from the rest of Africa.
<b>NFPM 2</b>	<p>Fresh produce markets are currently at a cross-roads, whilst markets remain the lowest cost route for producers there is strong competition both from established business and from new entrants. The challenge for markets is responding to the competition whilst keeping within the regulatory framework of APA ACT 12 of 1992.</p> <p>The perception therefore is the markets are slow to respond to the changing landscape of the fresh produce industry and that markets lack the capacity to innovate and compete on the same level as wholesalers and other direct channels.</p> <p>This however is changing with a new bill (APA Bill of 2013) currently under discussion and markets are gearing themselves to be markets of the 21<sup>st</sup> century.</p>

	<p>Markets also need to ensure that they remain relevant and a preferred channel by protecting the coveted price discovery mechanism which at times is under threat and eroded by external competitors.</p> <p>In summary, the current state of the industry is one that is in need of innovation and a shift in direction which is happening at a rapid pace.</p>
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#### 4.15. Changes in Operating Environment

Both markets acknowledge that changes in the operating environment have facilitated changes for the better within their markets.

**Table 4.12. Operating Environment**

<b>NFPM 1</b>	<p>Yes, some of the changes we have seen include:</p> <ol style="list-style-type: none"> <li>1. Safe and secure outlets.</li> <li>2. Lifted services.</li> <li>3. Types of produce available.</li> <li>4. Introduction of packaging and marking requirements.</li> </ol>
<b>NFPM 2</b>	<p>Yes, since the fresh produce industry was deregulated the operating environment for markets has drastically changed. Markets are no longer the only marketing channel for farmers, there is now choice as to how a farmers wishes to sell his fresh produce. This has allowed many competing businesses to start operating in and around market precincts and has reduce the market share once enjoyed by fresh produce markets. Currently fresh produce markets are roughly 40% of the overall size of the fresh produce industry in South Africa, a 60% decline in almost 20 years. This change has required markets to alter the operations to respond to free enterprise and become more efficient.</p>

#### 4.16. Porters Five Forces

The markets have differing views on which forces come into play at the respective markets. However, market two acknowledges the competitiveness that exists amongst current competitors highlighted by market one in an earlier question.

**Table 4.13. Porters Five Forces**

<b>NFPM 1</b>	Bargaining power of buyers. This can change in a day. They can move from one distribution channel or supplier in an instant.
<b>NFPM 2</b>	Threat of new entrants, rivalry amongst existing competitors.

#### **4.17. Future Prospects**

Both markets feel there is a place for markets in the future. However, market two acknowledges that the quest for relevance requires continuous work from the side of the markets.

**Table 4.14. Future of Markets**

<b>NFPM 1</b>	NFPMs will play a big role in where we procure fresh produce. They have a place in the market, and will be there in the future.
<b>NFPM 2</b>	Fresh produce markets has a bright future, as a industry we can be enormously proud that we have structures in place that still provide farmers with the best possible price for their produce based on supply and demand (via the price discovery mechanism) and that this process is genuinely the lowest cost option. There is however a challenge to markets to remain relevant in the future and this can only be done if markets continue to act in the interest of the producer, continue to provide the essential services producers require, respond to changing legislation and food safety standards.

#### **4.18 Discussion of the Results**

The discussion of the results is structured in a way that will attempt to achieve the four research objectives as set out in Chapter One. The findings are also compared to the literature review contained in Chapter Two in order to provide more meaningful interpretation of the results.

#### **4.18.1. Research Objective 1: To establish how FPMs perceive marketing as a function**

In the literature review, Walsh (1994) was of the opinion that marketing had begun to command attention within the public sector. This appears to be true for the markets interviewed as the findings indicate that both markets employ individuals responsible for the role of marketing. Both respondents in this research indicated a great effort towards the establishment of marketing as a function within the respective markets: the first market employs “five people dedicated to the function”, and the second market indicated that they do employ a dedicated person or people but did not give an indication of the number of people employed.

The titles of the individuals who responded to the survey also differed. For the first market, the researcher was directed to the Deputy Director: Market Systems Development as being the person that handles the marketing function. For the second market, the researcher was directed to the Manager: Technology and Marketing as being the individual that is at the head of the marketing function at the market. The differences in the titles of the people heading up the marketing function suggest to the researcher that one market has the latitude to reorganise its internal structures and functions to suit its current environment while the other appears to still be bound within the bureaucratic nature of its respective environment.

An insufficient sample was pooled to allow the researcher to draw any further comparisons with regards to changes in the ownership of the NFPMs. The literature review indicated 12 departmental markets, two municipal markets and eight privately owned markets. The results show that one of the markets interviewed is municipal owned and the other privately owned. Further to this, the respondent for market one indicated that this market is a municipal market. However, the Section 7: National Fresh Produce Markets report of 2007 lists this market as one which employs “a departmental ownership and management structure” where all assets are municipality-owned and where “management within this structure may conduct normal day-to-day business operations but cannot undertake major interventions that may alter the course of operations”. The respondent also stated that “marketing is very important” because there are 18 reporting NFPMs, four of which are situated in Gauteng, “compete for the same producers and buyers”, and constitute “74% of

the national turnover of the 18 NFPMs” (NFPM 1, 2014). This leads the researcher to believe that this is the reason why this market perceives marketing to mean more than ensuring a place for buyers and sellers to meet, which is in essence providing more than just a bartering platform. It appears this market has evolved to take a greater stance in marketing in order to remain competitive.

This perceived importance of marketing as a function is a similar sentiment as shared by the second market’s respondent who stated that “As producers continue to deliver to the markets and buyers have few viable choices to procure, markets tend to exist and continue to do so due to price, product and place and less so promotion. This view however is and will shift as the true customers of markets, the farmer, do have options and markets will need to create campaigns geared at farmers or risk becoming obsolete” (NFPM 2, 2014).

#### **4.18.2. Research Objective 2: To identify the current marketing strategies implemented at FPMs**

In Chapter Two, Walsh (1994) suggested that marketing approaches for public sector organisations had evolved in response to the need for these entities to compete both in the public realm and with the private sector. The markets interviewed showed differing views on the differences that exist between public and private sector enterprises. Key to note, and similar to Chikazunga *et al’s* (2008) findings, is that one market highlighted the fact that by default markets used to be “natural monopolies, this however is changing with more and more markets facing external competition” which is stemming from private sector enterprises.

Webster (1992) identified three dimensions of marketing: marketing as culture; marketing as strategy, and marketing as tactics where culture relates to the customer being central to marketing’s values and beliefs, strategy to market segmentation and targeting, and lastly tactics which refer to the ‘4Ps’. When identifying critical success factors of marketing strategies, both markets placed the customer at the centre. The marketing activities each market listed as undertaking all fall within the definition of the ‘4Ps’ and within the realm of market segmentation and targeting.

Marketing dashboards were discussed in Chapter Two as a means of monitoring marketing activities. They were described as the various individual performance indicators that illustrated the performance of a firm as a whole. Research findings from these two markets show that both markets use indicators such as changes in tonnage, increase of new buyers and farmers, and feedback in general around their marketing activities to gauge their performance and return on investment.

Kotler (2003) defined positioning as the act of designing a company's offering and image to occupy a distinctive place in the mind of the target market. Research findings indicate both markets have a strong sense of brand positioning, and take cognisance of the fact that many factors come into play when it comes to how their respective brands are perceived.

#### **4.18.3. Research Objective 3: To evaluate the environment within which FPMs operate**

The deregulation of the agricultural industry, and the resultant affects thereof, are documented in Chapter Two of this research. Amongst those highlighted is the increased competitiveness of the industry as farmers are now able to by-pass the markets, and sell directly to wholesales. The findings of this research support this notion that the industry has become increasingly competitive. One of the respondents stated "It is very competitive and fast changeable".

In Chapter Two, Chikazunga et al (2008) suggested that NFPMs had not responded to the transformation of the industry at an adequate pace to ensure that they remain competitive in this free market environment. This is a sentiment shared by one of the markets during the interview (NFPM 2, 2014):

"The perception therefore is the markets are slow to respond to the changing landscape of the fresh produce industry and that markets lack the capacity to innovate and compete on the same level as wholesalers and other direct channels. This however is changing with a new bill (APA Bill of 2013) currently under discussion and markets are gearing themselves to be markets of the 21<sup>st</sup> century."

#### **4.18.4. Research Objective 4: To investigate any possible perceived changes that have taken place within the operational environment of FPMs since the disbandment of the control boards**

When asked if there had been any changes in the operating environment of NFPMs in South Africa since 1996, both markets responded in agreement that the environment had indeed changed (NFPM 2, 2014):

“Yes, since the fresh produce industry was deregulated the operating environment for markets has drastically changed. Markets are no longer the only marketing channel for farmers, there is now choice as to how a farmers wishes to sell his fresh produce. This has allowed many competing businesses to start operating in and around market precincts and has reduce the market share once enjoyed by fresh produce markets. Currently fresh produce markets are roughly 40% of the overall size of the fresh produce industry in South Africa, a 60% decline in almost 20 years. This change has required markets to alter the operations to respond to free enterprise and become more efficient.”

However, research findings indicate that the markets remain optimistic about their survival into the future.

#### **4.19. Summary**

This chapter presented the responses and findings of the two participants of the research study. The next chapter aims to summarize the study providing conclusions and recommendations for future research based on this study.

## **CHAPTER FIVE**

### **CONCLUSION AND RECOMMENDATIONS**

#### **5.1. Introduction**

This chapter draws a conclusion in respect of the problem statement, and the aims and objectives outlined in Chapter One. Although the recommendations made in this chapter are based on a study sample of two markets, they propose a way forward for NFPMs in South Africa.

#### **5.2. Summary of the Study**

This research sought to establish an understanding of the current marketing strategies practiced by FPMs in South Africa, and highlight critical factors that contribute to the current situation in the agricultural industry. The research study contained four research objectives:

- To establish how FPMs perceive marketing as a function;
- To identify the current marketing strategies implemented at FPMs;
- To evaluate the environment within which FPMs operate; and
- To investigate any possible perceived changes that have taken place within the operational environment of FPMs since the disbandment of the control boards.

The research study was conducted in the interpretivism paradigm as it was deemed most suitable to achieving the research objectives stated above. A qualitative research approach was adopted for this study as it offers first-hand evidence in order to understand and explain the world. The study was carried out during November 2014 targeting all FPMs across South Africa. Semi-structured interviews were conducted telephonically due to the geographical spread of the respondents. A census was drawn from the population of 22 FPMs.

De Beuckelaer and Wagner (2012) concluded that small samples are capable of yielding valuable and valid contributions to the body of knowledge of a subject if the researcher has an understanding and appreciation of the methodological issues that are inherent in small samples, and endeavours to adhere to the principles of good-practice in the research process.

The sample size of this research study did not yield the desired amount of 22 participants. However, the findings unearthed by the research study have given an indication of the marketing strategies practiced by FPMs in South Africa and they have succeeded in confirming that the environment within which these strategies are implemented has changed, and has changed for the better. This, in a way, indicates that the research conducted has addressed the main two aims of the study. The two aims were: firstly, to establish the practice of marketing strategies currently employed by NFMPs in South Africa, and secondly to reassess the operating environment within which the markets implement these marketing strategies.

### **5.3. Conclusion**

The research problem in this study identified the need to establish the practice of marketing strategies by the NFMPs in South Africa, and to re-evaluate the environment within which these strategies are implemented.

Literature on NFMPs showed that the industry is facing economic changes following the disbandment of the control boards that had governed it which has in turn led to continuous loss of market share for the markets. It further suggested that public sector entities are now adopting similar thinking, in terms of marketing, as private sector entities in order to remain competitive.

The data collected via interviews from the two participating markets assisted in answering the research problem. The markets stated the type of marketing strategies and activities they employ, and gave a re-evaluation of the current agricultural industry. The markets acknowledged the immense amount of competition threatening their existence, and indicated that they realise the importance of marketing as a function as well as the need to

increase the pace at which they innovate and react to market factors in order to remain competitive. The findings did reveal the regulatory environment within which they operate as being the greatest contributing factor to their slow response rates to competition.

The study has addressed the problem statement by giving an indication of the type of marketing strategies markets are currently employing, and it has given an indication that NFPMs realise the vital role they play within the South African economy thus they foresee a long and bright future ahead.

#### **5.4. Implications and Recommendations**

An insufficient number of research participants took part in this research study leading to very little data from which the researcher can draw any strong conclusions and recommendations. However, based on data collected from the two respondents who participated, the recommendations are as follows:

- The markets should attempt to make greater use of the marketing resource they employ to build strong brands that will be able to compete in this competitive market.
- In order to compete on an equal footing with private sector organisations, the markets should employ marketing dashboards to assist them to become more efficient as organisations on a marketing front.

#### **5.5. Limitations and Areas of Further Research**

A study of the market agents who are the individuals that are involved in the selling of fresh produce off the market floors may generate a different school of thought regarding the marketing strategies that should be employed by NFPMS.

The locality of the current study was too broad although the study population was small. Confining the study to a geographic region conducive for travel to conduct face-to-face interviews may produce a different set of results.

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# APPENDIX 1

## QUESTIONNAIRE

<b>Telephonic Interview / Questionnaire Schedule</b>
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**UNIVERSITY OF KWAZULU-NATAL  
GRADUATE SCHOOL OF BUSINESS & LEADERSHIP**

**MBA Research Project:** The Practice of Marketing Strategies by National Fresh Produce Markets in South Africa

**Researcher:** Zama Nobandla (Contact number: 083 479 0731)

**Supervisor:** Christopher Chikandiwa (Office Telephone number: 031 260 8882)

**Research Office:** Ms P Ximba 031-2603587

### **The Practice of Marketing Strategies by National Fresh Produce Markets in South Africa**

The purpose of this survey is to solicit information from individuals implementing marketing strategies in national fresh produce markets in South Africa regarding the nature of their work. The information you provide us will go a long way in helping us identify the type of marketing strategies implemented and re-evaluate the environment within which these strategies are implemented.

The interview which can be done telephonically or via email should only take 10-15 minutes to complete. In this questionnaire, you are asked to indicate what is true for you, so there are no “right” or “wrong” answers to any question. Work as rapidly as you can. If completing the questionnaire via email, please write your comment directly on the booklet itself. Make sure not to skip any questions.

Thank you for participating.

**Telephonic Interview / Questionnaire Schedule**

1. What is your job title?

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2. Which of the following ownership and management structures best describes your market?  
Choose one of the following:

2.1. Departmental

2.2. Municipal

2.3. Private

2.4. Other \_\_\_\_\_ (Please state)

3. Does your market employ a dedicated marketing person or people? Please tick one of the following:

3.1. Yes

3.2. No

4. Please list the type of marketing activities carried out by your market?

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5. What are your perceptions about the role of marketing e.g. advertising, promotion etc., in national fresh produce markets?

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6. In your opinion, what do you think are the differences (if any) in the function of marketing between private companies and national fresh produce markets?

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7. What are your feelings about the marketing strategies and/or activities practiced by the market?

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8. In your opinion, what influence does marketing e.g. advertising and promotions etc. (if any), have on the performance of the market?

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9. How do you monitor the impact of marketing activity e.g. advertising and promotions etc., at your market?

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10. What do you think are critical factors in the implementation of successful marketing strategies in national fresh produce markets?

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11. What are your thoughts on the positioning of this market as a brand?

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12. How would you describe the environment within which this market operates?

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13. What is your perception of the current state of the agricultural industry in relation to national fresh produce markets in general?

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14. In your view, have there been any changes in the operating environment of national fresh produce markets in South Africa since 1996? Please tick one of the following:

14.1. Yes

14.2. No

15. If your answer to Question 14 above is 'Yes', please state what you view these changes to be.

**(Skip this question if you answered 'No' to Question 14 above)**

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16. In your view, which of the following five factors has the greatest impact on your market's performance? Please tick the ones most relevant to you:

16.1. Threat of new entrants

16.2. Bargaining power of buyers

- 16.3. Threat of substitute products/services
- 16.4. Bargaining power of suppliers
- 16.5. Rivalry amongst existing competitors

17. What are your views on the future of national fresh produce markets in South Africa?

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**End of the Questionnaire**

Thank you for taking the time to complete the questionnaire.

## APPENDIX 2

### RESPONSES TO INTERVIEWS WITH NATIONAL FRESH PRODUCE MARKETS

1. What is your job title?

<b>NFPM 1</b>	Deputy Director: Market Systems Development
<b>NFPM 2</b>	Manager: Technology and Marketing

2. Which of the following ownership and management structures best describes your market? Choose one of the following:

- 2.1. Departmental
- 2.2. Municipal
- 2.3. Private
- 2.4. Other \_\_\_\_\_ (Please state)

<b>NFPM 1</b>	Municipal
<b>NFPM 2</b>	Private

3. Does your market employ a dedicated marketing person or people? Please tick one of the following:

- 3.1. Yes
- 3.2. No

<b>NFPM 1</b>	Yes, the market has five people dedicated to the function.
<b>NFPM 2</b>	Yes

4. Please list the type of marketing activities carried out by your market?

<b>NFPM 1</b>	<ol style="list-style-type: none"> <li>1. Client development from the producer and buyer side</li> <li>2. Customer care</li> <li>3. Product promotion (which is conducted on the market premises)</li> <li>4. Market research</li> <li>5. Information distribution</li> <li>6. Complaints handling.</li> </ol>
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<b>NFPM 2</b>	<ol style="list-style-type: none"> <li>1. Producer engagement and visits</li> <li>2. Participation in industry events, projects and organisations</li> <li>3. Adverting in industry publications</li> <li>4. Stakeholder engagement</li> <li>5. Promotional events on Trading Floor and local communities</li> <li>6. Media campaigns (Twitter, Facebook, Email, Newsletters)</li> <li>7. Sponsorships and Endorsements</li> </ol>
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5. What are your perceptions about the role of marketing e.g. advertising, promotion etc., in national fresh produce markets?

<b>NFPM 1</b>	<p>Marketing is very important as there are 18 NFPMs i.e. reporting NFPM, in South Africa, 4 of which are in Gauteng. Therefore, these four markets compete for the same producers and buyers. The market share of these four markets in terms of turnover constitutes 74% of the national turnover of the 18 NFPMs.</p>
<b>NFPM 2</b>	<p>Given that Fresh Produce Markets naturally attract a buyer base advertising and marketing they rarely viewed as being businesses that require additional exposure. As producers continue to deliver to the markets and buyers have few viable choices to procure, markets tend to exist and continue to do so due to price, product and place and less so promotion. This view however is and will shift as the true customers of markets, the farmer, do have options and markets will need to create campaigns geared at farmers or risk becoming obsolete.</p>

6. In your opinion, what do you think are the differences (if any) in the function of marketing between private companies and national fresh produce markets?

<b>NFPM 1</b>	<ol style="list-style-type: none"> <li>1. Private companies have larger budgets than local government.</li> <li>2. Private companies decide what products to supply whereas markets have to work within set regulations that determine their supply.</li> <li>3. In essence, the function of marketing has no difference as both market in order to enhance sales and development in order to attract new buyers.</li> </ol>
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<b>NFPM 2</b>	<p>There are 4 primary differences between the marketing of private companies and that of markets, irrespective of the ownership model:</p> <ol style="list-style-type: none"> <li>1. Markets have to promote themselves to both suppliers and buyers, conventional businesses only target buyers.</li> <li>2. Markets have specific services, geared at specific stakeholders and seldom can, or do, focus outside of these groups, private business looks to alternative avenues to generate income and may venture into completely new, uncorrelated industries.</li> <li>3. Markets historically do not have competition and are by default natural monopolies, this however is changing with more and more markets facing external competition.</li> <li>4. As facility providers, markets do not sell the goods traded on their floors and therefore do not attempt to promote such goods, conventional business operate on a model that seeks to promote what they sell.</li> </ol>
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7. What are your feelings about the marketing strategies and/or activities practiced by the market?

<b>NFPM 1</b>	<p>We have a five year plan and strategy in place. In addition to that we have development programmes that incorporate countries into the rest of Africa. Therefore, we are fully satisfied with our strategies.</p>
<b>NFPM 2</b>	<p>The marketing strategies employed by the market are at present sufficient to reach the target market however this needs to be monitored and constantly altered to respond to the challenges of the industry. There is a case for marketing activities to be further improved but presently the degree of marketing and involvement from markets is at a level where impact can be made.</p>

8. In your opinion, what influence does marketing e.g. advertising and promotions etc. (if any), have on the performance of the market?

<b>NFPM 1</b>	<p>With regards to promotions, the market does have full product variety and quality in place which is very important. In terms of advertising, wholesalers and retailers are the market's bigger customers therefore we engage in business marketing. No consumer advertising is done.</p>
<b>NFPM 2</b>	<p>Marketing allows markets to understand what farmers and buyers want and to respond to these needs. For market, marketing is a two way street</p>

	with a campaign or activity often getting a response. These responses act as signals to tell markets what needs to be improved or what changes are receiving positive feedback, this in turn improves the performance of the market as it addresses the needs of our clients.
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9. How do you monitor the impact of marketing activity e.g. advertising and promotions etc., at your market?

<b>NFPM 1</b>	We hold a marketing committee meeting once a month to review all activities. We monitor turnover on mass growth and turnover per ton in order to gauge growth and return on investment.
<b>NFPM 2</b>	Measuring the impacts of marketing activity is not a simple process however markets are able to make use of some trading tools to estimate the effect of these activities. These are: <ol style="list-style-type: none"> <li>1. Tonnage: Increased tonnages implies higher deliveries which in turn leads us to believe that we are the preferred choice for more farmers and hence our message is getting out.</li> <li>2. Signup of new farmers: The monthly number of new producers choosing to deliver to the market is a clear indicator of visibility of the market and so the effects of campaigns.</li> <li>3. Signup of new buyers: The monthly number of new producers choosing to buy from the market is a clear indicator of visibility of the market and so the effects of campaigns.</li> <li>4. Feedback about activities and campaigns is compared against positive vs negative</li> </ol>

10. What do you think are critical factors in the implementation of successful marketing strategies in national fresh produce markets?

<b>NFPM 1</b>	I think there are two critical factors: <ol style="list-style-type: none"> <li>1. Customer retention: which includes quarterly and yearly visits to producers (this is critical), annual trend analysis, customer analysis (of both producers and buyers), as well as new and enhanced service delivery.</li> <li>2. Infrastructure development and enhancement.</li> </ol>
<b>NFPM 2</b>	The most critical factor is identifying who your customer is; if a market cannot do this then all other activities will not be as effective. Beyond knowing who your customers is a market needs to

	<p>know their customer, this way you know who you are targeting and you know what their drivers are. In order for markets to have successful marketing strategies they also need to segment carefully so that campaigns are geared at the correct group, promotions for buyers focus on buyer needs, promotions for producers, respond to producer concerns. Therefore successful marketing strategy cannot be implemented without these critical factors:</p> <ol style="list-style-type: none"> <li>1. Identify your customers</li> <li>2. Know your customers</li> <li>3. Segment you customers</li> <li>4. Customise marketing message based on target group</li> </ol>
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11. What are your thoughts on the positioning of this market as a brand?

<b>NFPM 1</b>	<p>Because the market offers a service which is an intangible experience, we have to link the service to the brand. Therefore, the market is positioned as a unique trade centre.</p>
<b>NFPM 2</b>	<p>The brand has been in development for over 10 years. As a facility provider we are not only providing the environment in which to trade but are also required to provide an oversight function. The essence of this is that we need to be a brand that is transparent, trustworthy, honest, reliable and above all acting in the interest of our customer, the farmer. Having established this criteria we created a customer convenient which addresses all of these points and reassures our farmers that we act in their interest.</p> <p>This, along side other strategic plans and implementations has allowed us to become a brand and for us to cherish the reputation of this brand. In todays Fresh Produce Market a brand is critically important, a farmer never says “I deliver to a agency”, they say, “I deliver to a market”, this requires a strong brand that can be trusted and for this market, this has been a goal which we believe we have achieved.</p>

12. How would you describe the environment within which this market operates?

<b>NFPM 1</b>	<p>It is very competitive and fast changeable. It is also an environment where nature plays a big role, and where everybody must eat.</p>
<b>NFPM 2</b>	<p>The environment that Fresh Produce Markets operate within are dynamic. Much can be said about the environment but the best way to describe it is to say it is a market place, the pace and thrust of daily market life is unlike any other in the industry. Prices are formed, deals are made and huge tonnages moved all while keeping</p>

	<p>monies safe, areas clean and complying to occupational health and safety.</p> <p>It is also prudent to note that unlike normal municipal markets, this market does not enjoy the benefit of by-laws and hence has to rely on commercial thinking to achieve the same goals. The market employs the use of policies and procedures to achieve this but ultimately operates in free enterprise and this in turn requires far more strategic thinking and application towards competition and management.</p>
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13. What is your perception of the current state of the agricultural industry in relation to national fresh produce markets in general?

<b>NFPM 1</b>	I am comfortable with the current state of the industry because there are new producers coming in both locally and from the rest of Africa.
<b>NFPM 2</b>	<p>Fresh produce markets are currently at a cross-roads, whilst markets remain the lowest cost route for producers there is strong competition both from established business and from new entrants. The challenge for markets is responding to the competition whilst keeping within the regulatory framework of APA ACT 12 of 1992. The perception therefore is the markets are slow to respond to the changing landscape of the fresh produce industry and that markets lack the capacity to innovate and compete on the same level as wholesalers and other direct channels.</p> <p>This however is changing with a new bill (APA Bill of 2013) currently under discussion and markets are gearing themselves to be markets of the 21<sup>st</sup> century.</p> <p>Markets also need to ensure that they remain relevant and a preferred channel by protecting the coveted price discovery mechanism which at times is under threat and eroded by external competitors.</p> <p>In summary, the current state of the industry is one that is in need of innovation and a shift in direction which is happening at a rapid pace.</p>

14. In your view, have there been any changes in the operating environment of national fresh produce markets in South Africa since 1996? Please tick one of the following:

- 14.1. Yes  
14.2. No


<b>NFPM 1</b>	Yes, some of the changes we have seen include:  1. Safe and secure outlets. 2. Lifted services. 3. Types of produce available. 4. Introduction of packaging and marking requirements.
<b>NFPM 2</b>	Yes, since the fresh produce industry was deregulated the operating environment for markets has drastically changed. Markets are no longer the only marketing channel for farmers, there is now choice as to how a farmers wishes to sell his fresh produce. This has allowed many competing businesses to start operating in and around market precincts and has reduce the market share once enjoyed by fresh produce markets. Currently fresh produce markets are roughly 40% of the overall size of the fresh produce industry in South Africa, a 60% decline in almost 20 years. This change has required markets to alter the operations to respond to free enterprise and become more efficient.

15. If your answer to Question 14 above is ‘Yes’, please state what you view these changes to be.

**(Skip this question if you answered ‘No’ to Question 14 above)**

<b>NFPM 1</b>	
<b>NFPM 2</b>	

16. In your view, which of the following five factors has the greatest impact on your market’s performance? Please tick the ones most relevant to you:

- |  |                          |
|--|--------------------------|
| 16.1. Threat of new entrants                 | <input type="checkbox"/> |
| 16.2. Bargaining power of buyers             | <input type="checkbox"/> |
| 16.3. Threat of substitute products/services | <input type="checkbox"/> |
| 16.4. Bargaining power of suppliers          | <input type="checkbox"/> |
| 16.5. Rivalry amongst existing competitors   | <input type="checkbox"/> |

<b>NFPM 1</b>	Bargaining power of buyers. This can change in a day. They can move from one distribution channel or supplier in an instant.
<b>NFPM 2</b>	Threat of new entrants, rivalry amongst existing competitors.

17. What are your views on the future of national fresh produce markets in South Africa?

<b>NFPM 1</b>	NFPMs will play a big role in where we procure fresh produce. They have a place in the market, and will be there in the future.
<b>NFPM 2</b>	Fresh produce markets has a bright future, as a industry we can be enormously proud that we have structures in place that still provide farmers with the best possible price for their produce based on supply and demand (via the price discovery mechanism) and that this process is genuinely the lowest cost option. There is however a challenge to markets to remain relevant in the future and this can only be done if markets continue to act in the interest of the producer, continue to provide the essential services producers require, respond to changing legislation and food safety standards.

# APPENDIX 3

## ETHICAL CLEARANCE CERTIFICATE



29 October 2014

Ms Zamantungwa Clara Nobandla (208522086)  
Graduate School of Business & Leadership  
Westville Campus

Dear Ms Nobandla,

Protocol reference number: HSS/1420/014M  
Project title: The practice of marketing strategies by national fresh produce markets in South Africa

### Full Approval – Expedited Application

In response to your application received on 23 October 2014, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and the protocol have been granted **FULL APPROVAL**.

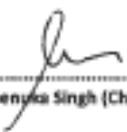
Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number.

**PLEASE NOTE:** Research data should be securely stored in the discipline/department for a period of 5 years.

The ethical clearance certificate is only valid for a period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully

  
.....  
Dr Shenska Singh (Chair)  
/ms

Cc Supervisor: Mr Christopher Chikandwa  
Cc Cc Academic Leader Research: Dr E Munogo  
Cc School Administrator: Ms Zarina Bullyraj / Ms Gina Mshengu

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