

Full Length Research Paper

International marketing planning and research practices of agribusiness firms in Zimbabwe

Gabriel O. Ogunmokun^{1*} and Tafadzwa E. L. Nyanzunda²

¹U.S. University of the Virgin Islands, St. Croix, U.S. Virgin Islands, USA.

²Centre for Entrepreneurship, University of the Witwatersrand, Johannesburg, South Africa.

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According to the International Finance Corporation-World Bank Group (2010), "agriculture is still the single most important economic sector and source of employment in emerging markets. Seventy percent of the world's poor live in rural areas. IFC has made agribusiness a priority because of its potential for broad development impact and especially strong role in poverty reduction". However, according to Manyukwe (2008), "Zimbabwe is losing US\$650 million in potential farm export earnings due to a deepening shortage of power and key inputs, a Parliamentary committee reports". Moreover, given the scarcity of research into export planning among agribusiness firms in Zimbabwe, this paper presents the results of a study that was designed to identify whether planning and research were carried out by Zimbabwean agribusiness firms prior to exporting, the market entry strategies used by Zimbabwean agribusiness firms in exporting, and to identify managerial perceptions of exporting barriers.

Key words: Agribusiness, agriculture, exporting, international marketing, market entry, motivation, planning, research, strategy, Zimbabwe.

INTRODUCTION

Although, according to the literature, planning allows an organization to be more proactive in shaping the future (David, 2009; Hill, 2009), there is a dearth of research into the planning practices of agribusiness exporting firms in Zimbabwe. Moreover, although a number of studies have looked at the characteristics and behaviour of exporters including marketing strategies and managerial perception for explaining export performance in non-agribusiness firms (Cooper and Kleinmeschmidt, 1985; Saeed and Walters, 1990; Talaat, 1978; Cavusgil and Zou, 1994; Katobe and Czinkota, 1992; Bilkey, 1976; Bilkey 1982) very few studies have addressed agribusiness industry in developing countries particularly in Zimbabwe. According to Campbell and Fisher (1991), agriculture has unique characteristics in that most of the agricultural related industries have a high risk and uncertainty associated with the industry. Inelastic demand, homogeneity of products, production resources,

the biological nature of production, pests and diseases and seasonality are some of the characteristics of agribusiness industry that have been documented in the literature.

Flemming (1992) claimed that agribusiness firms in small developing countries face a special set of circumstances when formulating strategic marketing decisions due to having little influence on the markets to which they export. The importance of agricultural exports to economic development in developing nations means that governments intervene a great deal in the export processes which may affect agribusiness export performance. Although the effects of tariffs, quota and other explicit trade barriers may be relatively easy to identify and could be empirically estimated, the regulations governing food quality and labelling may be difficult to predict (Worley et al., 1995). Therefore, since most of the research on factors influencing export interest and specific problems faced by exporting firms has focused almost exclusively on non - agribusiness firms in the developed countries (Felsenstein and Barel, 1989; Cooper and Kleinmeschmidt, 1985; Ramasenshan and Souter, 1994; Torok and Schroeder, 1994) this study was

*Corresponding author. E-mail: ogunmokun@academyofworldbusiness.com.

specifically designed to examine Zimbabwean agribusiness exporting firms. The key objectives of this study are: (1) to identify the market entry strategies used by Zimbabwean agribusiness firms and the factors that motivated the firms to export and (2) to identify the problems faced by these agribusiness firms in their exporting operations.

Why study Zimbabwean agribusiness firms? According to Zimbabwe (2002) information, "around 26% of Zimbabwe's economically active population is engaged in agriculture, which contributes about 60% of gross domestic product (GDP). The principal cash crops are tobacco and maize, which are grown mainly in the northern and central regions. In 2001 the country had about 16.5 million chickens, 5.55 million cattle, 2.80 million goats, 535,000 sheep, and 278,000 pigs. Zimbabwe's annual roundwood cut in 2000 was about 9.25 million cu m (327 million cu ft); most of it was used for household fuel. The fish catch in 1997 amounted to 18,241 tonnes mainly from Lake Kariba. Trout, prawns, and bream are farmed" (Zimbabwe, 2002).

Concerning general commerce and export performance, Zimbabwe (2002) claimed that "until 1990 annual export earnings were usually greater than import costs. In 1991 the trade balance shifted into deficit, with export earnings of US\$1,760 million and import costs of US\$1,800 million. After 1994 the system of strict foreign exchange allocations for imports, inherited from the pre-independence era, was abolished. Although the system had badly inhibited the modernization of existing industry and curtailed the development of new industries (because it was hard for them to get allocations), it had enabled some equilibrium in the trade balance and limited the size of the overall balance of payments deficit. In 2000 there was a trade deficit, with exports earning an estimated US\$1,927 million and imports costing US\$2,131 million. The leading exports included tobacco, asbestos, gold, cotton, steel, ferrochrome, nickel, textiles, and meat. Among the major imports were petroleum products, machinery, and transport equipment. The United Kingdom, South Africa, the United States, and Germany are the leading trade partners" (Zimbabwe, 2002).

METHODOLOGY

The sample for this study consists of companies from various industries exporting from Zimbabwe. This included companies in cotton and textiles; food and beverage processing; horticulture; seed and fertiliser; timber and wood products; tobacco; chemical and chemical products; wholesale trade; packaging products industries, etc. Most (about 90%) of these companies are located in Harare, the capital city. A two stage sampling procedure was done. Firstly, three major cities (Harare, Mutare and Bulawayo) were chosen from which the companies would be selected. These cities were chosen due to the fact that many companies are located in these three major cities,

which are convenient to reach.

A directory of exporting companies was used for sampling the companies selected to participate in the study. However, after making a few phone calls to inquire whether the managers were willing to participate in the study it was found that about 30% of these companies had since stopped exporting due to inadequate financial resources and inability to compete in foreign markets. A list of exporting companies was then down loaded from The Zimbabwe Trade Information Centre and the companies were sorted according to type of industry in Harare. The complete list of companies in two other major cities (Mutare and Bulawayo) were also downloaded and used for the study.

Before the questionnaire was administered, it was pre-tested with five small to medium sized companies. For the pre-testing the questionnaire was distributed to these companies personally and the managers claimed the questionnaire was easy to understand. They did not feel that any changes should be made to the questionnaire since all the necessary variables had been included. After the pre-testing, 300 questionnaires were distributed in Harare and 70 were sent to companies in Mutare and Bulawayo who had agreed to participate in the study after talking to them on the phone. More than 80% of exporting companies are located in Harare and this is why most of the questionnaires were distributed there.

A survey method was used in primary data collection. The questionnaire was personally administered to managers who were responsible for export marketing in each of the selected companies. This method is the most appropriate to use in Zimbabwe since mailing would take a longer time to reach the organisations and get the response. Appointments with respondents were made by telephone with a brief explanation about the purpose of the study. Although this was intended at reducing the problem of missing some respondents and also to save time by avoiding visiting the same company twice, in most cases the researcher had to visit the same company several times. Even after paying several visits some managers were still unable to complete the questionnaire within the stipulated time. Crick and Chaundry (1995) also encountered a similar problem.

In order to maximize the response rate the following measures recommended by Foreigner (1989) were done:

- (a) Pre-contact: A prior introductory telephone call requiring companies' participation was made.
- (b) Cover letter: The respondents were assured of anonymity in the questionnaires. This was done to avoid deliberate distortion of responses.
- (c) Incentives: The incentive of providing summaries of results and the assurance of confidentiality was also offered.
- (d) Intensive follow-up: After a period of time there was intensive follow up of the questionnaires which resulted in an increase to the response rate.

Respondent characteristics

The sample composed of the companies that had the following characteristics. About a quarter of the respondents (26.3%) employed 500 or more employees and the same proportion were employing less than employed 50 employees. The remaining employed between 51 and 500 employees. Almost half (46.3%) of the respondents were exporting to regional markets only and about 68% were earning more than US\$2 million of sales per annum. The majorities (70%) of the companies were non-subsidiary companies and for the subsidiary companies 41% of them had Zimbabwean parent companies. While almost a quarter of the companies were from the food and beverage industry, about 10% were from cotton textiles, timber and wood products and chemical and chemical products.

Table 1. Market entry modes.

Market entry mode	Agribusiness	
	N	%
Exporting through foreign wholesalers or retail organizations	6	13.6
Exporting through the export management company	3	6.8
Exporting through international trading companies	6	13.6
Exporting through piggy-back	4	9.1
Exporting through an overseas sales branch	3	6.8
Exporting through an overseas travelling sales person	6	13.6
Exporting through an overseas based agent	16	36.4
Total	44	100

More than a third (37.9%) of the respondents had a Diploma and more than a fifth (23.2%) of them had a Bachelor degree. More than half (54.3%) of the respondents in these Agribusiness firms also had their area of specialty in Marketing and 21.3% in Production. About a third of the respondents were between 35 and 44 years of age and almost a third (29.5%) were between 25 and 34 years of age. The majorities (85.3%), of the respondents were men and only 14.7% were women. Almost a quarter (23.2%) of the respondents were Chief Executive Officers or Managing Directors and also 24.2% were Export Managers. However, since this paper is about agribusiness exporting firms, the findings presented here are based on 44 agribusiness exporting firms that completed the questionnaire while all the non-agribusiness exporting firms that completed the questionnaire were excluded from the findings presented in this paper. Regarding performance only 25% of these firms claimed to have achieved the objectives set for their export ventures.

FINDINGS

Market entry mode and motivations to export

As shown in Table 1, more than a third (36.4%) of the respondents were exporting their products through overseas based agents. Another 40.8% of the firms were using exporting through foreign wholesalers or retail organisations or exporting through international trading companies or using overseas travelling sales people. Regarding motivation to export, more than a third of these exporting firms claimed that they were motivated to export either because of enquiries from export markets or simply because they felt that there was a larger demand for their products in export markets as compared to their local markets. As shown in Table 2, about a quarter of the firms were also motivated to get involved in exporting either because of need for greater market diversification, economies of scale or to extend the life cycle of their products.

Planning and market research prior to exporting

Only 27.3 per cent of the respondents as shown in Table 3 claimed that exporting had been planned carefully prior to exporting. Since planning is crucial to the efficient and effective management of a company's exporting activities, all exporters need to be planning for their exporting operations. According to Guiltinan and Paul (1991, p. 12) and Ogunmokun and Fidalgo (1996, p. 486), planning:

- (i) Encourages systematic thinking about the future.
- (ii) Leads to improved coordination.
- (iii) Establishes performance standards for measuring results.
- (iv) Provides a logical basis for decision making.
- (v) Improves the ability to cope with change.
- (vi) Enhances the ability to identify marketing opportunities.

Some of the other advantages of planning mentioned by several writers as summarized by Greenly (1986) and mentioned in Ogunmokun and Fidalgo (1996) and in David (2009) are:

- (a) The identification and exploitation of future marketing opportunities.
- (b) An objective view of management problems.
- (c) The provision of a framework for the review of plan execution and control of activities.
- (d) Minimization of the effects of adverse conditions and changes.
- (e) Major decisions can be more effectively related to established objectives.
- (f) More effective allocation of time and resources to identify opportunities.
- (g) Allows for the combination of all business functions into a combined effort.
- (h) Less resources and time need to be devoted to

Table 2. Motivations to export.

Major motivation to export(N = 44)	N*	%**
Keep up with or escape competition	6	13.6
Encountering adverse demographic changes in current market	5	11.4
Need for greater market diversification	13	29.5
Extend product life cycle	10	22.7
Enjoy tax advantages	7	15.9
Larger demand in export market	19	38.6
Dispose inventories	4	9.1
Responding to queries from export market	16	36.4
Take advantage of the cultural similarity	4	9.1
Exploit economies of scale	11	25.0
Establish progressive Image	8	18.2
Increase political Influence	2	4.5
Create research opportunities	3	6.8
Export technology to lesser developed countries	3	6.8
Export technology to developed countries	3	6.8

*This will not add up to 44 because more than one answer could be checked.**This will not add up to 100% because more than one answer could be checked.

Table 3. Planning and market research prior exporting.

Variable	Disagree		Agree	
	N	%	N	%
Exporting had been planned carefully	32	72.7	12	27.3
Extensive market research was carried out before exporting.	34	77.3	10	22.7

correcting erroneous ad hoc decisions.

- (i) Creates a framework for internal communication between personnel.
- (j) Allows for the identification of priorities within the timing of the plan.
- (k) The utilization of planning provides an advantage over competitors.
- (l) Helps to integrate the behaviour of individuals in the organization into a total effort.
- (m) Stimulates an integrated and enthusiastic approach to tackling problems and opportunities.
- (n) Encourages a favourable attitude to change.
- (o) Gives a degree of discipline and formality to the management of a business function that would not exist without planning.

Moreover, although marketing research could provide information on marketing opportunities, marketing effectiveness and marketing problems, the majority (77.3%) of the respondents had done no extensive market research prior to exporting (Table 3). These managers need to realize that basing export decisions on

intuition rather than on market research can affect export performance. According to Abel (1979), Boughton (1985) and Ogunmokun and Fidalgo (1996), some of the basic questions that a business manager needs to answer include:

- (a) What is the potential of the market?
- (b) What benefits does the customer seek?
- (c) What factors influence demand?
- (d) What functions does the product/service perform for the customer?
- (e) What are the important buying criteria?
- (f) What is the basis of comparison with other products/services?
- (g) What risks does the customer perceive?
- (h) What services do customers expect?
- (i) Where do customers make decision to buy?
- (j) Where do customers seek information about the product/service?
- (k) Where do customers buy the products?
- (l) When is the first decision to buy made?
- (m) When is the product purchased?

Table 4. Important obstacles faced in exporting.

Important obstacle faced	N*	%**
Inadequate financial resources	11	25.0
Strong international competition	13	29.5
Obstacles internal to the firm	5	11.4
Service domestic demand	6	13.6
High production costs	11	25.0
Inadequate technical know-how	7	15.9
Labour and managerial skills	8	18.2
Insufficient quality control	7	15.9
Production and capital resources	9	20.5
Poor plant location	4	9.1
Product features	7	15.9
Meeting delivery schedules	13	29.5
Knowing how to set appropriate price	11	25.0
Meeting product features requirements	13	29.5
Meeting product quality requirements	14	31.8

*This will not add up to 44 because more than one answer could be checked. **This will not add up to 100% because more than one answer could be checked.

- (n) Why do customers buy?
- (o) Why do customers choose one brand as opposed to another?
- (p) Who are the occupants of the segments identified?
- (q) Who buys our products and why?
- (r) How do customers buy?
- (s) How long does the buying process last?
- (t) How do customers use the products?
- (u) How do various elements of the marketing programme influence customers at each stage of the process?
- (v) How does the product fit into their life style or operations?
- (w) How much are they willing to spend?
- (x) How much do they buy etc?

Obstacles encountered in exporting

As shown in Table 4, about a third of the respondents claimed that meeting product quality requirements set by the importing firms was an important obstacle they were facing. About a quarter of the respondents also considered each of the following obstacles as important obstacles they were facing in their export operations:

- (a) Inadequate financial resources.
- (b) Strong international competition.
- (c) High production cost.
- (d) Meeting delivery schedules.
- (e) Knowing how to set an appropriate price.
- (f) Meeting product features requirements.

SUMMARY, CONCLUSION AND IMPLICATIONS

The findings of this study provide some insights into whether planning and research were carried out by Zimbabwean agribusiness firms prior to exporting and also discussed the market entry strategies used by Zimbabwean agribusiness firms in exporting, and the managerial perceptions of export barriers faced in their exporting operations. Of major concern is that the majority (77.3%) of the firms had no planning and had no extensive marketing research prior to exporting their products. This may be one of the reasons why the majority (75%) of these firms claimed not to have achieved the objectives set for their export ventures.

Another area of concern is that about a third of the respondents claimed that meeting product quality requirements set by the importing firms was an important obstacle they were facing. This is not good because according to Armstrong and Kotler, (2009), product quality (that is, the characteristic of a product or service that bear on its ability to satisfy stated or implied customer needs), is one of the marketer's major positioning tools. Product quality includes the product's overall durability, reliability, precision, ease of operations and repair, and other valued attributes (Kotler et al., 2003). As Kotler et al. (2003), quotes "one expert proclaims: Quality is not simply a problem to be solved; it is competitive opportunity". Others according to Kotler et al. (2003), suggest that quality has now become a competitive necessity as consumers expect quality from

every brand, and that only companies with the best quality will thrive (Armstrong and Kotler, 2009; Garvin, 1987; Jacobson and Aaker, 1987; Kotler et al., 2003; Rose, 1992). About a quarter of the respondents also considered each of the following as important obstacles they were facing in their export operations. Inadequate financial resources; strong international competition; high production cost; meeting delivery schedules; knowing how to set an appropriate price; and knowing how to meet product features requirements set by the importers in the foreign markets.

The major implication of this study is that given that the majority (77.3%) of the firms did not engage in careful planning and had no extensive marketing research prior to exporting their products and that the majority (75%) of these firms claimed not to have achieved the objectives set for their export ventures, agribusiness firms that are not engaged in planning and research are denying themselves the opportunity of reaping the financial and non-financial benefits of planning and research. Agribusiness firms that want to achieve their objectives and outperform their competitors should therefore engage in researching the market and carefully planning their export ventures before exporting to foreign markets.

However, because this study used a very small sample (N = 44 agribusiness firms), a much more intensive study is required to investigate further the validity of the findings of this exploratory study. Future studies can also compare exporting practices of Agribusiness exporting firms with non-agribusiness firms in Zimbabwe.

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