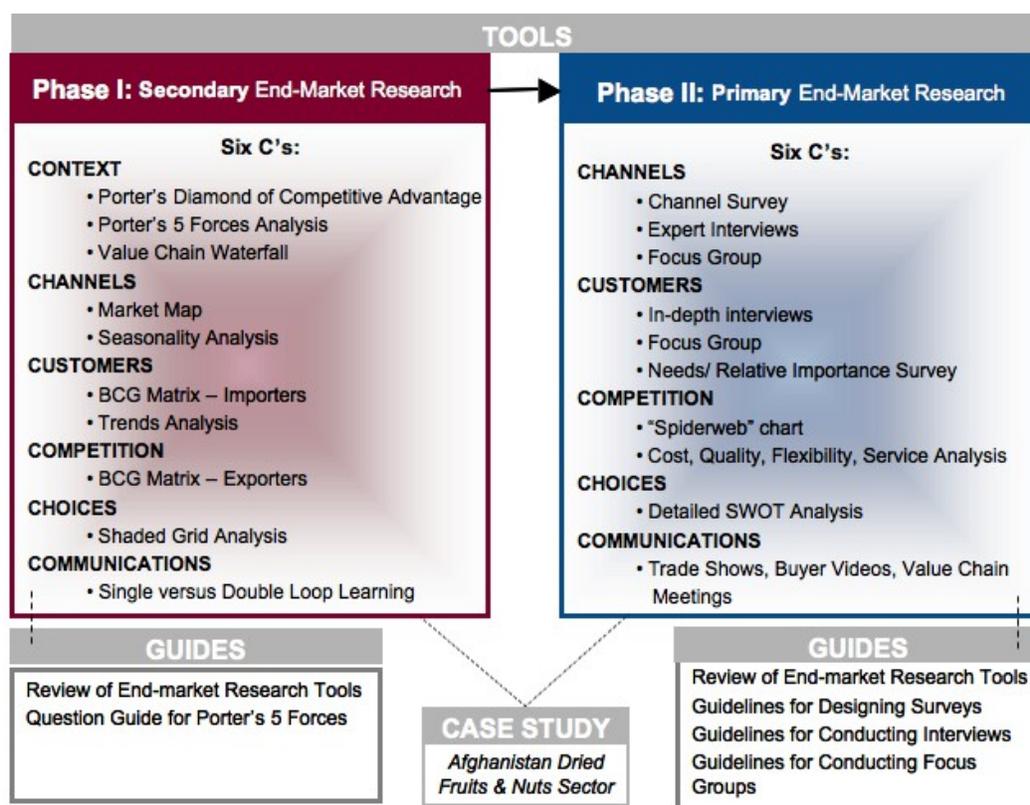

HOW TO USE THIS TOOLKIT

Objectives of the Toolkit

This toolkit informs implementers on the process and value of end-market research efforts for value chain development, provides a portfolio of tools, and grounds these tools through case studies of their practical application.

Structure of the Toolkit

To give practitioners a solid but manageable intellectual base to understand the different components of market research and their importance to the process, the toolkit is structured into two broad sections in line with common practices in market research: *Phase 1: Secondary End-Market Research*, and *Phase 2: Primary End-Market Research*.



The actual analysis to facilitate decision-making is structured around *Six C's* (*Choice, Context, Channels, Customers, Competitors, and Communication.*) Linear progression through the *Two Phases* and *Six Cs* provides a clear roadmap for designing and implementing an effective and efficient end-market research effort.

To provide context and texture to the end-market research tools in this toolkit, the Afghan Dried Fruits & Nuts sector is used as a *Case Study* to ground the analysis and show how the various tools were used to inform a comprehensive value chain upgrading strategy.

The toolkit provides additional *Guidelines* to assist when implementing selected Phase 1 and Phase 2 tools. These include a *Question Guide to one of the Phase I tools*, and *Guidelines for designing surveys, conducting interviews and conducting focus groups to support Phase II*.

BACKGROUND

END-MARKET RESEARCH

7 Guidelines For End Market Research

The success of private firms is only the beginning of successful value chain development. Successful value chain development involves the creation of a vibrant value chain where all stakeholders are focused on the needs of the market and create collaborative business models that promote equitable growth. Achieving this vision of broad-based economic growth is the ultimate goal of value chain development. End-market research should be the first step in designing a competitiveness strategy that creates a roadmap for identifying and serving the best customers in the world for the products and services that developing country value chains are able to sell.

Before implementing an end-market research effort, practitioners should keep the following guidelines in mind:

- 1. Clearly define the decisions to be made with the research:** The end-market research process should move backwards from a clear understanding of what business and investment decisions will be made with data. Once this is known, an efficient and pragmatic research agenda can be designed.
- 2. Understand the CONTEXT and capabilities of the value chain:** Knowing and respecting the limitations of value chain clients on an operational level is a key element of designing a research plan that will yield actionable insights and a strategy that can be pursued given existing limitations of the industry.
- 3. CHANNEL partners are often the most relevant target for end-market research:** Export-oriented value chains in developing economies are usually a few steps removed from the end consumer. What is critical in this case is to understand the requirements of the intermediaries and partners who purchase and distribute the industry's goods and services to the end-market.
- 4. Strategy should begin with understanding CUSTOMER needs:** Serving and anticipating customer needs is the way to win in the global marketplace. The needs of these customers can be determined through perceptions of channel partners or direct research, especially in the case of domestic value chains.
- 5. COMPETITORS should be benchmarked to determine best practice and differentiation strategies:** Value chains do not compete in isolation, and customers always have choices about where to purchase their goods and

services. A component of end-market research is to identify key competitors and decide whether the target value chain can compete directly with these competitors or needs to articulate and execute an alternative strategy.

6. **End market research is useless without clear COMMUNICATIONS throughout the process:** Too often, good research ends up gathering dust on a shelf. To avoid this fate, value chain stakeholders should be engaged from the beginning in the design of the research, reframing strategic discussions around data and actively participating in activities that bring them into direct contact with the market.

7. **Strategic CHOICES should be the outcome of a well-designed end-market research effort:** To return to the first imperative, end-market research is most valuable when it informs clearly defined business decisions that can build the competitiveness of the value chain. Research for the sake of information gathering is money poorly spent. Strategy can be defined as “Informed Choice and Timely Action.”

BACKGROUND

END-MARKET RESEARCH

Why do we start with value chain end-market research

A sophisticated understanding of customers should form the cornerstone of a value chain competitiveness strategy. Although market research has been a cornerstone of corporate strategy for decades, it has still not been fully mainstreamed into value chain development projects. At the core of an effective market research effort is a “backwards” approach to the process starting with a) what decisions will be made with the data that is collected, and then b) asking the right questions and creating the appropriate mix of market research tools to get that required data in the most efficient manner possible.

The true value of end-market research is to allow stakeholders to make informed choices about what customers they should serve and to prioritize the investments needed for the industry to pursue these opportunities. At its simplest level, end-market research should be designed to answer questions related to key business and investment decisions at the value chain and firm levels.

Successful end-market research should be the foundation of a simple and actionable competitiveness strategy that creates equitable growth through collaboration among all value chain stakeholders.

Where does end-market research fit within Value Chain development cycle

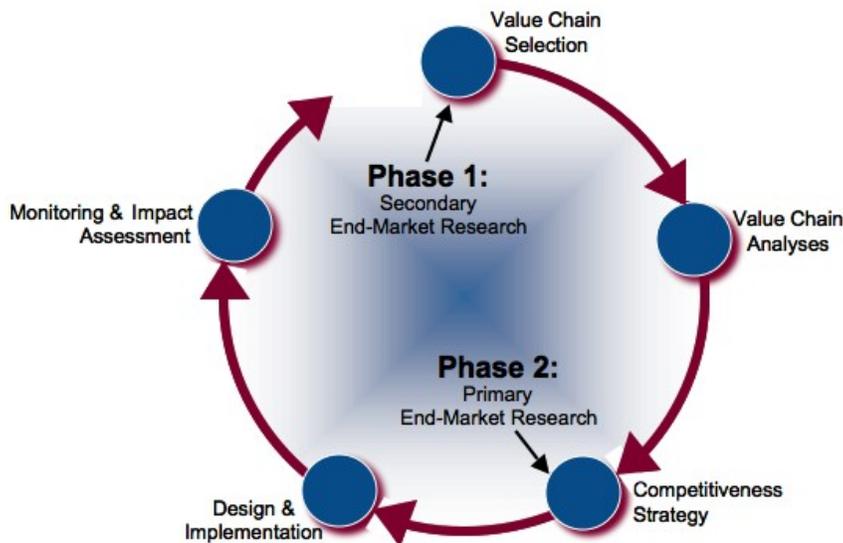


Figure – End-Market Research in a larger Value Chain Development project

Within a larger value chain development project, End-Market Research can be used during two different stages of the Value Chain Development Cycle. The *Secondary End-Market Research* tools can be used during the *Value Chain Selection* stage to give the practitioner an idea whether or not a viable market exists for a variety of value chains. If this market exists, end-market research can also indicate where the most attractive

markets can be found for the products and services of the value chain. Once the most attractive markets have been identified, the full range of *Primary End-Market Research* tools (surveys, in-depth interviews, focus groups & observation) should be used to define the needs of particular customer segments that the value chain would like to target. The *Primary End-Market Research* should be used as a foundation for the *Competitiveness Strategy* to upgrade the value chain to build products and services for which clearly defined customer segments will pay premium prices.

In the case where end-market research is done as a standalone engagement for a particular value chain, the two phases would be sequential. *Phase 1: Secondary End-Market Research* would serve as a generally low cost and relatively easy way to gather readily available data on the value chain. This data would serve as a foundation for developing a full research plan and the specific tools required by *Phase 2: Primary End-Market Research*.

What is the difference between traditional market research versus value chain end-market research

An understanding of customer needs as the basis for corporate strategy has been best practice for decades. The use of end-market research for value chain strategy is less common and its goals diverge slightly from firm specific studies.

1. **Prosperity versus profits:** Value chain market research fosters prosperity maximization (equitable business models), while corporate market research fosters profit maximization (shareholder value).
2. **Barriers to growth versus entry:** Value chain market research is about identifying barriers to growth that all stakeholders would generally agree should be addressed, while corporate market research is about identifying strategic barriers to entry for competitors that should be strengthened and exploited.
3. **Channels versus end consumers:** Value chain market research is often more about “customer research” across the entire value chain whereas corporate market research is often more about “end consumer research” of the particular buyers of that company’s products. This distinction between the end users of a product versus a broader look at all of the channel partners (intermediaries) between core value chain clients and the end consumer has important implications for the objectives and design of value chain end-market research engagements.

What timeframe can end-market research be conducted in

A thorough market analysis for a value chain can take up to three months of dedicated effort. This timeframe assumes three conditions are in place; 1) a dedicated team devoted exclusively to designing and implementing the end-market research; 2) a basic understanding of the targeted value chain (context), ideally by an ongoing project; and 3) ideally some flexibility in the budget for an independent market research firm to augment the capacity of the lead resource for the end-market research.

Alternatively, an overarching, high-level understanding of how global markets for a value chain’s products and services operate and where attractive customers may be located can be reached in a matter of weeks.

BACKGROUND
END-MARKET RESEARCH

COMPONENTS OF END-MARKET RESEARCH

Phase 1 & Phase 2: Secondary and Primary End-Market Research

In line with common practices in market research, research can be divided into: *Phase 1: Secondary End-Market Research*, and *Phase 2: Primary End-Market Research*.

- *Phase 1: Secondary End-Market Research* is comprised mainly of reviews of relatively low-cost and accessible secondary market research with the goal of identifying target customer segments where value chain clients should focus their sales and marketing efforts.
- *Phase 2: Primary End-Market Research* is dominated by higher cost, but absolutely critical primary market research that invests in understanding the needs of these customers and how to serve their needs better than competitors.

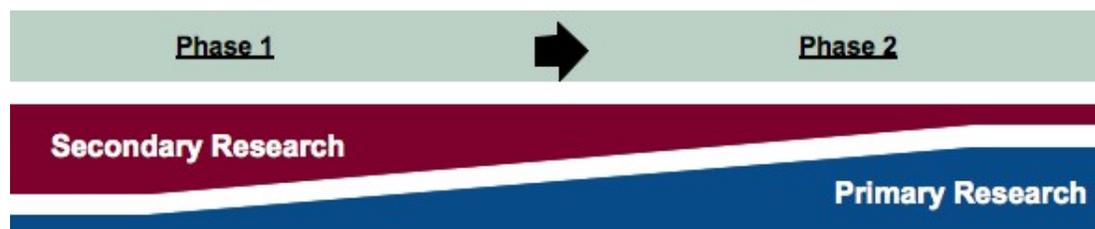


Figure – Phase 1 versus Phase 2

Phase 1: Secondary End-Market Research

Goal: Identify target customer segments where value chain clients should focus their sales and marketing efforts.

- Understand the value chain's capabilities, potential markets and positioning in the market.
- Strategically frame choices about where the value chain could compete and the challenges and opportunities of each option.

Create an environment where data is the foundation of debate, not anecdotes.

Phase 1: Secondary research

- (1) **Collect secondary data** (via reports and databases, supplemented by interviews with local stakeholders and international industry experts)
- (2) **Populate general strategic frameworks** (e.g. Porter's Five Forces or a modified version of the Boston Consulting Group matrix)
- (3) **Synthesize and analyze data** (work from a common and shared understanding of current strategic position)
- (4) **Make informed choices about which customer segments are most interesting to study in the Phase 2 primary research efforts**

Phase 2: Primary End-Market Research

- **Goal:** Understanding the needs of target customer segments where value chain clients should focus their sales and marketing efforts, and how to serve their needs better than competitors.
 - o Understand customer segment needs and develop a clear market activation strategy to target these segments.
 - o The output of Phase 2 is normally a segment activation strategy that lays out a roadmap for systematically targeting and winning new clients in the chosen segment.

Phase 2: Primary or original research methods

- (1) **Revisit the key decisions to be made** with the data
- (2) **Design simple questions** that get the data required to make these decisions
- (3) **Pick the appropriate mix of market research tools** that will cost effectively yield the data needed (*e.g. surveys, interviews, focus groups and observation*). (*This mix of tools employed will vary depending on the type of segment that is targeted and the budget for implementing the overall effort*).
- (4) **Use interactive communication tools** at the end of the phase to bring the market research to life and accelerate execution of the agreed upon strategy (*e.g. initiatives such as “voice of the buyer” DVDs, trade delegations and investor meets*)

BACKGROUND
END-MARKET RESEARCH

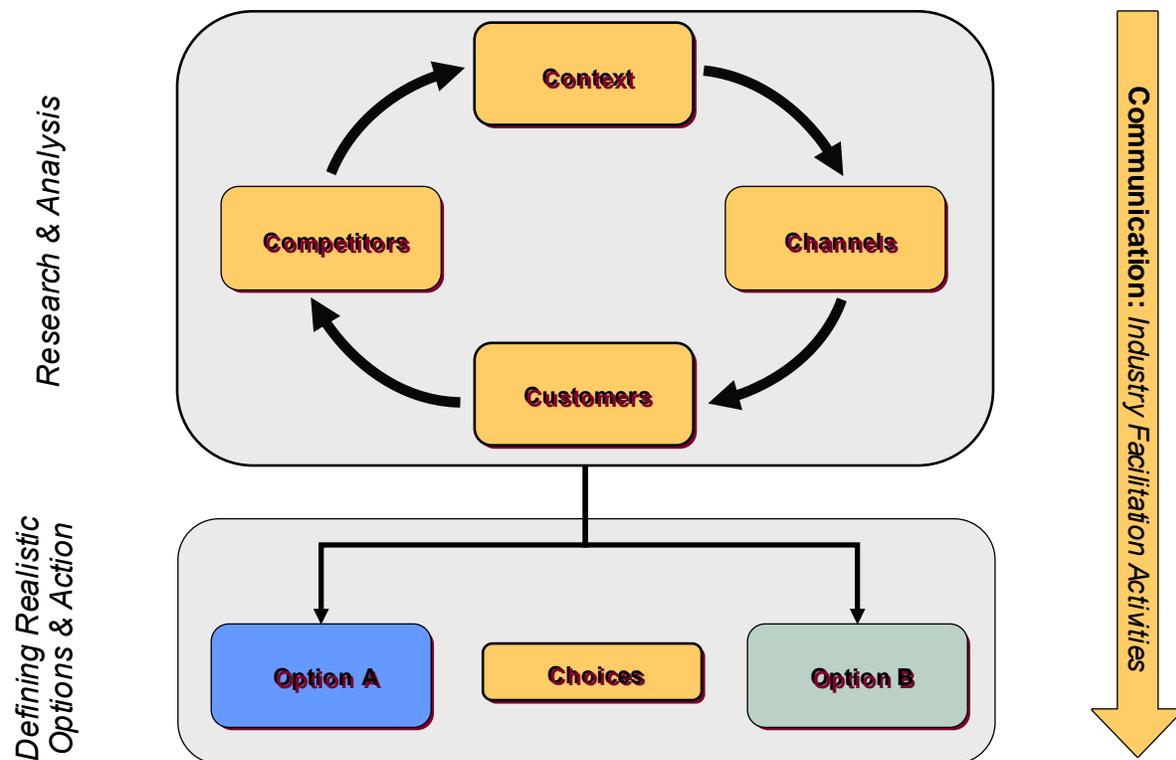
COMPONENTS OF END-MARKET RESEARCH

The Six Cs

The goal of end-market research is to allow value chain stakeholders to make decisions. The actual analysis to facilitate decision-making is structured around *Six C's (Choice, Context, Channels, Customers, Competitors, and Communication.)*¹

To facilitate this **choice-making** (the first C), research and debate can be focused on the following four Cs: **context**, **channels**, **customers** and **competitors**. Constant **communication** (the sixth C) with value chain stakeholders during the research, design and research implementation is critical to achieving buy-in to the strategy and driving action.

- **Context:** Although End-Market Research is focused on understanding markets, practitioners must have a basic understanding of challenges facing all other non end-market actors in the value chain.
- **Channels:** Members of the distribution channels or intermediaries are a critical component of the end-market to understand. Although they are not the end consumer of products or services sold by the value chain, they are the group with which value chain actors in developing economies most often interact.



¹ The Six C's are each incorporated into both the *Secondary* and *Primary End-Market Research* Phases.

Figure – The Six Cs of Effective End-Market Research

- **Customers:** As noted above, local stakeholders rarely interact directly with the end consumers of their products. However, it is often useful to understand the needs of this segment to design “pull” strategies² or to predict important product attributes for the channel partners.
- **Competitors:** Once the selected customer segments have been analyzed, it becomes important to understand the firms and countries with which the value chain is competing for market share. Competitor understanding is important for two reasons: 1) to benchmark performance and 2) to predict the competitors’ response to strategic moves into the markets they serve.
- **Choices:** Strategy is often defined as deciding what NOT to do—it is the decision to focus both risk and effort in the hope of greater reward. The overarching goal of looking at the four Cs above should be to gather the minimum amount of information required to make informed choices about which markets or segments to serve. Market researchers love data and will often gather as much of it as possible with no regards for its ultimate utility as an input into the strategy formulation process. As strategists, value chain practitioners need to identify what is needed to prove or disprove something so that a decision can be made (the burden-of-proof) and then decide how to get that information.
- **Communication:** Good strategy has two components: informed choice and timely actions. The informed choice comes from the five Cs above. A critical driver of timely action in the form of new investments and/or behavior on the part of value chain stakeholders is the ability of a facilitator to effectively communicate with and involve these stakeholders in the design and sometimes implementation of the research process. Activities in this category can range from testing survey questions with key partners to structuring trade fair attendance to learn about potential competitors and customers through one-on-one contact with the market. Effective industry facilitation and participation ensure that market research is appropriate and that the research is not left “gathering dust on a shelf” after it is completed.

² A “pull” selling strategy is one that requires high spending on advertising and consumer promotion to build up consumer demand for a product. If the strategy is successful, consumers will ask their retailers for the product, the retailers will ask the wholesalers, and the wholesalers will ask the producers.

CASE STUDY

This case study walks through the process that the On The Frontier (OTF) Group used in collaboration with its value chain clients to identify high-potential market segments, define the needs of these segments, and facilitate the process by which the Afghan Dried Fruits & Nuts value chain transformed this data into insight and action. Moving beyond Afghanistan, this approach can be used in almost any environment to create a value chain upgrading strategy that is based on data and insight, not hearsay and anecdotes. This Case Study is referred to throughout the Toolkit, providing practical examples of how the various Tools were used in Afghanistan.

Dried Fruits & Nuts Value Chain in Afghanistan



When the On The Frontier (OTF) team met Haji Hassan in 2004, he was typical of the Afghanistan Competitiveness Project's³ (ACP) core private-sector clients in the Dried Fruits & Nuts value chain. In business for decades and well respected in the business community, he procured dried fruits and nuts from individual farmers or community groups. Processing was done by hand, mainly by women in a small dusty compound in the old market district of Kabul. For sales and marketing, he had a handful of Pakistani and Indian middlemen to whom he sold his product. Although he was unclear on exactly how his product made the journey from Kabul to the end consumer, he did know that the Indian market highly appreciated his (and all Afghan) dried fruits and nuts. Like all good businessmen, he was always looking for new and attractive markets and customers. One market that he knew from the pre-Soviet era was the UK market (the UK was once a strong trading partner of Afghanistan)—but this was a market from which the Afghan business community had been cut off for decades.

Haji Hassan and the hundreds of other exporters are a critical link between the important domestic Dried Fruits & Nuts value chain in Afghanistan and potentially lucrative export markets. Dried fruits and nuts are big business and a passion in Afghanistan. In 2006, they accounted for approximately 25 percent of total non-opium exports, and nearly two-thirds of all production was consumed by Afghans domestically. This “sophisticated local demand” ultimately benefits the industry by putting pressure on sellers to maintain and improve quality and by creating a short-feedback loop whereby sellers have direct insight into the preferences of the actual consumer.

Hundreds of thousands of Afghans are employed in the sector and nearly all Afghans allocate a part of their land to horticulture products that comprise this value chain. Many dried fruits and nuts products have the potential to produce higher cash flow per hectare than opium for producers.⁴ The opportunity to divert land from this debilitating crop to

³ The USAID-funded Afghanistan Competitiveness Project (ACP) was a two-year multi-value chain project implemented by the On the Frontier (OTF) Group from 2004 to 2006. The project developed strategies for three export sectors (carpets, dried fruits & nuts and marble), and two cross-cutting sectors (finance and trade facilitation), and established a national competitiveness council.

⁴ At historical prices (1990 – 2000), opium only earned \$320 / hectare. In 2003 and 2004, record opium prices pushed per hectare earnings to \$14,100. Most analysts believe that prices would drop back closer to historical levels. To put this in context, a hectare of grapes / raisins could earn \$3,840 assuming proper marketing and sales of the product. (Source: Altai Consulting Horticulture and Feasibility Plans, Summer 2004, UNDP.)

legitimate high-value production is one that could not be ignored. One key constraint to this replacement strategy was time; opium can be planted and harvested in one year, even multiple times, while most of the potential dried fruits and nuts products took at least three years to come into production. This tension necessitated that the market research conducted as part of the value chain upgrading strategy identify short- and long-term strategies for success to provide viable, licit options to opium cultivation.

Working in collaboration with Haji Hassan and a core group of exporters⁵ like himself, OTF set out to identify new market segments that Afghan traders could serve profitably. Given Afghanistan's high cost structure, mainly due to high infrastructure-related costs (power and transport) and security, OTF focused on markets that appeared to pay a premium for dried fruits and nuts in general and specifically Afghan varieties. The initial screening process narrowed the highest potential markets down to the UK and India. While many of OTF's clients were confident that they were already successfully selling into the vast Indian market, initial analysis indicated that the Afghans were not competing in the correct segments. To illustrate the potential revenues that Afghan dried fruits and nuts exporters were missing out on, OTF used the example of just one variety of shade-dried green raisins. Afghan exporters sold this product at US \$2.25 per kilogram to intermediaries and yet, by the time the product reached the Indian consumer, the price point hit \$22 to \$25 per kilogram. OTF saw potential for the Afghans to get a bigger share of the revenue, but the question was how they would achieve this.

Along the way of transforming the Afghan Dried Fruits & Nuts value chain, our friend Haji Hassan transformed himself from a respected member of the business community to a vocal advocate of public-private cooperation and became a pioneer of the new business model for Afghan Dried Fruits & Nuts traders in India.

⁵ The Afghanistan Competitiveness Project focused on exporters because they provided a leverage point where a single value chain advisor could work with dozens of firms while indirectly affecting the livelihoods of thousands of farmers through an effective value chain upgrading strategy.

PHASE I – SECONDARY END-MARKET RESEARCH

This section both describes appropriate tools to use and how they were applied in the case of the Afghan Dried Fruits & Nuts value chain strategy development process.

Goal:

- Identify target customer segments where value chain clients should focus their sales and marketing efforts.
- Understand the value chain's capabilities, potential markets and positioning in the market.
- Strategically frame choices about where the value chain could compete and the challenges and opportunities of each option.
- Create an environment where data is the foundation of debate, not anecdotes.

An in-depth end-market research effort can take months to complete. However, there are many situations where a preliminary assessment of market opportunities must be made in a much shorter timeframe to accommodate project or budget constraints. In addition, a rapid assessment, such as the one described in this section, can be used as part of a sector selection exercise for a larger value chain effort.

General Steps

1. Collect secondary data (*via reports and databases, supplemented by interviews with local stakeholders and international industry experts*)
2. Populate general strategic frameworks (*from a selection of those presented here*)
3. Synthesize and analyze data (*work from a common and shared understanding of current strategic position*)
4. Make informed choices about which customer segments are most interesting to study in the Phase 2 primary research efforts

Phase I - SECONDARY End-Market Research Tools

C's	Tool	Summary
Context	Diamond of Competitive Advantage	Uses four determinants of international competitiveness: 1) Factor Conditions: The natural resources, human capital, infrastructure, capital, and other attributes of a society that provide a competitive advantage. 2) Demand Conditions: Strong domestic competition spurs innovation by forcing companies to identify early buying habits and how to meet changing needs. This increases substantially when domestic trends are pushing international habits. 3) Related and Supporting Industries: Other local, key industries provide easier communication that often spurs innovation. 4) Firm Strategy, Structure, and Rivalry: "Nations tend to be competitive in activities that people admire or depend on – the activities from which the nation's heroes emerge." Additionally, strong local rivals provide a stimulus for creating a sustainable competitive advantage.
	5 Forces Analysis	One of the most well-known and used frameworks for developing a strategic plan. The five competing forces include: 1) Threat of entry. 2) Bargaining power of suppliers. 3) Bargaining power of customers. 4) Threat of substitutes. 5) An overview of the industry. These five forces are usually the forces that drive profitability in a market and are therefore the keys to success.
	Value Chain Waterfall	Tool for taking a snapshot of how value is shared and distributed among value chain actors. The graphic provides a clear picture of where value or profit is retained across a value chain. Although it is grouped in the Context section of this toolkit, its value extends through to identifying how much value is captured by channel partners.
Channels	Market Map	A succinct, brief, and simple overview of the different channels involved in getting a product from production to the final customer. The output of this analysis should enable a value chain expert to clearly outline how product moves from value chain clients through various channels to the end consumer.
	Seasonality Analysis	Designed to look beyond the averages of the market in order to gain a better understanding of the monthly, seasonal, or holiday business cycles.
Customers	Boston Consulting Group (BCG) Matrix – Importers	Originally used for the product mix of corporations, this simple tool can be designed to analyze the products of a portfolio of countries and the customers in these marketplaces. Tools provide the framework on how to interpret each quadrant in the chart and when used with countries and customers, provides a useful outlook of the forces at play within the market.
	Trends Analysis	A review of selected reports on the target value chain is critical for understanding the global marketplace in terms of requirements of current and future attractive market segments. This type of research will typically yield a few key trends that the value chain can take advantage of or protect itself against.
Compet- ition	BCG Matrix – Exporters	See above – BCG matrix importers
Choices	Shaded Grid Analysis	First prioritization of opportunities based on the Phase I '4 C's' analysis. There are three major components to the analysis; 1) the markets to choose from, 2) the selection criteria, and 3) the weights. Output should inform target market segments for in-depth Phase II research.
Commun- ications	Single versus Double Loop Learning	For a value chain practitioner, productive communications are key to building trust, credibility and encouraging inter-firm collaboration with business clients from the value chain. This reading describes how to reduce defensiveness by using data to inform discussions and engaging in "double loop" learning to think about how to reframe the entire mode of competition in a value chain. Ultimately, this type of approach should build the capacity of value chain clients to deal more productively with each other independently of the value chain advisor.

✓ Phase I: SECONDARY End-Market Research Tool			Phase II: PRIMARY End-Market Research Tool		
✓ Context	Customers	Channels	Competition	Choices	Comms

END-MARKET RESEARCH TOOL

Diamond of Competitive Advantage

Michael Porter's *Diamond of Competitive Advantage* is an excellent way to gain a quick strategic view on the status of an industry.

Summary Overview

The Diamond of Competitive Advantage recognizes that companies achieve international success through new technologies or finding better ways of doing things. Ultimately, their success is due to a strong, dynamic, and forward-looking domestic environment. There are four determinants of international competitiveness:

- 1) **Factor Conditions:** The natural resources, human capital, infrastructure, capital, and other attributes of a society that provide a competitive advantage.
- 2) **Demand Conditions:** Strong domestic competition spurs innovation by forcing companies to identify early buying habits and how to meet changing needs. This increases substantially when domestic trends are pushing international habits.
- 3) **Related and Supporting Industries (Cluster):** Other local, key industries provide easier communication that often spurs innovation.
- 4) **Firm Strategy, Structure, and Rivalry:** "Nations tend to be competitive in activities that people admire or depend on – the activities from which the nation's heroes emerge." Additionally, strong local rivals provide a stimulus for creating a sustainable competitive advantage.

The four components of the diamond can be used to analyze the current domestic industry and identify areas of relative strength and weakness relative to similar industries in other countries. Each section of the diamond works as a system and reinforces the inputs from the other attributes. When researching each topic, both positive and negative interactions between the different components should be noted. These may serve as the foundation from which to begin building up a competitive industry. This type of analysis can be done in a few days, but provides excellent insight and a comprehensive view of the strengths and weaknesses of any value chain.

CASE STUDY APPLICATION

Diamond of Competitive Advantage

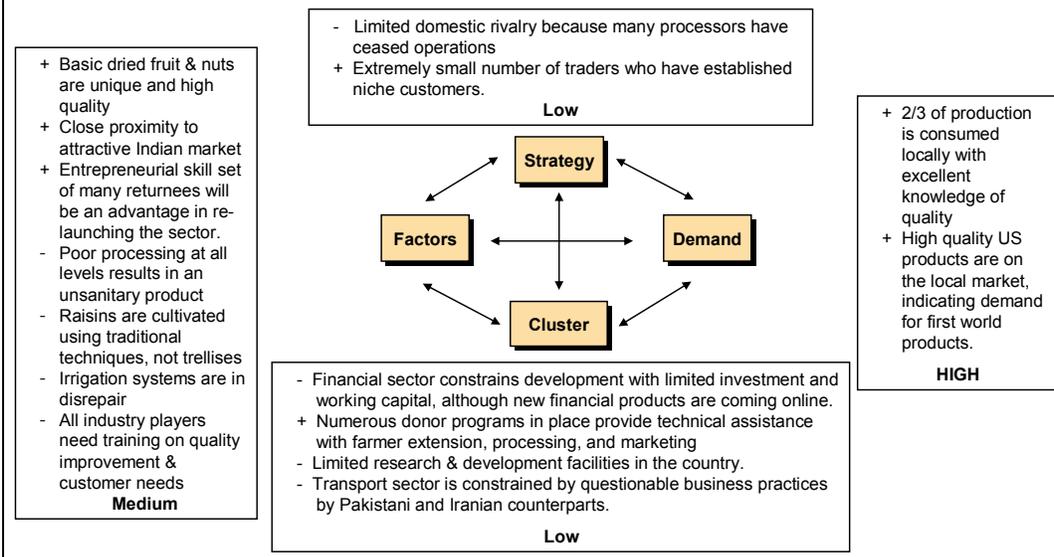


Analysis using Diamond of Competitive Advantage

Afghan Dried Fruits & Nuts Value Chain Case Study

Using the Diamond of Competitive Advantage it was found that although Afghanistan had the perfect climate and other natural factors to grow and produce dried fruits and nuts, many of the sophisticated factors of production were missing.

For example, knowledge of the most attractive markets, current market trends and certification requirements were universally unknown. The industry was also crippled by the lack of infrastructure in terms of processing factories, reliable electricity supplies, dilapidated irrigation systems and derelict roads. Supporting industries such as an effective financial sector and an efficient transport & logistics cluster were also constraints to the development of a competitive Dried Fruits & Nuts Sector. As can be seen in graphic below, the one positive attribute of the diamond was sophisticated local demand in the form of high domestic consumption and the presence of high quality imports in the marketplace. This type of analysis can be done in a few days, but provides excellent insight and a comprehensive view of the strengths and weaknesses of any value chain.



✓ Phase I: SECONDARY End-Market Research Tool			Phase II: PRIMARY End-Market Research Tool		
✓ Context	Customers	Channels	Competition	Choices	Comms

END-MARKET RESEARCH TOOL

5 Forces Analysis

Michael Porter's *5 Forces Analysis* is one of the most well-known and used frameworks for developing a strategic plan. Porter's *5 Forces Analysis* is a useful framework for assessing the structural attractiveness and therefore profitability of a value chain. Every industry is different and each force plays a unique, varying role in determining the overall profitability of the industry and the firm.

Summary Overview

The five competing forces include:

1. **Threat of entry**
2. **Bargaining power of suppliers**
3. **Bargaining Power of customers**
4. **Threat of substitutes**
5. **An overview of the industry**

These five forces are usually the forces that drive profitability in a market and are therefore the keys to success.

One challenge in conducting a *5 Forces Analysis* for a value chain versus an individual firm is the how to orient the overall analysis. There are two choices; 1) individual firms in the country are considered for the existing rivalry, or 2) similar industries from different countries are considered as existing rivalry.

Additional Resources:

See Porter's *5 Forces Framework* Question Guide in this Toolkit (See Appendix 2)

CASE STUDY APPLICATION

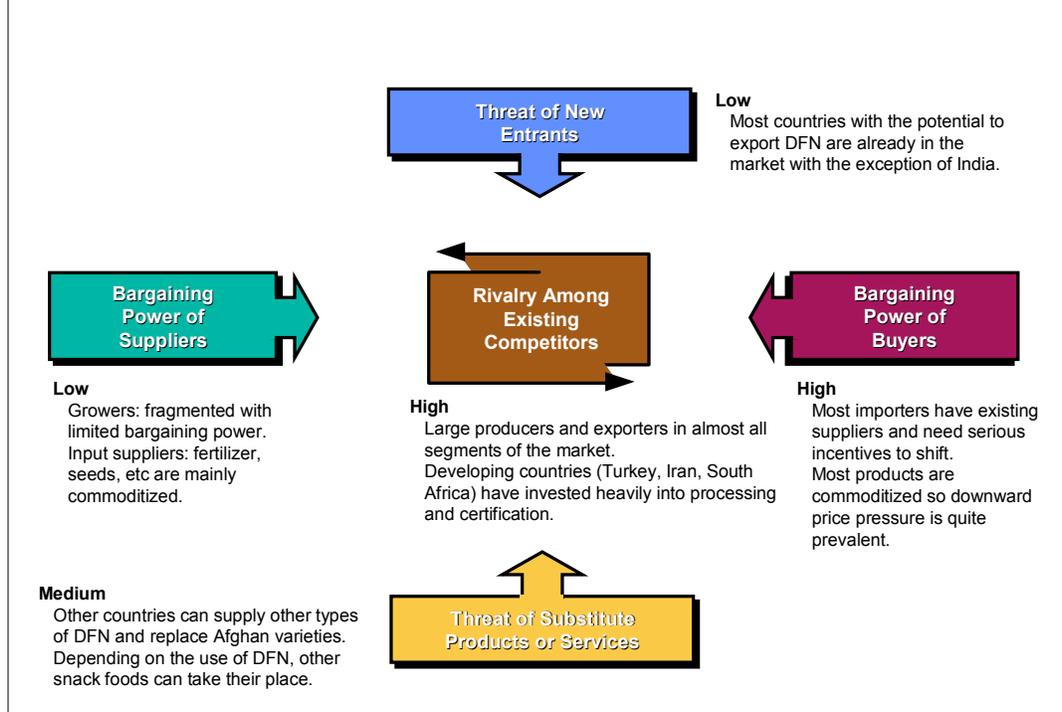
5 Forces Analysis



Analysis using 5 Forces Analysis

Afghan Dried Fruits & Nuts Value Chain Case Study

The diagram below summarizes the *5 Forces Analysis* for the Afghan Dried Fruits & Nuts Value Chain. For the choice of how to orientate the overall analysis on either the 1) individual firms in the country being considered for the existing rivalry, or 2) similar industries from different countries being considered as existing rivalry, in the analysis below, the latter case is used as the end output of the analysis is an assessment of the prospects for the industry versus an individual firm.



✓ Phase I: SECONDARY End-Market Research Tool			Phase II: PRIMARY End-Market Research Tool		
✓ Context	Customers	✓ Channels	Competition	Choices	Comms

END-MARKET RESEARCH TOOL

Value Chain Waterfall Chart

The *Value Chain Waterfall Chart* is an excellent tool for taking a snapshot of how value is shared and distributed among value chain actors. The graphic provides a clear picture of where value or profit is retained across a value chain.

The basis of this analysis can be retained revenue, net profit or both, at each stage of the value chain. The prices at each level are recorded and then graphed to gain a visual representation of the cost mark-ups. (The analysis should be careful to account for the impact of tariffs on the cost bars.) Once completed, the value chain should be analyzed for discrepancies. Remember that each process should add value and in turn should earn a “fair” rate for their work. Two areas to examine are steps that earn significantly more than the work they do or steps that might be able to be skipped over to lower the final price to the consumer.

Ways to efficiently gather this information are:

- **Supplier/Grower:** This is one of the more difficult areas to gather information through secondary research methods. Often, primary research such as informal interviews or product requests is required to gather the most accurate information from the average supplier.
- **Middlemen/Exporter (often broken up into 2-3 different steps/companies):** This segment usually works on a cost plus or percentage basis. The purchase price is known from the selling price of the supplier and the average export price can be determined using trade statistics. These are often found on Trademap (<http://www.trademap.org/>) or EuroStat (<http://epp.eurostat.ec.europa.eu>).
- **Tariffs:** Tariffs are often placed on goods, particularly agriculture products, and need to be calculated within the value-chain step chart to better understand the pricing in the market.

Most tariff rates can be found online at the USITC website:

http://dataweb.usitc.gov/scripts/tariff_current.asp or export.gov:

http://www.export.gov/logistics/exp_001015.asp

- **Wholesaler/Importer:** The average purchase price can be found using Trademap or other industry specific databases. To find the selling price to the retailer and the segments’ margin, a more detailed analysis that looks at specific wholesaler prices is needed. These can often be found by requesting a wholesale price sheet, making simple phone calls to the wholesaler, or surveying local wholesale prices in the market.
- **Retailer:** A survey of local prices is the best way to discover the average retail price in each market. Depending on the sophistication of the product and market, this

might include a quick internet search or a trip to several retail outlets that carry the product.

Note: Although it is grouped in the Context section of this toolkit, its value extends through to identifying how much value is captured by Channel partners.

Additional Resources

Creating Waterfall Charts in Excel: For step-by-step instructions on how to create Waterfall Charts in Excel with a tutorial and sample files, see http://www.sccs.swarthmore.edu/users/06/adem/engin/excel/waterfall_chart/index.php

✓ Phase I: SECONDARY End-Market Research Tool			Phase II: PRIMARY End-Market Research Tool		
Context	Customers	✓ Channels	Competition	Choices	Comms

END-MARKET RESEARCH TOOL

Market Map

A *Market Map* is a succinct, brief, and simple overview of the different channels involved in getting a product from production to the final customer. The output of the *Market Map* analysis should enable a value chain expert to clearly outline how product moves from value chain clients through various channels to the end consumer.

The creation of the *Market Map* is the first step in understanding channels. The *Market Map* tracks the flow of goods from either the producer or exporters all the way to the end consumer, either domestic or international, depending on whether the value chain is an export value chain. If the focus of Value Chain work is on export markets, examples will refer to international customers and exporters. In the case where a value chain is targeting domestic customers, the same tools apply, but the process is usually simpler and lower cost based on the use of local labor and resources to implement the research.

The objective of the *Market Map* is to highlight the full range of distribution options available to clients in the value chain and the relative importance (in terms of volume percentages) of the various channels. This analysis is usually done via a small number of targeted interviews with buyers or members of the value chain who understand how goods flow to the end customer. Depending on how complete the data is at the end of this interview process, it can be complemented by in-depth research during Phase II. There are two steps to completing this analysis:

1. **Categorization of the channel partners:** creating a comprehensive list of all players between key value chain clients and the end customers with approximate values of goods flowing through each channel.
2. **Mapping:** to facilitate an understanding of how the system works, the catalogue of channel partners should be mapped out and annotated to highlight major channels and smaller, but potentially more lucrative distribution channels for the value chain. This step of identifying new channels is the basis for the targeting of these channels for additional research during Phase II.

CASE STUDY APPLICATION

Market Map



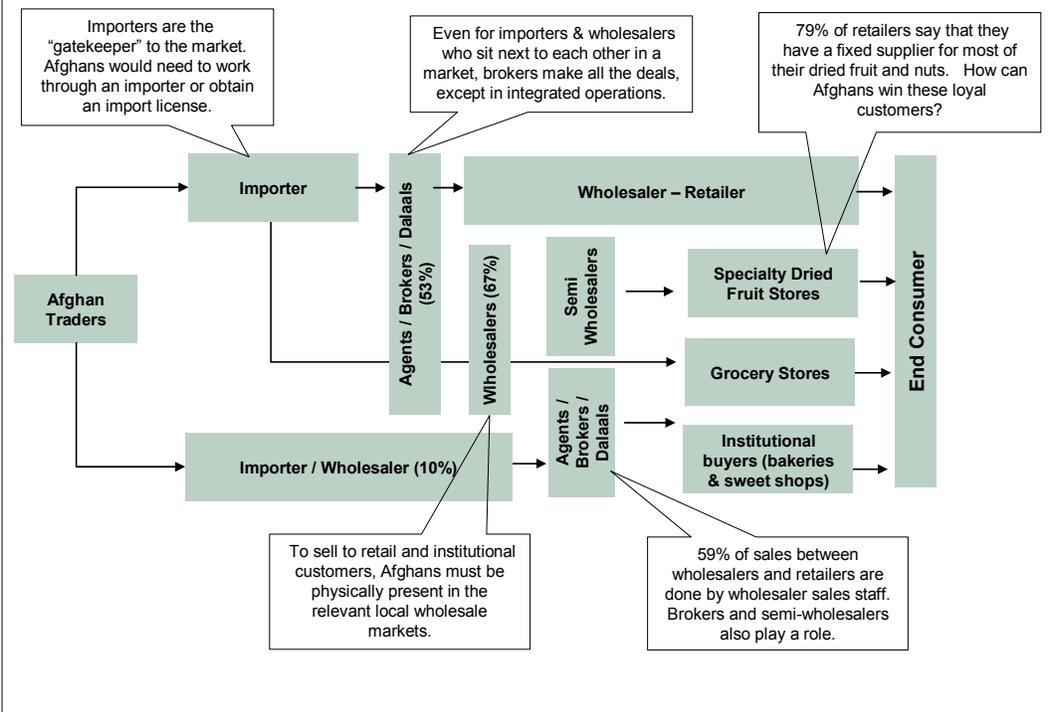
Analysis using the Market Map

Afghan Dried Fruits & Nuts Value Chain Case Study

The diagram below summarizes the *Market Map* for the Afghan Dried Fruits & Nuts Value of how Afghan dried fruits and nuts get from exporters in Afghanistan to the end consumer in India.

The key learning from this exercise in terms of the channels are highlighted in the additional comment boxes.

Given the focus of the Afghan Dried Fruits & Nuts Value Chain work on export markets, examples will refer to international customers and exporters.



✓ Phase I: SECONDARY End-Market Research Tool			Phase II: PRIMARY End-Market Research Tool		
Context	Customers	✓ Channels	Competition	Choices	Comms

END-MARKET RESEARCH TOOL

Seasonality Analysis

The *Seasonality Analysis* is designed to look beyond the averages of the market in order to gain a better understanding of the monthly, seasonal, or holiday business cycles. Secondary research can be used to find the changes in quantity and prices in the domestic market.

Additional Resources

FAOSTAT provides data on 200 countries and covers more than 200 primary products. The data provided within the free subscription is quite robust and includes information on agricultural production, consumption, trade, prices, and resources. This data can be used to identify potentially lucrative, counter-season opportunities for developing countries in Western and other markets.

CASE STUDY APPLICATION

Seasonality Analysis



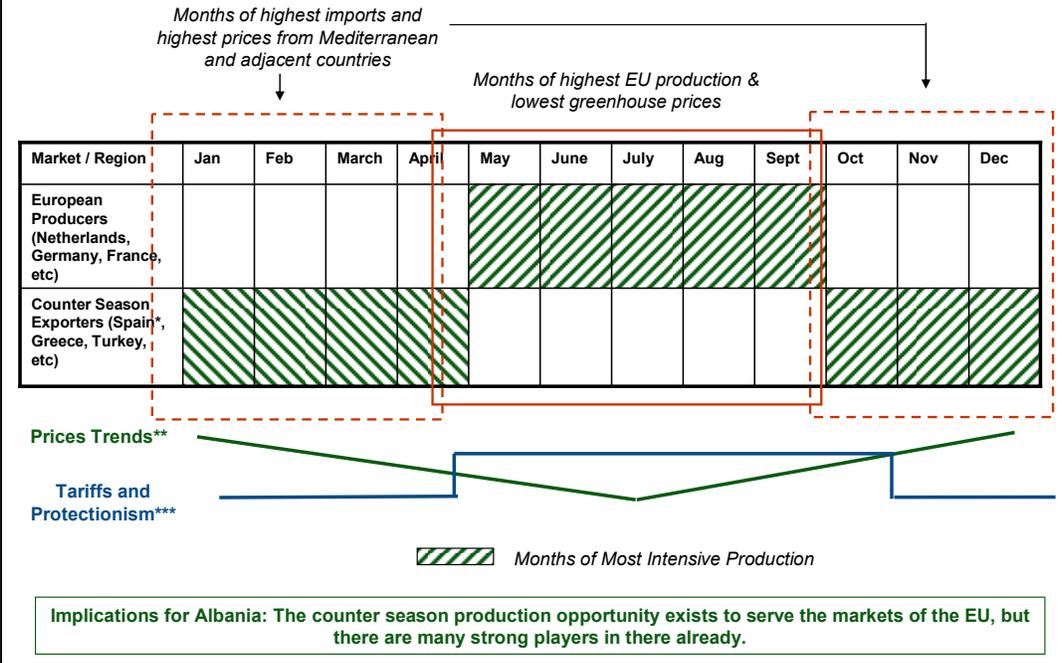
End-market Analysis using Seasonality

EU Tomato Value Chain for Albania Case Study

The Seasonality Analysis secondary end-market research was not conducted for Afghan dried fruits and nuts as dried commodities tend to have less fluctuations in terms of price and protectionism based on preliminary interviews with buyers and reviews of existing import data for India. Instead the EU Tomato Market case from the perspective of Albania is explored here.

The chart below looks at the EU tomato market, both internally and externally, to explore opportunities for Albania. The purpose of this evaluation is important for two reasons. First, periods of high demand often bring new opportunities and a premium price as the market expands (Halloween stores in the United States, sheep for Islamic festivals). Second, agriculture is seasonal and thus might offer counter-cyclical opportunities to export items when domestic production is lower.

In the analysis of the EU tomato market for Albania, this analysis highlighted an opportunity and a challenge for Albanian exporters. Relatively high prices and low tariffs between October and January indicated an attractive window for tomato exporters to serve the EU, if they could configure themselves to produce market-ready vegetables at the correct time. However, this analysis also showed heavy competition from existing players, so Albania would need to think about how to differentiate its product in the market to win.



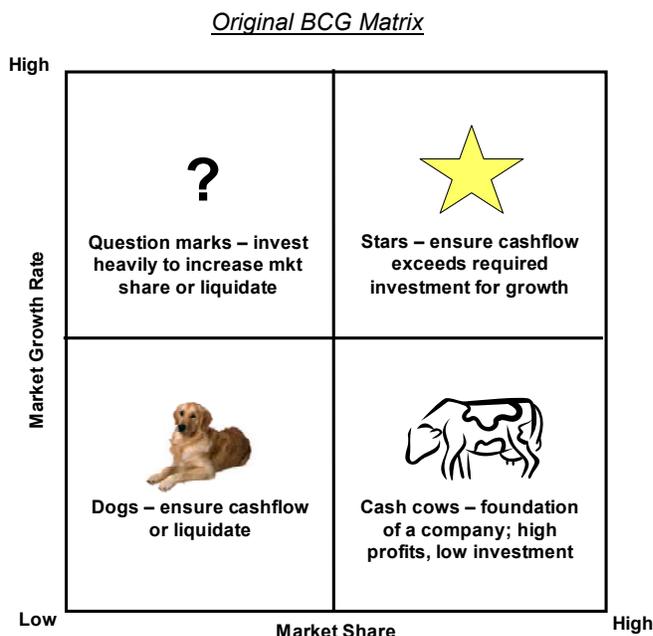
END-MARKET RESEARCH TOOL

✓ Phase I: SECONDARY End-Market Research Tool			Phase II: PRIMARY End-Market Research Tool		
Context	✓ Customers	Channels	Competition	Choices	Comms

Boston Consulting Group Matrix - Importers (Customers)

Originally used for the product mix of corporations, the *Boston Consulting Group (BCG) Matrix* is a simple tool that can be designed to analyze the products of a portfolio of countries and the customers in these marketplaces. The *BCG Matrix* should enable a value chain expert to obtain a useful outlook of the forces at play within the market.

The graphic below provides an overview of the original *BCG matrix*. The basic idea behind this matrix is that all companies should have a portfolio of products or business units based on the product life cycle or the combination of current market share and growth rates.



A useful way to integrate the thinking behind the *BCG Matrix* with selecting target markets is to use data from the ITC TradeMap database to create charts such as those in the case study that follows. Although the axes are slightly different from the original matrix, the layout does allow for choices to be made among markets with distinctly different characteristics. The resulting graphic shows how this dataset can be used to tell a rich story about global commodity markets and can give some clues about where large, high-value and / or high-growth markets can be found. The findings of this type of chart should be combined with information regarding current markets gleaned from interviews with local players or international experts who can both confirm export patterns and some initial peculiarities of the each major market.



CASE STUDY APPLICATION

Boston Consulting Group Matrix

Afghan Dried Fruits & Nuts Value Chain Case Study

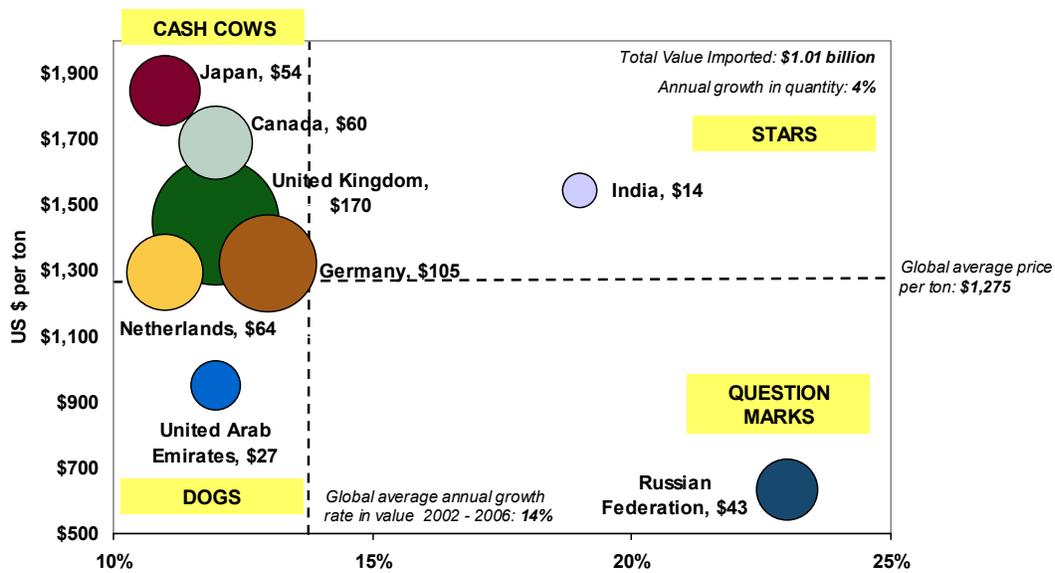
The BCG Matrix below shows the top five global raisin importers, as well as additional Afghan target markets, by value in 2006.

The three key elements of this chart are:

- **Bubble size:** The size of the bubble represents the import value of each country listed on the chart. A larger bubble means higher imports.
- **X-axis:** Average annual growth rate of each country listed from 2002 to 2006. The vertical dashed line represents the global average growth rate.
- **Y-axis:** Average price paid per ton of raisins in 2006 based on assessed value at the country of destination. The horizontal dashed line represents the global average price.

Based on the preliminary discussions with Afghan exporters, a few key points regarding potential target markets came out of this analysis:

- **UK:** As the largest importer in the world (17% of global imports) and with its previous history as a consumer of Afghan products, it is probably worth pursuing. Higher than average prices but lower than average growth classify it as a “cash cow”.
- **India:** Relatively small overall, but higher than average import price and growth rate make it a “star”. Current business with India and historical ties also strong.
- **Russia:** Currently the largest consumer of Afghan raisins by volume, but average prices (and those paid to Afghan exporters) are not attractive. High growth rates could indicate an opportunity for identifying and activating an attractive segment in broader market.



Source: ITC Trademap, June 2008
Notes: 080620, Grapes, dried

Legend: country name, imports in US \$ millions
● = US \$ 50 million in imports

✓ Phase I: SECONDARY End-Market Research Tool			Phase II: PRIMARY End-Market Research Tool		
Context	✓ Customers	Channels	Competition	Choices	Comms

END-MARKET RESEARCH TOOL

Trends Analysis

A review of selected reports on the target value chain is critical for understanding the global marketplace in terms of requirements of current and future attractive market segments. This type of research will typically yield a few key trends that the value chain can take advantage of or protect itself against.

Effective ways to identify these reports include simple Internet searches, specialized organizations (USDA or World Tourism Organization) or international donors (USAID, World Bank).

Additional Resources

It is important for producers to differentiate their product in order to obtain a premium price. The website <http://www.trendwatching.com> provides a range of new fads and trends that can be capitalized on when working through product placement and development. This monthly report summarized some of the latest trends, mostly in developed countries. Though some of the reports are fads or for high fashion items, the website does a good job of identifying longer-term trends. An April 2008 article talks about “status stories” or the need for brands to tell stories that make them unique to each consumer.

CASE STUDY APPLICATION

Trends Analysis



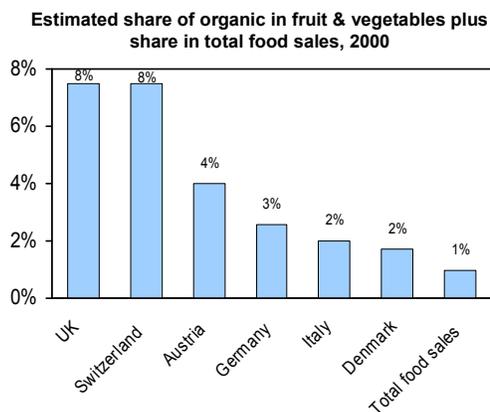
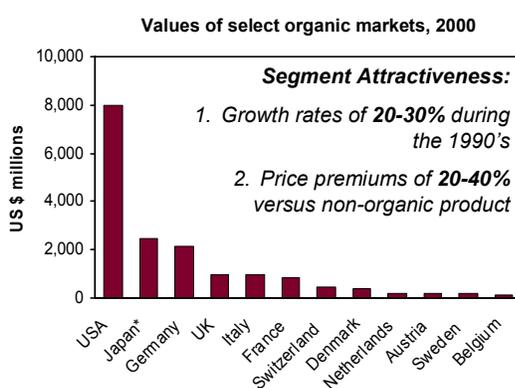
End-Market Analysis using Trends

Afghan Dried Fruits & Nuts Value Chain Case Study

In the case of the Afghan Dried Fruits & Nuts value chain, the rise of organic foods was a trend that was virtually unknown in the country, but a fast-growing segment of the European market - one region the Afghans potentially wanted to explore. Because of the limited use of fertilizers at the time and the rudimentary state of the sector, most Afghan products were by default organic. However, to successfully market and sell organic-certified product, the sector would have to overcome a number of constraints.

- **Organic Certification:** Certification of Afghan exporters would most likely take at least 3 years.
- **Achieving phytosanitary standards:** Especially in dried fruit, this would pose problems as most consumers (75-80%) rate healthfulness and absence of contaminants as very important.
- **Sufficient and stable production to meet international demand:** Large and consistent supply of organic produce was listed as the biggest concern of US organic food processors.

What is important to note in these obstacles is that the latter two are qualifying criteria required to compete at a basic level in the global dried fruits and nuts market. Once an industry has these basics in place (or concurrently), the industry could pursue organic certification and buyers for these products.



Overview of Organic Markets

✓ Phase I: SECONDARY End-Market Research Tool			Phase II: PRIMARY End-Market Research Tool		
Context	Customers	Channels	✓ Competition	Choices	Comms

END-MARKET RESEARCH TOOL

Boston Consulting Group Matrix - Exporters (Competition)

The output of the *Boston Consulting Group (BCG) Matrix* analysis is similar to the *BCG Matrix* used to analyze customers, but in this case we are looking at exporters instead of importers of the product. As a first pass, this type of secondary analysis can paint a portrait of the relative size of the competitor (the size of the bubble), basis of competition (low cost versus differentiation) and relative success of the country in global markets (annual growth rate). In Phase I, this quantitative data can be preliminarily confirmed and complemented by interviews with local stakeholders and international experts or buyers.

In addition to the resulting graphic (as shown in the case study example that follows), the TradeMap database can be used to identify both global and regional competitors in different commodity groups, providing information on current markets for all competitors, an important first indicator of overall competition in those markets.

CASE STUDY APPLICATION

Boston Consulting Group Matrix - Exporters (Competition)

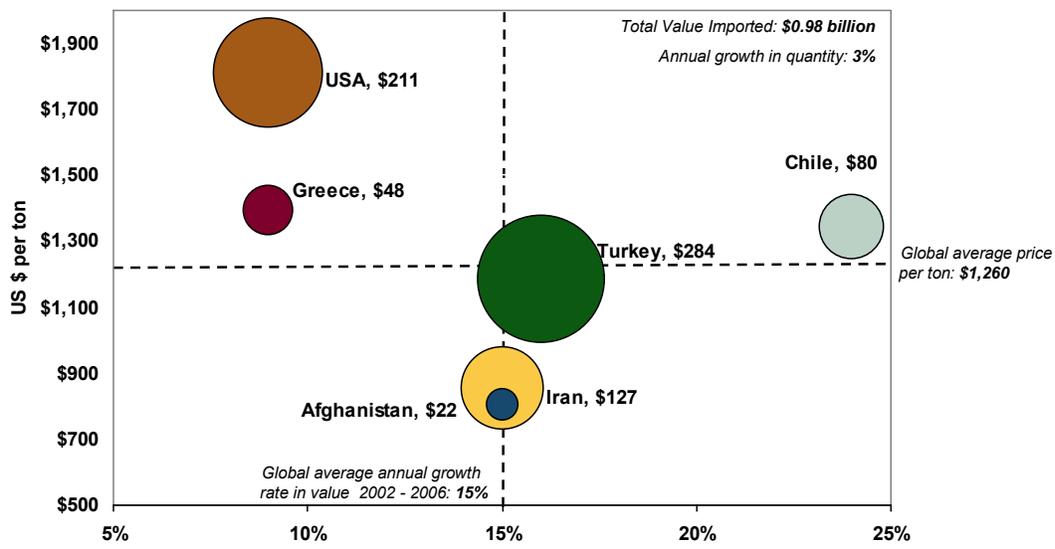


End-Market Analysis using BCG Matrix

Afghan Dried Fruits & Nuts Value Chain Case Study

For the Afghan Dried Fruits & Nuts Value Chain, the BCG Matrix analysis of the competitive environment yielded the following insights:

- *Turkey:* The largest exporter in the world, it is a model of how a developing country can reconfigure itself and serve a demanding market (the EU) with relatively high quality and certified but low-cost product. Below-average prices make it a tough competitor.
- *Iran:* Many experts look to this neighboring country to see what is possible. Direct competition with Iran would be challenging because of its cost advantage in shipping and the estimated 10- to 15-year lead that it has in production techniques.
- *USA:* A large exporter and producer, it has very efficient production and very high quality to achieve the standards set by its domestic market. Growth is relatively slow, but the high price point reflects a focus on quality versus a low-cost strategy.



Source: ITC Trademap, June 2008

Notes: 080620, Grapes, dried

Annual growth in value 2002 - 2006

Legend: country name, exports in US \$ millions

= US \$ 80 million in exports

Raisin Exporters, Top Five Global plus Afghanistan by Value, 2006

✓ Phase I: SECONDARY End-Market Research Tool				Phase II: PRIMARY End-Market Research Tool	
Context	Customers	Channels	Competition	✓ Choices	Communications

END-MARKET RESEARCH TOOL

Shaded Grid Analysis

Using the data and insights from the first four Cs, a *Shaded Grid Analysis* can be used to prioritize opportunities and frame choices internally and externally. There are three major components to the analysis; 1) the markets to choose from, 2) the selection criteria, and 3) the weights. Output from the *Shaded Grid Analysis* should inform target market segments for in-depth Phase II research.

The *Shaded Grid Analysis* is useful when comparing multiple variables across multiple options. Although the shaded grid refers to the coloring of the options on the grid, quantitative variables can also be added (such as in the case study that follows) to facilitate interpretation and quality control of the analysis.

Although this analysis gives the appearance of pure quantitative rigor, there is significant subjectivity involved in designing the scales and the weightings. Adjustments of both of these factors can change the prioritization that results from the analysis. An additional point is that the factors are weighted based on their relative importance to the decision. In the weighted total row, the most attractive options have the higher scores.

CASE STUDY APPLICATION

Shaded Grid Analysis



End-Market Analysis using *Shaded Grid Analysis*

Afghan Dried Fruits & Nuts Value Chain Case Study

At the end of Phase 1 for the Afghan Dried Fruits & Nuts value chain, the team was looking for a clear choice on what one or two markets should be targeted for a full primary research effort. During the early months of the dried fruits and nuts engagement, stakeholders mentioned the following four markets as current or potentially interesting future markets to pursue: UK, Russia, India and the United Arab Emirates (UAE).

The results of the *Shaded Grid Analysis* and agreement from stakeholders allowed the team to move ahead with in-depth studies of the two selected markets: India and the UK.

Criteria	Weight	Potential Markets			
		India	UK	Russia	UAE
CONTEXT: Fit with current value chain capabilities	20%	3	1	2	2
CHANNELS: Relationships with current channel partners	30%	2	1	2	1
CUSTOMERS: Size and growth potential of the market	35%	3	3	1	1
COMPETITION: volume & diversity of exporters into mkt	15%	3	1	2	2
Weighted total*		2.70	1.70	1.65	1.35
Comments		Current partner with potential for differentiation. AFG product has natural brand in mkt.	Large mkt with high quality standards. High level of competition.	Core current market, but low prices & possibility for differentiation limited.	Close regional mkt, but no particular affinity for Afghan product.

*Yellow shading indicates priority target markets

Legend Good (3) Neutral (2) Poor (1)

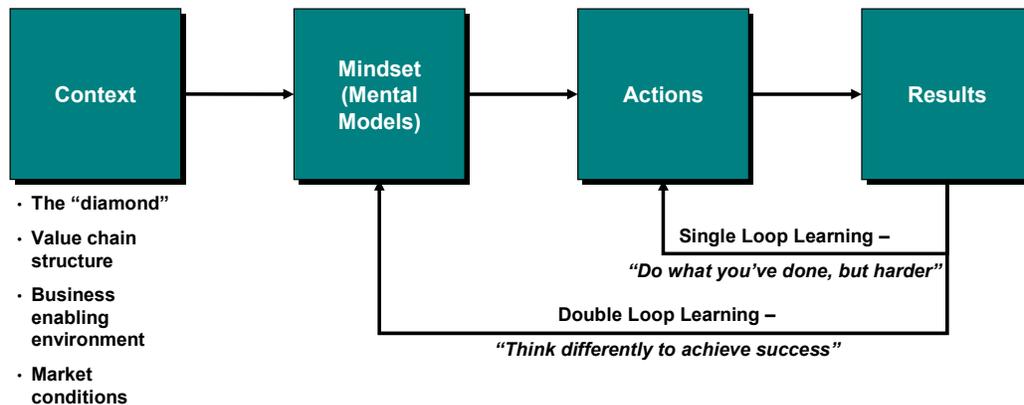
Shaded Grid Analysis, Target Markets for Afghan dried fruits and nuts

✓ Phase I: SECONDARY End-Market Research Tool					Phase II: PRIMARY End-Market Research Tool
Context	Customers	Channels	Competition	Choices	✓ Communications

END-MARKET RESEARCH TOOL

Double Loop Learning

Another tool that can be used successfully in value chain strategy development projects is the concept of *Single versus Double Loop Learning*. Chris Argyris⁶ of Harvard Business School has written extensively on the topic of *productive communications*.



Single versus Double Loop Learning

At its simplest level, the guiding principle to *Double Loop Learning* is to encourage stakeholders to step back and critically analyze their value chain’s current business model and change their mindset about the current mode of competition. Normally when firms or entire value chains make decisions about where to invest and what markets to pursue, they are driven by how to pursue the current strategy to achieve better results. This is *Single Loop Learning*. The true power of data, and in this case market research, is in enabling firms and entire value chains to engage in *Double Loop Learning*, or to have data-driven discussions based on market research that is directly relevant to business decisions that need to be made at the firm or institutional, value chain or even national levels.

⁶ “Teaching Smart People How to Learn”, Chris Argyris, HBS Press, 1991.

CASE STUDY APPLICATION

Double Loop Learning



End-Market Analysis using *Double Loop Learning*

Afghan Dried Fruits & Nuts Value Chain Case Study

In the case of the Afghan Dried Fruits & Nuts value chain, the team helped key value chain stakeholders engage in Double Loop Learning to highlight new opportunities for or threats against the industry. Three of these examples are highlighted in the table below. The examples below are based on Phase 1 data; the primary research conducted during Phase 2 created many more opportunities for data-driven discussions regarding strategic positioning and options for the Afghan Dried Fruits & Nuts value chain.

Afghan Dried Fruits & Nuts - Double Loop Learning

Initial business model	Double loop reframing
High percentage of raisin sales to Russia	Use of importer data to highlight the low prices paid by Russia versus the rest of the world. Focus shifts to India, UK and other more lucrative markets.
Sale of high-quality raisins to Indian importers in Kabul	Value chain step chart illustrates retained revenues for intermediaries. Afghans begin considering a forward integration strategy to capture more value.
Over-confidence in the industry due to historical performance	Relative size of Afghanistan versus global and regional exporters shows the challenges that the value chain will have in retaking old markets in the face of new entrants.

PHASE 2 – PRIMARY END-MARKET RESEARCH

Goal: Understanding the needs of target customer segments where value chain clients should focus their sales and marketing efforts, and how to serve their needs better than competitors.

- Develop a clear market activation strategy to target these segments.
- The output of Phase 2 is normally a segment activation strategy that lays out a roadmap for systematically targeting and winning new clients in the chosen segment.

General Steps

1. Revisit the key decisions to be made with the data
2. Design simple questions that get the data required to make these decisions
3. Pick the appropriate mix of market research tools that will cost effectively yield the data needed (*e.g. surveys, interviews, focus groups and observation*). (*This mix of tools employed will vary depending on the type of segment that is targeted and the budget for implementing the overall effort*).
4. Use interactive communication tools at the end of the phase to bring the market research to life and accelerate execution of the agreed upon strategy (*e.g. initiatives such as “voice of the buyer” DVDs, trade delegations and investor meets*)

Phase II – PRIMARY End-market Research Tools			
C's	Tool	Description	Notes
Context	<i>Not covered in Phase 2 of the Toolkit as this "C" is not end-market research focused.</i>		
Channels	Channel Survey	Conduct surveys to gain additional insight into channels identified in market map and value chain "step chart".	In an ideal world with unlimited time and resources, value chain practitioners could employ the full range of market research tools, achieve statistical significance on all their surveys and access all the information they needed to make decisions. Unfortunately, in reality timelines are compressed and budgets are limited.
	Expert Interviews	Conduct meetings with industry experts in each channel to gain quick, fact based insight into the market.	
	Focus Group	Brings together end customers and business people from each step of value chain to see where value can be added. Push versus Pull strategies.	
Customers	In-depth interviews	30-45 minute interviews that attempt to gain an intimate understanding of the underlying desires of the customer.	The Backwards Market Research Process provides an overview of how to make market research efforts cost effective while useful in terms of gathering the information required to make business decisions.
	Focus Group	Brings together small collection of potential customers that help provide insight into the product and market.	
	Needs/ Relative Importance Survey	Conduct research to learn about the customers' needs with respect to their relative importance.	
Competition	Spider Diagram	Graphical output of key competitor characteristics.	The quantifiable attributes of cost, quality, service, and flexibility provide a set of operational measures that can be used to analyze the logistics system. They are then compared to the competition to identify what the benchmark is for each category. Due to trade-offs, it is impossible for a client to win in all four areas, but an advantage is necessary in one or two of the attributes in order to win the market.
	CQFS (Cost, Quality, Flexibility, Service) Analysis	Provides insight into key attributes that lead to a client winning a segment.	
Choices	Detailed SWOT Analysis	Combines internal and external analysis to help make a final decision on what markets to pursue.	A SWOT analysis helps break down the business environment into internal and external components in order to begin strategy formulation. The internal analysis is further broken down into strengths and weaknesses of the firm in order to try to understand the company's competitive advantage. An external environmental analysis identifies potential opportunities for profit as well as threats to the status quo.
Communications	Trade Shows, Buyer Videos, Value Chain Meetings	Research dissemination activities to promote wide acceptance of the results of the research.	<i>N/A, see references in the text</i>

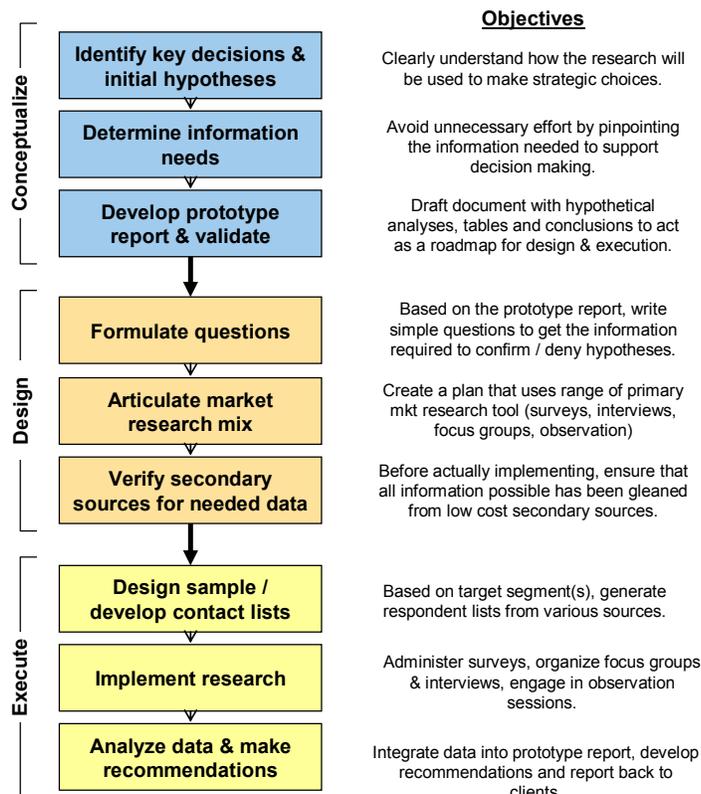
Phase I: SECONDARY End-Market Research Tool			✓Phase II: PRIMARY End-Market Research Tool		
Context (N/A)	✓Customers	✓Channels	✓Competition	Choices	Communications

END-MARKET RESEARCH TOOL

Backward Market Research Process

Once *Phase 1: Secondary End-Market Research* is completed and clear choices have been made about what markets warrant focused research, planning for a major primary end-market research campaign can begin. In many cases, this planning starts with a vague definition of the problem at hand or a statement about the lack of information for a certain market or product. The lack of clarity initiates a research process that will most likely end with either the wrong data to facilitate decision-making or the correct data acquired at a much higher cost than was necessary because the needs of decision makers were not clearly understood. This process can be defined as *Forward Market Research*.⁷ A more successful approach to market research flips this process around and starts with a clear picture of the decisions that will be facilitated by the data, and structures the research effort around getting the information required to make these decisions. This *Backward Market Research* concept is outlined below and followed through the *Phase 2: Primary End-Market Research* section.

Backward Market Research Process



⁷ "Marketing Research that Won't Break the Bank", Dr. Alan Andreasen, Jossey-Bass, 2002.

Once secondary sources of data have been exhausted, it is time to develop a primary market research plan. The first and most important element of the research plan is to define the goal of the research or the burden of proof. Once the goal is set and the information required is known, a research plan comprised of surveys, interviews, and focus groups can be developed to get the data required to make an informed choice. An overview of these tools is below.

Overview of Major Primary End-Market Research Tools⁹

Tool	Description	Advantages	Disadvantages
Interviews	One-on-one structured or semi-structured conversations with potential buyers or industry experts	<ul style="list-style-type: none"> ▪ Excellent for in-depth testing of research hypotheses and insights into the psyche of buyers ▪ Access to qualitative data ▪ Ability to explore and probe responses 	<ul style="list-style-type: none"> ▪ Expensive and time consuming ▪ Respondents may be reluctant to share personal beliefs and information ▪ Possibility of interviewer bias ▪ Rarely yields useful quantitative data
Focus Groups	Small, structured group meeting consisting of 5 to 20 participants from a target market segment or a cross-section of a value chain.	<ul style="list-style-type: none"> ▪ Ideal for ascertaining interest in abstract or new concepts. ▪ Excellent for pre-testing ideas ▪ Generation of new research hypotheses ▪ Exploration of new and unrelated topics as they arise. 	<ul style="list-style-type: none"> ▪ Small group bias ▪ Trained moderators required. ▪ Data not sufficient to make major decisions ▪ Reluctance to share personal beliefs in group setting.
Surveys	Closed research instrument designed to test attitudes and perceptions on current product offerings or clearly defined future offerings. Can include quantitative and qualitative data.	<ul style="list-style-type: none"> ▪ Quantitative data provides rigorous foundation for other qualitative methods. ▪ Data easy to tabulate and generalize from assuming high enough sample size. ▪ Depending on distribution channel, relatively inexpensive ▪ Good for sensitive issues 	<ul style="list-style-type: none"> ▪ Limited ability to probe responses, so questions need to be simple ▪ Difficult and / or expensive to achieve statistical significance. This can be overcome with Internet / email distribution.
Observation⁸	In store (or at the point of sale) observation of customers using or considering the purchase of a product	<ul style="list-style-type: none"> ▪ Inexpensive if observation is “blind” ▪ Access to real life data 	<ul style="list-style-type: none"> ▪ Difficult to ascertain motivations behind behavior

⁸ Observation is probably the least relevant tool for end-market research related to value chains. It is rare that customers of a value chain are geographically concentrated or proximate to core value chain firms for this type of research to be cost effective.

⁹ Please see Appendix 3 for details on designing surveys and interview & focus group guides.

Backward Market Research Process



End-Market Analysis using Backward Market Research Process Afghan Dried Fruits & Nuts Value Chain Case Study

Based on the decision at the end of Phase 1 to pursue opportunities in the UK and Indian markets, the project team designed and implemented primary end-market research efforts to better understand the needs of specific segments of buyers in each market. This section integrates the backward market research process described below with a description of how the Afghan Dried Fruits & Nuts value chain project team designed the market research tool mix for each of the three Cs.¹⁰ The particulars of each market and Afghanistan's positioning dictated the overall design of the two research efforts. For example, the key decision to be made for each market was different given Afghanistan's current status in each market:

Key Decisions To Be Made by the Industry Stakeholders	
India – Forward Integration	UK – Market Entry
<ul style="list-style-type: none"> ▪ Can Afghan Dried Fruits & Nuts exporters establish viable wholesale or retail operations in India? ▪ Is it necessary to invest in packaging equipment to compete in the Indian market? ▪ Based on competition in the Indian market, do Afghan exporters need to change their overall strategy to address these threats? ▪ What investments does the value chain need to make to be competitive? 	<ul style="list-style-type: none"> ▪ Is the UK a viable short-term market for Afghan dried fruits and nuts exporters? ▪ If not, what steps need to be taken for Afghan exporters to compete in this market? ▪ What investments do Afghan exporters and the value chain as a whole need to make to be competitive in the UK market?

Once the team had the key decisions to be made, they began thinking about the information required to inform this decision making process. Information categories¹¹ included:

- **Product attributes:** What does a winning product look like? Information about

¹⁰ The three C's are the research C's and exclude Communications and Choices. Context is largely ignored in Phase 2 of this toolkit because of the focus on end-markets.

¹¹ These categories are broadly applicable to commodities and products. When working in service sectors such tourism, logistics, call centers or others, product attributes are normally exchanged for elements about the experience.

quality, certification, packaging and other criteria related to physical product (in this case raisins).

- **Supplier attributes:** What business operations and assets are required to create a satisfactory customer experience? Examples here are timely delivery, insurance on goods, the ability to easily accept bank transfers and general trustworthiness.
- **Competitor benchmarking:** What are the shortcomings or particular strengths of major competitor countries? How can the value chain capitalize on weaknesses and mitigate threats?

With the decisions and required information known, the team put together a prototype report that laid out the key analyses and initial research hypotheses that could be discussed with stakeholders in the value chain and USAID staff. Once all stakeholders had provided input into the conceptual stage of the research process, actual design of the research instruments began.

The End-Market Research Tool Mix

The Afghan Dried Fruits & Nuts value chain project team utilized the full range of market research tools to generate the data and insights required to inform the decisions above. For both markets, the team investigated two ways of actually designing and implementing the research: in-house or through a sub-contract with a market research firm. In the case of the UK, the price point for a market research firm to conduct the full range of research exceeded the project's market research budget. The solution here was to utilize the project implementer's (On The Frontier Group) proprietary survey software, *On The Frontier Insight*¹², to administer an online survey to British wholesalers and complement this data with telephone and a few in-person interviews. In India, relatively low labor costs permitted the project to get over 200 quantitative surveys, 4 focus groups and 25 in-depth interviews with wholesalers completed at a very attractive price point. The efforts of the market research firm were complemented by the project team's visits to wholesale and retail markets to conduct in-person interviews and engage in end consumer observation in retail shops. In both cases, the project team took the lead in designing the overall research mix, research instruments (surveys, focus group and interview guides). Once the instruments had been designed, a final check for secondary sources of market data on the UK wholesale market for Dried Fruits & Nuts and the Indian retail and wholesale markets revealed no additional information that could be used to make the primary market research shorter and more efficient.

¹² While On The Frontier Group has invested in developing proprietary software for designing, managing, and interpreting primary market research efforts, a number of online software products are available to the general public (e.g., SurveyMonkey, Zoomerang).

Phase II – Primary End-market Research Tools

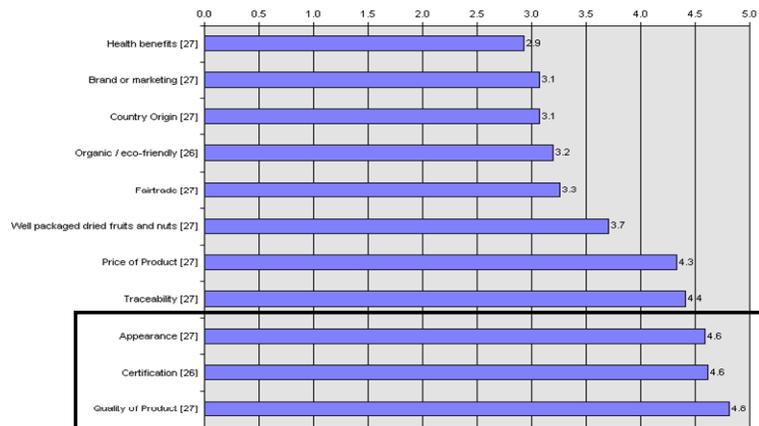
Backward Market Research Process

CHANNELS: Members of the distribution channels or intermediaries are a critical component of the end-market to understand. Although they are not the end consumer of products or services sold by the value chain, they are the group with which value chain actors in developing economies most often interact.



A key component of the research effort for both UK and Indian channel partners was a quantitative survey. Given Afghanistan's long absence from the UK market, a key objective of the research was to decide whether the value chain could successfully re-engage with this important consumer market. Based on responses to a series of questions regarding product selection criteria (highlighted in the graphic below), certification in the form of standards such as GMP, ISO 900X and HACCP is the second most important factor in deciding whether or not to purchase dried fruits and nuts (after overall quality of the product). When asked whether these wholesalers would purchase Afghan Dried Fruits & Nuts without these types of certification, over 80 percent responded negatively. Given the current status of the Afghan value chain, the issue of certification was a serious one. There were no certified factories in Afghanistan, limited awareness of certification requirements and no plans for training to begin the process.¹³ In addition to this technical barrier, the other major barrier to building relationships with UK wholesalers was a lack of trust in Afghan exporters and their product. Over the course of telephone and in-person interviews, respondents reported that they had discovered bullets and drugs in their containers, received product that deviated from specifications or late and inconsistent shipments in the recent and distant past. Compared to current suppliers, these issues posed serious obstacles to rebuilding the Afghan brand in the UK market.

UK Wholesaler Product Selection Criteria Ranking



¹³ ACP staff facilitated the organization of a certification program with USDA trainers in the spring of 2006. The program provided classroom training, site visits and fast tracked 2 raisin factories for HACCP certification.

Phase II – Primary End-market Research Tools

Backward Market Research Process

CUSTOMERS: Identifying the best market segments for a particular value chain is challenging, yet an absolutely critical step in formulating a competitiveness strategy.

Ideally, value chain projects should start from the customer or market and move backwards to configure the entire industry to serve and even anticipate the needs of chosen market segments.

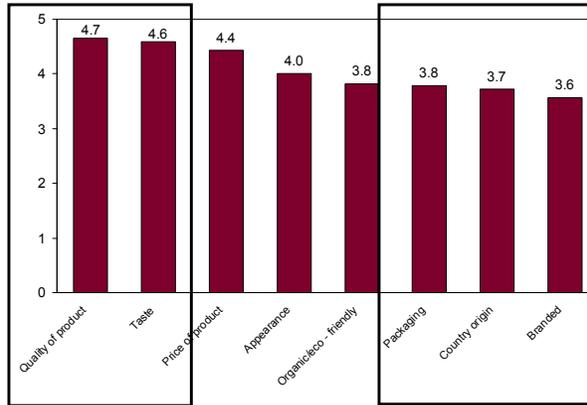


End customer research is not normally a focus for value chains as value chain clients are generally a few steps removed from interacting directly with the final consumer of their goods.¹⁴ In the case of the Afghan Dried Fruits & Nuts end-market research, the focus on a forward integration strategy justified investing limited resources into understanding the basic requirements as part of a “pull” marketing strategy that could be used by future Afghan Dried Fruits & Nuts wholesalers in the Indian market. This was done in two ways: surveying Indian retail shop owners about their customers and direct observation of consumer behavior by the project team during research trips to the market which yielded qualitative behavior about the behavior of customers when purchasing the product. The results of the survey are below, with quality and taste as the most important criteria and packaging, country of origin and branding the least important factors. This quantitative data was reinforced by consumer behavior and comments in the retail shops. For customers purchasing Afghan and other high-quality Dried Fruits & Nuts, the interaction was similar to what you might see in a high-end cheese shop in the U.S. Quality is signaled by product attributes such as an absence of packaging (rather than colorful plastic bags used for inferior products) and the ability to hold, smell and taste the product before purchasing. The ability to examine the product provided a critical part of the answer regarding value chain development related to investment in retail packaging.¹⁵

¹⁴ End market research generally has diminishing margins of return as customers who are more than 3 to 4 steps from core value chain clients.

¹⁵ There was a need to invest in better quality packaging materials to protect the Dried Fruits & Nuts en route from Kabul to New Delhi, but the ability to pack product in colorful retail packs was not necessary and could have actually hurt the positioning and perceived value of the product in the market.

Indian Consumer Product Criteria Ranking



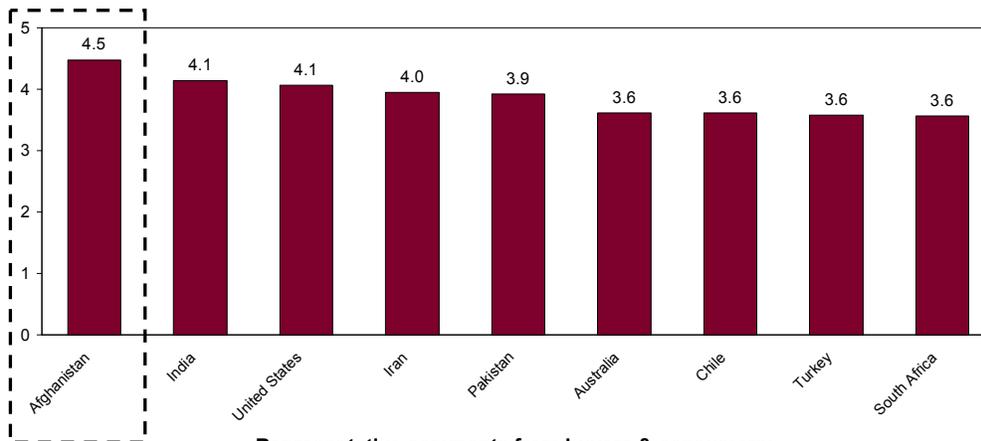
Phase II – Primary End-market Research Tools

Backward Market Research Process

COMPETITION: Once the selected customer segments have been analyzed, it becomes important to understand the firms and countries with which the value chain is competing for market share. Competitor understanding is important for two reasons: 1) to benchmark performance and 2) to predict the competitors' response to strategic moves into the markets they serve.

In *Phase 2: Primary End-Market Research*, understanding Afghanistan's market positioning compared to competitors in the two target markets was an important step in understanding the short-term potential to reposition themselves and where to look for good and bad practice in industry development. The figure below highlights Afghanistan's positioning in the market compared to other competing countries. Based on the survey results, Afghanistan was rated the number one supplier of dried fruits and nuts to India by wholesalers, a strong indicator of the country's positioning and potential to leverage this strong brand to pursue a forward integration strategy. Comments gleaned from interviews and focus groups provided texture to the quantitative data as can be seen in the graphic below. In the UK, Afghanistan ranked at the bottom of the list of high-quality supplier countries which forced serious debate about the ability of the Afghans to realistically enter and win in a market where the quality of their product was in doubt and the trustworthiness of the exporters was in question.

Supplier Country Quality: Afghanistan versus Competitors in India



Representative comments from buyers & consumers:

"I can trust 99% of the Afghan buyers that I deal with; they always send good product" – *Head of Dried Fruit & Nut importers association in Mumbai*

"Afghan raisins are natural and sweet, there's no bitter taste like the raisins from Nasik (India)" – *Mumbai retailer during a focus group*

In addition to providing a ranking of Afghanistan against other countries to gauge overall positioning, this ranking also served as an additional screen (after the *Phase 1: Secondary End-Market Research* competitor benchmarking) to initiate primary research focused on competition. This process entails two steps:

-
- **Identify benchmark countries:** Based on TradeMap analysis done in *Phase 1: Secondary End-Market Research*, plus surveys and other research in *Phase 2: Primary End-Market Research*, develop a short list of key competitor countries.
 - **Competitive intelligence:** This type of research is quite challenging. In the best of situations, one or two informants from an industry provide the intelligence required either over the phone or in person. In the case of Afghan Dried Fruits & Nuts, the team relied on phone calls to sympathetic businesses in India, conversations with US experts on the American industry, a conversation with a partner who had visited Turkish factories, and the experience of Afghans who had worked in Iran to complete the analysis below. Every case will be different, but this analysis tends to be the result of combining some preliminary quantitative data with a few targeted conversations to provide depth and texture to the numbers.

Phase I: SECONDARY End-Market Research Tool			✓Phase II: PRIMARY End-Market Research Tool		
Context (N/A)	Customers	Channels	✓ Competition	Choices	Communications

END-MARKET RESEARCH TOOL

CQFS Analysis

A useful framework for structuring this type of research is using the Cost, Quality, Flexibility and Service model (CQFS).¹⁶ These attributes are then compared to the competition to identify what the benchmark is for each category. Due to trade-offs, it is impossible for a client to win in all four areas, but an advantage is necessary in one or two of the attributes in order to win the market. This tool is designed to identify the criteria needed to just “play the game” versus the criteria needed to “win the game”. As is seen in the graphic below, firms and value chains from different countries can choose to compete on different factors.

A brief explanation for each of these attributes follows:

- **Cost:** roughly translates to price
- **Quality:** meets or exceeds customer expectations for key non-price product attributes
- **Flexibility:** broad range of products and able to change product mix rapidly
- **Service:** product is there where and when it is required.

¹⁶ CQFS Framework created by Professors Ken Homa and Ricardo Ernst, Georgetown University – McDonough School of Business.

CASE STUDY APPLICATION

CQFS Analysis



Market Analysis using CQFS Analysis

Afghan Dried Fruits & Nuts Value Chain Case Study

In the case of the Indian market, Afghanistan had fortuitously followed a strategy that both matched its strengths and was quite different from the strategy of its competitors. For example, given huge economies of scale and good logistics, U.S. products competed mainly on a good price and reliable delivery for a mediocre product. On the other hand, the vast array of dried fruits and nuts available in Afghanistan allowed its exporters to pursue a different strategy; a huge selection of high quality and premium priced products. This difference in the basic positioning actually set products from the two countries apart in the perceptions of buyers despite the fact that they were sold next to each other in wholesale and retail outlets.

To contribute to the market activation strategy to enter the Indian market, the project team conducted the following analysis of Afghanistan compared to a few key competitor countries to clearly understand their value proposition in the market and how the Afghan Dried Fruits & Nuts value chain could at least match their performance or differentiate itself by focusing on different attributes. The key learning from this analysis is that Afghanistan was by default pursuing a strategy different from its competitors and one that appeared defensible based on its cost disadvantages of being a landlocked country with poor infrastructure.

CQFS Analysis: Afghanistan versus Key Competitors

Criteria	Countries			
	Afghanistan	India	U.S.	Iran
Cost	Qualifying	Winning	Winning	Winning
Quality	Winning	Qualifying	Qualifying	Winning
Flexibility	Winning	Qualifying	Qualifying	Qualifying
Service	Qualifying	Winning	Winning	Qualifying
Strategy Summary	Afghanistan currently wins with high quality based on a natural brand and a wide range of DFN. Transport & logistics difficulties drive up costs and make timely delivery difficult.	India wins by keeping costs (and quality) low while providing their limited range of products to wholesalers where and when it is needed.	The second largest exporter of raisins in the world, economies of scale and excellent logistics systems allow the US industry to reliably and inexpensively a narrow range of generic goods globally.	Iran grows some but not nearly all the products that Afghanistan has to offer the market. Commercial farming methods and sea access to the Indian market give the Iranians a cost advantage while delivering a nearly identical product.

Legend

Qualifying

Winning

Phase I: SECONDARY End-Market Research Tool			✓Phase II: PRIMARY End-Market Research Tool		
<i>Context (N/A)</i>	Customers	Channels	✓ Competition	Choices	Communications

END-MARKET RESEARCH TOOL

Spider Diagram

Another effective way to conduct competitor benchmarking is to ask about key attributes on a quantitative scale.

CASE STUDY APPLICATION

Spider Diagram

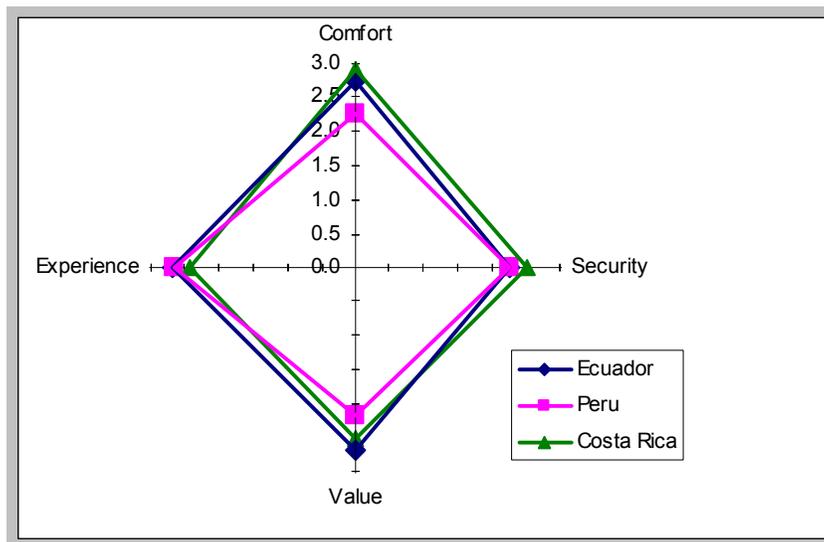


End-Market Analysis using *Spider Diagrams*

Ecuador Tourism Value Chain Case Study

This extra level of detail was not done for the Afghan Dried Fruits & Nuts case, but an example from Ecuador tourism¹⁷ is below. This output is the result of a series of quantitative survey questions that asked outbound tour operators (channel partners) to rank a set of competitor countries on attributes that are important in the sector.

Spider Diagram, Ecuadorian Tourism



¹⁷ “Ecuador Tourism”, USAID Microlinks Seminar, Marcela Correa and XXX, October 2006.

Phase I: SECONDARY End-Market Research Tool				✓Phase II: PRIMARY End-Market Research Tool	
<i>Context (N/A)</i>	Customers	Channels	Competition	✓Choices	Communications

PRIMARY END-MARKET RESEARCH TOOL

SWOT Analysis

The end result of all the data collection and analysis conducted during Phases 1 and 2 is to first make choices about what customer segments should be pursued and what the strategy should be to pursue them. One way to integrate the four Cs above into this analysis is with a Strength, Weaknesses, Opportunities, and Threats (SWOT) analysis. Context is used for the internal factors (SW), while Channels, Customers and Competitors are integrated into the external factors (OT). As a first step of applying this analysis, the team built up SWOT analyses for both markets.¹⁸

The basic thinking behind a SWOT analysis is that strengths can be used to exploit opportunities and mitigate threats in the market, while the impact of weaknesses either needs to be addressed to take advantage of opportunities or minimized to reduce the potential damage from external threats.

¹⁸ The internal factors are identical for both markets, while the external factors are populated based on Phase 1 and Phase 2 research.

CASE STUDY APPLICATION

SWOT Analysis



End-Market Analysis using SWOT Analysis

Afghan Fruits & Nuts Value Chain Case Study

The table below summarizes the internal and external factors that the Dried Fruits & Nuts value chain should take into account when thinking about its overall strategy. This table is a slightly different format than the typical 2 x 2 SWOT matrix. The advantage of this format is that it facilitates the integration of the internal and external factors (top row and left hand column) into clear strategic options that could be pursued by the value chain. Although not all of the strategic options generated by the analysis can or should be pursued, this format does create a useful framework for brainstorming the full range of actions possible. This range of strategic options for the Afghan Dried fruits and nuts value chain and the subsequent decisions made about where to focus short-term efforts is continued below.

Afghan Dried Fruits & Nuts SWOT Analysis, UK & Indian Markets

				Internal Factors	
				Strengths (S)	Weaknesses (W)
External Factors					
India	Opportunities (O)	<ul style="list-style-type: none"> Affinity for Afghans and Afghan dried fruits and nuts Unsophisticated packaging and processing requirements. Price premiums vs. competing origins Growing consumer class. 	<ul style="list-style-type: none"> Pursue forward integration strategy of establishing wholesale operations in major urban centers. Focus on improving basic quality of product at the farm-gate to improve prices. 	<ul style="list-style-type: none"> Total absence of certification systems. High cost structure due to poor security and broken infrastructure Almost no modern processing and packaging factories. 	<ul style="list-style-type: none"> Utilize more manual labor to sort and clean product (versus machinery) to achieve higher premiums. Focus on high value segments to avoid cost competition.
	Threats (T)	<ul style="list-style-type: none"> "Cartels" of Indian buyers deter market entry Low cost product from US, Iran and Turkey in market Lack of language and knowledge of Indian bureaucracy. 	<ul style="list-style-type: none"> Create consortia of traders from similar clans and tribes Hire and train expat Afghans to navigate Indian bureaucracy Identify receptive Indian joint venture partners to help navigate Indian rules and regulations and markets 	<ul style="list-style-type: none"> Establish processing factories in India to take advantage of lower costs. Basic certification of "Afghan" product to differentiate from competitors. 	

UK	Opportunities (O)	<ul style="list-style-type: none"> ▪ Largest and relatively high-paying raisin market. ▪ Historical trading links with Afghanistan. 	SO Strategies	WO Strategies
	Threats (T)	<ul style="list-style-type: none"> ▪ Certification requirements ▪ Distrust of Afghan products and markets ▪ Afghanistan lowest rank dried fruits and nuts supplier country ▪ High cost to serve due to transport costs 	ST Strategies	WT Strategies
			<ul style="list-style-type: none"> ▪ Take advantage of South Asian Diaspora niche markets (i.e., Indian) 	<ul style="list-style-type: none"> ▪ Identify processors in the UK to wash and process raisins after import.
			<ul style="list-style-type: none"> ▪ Start “crash” certification programs ▪ Attendance at key European trade shows to rebuild confidence. ▪ Focus on high value segments of the market to mitigate cost disadvantage 	<ul style="list-style-type: none"> ▪ N/A

Although there were a few options for pursuing the UK’s wholesale segment, the challenges of implementing this strategy were daunting and would likely require significant time and financial resources to bring to fruition. On the other hand, many of strategies identified for India were actionable and could produce concrete results within the timeframe of the project and a reasonable private sector time horizon. Although the Afghan dried fruits and nuts value chain did not pursue all of the potential strategies highlighted in the analysis above, key elements included:

- **Forward integration:** To capture the wholesale margin currently earned by Indian wholesalers, Afghan exporters decided to establish operations in major urban markets such as New Delhi, Mumbai and Ahmedabad.
- **Collaboration:** To accomplish this strategy, three groups of five to seven exporters created export consortia to achieve the scale they needed to meet the volume requirements of Indian customers and mitigate risk.
- **Partnership with Indian investors:** For two groups, joint ventures with Indian businessmen who brought capital and contacts to the table was an additional risk mitigation strategy.
- **Professional managers:** In Afghanistan, the consortia hired young Afghans with computer and English skills to help manage the business by keeping books and handling communications with Indian customers and counterparts who did not speak Dari.

Phase I: SECONDARY End-Market Research Tool				✓Phase II: PRIMARY End-Market Research Tool	
Context (N/A)	Customers	Channels	Competition	Choices	✓Communications

PRIMARY END-MARKET RESEARCH TOOL

Communication Tools

Once target markets are understood and a strategy for activating new market segments emerges, active communication and engagement of value chain stakeholders is critical to real understanding of the results and sufficient confidence in the data to take business decisions that will allow firms to pursue the new proposed strategy.

Although data and analysis is critical for formulating good strategy, there is often a need for “quick wins” to fully convince and mobilize stakeholders. A representative list of these activities and their value is below.

Phase 2 Communication Tool Examples

Activity	Value in the end-market research process
Buyer videos “the voice of the market”	If done well and translated into local languages, direct feedback from potential buyers, especially when they are able to inspect the product is invaluable. Short of attending trade fairs or sponsoring inbound buyer trips, this is a great way to establish a personal connection between buyers and sellers. Examples of this approach can be found at: http://microlinks.org/ev_en.php?ID=13573_201&ID2=DO_TOPIC
Trade fair attendance	Although a fairly typical component of most value chain and private-sector development projects, trade fair attendance can most effective when attendees are armed with good market intelligence and specific objectives beforehand. These events are a great forum for establishing relationships with buyers in attractive markets and benchmarking competition, but normally do not lead to deals on the spot.
Buyer visits	Especially in value chains where relationships and a good story is important, bringing buyers “to the source” can not only improve the chance of closing deals, but gives the value chain a unique opportunity to interact with buyers of their product.
Publicity campaigns	Publicizing the results of market research at all levels of the value chain is critical. The most effective messengers for these types of messages can be the industry themselves.

CASE STUDY APPLICATION

Communication Tools



End-Market Analysis using *Communication Tools*

Afghan Fruits & Nuts Value Chain Case Study

The project team used some of these tools to convince the Dried Fruits & Nuts value chain of the opportunities in the Indian market. Members of the team made a preliminary research trip to New Delhi to verify wholesale and retail prices of Afghan product. In addition to market research, they came back with samples, receipts and even pictures with prices of Afghan Dried Fruits & Nuts product next to that of competitor countries. All of this evidence pointed to the clear conclusion that Afghan products sold for prices that were much higher than the exporters previously thought. Unfortunately, the Afghan exporters did not believe the team. Their conclusion was that the international and Afghan staff had been cheated by the Indian traders and completely discounted the price points estimated by the team.

The team overcame this doubt by involving these skeptics in two forms of active market research. First, the project led a delegation of Afghan exporters to a major trade fair in New Delhi to highlight their products, benchmark competitors' products and also visit the city's wholesale market (the country's second largest) and select high-end dried fruits and nuts retail shops where Afghan products were on prominent display. This trip was well prepped by the project team in terms of clear objectives around making sales contacts, gathering pricing information and identifying three product innovations from competitor products. For this first trip, the project paid approximately 75 percent of the cost of the delegation. The trip had its desired effect and opened our client's eyes to the possibilities in the vast and growing Indian market. This excitement quickly evolved into discussions of how the Afghan exporters could pursue a forward integration strategy of establishing wholesale businesses in India. To mitigate risk, the team and the businessmen decided on a joint venture event where they could meet Indian partners who could facilitate market entry. The commitment to this course of action was clear: the exporters paid for 90 percent of the cost of these events, with the project paying 10 percent of the total cost for fees to an Indian consulting firm that identified the local investors and organized logistics.

As an example of using Publicity Campaigns in the case of Afghan dried fruits and nuts, a group of exporters put together a poster for illiterate farmers that explained how to improve the quality of their product at the farm level. These same exporters also appeared regularly on TV and the radio to encourage all stakeholders to work together to meet the requirements of the market.

APPENDIX

END MARKET RESEARCH TOOLS REVIEW

Phase I Tools (Secondary End-Market Research)

“The Competitive Advantage of Nations”

Michael E. Porter, Harvard Business Review, March/April 1990; 19 pages
http://harvardbusinessonline.hbsp.harvard.edu/b02/en/common/item_detail.jhtml;jsessionid=14YD4K0FAT502AKRGWCB5VQBKE0YOISW?id=90211&referral=2342

Relevant “C”	✓ Context	Customers	Channels	Competition	Choices	Comms
Summary	Companies achieve international success through new technologies or finding better ways of doing things. Ultimately, their success is due to a strong, dynamic, and forward-looking domestic environment. This article breaks down the four fundamental determinants of the national environment to better understand how and where companies should compete. 1) Factor Conditions : The natural resources, human capital, infrastructure, capital, and other attributes of a society that provide a competitive advantage. 2) Demand Conditions : Strong domestic competition spurs innovation by forcing companies to identify early buying habits and how to meet changing needs. This increases substantially when domestic trends are pushing international habits. 3) Related and Supporting Industries : Other local, key industries provide easier communication that often spurs innovation. 4) Firm Strategy, Structure, and Rivalry : “Nations tend to be competitive in activities that people admire or depend on – the activities from which the nation’s heroes emerge.” Additionally, strong local rivals provide a stimulus for creating a sustainable competitive advantage.					
Role as Market Research Tool	This publication provides a background for how to examine the macroeconomic situation of a country and discusses the role of governments and companies in developing competitive industries. The corresponding <i>diamond framework</i> demonstrates how different policies interact. Most importantly, it should be noted that policies on competitiveness should not be made in isolation.					

“How Competitive Forces Shape Strategy”

Michael E. Porter, Harvard Business Review, March/April 1979 Reprint 79208
http://harvardbusinessonline.hbsp.harvard.edu/b02/en/common/item_detail.jhtml;jsessionid=2CNZLBRB4ORZKAKRGWCB5VQBKE0YOISW?id=79208&referral=2342

Relevant “C”	✓ Context	Customers	Channels	Competition	Choices	Comms
Summary	Michael Porter’s <i>five forces analysis</i> is one of the most well-known and used frameworks for developing a strategic plan. The five competing forces include 1) threat of entry, 2) bargaining power of suppliers, 3) bargaining power of customers, 4) threat of substitutes, and 5) an overview of the industry. These five forces are usually the forces that drive profitability in a market and are therefore the keys to success.					
Role as Market Research Tool	Decision makers must use this tool to gain a full understanding of the forces at work within a particular industry. This industry analysis can then be used to make strategic decisions about which markets provide the best opportunity for profitability.					

TradeMap

Trade Statistics for international business development
<http://www.trademap.org>

Relevant “C” Context ✓**Customers** ✓**Channels** ✓**Competition** Choices Comms

Summary Provides statistics for global import and export values, volumes, growth rates, and market shares. The selection of quantitative data provides an enormous amount of information that can be organized to isolate different regions, countries, and/or products. It is a very useful tool for creating a macroeconomic view of each market.

Role as Market Research Tool One of the most useful tools available, TradeMap provides decision makers with quantitative evidence to support historical and current trends.

EuroStat

Statistical Office of the European Community
<http://epp.eurostat.ec.europa.eu>

Relevant “C” ✓**Context** ✓**Customers** ✓**Channels** ✓**Competition** Choices Comms

Summary Hidden within the Statistical Office website, there is a substantial amount of information regarding industry, trade, and services dealing with the European Union. This information looks at both intra-EU trade and external trade. There is also informational statistics regarding other sectors such as energy, transportation, and finance, which would prove useful when looking at more human-capital intensive industries.

Role as Market Research Tool The database and statistics within this resource provides European focused information that is useful for qualitative analysis of the markets. It can be used as a compliment to TradeMap for commodities and other similar goods or can be used to gain additional insight into more complex products.

Distribution Model

<http://www.entrepreneur.com/encyclopedia/term/82250.html>

Relevant “C” Context Customers ✓**Channels** Competition Choices Comms

Summary A succinct, brief, and simple overview of the different channels involved in getting a product from production to the final customer. The article defines the different channels involved and briefly looks at different strategies.

Role as Market Research Tool As a basic overview of the distribution model, this tool provides the background information on distribution channels. It is to be used as an introductory lesson in order to model how the channel distribution works for each selected product.

The BCG Matrix

<http://www.netmba.com/strategy/matrix/bcg/>

Relevant “C” Context Customers ✓**Channels** ✓**Competition** Choices Comms

Summary Originally used for the product mix of corporations, this simple tool can be designed to analyze the products of a portfolio of countries and the customers in these marketplaces. This tutorial provides the framework on how to interpret each quadrant in the chart and when used with countries and customers, and provides a useful

outlook of the forces at play within the market.

Role as Market Research Tool

This publication is most useful when paired with quantitative data from TradeMap or EuroStat. However, this document provides an overview of the tools involved in order to design and interpret the results.

FAOSTAT

Food & Agriculture Organization of the United Nations
<http://faostat.fao.org>

Relevant “C” Context ✓**Customers** Channels Competition Choices Comms

Summary

FAOSTAT provides data on 200 countries and covers more than 200 primary products. The data provided within the free subscription is quite robust and includes information on agricultural production, consumption, trade, prices, and resources.

Role as Market Research Tool

The FAOSTAT data for trade is less comprehensive than TradeMap but it is a good source to verify earlier findings. The additional databases incorporated within FAOSTAT provide supplemental information that can help the user build a more robust and complete story.

Trend Watching

<http://www.trendwatching.com>

Relevant “C” Context ✓**Customers** Channels Competition Choices Comms

Summary

This monthly report summarized some of the latest trends, mostly in developed economies. Though some of the reports are fads or for high fashion items, the website does a good job of identifying longer-term trends. An April 2008 article talks about “status stories” or the need for brands to tell stories that make them unique to each consumer.

Role as Market Research Tool

It is important for producers to differentiate their product in order to obtain a premium price. This website provides a range of new fads and trends that can be capitalized on when working through product placement and development.

“Teaching Smart People How to Learn”

Chris Argyris, HBS Press, 1991

Relevant “C” Context Customers Channels Competition Choices ✓**Comms**

Summary

For a value chain practitioner, productive communications are key to building trust, credibility and encouraging inter-firm collaboration with business clients from the value chain. This reading describes how to reduce defensiveness by using data to inform discussions and engaging in “double loop” learning to think about how to reframe the entire mode of competition in a value chain. Ultimately, this type of approach should build the capacity of value chain clients to deal more productively with each other independently of the value chain advisor.

Role as Market Research Tool

This is less a market research tool, than a way to create a positive “enabling environment” for the value chain practitioner. Especially early in the project lifecycle, many of the techniques employed here can be used to build the profile of the project and the value chain facilitators.

END MARKET RESEARCH TOOLS REVIEW

Phase II Tools (Primary Market Research)

“Note on Market Research”

Robert.Chess - Case E-165, Stanford Graduate School of Business
http://harvardbusinessonline.hbsp.harvard.edu/b01/en/common/item_detail.jhtml;jsessionid=BYHOCFJMAH5AIAKRGWCB5VQBKE0YOISW?id=E165&referral=2340

Relevant “C”	Context	✓ Customers	✓ Channels	Competition	Choices	Comms
Summary	Examines how entrepreneurs, who are usually lacking both money and time, most effectively use market research. Discusses a seven-step process that is designed to extract the most information about a potential business market, including deciding which information to ask for and how to collect it, how to interview market experts, and other primary and secondary research techniques. Also discusses primary data gathering tools for interviews, focus groups, and surveys and how to design these.					
Role as Market Research Tool	A great overview on different market research techniques that are useful for analyzing any new business opportunity and market, which can be used to plan a research strategy that incorporates both primary and secondary research techniques. It also provides the reader with tips when designing interview and focus group questions.					

“A Preface to Marketing Management”

Donnelly, Peter. 10th edition. Chapter 2; Marketing research: Process and Systems for Decision Making

Relevant “C”	Context	✓ Customers	✓ Channels	Competition	Choices	Comms
Summary	This article dissects the marketing research process, from defining the purpose of the research to how to design and carry out different research processes. The use of charts and sample research plans provides the user with the necessary skill sets to set up a research study. There is also a very useful comparative chart that discusses the pros and cons of different research methods such as focus groups, personal (in-depth) interviews, or observation techniques.					
Role as Market Research Tool	Helps users quickly understand the attributes and limitations of each primary research technique and walks through the steps necessary to begin the research process.					

“Market Research That Won’t Break the Bank”

Andreasen, Alan R., Jossey-Bass, 2002.

Relevant “C”	Context	✓ Customers	✓ Channels	Competition	Choices	Comms
Summary	In an ideal world with unlimited time and resources, value chain practitioners could employ the full range of market research tools, achieve statistical significance on all their surveys and access all the information they needed to make decisions. Unfortunately, in reality timelines are compressed and budgets are limited. This text provides guidance on how to implement good market research on a limited budget while still achieving the rigor necessary to drive good business decisions.					
Role as Market Research Tool	This piece does not necessarily introduce any new techniques, but instead frames the tradeoffs that need to be made to implement research on a tight budget (common on USAID projects). The “how” of designing the research in the previous two selections.					

Cost, Quality, Service, & Flexibility (CQSF)

Relevant “C” Context Customers Channels ✓**Competition** Choices Comms

Summary The quantifiable attributes of cost, quality, service, and flexibility provide a set of operational measures that can be used to analyze the logistics system. They are then compared to the competition to identify what the benchmark is for each category. Due to trade-offs, it is impossible for a client to win in all four areas, but an advantage is necessary in one or two of the attributes in order to win the market.

Role as Market Research Tool This tool is designed to identify the criteria needed to just “play the game” versus the criteria needed to “win the game”. It helps the user quantify different attributes along the logistics system in order to measure performance.

SWOT Analysis

<http://www.quickmba.com/strategy/swot/>

Relevant “C” Context Customers Channels Competition ✓**Choices** Comms

Summary A SWOT analysis helps break down the business environment into internal and external components in order to begin strategy formulation. The internal analysis is further broken down into strengths and weaknesses of the firm in order to try to understand the company’s competitive advantage. An external environmental analysis identifies potential opportunities for profit as well as threats to the status quo.

Role as Market Research Tool The SWOT analysis is very helpful in understanding the internal and external environment that a company has to operate within. It is useful to further break down these categories into the 4 SWOT categories in order to gain a more organized and systematic look at the market. It must be noted that there is some controversy over breaking down the internal and external components into the four SWOT categories since it is often difficult to categorize some factors.

APPENDIX
PORTER'S FIVE FORCES – QUESTION GUIDE

The Industry

- What is the total size of the Market? What is the growth rate?
 - <http://www.trademap.org/>
 - <http://epp.eurostat.ec.europa.eu>
- How many competitors are there in the market?
- Are there inherent disadvantages to the product that will cause price cuts (perishable, etc.)?
- Does an increase in capacity offset the supply/demand imbalance?
- Are the exit barriers high, which would lead to excess capacity?

Threat of New Entrants

- Economies of scale** – Does a new entrant have to come in at a large scale to be price competitive? (production, distribution, financing, etc)
- Product differentiation** – Is this a commodity or branded product? What are the hurdles caused by brand recognition?
- Capital requirements** – How much capital is necessary to enter the market?
- Cost disadvantages independent of size** – Patents, sourced material, natural resources, favorable locations, etc.
- Access to distribution channels** – Do entrenched competitors have a hold on the entire distribution channel? Does this need to be overcome to enter?
- Government policy** – Regulation and licensing can create an artificial barrier

Threat of Substitute Products or Services

- Are there current substitutes for this product? At what price point will customers switch?
- How quickly is the price-performance of the substitute product changing? When is it projected to meet that of our current product?

Bargaining Power of Buyers

- Are the buyers large or purchase in large quantities?
- Is the product a commodity or is it differentiated?
- How critical is the product to the buyers' success? Is it a high price item?
- Do they buyers have large or small profit margins?
- Can the buyers backward integrate?

Bargaining Power of Suppliers

- How many and what size are the supplies, relative to the industry?
- Is the product unique or can it be sourced from other suppliers?
- Have supplies forward integrated? Can they?

APPENDIX
GUIDELINES FOR DESIGNING SURVEYS

What are the characteristics of effective surveys?¹⁹

- Specific objectives
- Straightforward questions
- Sound design
- Proper sample
- Reliable and valid
- Accurate reporting of results
- Reasonable resources

Common mistakes in writing survey questions

- Questions are too long – should be 20 words or less.
- Use complex language when simple would be better.
- Use jargon that respondents may not understand.
- Double barrel – ask two questions in one (look for ‘and/or’ in item).
- Use double negatives – too difficult for respondents to understand.
- Leading questions – implicit negatives, prompting responses.
- Ill-defined terms – clearly define to ensure understanding. Examples include ‘recently’, ‘frequently’, and other time-related terms, as well as terms like ‘family’ or ‘household’ that may mean different things to different people.

General guidelines for writing items

- Make sure words are simple, direct and familiar to survey respondents.
- Make sure question is as clear and specific as possible.
- Make sure each item asks only one thing.
- Make sure items are not leading or loaded.
- Make sure items are applicable to all respondents, or include an ‘out’ on the survey (‘unable to rate’ answer choice or branching option in the survey).
- Make sure items are as short and to the point as possible.

¹⁹ Source: www.mdc.edu

Ordering the items

- First questions should 'hook' respondents, be easy to answer, and be relatively impersonal.
- Group items on the same theme together.
- Group items with the same response scale together.
- Avoid contingency (branching) questions or put at the end if possible.
- Put demographic items at the end (usually recommended).

Format of the survey

- Keep it short – one page is best.
- Use front and back of page, if needed.
- Reserve as much white space as possible.
- Stack multiple-choice responses vertically, not across the page.
- Introduce scale once for a group of items (immediately before the items).
- Provide space to mark responses (unless using separate answer sheets).
- Proofread for spelling and grammar.

APPENDIX
GUIDELINES FOR CONDUCTING INTERVIEWS²⁰

Preparation for Interview

- Choose a setting with little distraction.** Avoid loud lights or noises, ensure the interviewee is comfortable (you might ask them if they are), etc. Often, they may feel more comfortable at their own places of work or homes.
- Explain the purpose of the interview.**
- Address terms of confidentiality.** Note any terms of confidentiality. (Be careful here. Rarely can you absolutely promise anything. Courts may get access to information, in certain circumstances.) Explain who will get access to their answers and how their answers will be analyzed. If their comments are to be used as quotes, get their written permission to do so.
- Explain the format of the interview.** Explain the type of interview you are conducting and its nature. If you want them to ask questions, specify if they're to do so as they have them or wait until the end of the interview.
- Indicate how long the interview usually takes.**
- Tell them how to get in touch with you later if they want to.**
- Ask them if they have any questions** before you both get started with the interview.
- Don't count on your memory to recall their answers.** Ask for permission to record the interview or bring along someone to take notes.

Types of Interviews

- Informal, conversational interview:** No predetermined questions are asked, in order to remain as open and adaptable as possible to the interviewee's nature and priorities; during the interview, the interviewer "goes with the flow".
- General interview guide approach:** The guide approach is intended to ensure that the same general areas of information are collected from each interviewee; this provides more focus than the conversational approach, but still allows a degree of freedom and adaptability in getting information from the interviewee.
- Standardized, open-ended interview:** Here, the same open-ended questions are asked to all interviewees (an open-ended question is where respondents are free to choose how to answer the question, i.e., they don't select "yes" or "no" or provide a numeric rating, etc.); this approach facilitates faster interviews that can be more easily analyzed and compared.
- Closed, fixed-response interview:** Where all interviewees are asked the same questions and asked to choose answers from among the same set of alternatives. This format is useful for those not practiced in interviewing.

²⁰ www.managementhelp.org

Types of Topics in Questions

Note that these topics can be explored in terms of past, present or future.

- Behaviors** - about what a person has done or is doing
- Opinions/values** - about what a person thinks about a topic
- Feelings** - note that respondents sometimes respond with "I think ..." so be careful to note that you're looking for feelings
- Knowledge** - to get facts about a topic
- Sensory** - about what people have seen, touched, heard, tasted or smelled
- Background/demographics** - standard background questions, such as age, education, etc.

Sequence of Questions

- Get the respondents involved in the interview as soon as possible.**
- Before asking about controversial matters (such as feelings and conclusions), first ask about some facts.** With this approach, respondents can more easily engage in the interview before warming up to more personal matters.
- Intersperse fact-based questions throughout the interview** to avoid long lists of fact-based questions, which tends to leave respondents disengaged.
- Ask questions about the present before questions about the past or future.** It's usually easier for them to talk about the present and then work into the past or future.
- The last questions might be to allow respondents to provide any other information they prefer to add and their impressions of the interview.**

Wording of Questions

- Wording should be open-ended.** Respondents should be able to choose their own terms when answering questions.
- Questions should be as neutral as possible.** Avoid wording that might influence answers, e.g., evocative, judgmental wording.
- Questions should be asked one at a time.**
- Questions should be worded clearly.** This includes knowing any terms particular to the program or the respondents' culture.
- Be careful asking "why" questions.** This type of question infers a cause-effect relationship that may not truly exist. These questions may also cause respondents to feel defensive, e.g., that they have to justify their response, which may inhibit their responses to this and future questions.

Conducting Interview

- Occasionally verify the tape recorder (if used) is working.**
- Ask one question at a time.**
- Attempt to remain as neutral as possible.** That is, don't show strong emotional reactions to their responses. Patton suggests acting as if "you've heard it all before."
- Encourage responses** with occasional nods of the head, "uh huh"s, etc.
- Be careful about the appearance when note taking.** That is, if you jump to take a note, it may appear as if you're surprised or very pleased about an answer, which may influence answers to future questions.
- Provide transition between major topics**, e.g., "we've been talking about (some topic) and now I'd like to move on to (another topic)."
- Don't lose control of the interview.** This can occur when respondents stray to another topic, take so long to answer a question that time begins to run out, or even begin asking questions to the interviewer.

Immediately After Interview

- Verify if the tape recorder, if used, worked throughout the interview.**
- Make any notes on your written notes**, e.g., to clarify any rough notes, ensure pages are numbered, fill out any notes that don't make sense, etc.
- Write down any observations made during the interview.** For example, where did the interview occur and when, was the respondent particularly nervous at any time? Were there any surprises during the interview? Did the tape recorder break?

APPENDIX
GUIDELINES FOR CONDUCTING FOCUS GROUPS

Preparing for the Session

- Identify the major objective of the meeting.**
- Carefully develop five to six questions** (see below).
- Plan your session** (see below).
- Call potential members to invite them to the meeting.** Send them a follow-up invitation with a proposed agenda, session time and list of questions the group will discuss. Plan to provide a copy of the report from the session to each member, and let them know you will do this.
- About three days before the session, call each member to remind them to attend.**

Developing Questions

- Develop five to six questions** - Session should last one to 1.5 hours -- in this time, one can ask at most five or six questions.
- Always first ask yourself what problem or need will be addressed by the information** gathered during the session, e.g., examine if a new service or idea will work, further understand how a program is failing, etc.
- Focus groups are basically multiple interviews.** Therefore, many of the same guidelines for conducting focus groups are similar to conducting interviews.

Planning the Session

- Scheduling** - Plan meetings to be one to 1.5 hours long. Over lunch seems to be a very good time for other to find time to attend.
- Setting and Refreshments** - Hold sessions in a conference room, or other setting with adequate air flow and lighting. Configure chairs so that all members can see each other. Provide name tags for members, as well. Provide refreshments, especially box lunches if the session is held over lunch.
- Ground Rules** - It's critical that all members participate as much as possible, yet the session move along while generating useful information. Because the session is often a one-time occurrence, it's useful to have a few, short ground rules that sustain participation, yet do so with focus. Consider the following three ground rules: a) keep focused, b) maintain momentum and c) get closure on questions.
- Agenda** - Consider the following agenda: welcome, review of agenda, review of goal of the meeting, review of ground rules, introductions, questions and answers, wrap up.
- Membership** - Focus groups are usually conducted with 6-10 members who have some similar nature, e.g., similar age group, status in a program, etc. Select members who are likely to be participative and reflective. Attempt to select members who don't know each other.

-
- Plan to record the session with either an audio or audio-video recorder.** Don't count on your memory. If this isn't practical, involve a co-facilitator who is there to take notes.

Facilitating the Session

- Major goal of facilitation is collecting useful information to meet the goal of meeting.**
- Introduce yourself and the co-facilitator**, if used.
- Explain the means to record the session.**
- Cover the agenda** - (See "agenda" above).
- Carefully word each question** before that question is addressed by the group. Allow the group a few minutes for each member to carefully record their answers. Then, facilitate discussion around the answers to each question, one at a time.
- After each question is answered, carefully reflect back a summary of what you heard** (the note taker may do this).
- Ensure even participation.** If one or two people are dominating the meeting, then call on others. Consider using a round- table approach, including going in one direction around the table, giving each person a minute to answer the question. If the domination persists, note it to the group and ask for ideas about how the participation can be increased.
- Closing the session** - Tell members that they will receive a copy of the report generated from their answers, thank them for coming, and adjourn the meeting.

Immediately After Session

- Verify if the tape recorder, if used, worked throughout the session.**
- Make any notes on your written notes**, e.g., to clarify any rough notes, ensure pages are numbered, fill out any notes that don't make senses, eta.
- Write down any observations made during the session.** For example, where did the session occur and when, what was the nature of participation in the group? Were there any surprises during the session? Did the tape recorder break?