

**SEMIS,
Introduction to Seed Company
Marketing**

Seed Enterprises Management Institute
University of Nairobi
Nairobi, 23.07.2012
Dilip Gokhale

Contents

The four “P”s in Marketing

- Product (+ Packaging)
- Place
- Price
- Promotion +
 - People
 - Customers
 - Pull vs. push strategy
 - Value creation

The Product (1)

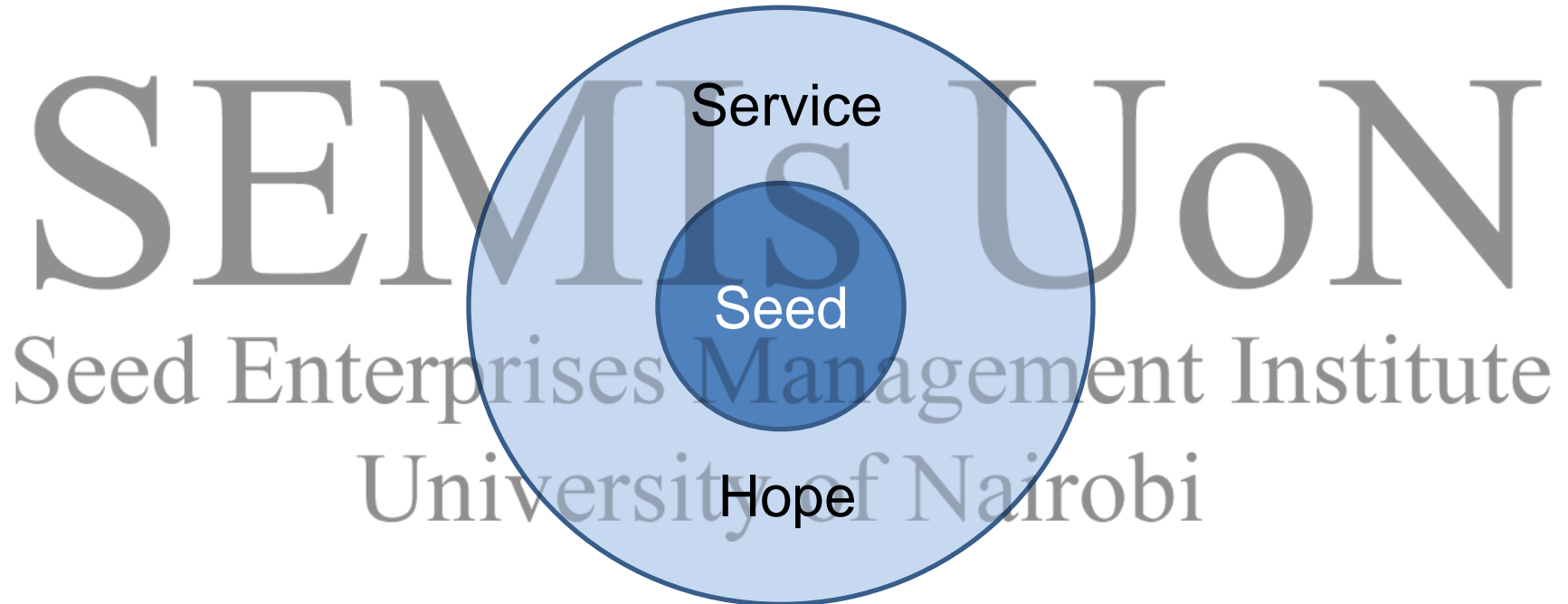
- A seed is like “Life in a capsule”
- The genetic potential of the entire plant is written in the seed itself. It determines yield potential, disease resistance, fruit colour, taste, size and even plant life
- A customer does not buy a seed based on its :
 - Looks (colour, size)
 - Smell
 - Feel or texture
 - Sound
 - Taste or flavour
- He buys it based on the “trust in the ‘promise’ the seeds company makes” and in the ‘hope’ of getting the “desired harvest”
- It takes a few months/full season to realize the promise.

The Product (2)

- Many things can go wrong till the crop harvest but he almost always blames the seed, should something go wrong
- Unlike other agricultural inputs, a seed company's liability is equal to the 'value of the crop and not the value of seed'
- Therefore, a seed company must provide, advice on all aspects of cultivation:
 - Land selection and preparation
 - Fertilizer application
 - Irrigation
 - Pest & disease control
 - Harvesting &
 - Post harvest technology

The Product (3)

- Therefore the product that the seed companies sell is not just seed, but:



In case of “me too” products

- Product Differentiation
- Service differentiation

Place & Time (1)

- The seeds one produces over 6 -18 months must be sold within 2 weeks
- That too at a fixed time & place
- The “Two week” window can shift by a few days depending on weather (temperature, rains)
- In Kenya, one needs a different variety of maize for highlands, mid altitude areas and the eastern dry, low lands
- In India, a different egg plant variety is eaten in different regions:
- In tomato:
 - Pink, sweet tomato in Japan for dessert,
 - Sour tomato in India for curry,
 - Beef tomato in the U.S. for hamburger
- It is said that in seeds the product changes every 200 to 300 km.

Place & Time (2)

U S Corn:

All farmers want high yield and good quality (colour, fill , uniformity etc). In addition they want:

Area

Corn Belt (Iowa, Indiana)

- High insect environment,
- Large farm sizes up to 10,000 acres

Wisconsin

- Dairy farmers
- Farm size 100-200 acres,

Minnesota, Dakotas

- Very Short spring and Autumn,

Eastern US

- Humid, hence bacterial, fungal, viral diseases

Addl. Characters required

Insect Resistance

Sweet Stalk
Minimum 16 leaves,
Stay green if possible.

Cold emergence
Quick dry down

Disease resistance/
tolerance

Place & Time (3)

- Sales are extremely time sensitive
One of my dealers did not even get time to unload the sorghum seed truck which reached in the morning. The competitor seeds that reached in the evening had to be carried over for one year
- Planting pattern can shift depending on arrival of rain
- During the sales season, a seed company must work 24/7 to shift stocks from one area to another depending on demand
- In seed marketing flexibility is the key to success
- In India, two different pack sizes were required in two markets. We used to pack seeds only on the last day, depending on where the demand came from ...

Pricing

Different pricing strategies adopted by companies

- Cost based pricing
 - Total costs
 - Understanding fixed costs and variable costs
 - Shadow pricing
- Market entry pricing (e.g. Chinese companies)
- Competitive pricing (essentially for me-too products)
- Market skimming (high to low e.g. Sony)
- Value Pricing: Seed pricing is essentially “value pricing”.

Pricing (2)

- The price of seeds does not depend on its cost but on the value (in a stable market, incremental value) realized by the farmer for the output, e.g. - TLCV Tomato in India
- In Japan, tomato seed price is US\$ 50,000/kg. and the cost production may be as low as \$ 250 / kg.
The cost is \$ 0.20/seed but revenue per plant is US\$ 25
- The price of GM seeds is also fixed based on value realized by the farmer (as % of saving in pest control or weed control)
- Sometimes, shortage and surplus also determine the seed price. Price of Varalaxmi Cotton Seeds in India :
 - Year 1 INR 1200/kg
 - Year 2 INR 16/kg

Pricing (3)

- In many African countries, maize seed prices of Pioneer or SeedCo are double or even three times those of other companies:

	Local Company	Pioneer / Seedco	Difference
Seed Price \$ / kg	1.00	3.00	2.00
Cost of seed \$	25	75	-50
Yield Kg	1,500	3,000	+1,500
Revenue @ \$ 0.30 per kg of maize \$	450	900	+450

- The farmer pays \$ 50 more initially for seeds but earns \$ 450 more for the crop
- Thus, Pioneer or SeedCo is an 11% partner in the incremental profit of the farmer (50/450)

Promotion (1)

Various media used by companies for product promotion:

- Wide Reach

- TV
- Radio
- Advertising in newspapers and
- Magazines

- Limited Reach

- Agri. Exhibitions
- Village meetngs
- Audio visual vans
- Hoardings

Promotion (2)

Various media used by companies for product promotion:

- Point of Purchase
 - Catalogues
 - Literature
 - Packaging
 - Display at Fairs /Exhibitions
- Focused
 - Testimonials of farmers
 - Demonstration plots
 - Field Days
 - Prescription

Promotion (3)

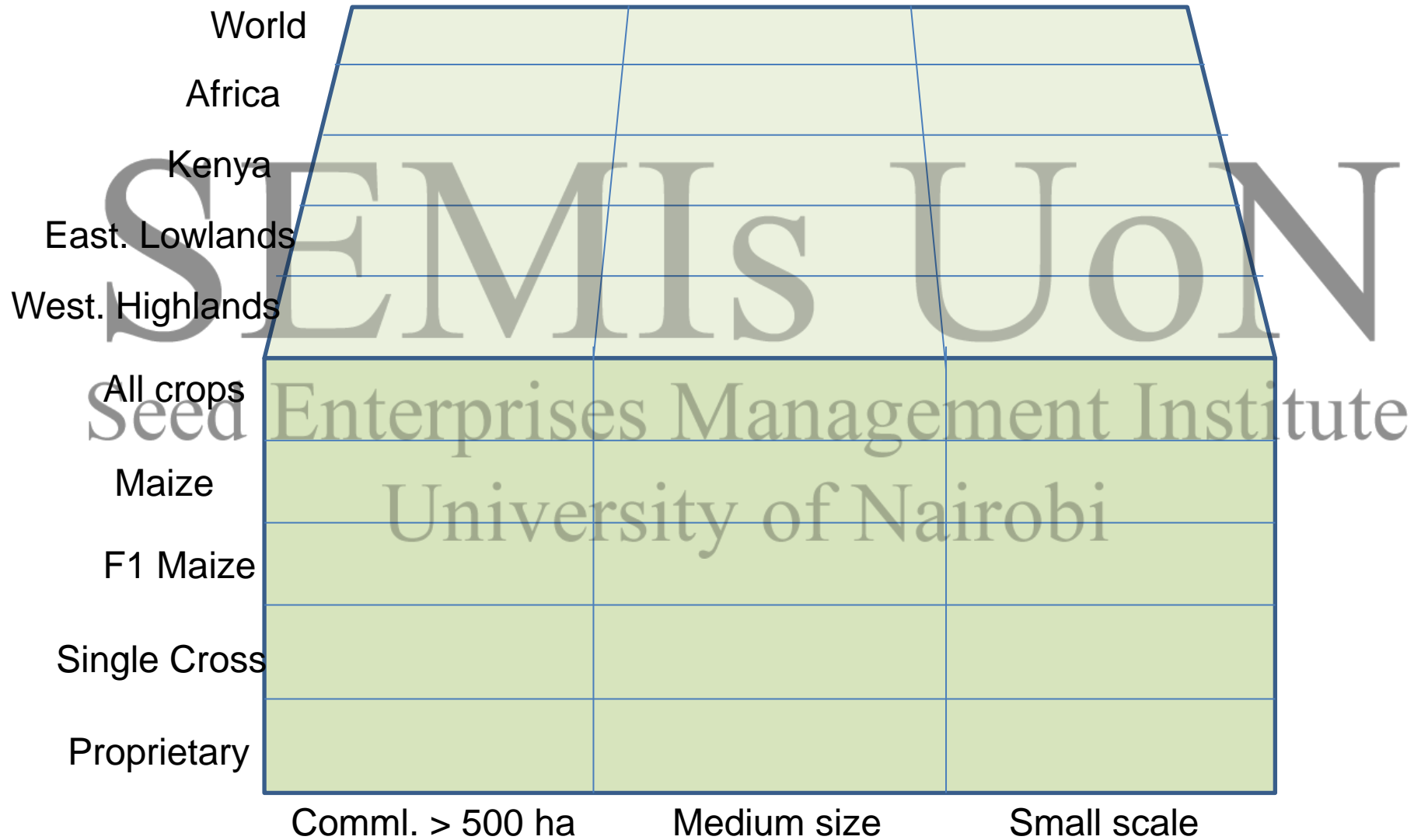
- The best publicity is by “word of mouth” i.e. “farmer to farmer”.
- Typically
 - A happy farmer tell five others
 - An unhappy farmer tells at least 20 others.
- Publicity on T.V., Newspapers, Print Media have limited impact especially for introduction of a new variety. It is useful to inform availability of a successful variety.
- We have used two very effective tools in our promotion
 - “Testimonials of farmers” with name, photo, address and his comments
 - Demonstrations.

Marketing : People

- The seeds sales & marketing people must develop expertise in all aspects of cultivation from land preparation to post harvest.
- The relationship between a seed sales person and farmer is like a “family doctor and patient”.
- The expertise narrows as the volumes grow bigger
 - Field crops or vegetable crops
 - Tomato or Pepper and so on
- It takes approx. five years to learn seeds business because “every year is different”
 - One season is too hot, the next too cold, third too wet and the fourth too dry. Then some times the season is very early and other times late. And when everything goes right, you have too much seed!

Customer segmentation

There are 75 market / customer segments below



Customer needs

- Requirements of a large > ha, commercial farmers in western highlands:

High yield (5-6 M.T. / ha), response to fertilizer and irrigation, cold tolerance, bulk packing, direct delivery on farm

- Requirements of a small subsistence farmer in the eastern drylands:

Assured yield (1-1.5 M.T.), tolerance to drought or dry spell, many leaves, sweet stalk and leaves, stay green, small pack, available with local delivery

Customer order sizes

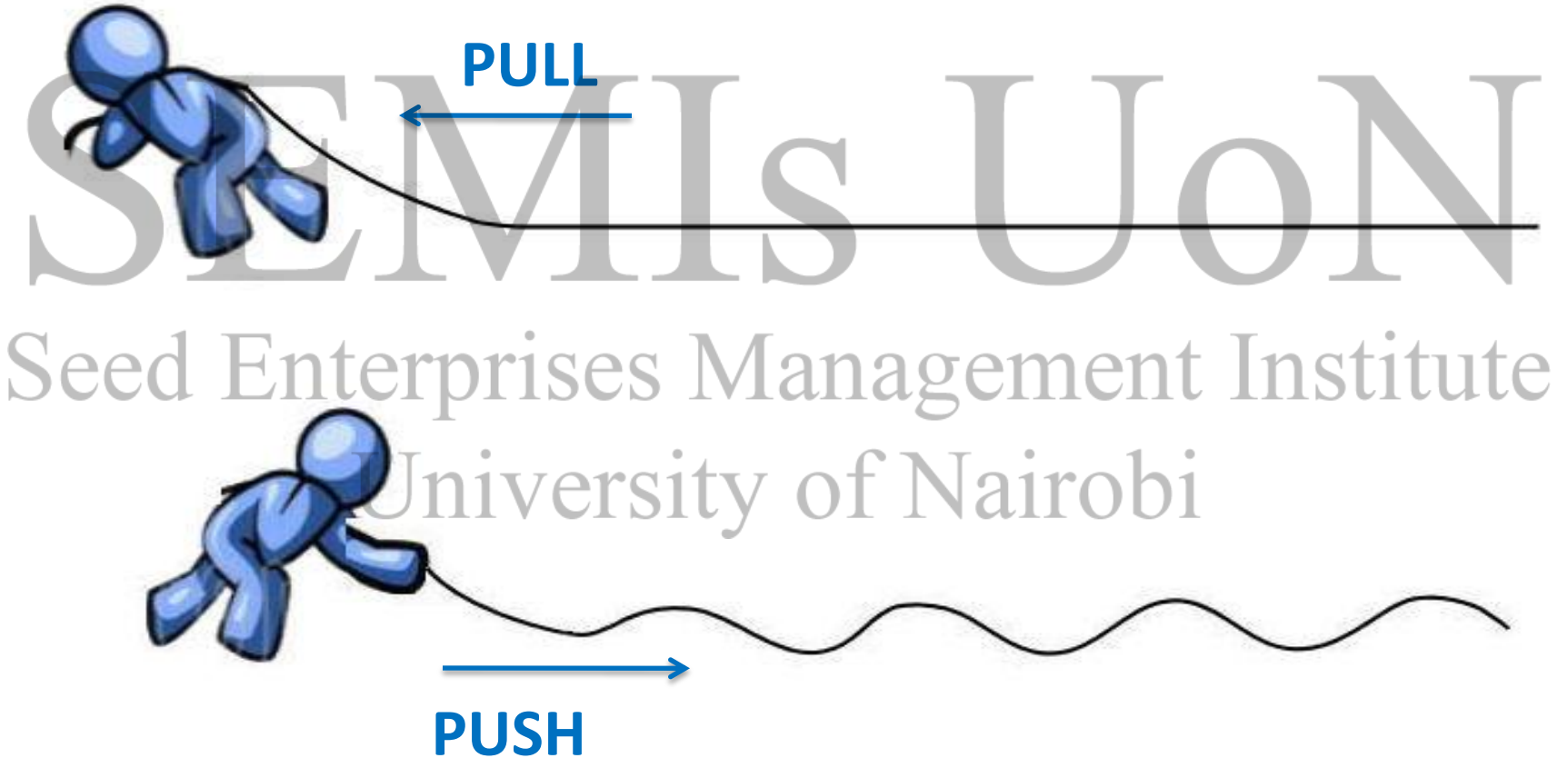
- Order size and services required by a large > ha, commercial farmer in western highlands:
500 ha x 20 kg per ha = 8,000 kg
@ \$ 3.00 per kg x 8,000 = \$ 24,000 order
Would like salesman to visit thrice routinely during crop life, plus whenever required
- Order size and services required by a small subsistence farmer in the eastern drylands:
1 ha x 20 kg per ha = 20 kg
@ \$ 1 / kg = Order size \$ 20
Will be happy to receive advice from the agro-dealer

The Customer

- The farmer's mentality is the same the world over.
- He is unable / unwilling to take risk, irrespective of his farm size.
 - He will try a new variety on a small part of his farm, first.
 - Then, in the next season, shift to a larger area.
 - If convinced, he will completely shift to the new variety in the third to fourth year.
- There are three types of farmers
 - Innovators about 5%
 - Early Adapter 15% to 20%
 - Followers 75% to 80%
- The key is identifying innovators & early adapters and create successful plots in their fields

Marketing strategy: Push vs. Pull

It is advisable to use “pull strategy” i.e. to “create demand” than to use “push strategy” i.e. push supplies in the market.



Marketing : Strategy

- With a push strategy one always ends up with
 - A lower price
 - A higher discount
 - Longer credit and
 - Risks “bad debt”.
- If the demand is 100, then
 - It is better to sell 99
 - If you try to sell 101, you end up going to bad distributors/
dealers / paymasters.
 - You must ensure that everyone in the chain makes money.

Marketing strategy (3) : Strength of the chain

The Strength of a chain is in its weakest link

Each of the players must make a profit. If not, the chain will break



Value Creation

- With limited size of cake, one's slice of cake is always limited
- The only way to get a bigger slice is to make the cake bigger
- Through a better variety or disease resistance etc., you can increase the farmer's income.
- The incremental benefit can be shared by all: the seed grower, seed company, the distribution chain, the farmer and the produce chain e.g.
 - TLCV resistant tomato seeds in India
- We did this successfully with every "incremental improvement"
 - TLCV resistant tomato
 - + remove green back
 - + firmer fruit
 - + TLCV resistance from two difference sources.
- The prices of GM seeds are based on this principle of "sharing of incremental benefit".