



A marketing strategy for upcoming fertiliser businesses

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ABSTRACT

Agriculture in South Africa plays an important role in the success of the country and is one of the only sectors showing a positive contribution to the national GDP. At the centre of this industry are commercial farmers that need fertilisers on a daily basis to cultivate the needed crops for both human and animal consumption. The fertiliser market in South Africa is already saturated with no real growth in national sales figures in past years. Therefore fertiliser businesses need to constantly question, how to stay ahead and how to market and position their products. The primary purpose of this study was to develop a tailor-made marketing Strategy that can be implemented by any of the fertiliser blending companies in the agriculture industry in South Africa. A case study approach was taken where all the theory was applied to a successful company currently operating in this sector. The marketing strategy was developed by carefully evaluating well-known and trusted management tools combined with three academic areas, namely: strategic business management, competitive advantage and marketing strategy. Research using a questionnaire was conducted with a representative sample of 100 farmers to establish a customer profile that can contribute to the execution of the Marketing Strategy. The contribution of this study is a newly developed 7-step marketing strategy that can be implemented in the average fertiliser blending company in South Africa. The importance of this study is the fact that this newly developed process can be applied in reality and results can be drawn.

Keywords: Marketing, strategy, fertiliser, blender, agriculture, business.

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TABLE OF CONTENTS

CHAPTER 1.....	1
1.1. INTRODUCTION.....	1
1.1.1 The history and overview of fertiliser and the fertiliser market in South Africa.....	3
1.1.2 Fertiliser products and players in the South African industry.....	12
1.1.3 Company profile of Westfert Fertilisers (Pty) Ltd.....	17
1.2. DEFINITION OF RESEARCH PROBLEM.....	18
1.2.1 Problem Statement.....	18
1.3. RESEARCH OBJECTIVES.....	20
1.3.1 Main objectives.....	20
1.3.2 Secondary objectives.....	20
1.4. RESEARCH METHOD.....	20
1.4.1 Phase 1: Literature review.....	20
1.4.2 Phase 2: Empirical review.....	20
1.5. CONTRIBUTION OF THE STUDY.....	21
1.6. CHAPTER DIVISION.....	21
1.7. CHAPTER SUMMARY.....	22

CHAPTER 2.....	23
2.1. INTRODUCTION.....	23
2.2. COMPETITIVE ADVANTAGE AND SUSTAINABLE COMPETITIVE ADVANTAGE.....	23
2.2.1. External Environment Evaluation.....	26
2.2.1.1. SWOT analysis.....	26
2.2.1.2. Porter’s 5 forces model for industry rivalry.....	28
2.2.1.3. PESTEL analysis.....	32
2.2.1.4. Competitor analysis.....	36
2.2.1.5. Customer profile.....	39
2.2.2. Internal Environment Evaluation.....	40
2.2.2.1. SWOT analysis.....	40
2.2.2.2. USP analysis.....	41
2.2.2.3. Osterwalder Business Model Canvas (BMC).....	44
2.2.2.4. BCG Growth-Share matrix.....	47
2.3. CHAPTER SUMMARY.....	49

CHAPTER 3.....	51
3.1. INTRODUCTION.....	51
3.2. MARKETING STRATEGY DEVELOPMENT.....	51
3.2.1 5-Step strategic management process by Amy Handlin.....	51
3.2.2 Marketing plans for a competitive advantage by Brian Hill.....	52
3.2.3 5-Step marketing plan for your business success by VR.....	53
3.3. BRINGING COMPETITIVE ADVANTAGE, STRATEGIC MANAGEMENT AND MARKETING STRATEGY TOGETHER.....	56
3.4. CHAPTER SUMMARY.....	60
CHAPTER 4.....	61
4.1. INTRODUCTION.....	61
4.2. CONCLUSIONS AND RECOMMENDATIONS.....	61
4.3. LIMITATIONS AND AREAS FOR FURTHER RESEARCH.....	64
4.4. SUMMARY.....	64
REFERENCES.....	67
APPENDIX A: QUESTIONNAIRE.....	73
APPENDIX B: LETTER FROM LANGUAGE EDITOR.....	74

LIST OF TABLES

Table 1.1: GDP contribution per sector in South Africa.....	1
Table 1.2: Essential elements for plant growth.....	5
Table 1.3: Players in the fertiliser market in South Africa.....	15
Table 1.4: Other smaller fertiliser blending companies in South Africa.....	16
Table 2.1: Competitive profile matrix.....	38
Table 2.2: Customer profile survey results.....	39

LIST OF FIGURES

Figure 1.1: The position of fertiliser application in the South African agriculture sector.....	2
Figure 1.2: The role of nutrients in plant growth.....	6
Figure 1.3: Manufacturing of Nitrogen.....	6
Figure 1.4: Manufacturing of Phosphates.....	8
Figure 1.5: Manufacturing of Potassium.....	9
Figure 1.6: Market share of fertiliser companies in South Africa.....	11
Figure 1.7: Annual imports of fertilisers into South Africa.....	12
Figure 1.8: Westfert company divisions.....	18
Figure 2.1: How a firm can achieve competitive advantage.....	25
Figure 2.2: SWOT analysis (external factors).....	28
Figure 2.3: Porter’s 5 forces for industry rivalry.....	29
Figure 2.4: PESTEL analysis.....	32
Figure 2.5: Weakening currency from 2000.....	33
Figure 2.6: SWOT analysis (internal factors).....	41
Figure 2.7: Osterwalder Business Model Canvas (BMC).....	46
Figure 2.8: BCG Growth-share matrix.....	47
Figure 3.1: Marketing strategy for fertiliser companies in South Africa.....	55

CHAPTER 1: NATURE AND SCOPE OF THE STUDY

1.1 INTRODUCTION

The Gross Domestic Product (GDP) of South Africa has three major contributors. Agriculture contributes 2.2%, the Industry sector contributes 29.2%, and the services sector contributes a total of 68.7% (World Factbook, 2017). In Rand value, the agriculture sector contributed R 68.8 billion to the national GDP in 2017 thus far.

Table 1.1: GDP contribution per sector in South Africa

South Africa GDP	Last	Previous	Highest	Lowest	Unit
GDP Growth Rate	-0.7	-0.3	7.6	-6.1	%
GDP Annual Growth Rate	1	0.7	7.1	-2.6	%
GDP	295	317	416	8	USD Billion
GDP per capita	7504	7605	7628	4544	USD
GDP per capita PPP	12260	12425	12462	9014	USD
GDP From Agriculture	68830	65470	78181	33531	ZAR Million
GDP From Construction	108964	109316	109316	14702	ZAR Million
GDP From Manufacturing	377901	381498	391090	228221	ZAR Million
GDP From Mining	230019	223212	251120	214554	ZAR Million
GDP From Public Administration	475268	475929	475929	90907	ZAR Million
GDP From Services	619023	620856	620856	66256	ZAR Million
GDP From Transport	263040	264114	264114	89069	ZAR Million
GDP From Utilities	63331	64120	70556	46747	ZAR Million

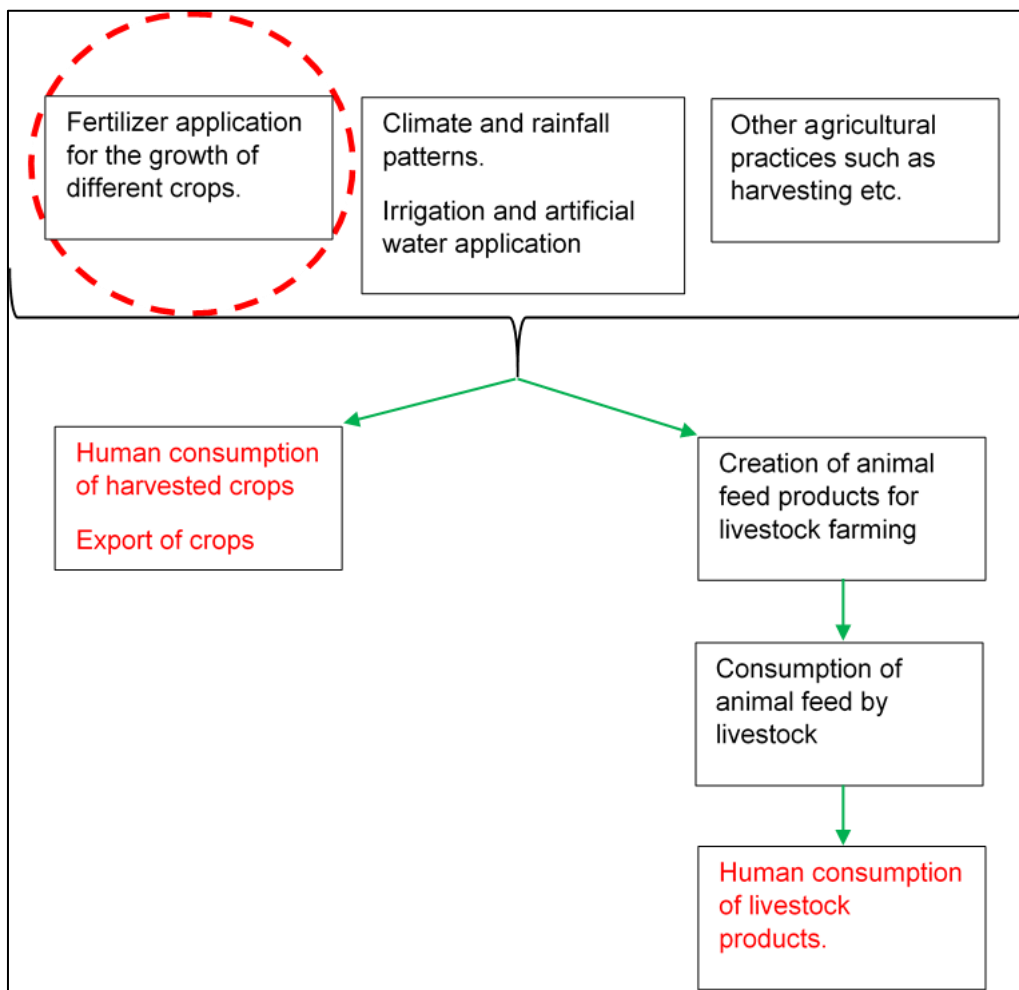
Source: World Factbook, 2017

From the statistics shown in the World Factbook, agriculture in South Africa is a considerable contributor to the GDP. From the previous period to the last period only two sectors in South Africa showed growth, namely the mining sector and the agriculture sector. In a negative growth GDP figure of -0.7%, it is safe to say that industries that show growth such as agriculture is critical to the economic state of the country. Agriculture showed a 4.9% growth from the previous term to the last term and the contribution of mining increased by 2.9% in the same period, concluding that the agriculture sector grew the most regarding GDP contribution recently (Trading Economics, 2017).

The agricultural sector in South Africa is very diverse and consists of a number of different contributing subsectors. The surface area suitable for rainfed crop production in the country is 12%, 69% is suited for grazing, making livestock production the largest agriculture subsector in the country. More than half of the maize production in the country is used in animal feed for the production of red meat, chicken and dairy (AWS Assets, 2017).

The importance of the role of fertiliser in the agriculture sector in South Africa is depicted in the diagram as shown below:

Figure 1.1: The position of fertiliser application in the South African agricultural sector



Source: Own Compilation

From the figure above can be derived that the application of fertiliser in the agriculture sector in South Africa is critical and therefore the supply thereof in the market plays a major role in

the success of the industry. Fertiliser application is also becoming more and more technical as farmers try to optimise yield by applying fertiliser in smarter and more evolved techniques.

The importance of fertiliser has been established in the above figure, but not only the use of fertiliser is important but also the position South Africa takes in the global fertiliser market. The South African consumption of fertiliser is only 0.5% of the global fertiliser use, and this makes South Africa a price taker of fertilisers. In simple terms, the global prices of fertiliser trading will, in turn, determine the local prices to fertiliser traders and blending companies in South Africa (DAFF, 2015).

In the next section we will narrow down into the role of fertiliser specifically in South Africa, we will identify the key players and distinguish between trading fertiliser, producing fertiliser and blending fertiliser.

1.1.1 The history and overview of fertiliser and the fertiliser market in South Africa

The first aspect to understand in the fertiliser market in South Africa is the three major groups in this sector. The major contributors to the sector are first, the manufacturers of fertilisers (a), secondly, the importers and/or traders of fertilisers (b) and finally the companies blending straight fertilisers (c) into specific blends comprising certain amounts of Nitrogen, Phosphate and Potassium. The blending market can also be divided into two sectors, those companies specialising in bulk blending of fertilisers products and those companies specialising in the chemical composition of fertilisers.

This study is centred on an upcoming fertiliser production and blending company situated in the central part of the country. This company specialises in the bulk blending sector in the industry and does not chemically manufacture fertilisers. The company is owned and managed by Mr Pieter Burger and has shown significant growth over the past number of years. It is now at a crucial stage in its life cycle, and it is therefore justified to, firstly study the environment this organisation operates in and secondly, to develop a comprehensive Marketing Strategy blueprint that can be implemented in this business and similar businesses in this industry.

a. Fertiliser production and manufacturing

Fertiliser production in South Africa dated back to approximately 1903 and was initially only seen as a by-product of explosives manufacturing. In the early 1900's the South African Fertiliser Company (SAFCO) commissioned their first phosphate plant in Durban by using animal bones. Together with the establishment of this phosphate plant, the development in the mining industry called for the production of explosives. A major by-product of the production of explosives is a sulphuric acid which was used in the production of fertilisers (Ratlabala, 2009).

The production of fertilisers is an important aspect to understand, although technical, this is key to the history of fertiliser sales in South Africa. Fertilisers consist of three main groups, namely: Nitrogen (N), Phosphates (P) and Potassium (K) which can be applied in isolation or blended in a certain concentration and applied to the soil – this all depending on the type and amount of nutrition the soil needs to feed the plant optimally (Feeco, 2017).

It is important to understand how these fertilisers work and how they interact with plants. There are six main nutrients that plants need to grow and flourish in which three comes from nature, namely: carbon, hydrogen and oxygen from air and water. The other three main nutrients are those listed above, namely: Nitrogen, Phosphate and Potassium (Crop Nutrition, 2017).

Plants need to produce tissue to grow, and this is done by protein, a protein that is stimulated by the presence of Nitrogen at the roots of the plant. Plants normally take up as much nitrogen as possible because it is in short supply in nature. If the presence of nitrogen is too high in the soil approximately the plant, there will be extensive foliage growth but no fruit or flowers.

Root growth is stimulated by the presence of phosphorous in the soil, and this happens when energy is transferred from one part of the plant to another. The soil pH should be approximately 6.5 for plants to effectively take up phosphorus and have healthy root growth (Laliberte, 2017).

The final nutrient needed by the plant is Potassium, and the presence of Potassium improves the overall performance and resilience of the plant, it also makes the plant less vulnerable to pests and diseases (Laliberte, 2017).

Plants do not merely need these six major nutrients to grow well and bear fruit but also depend on certain other nutrients in smaller volumes, called micronutrients. These nutrients are shown in table 1.1 below. A good balance of all the mentioned nutrients in this section together with favourable weather conditions will stimulate successful plant growth and ensure optimal yields (Soils, 2017).

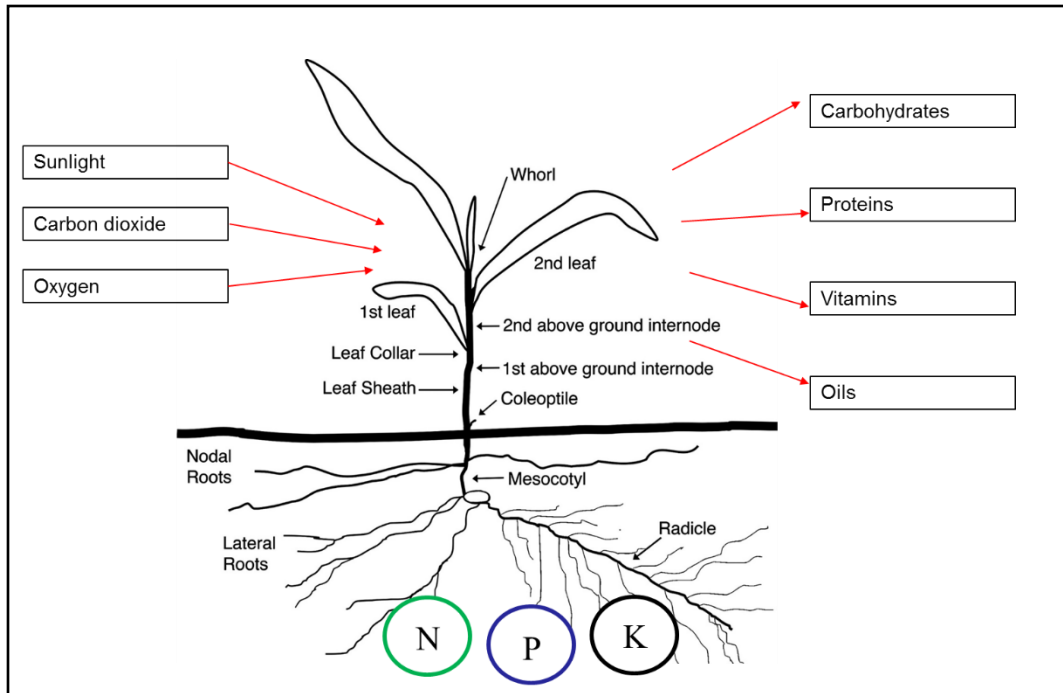
Table 1.2: Essential elements for plant growth

Element needed by the Plant	Symbol	Mg/Kg	Percentage
Nitrogen	N	15000	15%
Potassium	K	10000	10%
Calcium	Ca	5000	5%
Magnesium	Mg	2000	2%
Phosphorus	P	2000	2%
Sulphur	S	1000	1%
Chlorine	Cl	100	-
Iron	Fe	100	-
Boron	B	20	-
Manganese	Mn	50	-
Zinc	Zn	20	-
Copper	Cu	6	-
Molybdenum	Mo	0.1	-
Nickel	Ni	0.1	-

Micro-nutrients

Source: Epstein, 1965:438

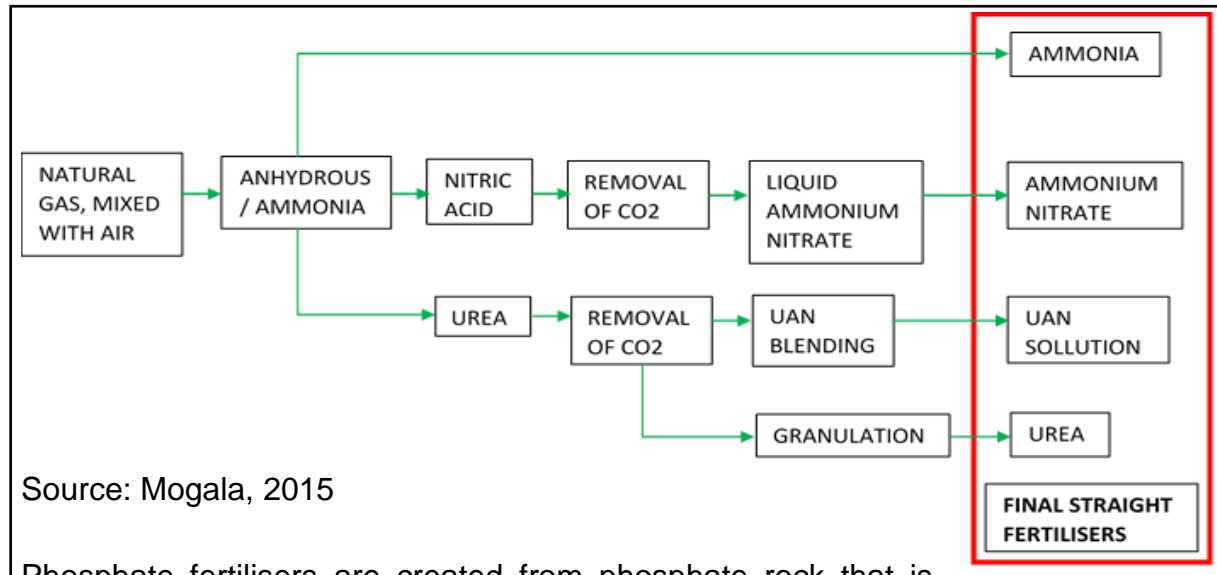
Figure 1.2: The role of Nutrients in plant growth



Source: Crop Nutrition, 2017

The process for manufacturing each of these components is shown in the figures below. Nitrogen sources are manufactured by natural gas that is blended with air and burned – after the removal of carbon dioxide (CO²), this forms Nitric acid and Urea, which is further processed to create the final Nitrogen product used in the blending of fertiliser products or used straight on the soil of the farmer.

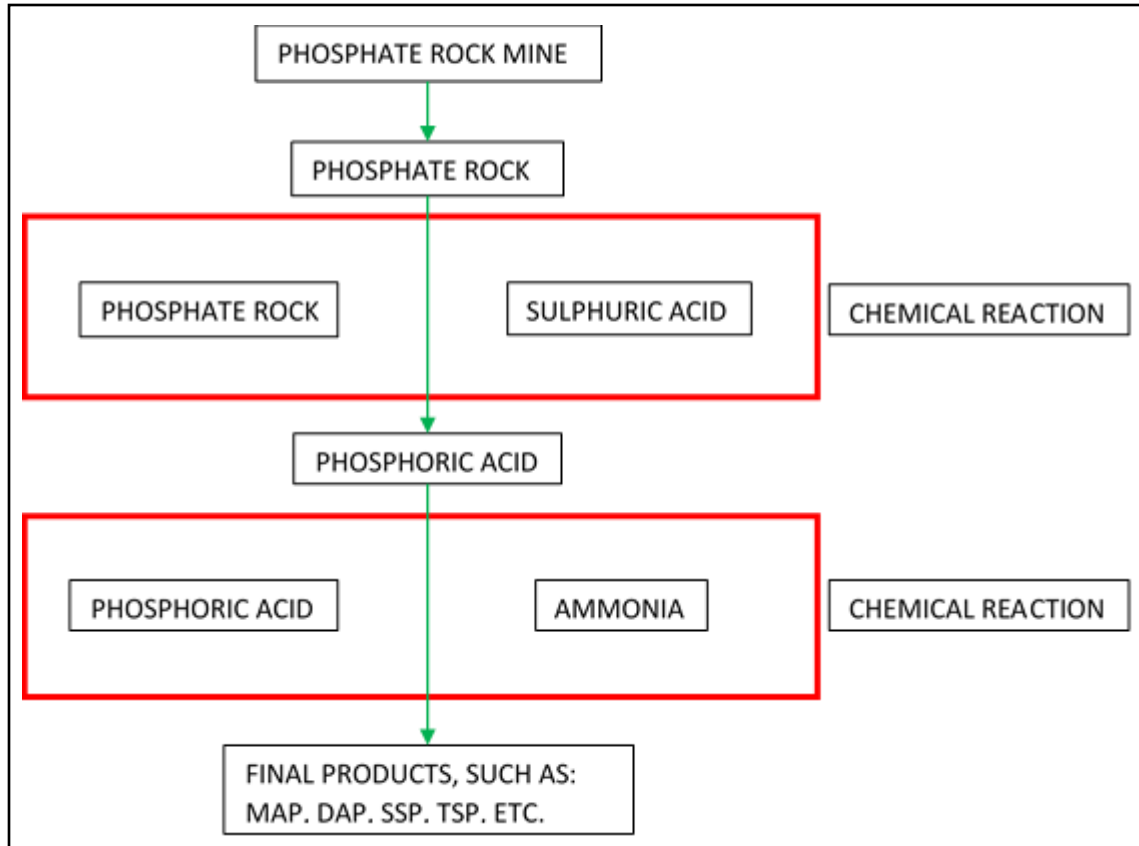
Figure 1.3: Manufacturing of Nitrogen (N)



Source: Mogala, 2015

~~Phosphate fertilisers are created from phosphate rock that is~~ mined and mixed with phosphoric acid and ammonia salts to form phosphate fertilisers (Mogala, 2015).

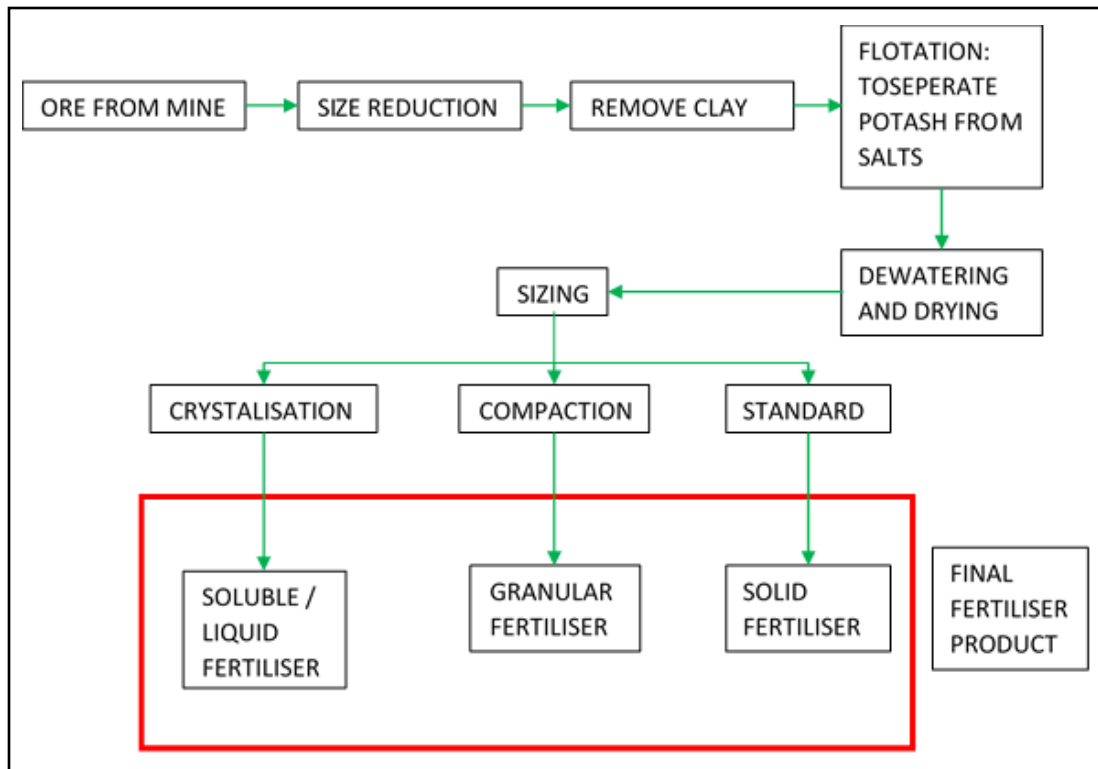
Figure 1.4: Manufacturing of Phosphates (P)



Source: Mogala, 2015

Potassium, otherwise known as Potash is manufactured from ore from a mine, where the ore is reduced in size and the clay is removed. In the next stage, potash is removed from salts, and wet potash becomes clear. After this stage, the drying takes place before sizing compaction and crystallisation of the primary product. The product is reworked into different types of final product to be incorporated into fertiliser blends.

Figure 1.5: Manufacturing of Potassium (K)



Source: Van Nieuwenhuizen, 2017

The manufacturing of so-called “straight” fertilisers is key in creating the fertiliser blends we see in South Africa; typical N: P: K blends. Phosphates are produced locally, but Nitrogen and Potassium are mostly imported into the country (Mogala, 2015).

b. Importers/Traders of Fertilisers

The trade market for fertilisers in South Africa is relatively saturated and sits at a total size of approximately 2 000 000 MT (metric tonnes) of fertiliser annually. This means that the players in the market are never growing the market but rather taking market share from each other with unique selling propositions (USP) such as price competitiveness and inclusive agricultural services like agronomy.

As seen from the history of the fertiliser market, the sales are seasonal peaking in October and November depending on the season. This means that there is a massive influx of fertiliser products as described above through South African ports. The challenge has, for years, been to be able to cope with the bottleneck during peak season, when imports are

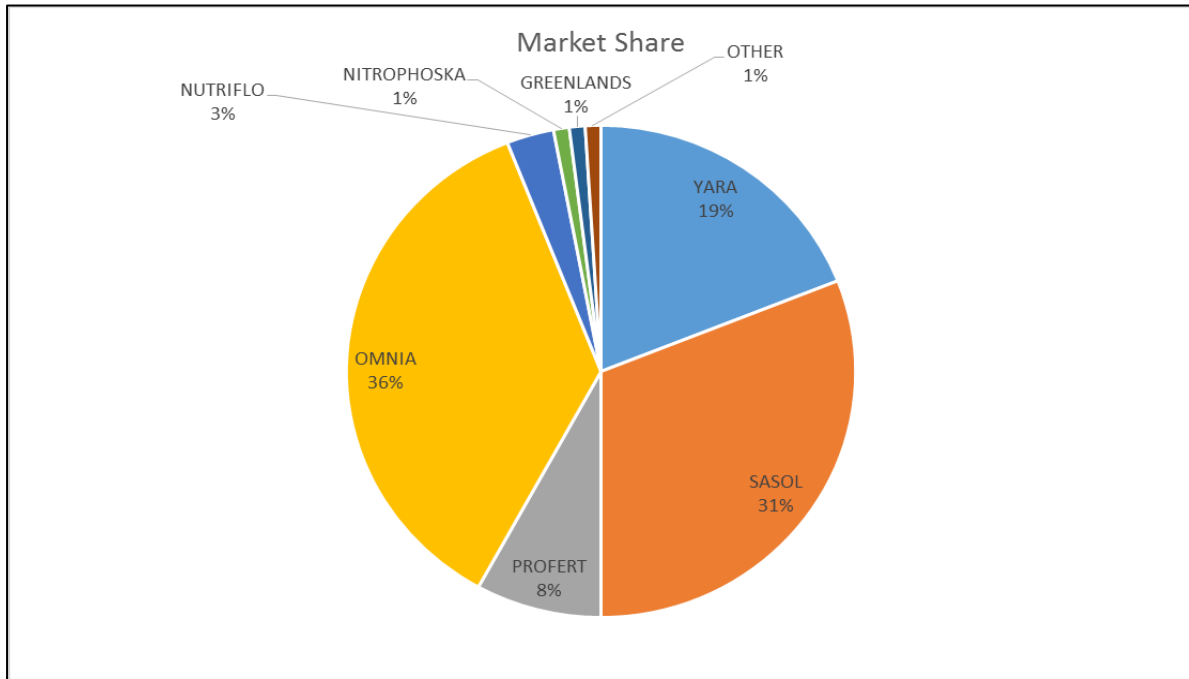
flooding in, and fertiliser has to be transported from these harbours inland to the consumers and blenders of these products. Because fertilisers have become commodities worldwide, the time of purchase has also become a very important factor – contributing to the bottleneck in the market over peak season (Grain SA, 2011:5).

The fertiliser market in South Africa is controlled by only a number of major producers and importers, making competition and industry rivalry very high. In 2008, 94% of the fertiliser market in South Africa was shared between only four companies, namely: Sasol, Omnia, Yara and Kynoch and these companies, therefore, controlled the entire market (Grain SA, 2011:6).

Additional to the distribution challenges in fertiliser, is the marketing challenges because of the high rivalry in the industry. Fertiliser is a commodity industry, and the margins are therefore very low and sensitive. Because of the sensitivity of the business, a structured marketing strategy is of utmost importance.

Addressed in the problem statement is the combination of the high rivalry and the effective marketing strategy to gain market share as well as the possible competitive advantage that can be created by solving the major distribution problem in peak season.

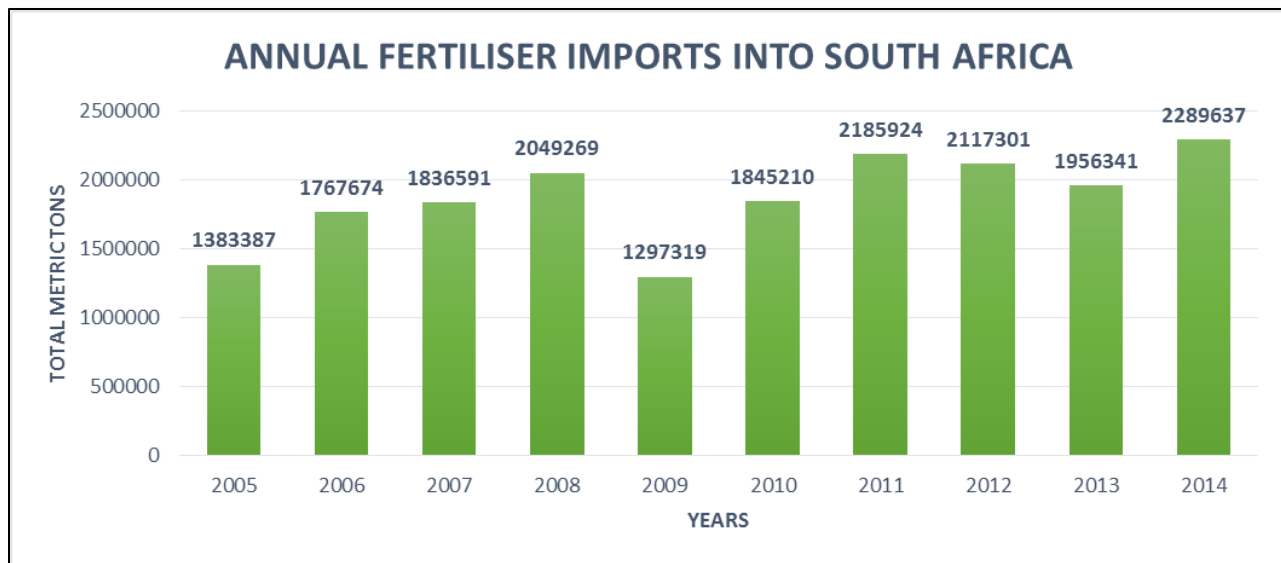
Figure 1.6: Market share of fertiliser companies in South Africa



Source: Grain SA, 2011

In addition to the market share shown in Figure 1.6, the Figure 1.7 below indicates the annual imports of fertilisers into South Africa. The mere volumes of the imported fertiliser explain the operational bottlenecks that occur during peak season; this has a negative influence on the sales of these fertilisers to the farmers.

Figure 1.7: Annual imports of fertilisers into South Africa:



Source: Grain SA, 2011

c. Blenders of Fertiliser

The fertiliser industry also comprises companies that import or buy straight fertilisers that serve as their raw materials and blend the raw materials in certain concentrations to facilitate effective plant stimulation; this is called bulk blending. Typical examples of blended fertiliser products would be 3:2:1 (28) for maize production in sandy soil or 10:2:1 (32) for the cultivating of strawberries in clay soil. The company studied in this document is a bulk blender that supplies straight fertilisers to farmers as well as blend raw materials in the concentration the customers need.

The second subdivision of blending is those companies specialising in a chemical process to create the end-product and thus do not bulk blend different types of granulated straights. These companies have processes where the N, P and K are chemically combined and granulated to contain all the elements in one granule.

1.1.2 Fertiliser products and players in the South African Industry

The table below indicates the most prominent players in the fertiliser industry; this includes major importers of fertilisers as well as major blenders that create specific blends for farmers

to use. The idea of the table is to show which players are responsible for which product and activity, such as import or production.

The smaller players in the industry such as WestFert are not mentioned in this table because they do not play a significant role in importing fertilisers, but an indicator has been added to show where they fit in, in the chain. This, however, is where WestFert will change in the near future – this small business has grown so much that it will soon start importing its own raw materials, otherwise known as: ‘straights’.

Table 1.3 explains the roleplayers in the fertiliser industry. The table consists of three categories, ranging from roleplayers at the very beginning of the supply chain to those companies supplying final products to the end-users. The table also indicates the product range of fertiliser products in the market.

The first product group comprises raw materials and intermediaries used to produce the actual fertilisers:

- Ammonia
- Nitric Acid
- Phosphate rock
- Phosphoric Acid
- Sulphur
- Sulphuric Acid

The second product group is “straight” and chemical compounds that are created from the raw materials and intermediaries in group one:

- Urea
- LAN/CAN
- Ammonium Sulphate
- Single Super Phosphate (SSP)
- MAP
- DAP
- KCl
- K₂SO₄
- KNO₃

The third and final product group are the downstream NPK compounds and blends that are sold to the end-users (farmers):

- Granular Solid fertiliser (such as Urea/LAN)
- Liquid Fertilisers
- Blended Solid fertiliser (such as NPK 10:20:10)

In addition to the products and players, the table is divided into three parts under each product group (colour coded) separating the Nitrogen (N) sources, the Phosphate (P) sources and the Potassium (K) sources of fertilisers.

In some cases, end users/farmers make use of the same straight and chemical compounds used to manufacture the final product and therefore these straight, and chemical compounds are sometimes sold directly to the market as well as used to create the final product (Louw SA, 2011:7).

Also note that some of the players are present in the entire supply chain from the raw materials straight through to the downstream NPK products (Sasol is an example). Although this is a good strategic position to be in, in theory, it constituted uncompetitive behaviour in the market according to the Competition Commission of South Africa and some restrictions were put in place, such as the restriction on Sasol to sell LAN to farmers / end-users (Competition Tribunal, 2017).

Table 1.3: Players in the fertiliser market in South Africa

RAW MATERIALS AND INTERMEDIARIES		
<u>AMMONIA</u> Sasol Imports	<u>PHOSPHATE ROCK</u> Foskor Fer-Min-Ore	<u>SULPHUR</u> Sasol Imports
<u>NITRIC ACID</u> Sasol Omnia AECI/Triomf	<u>PHOSPHORIC ACID</u> Saol Agri Phalaborwa Omnia Foskor Richards Bay	<u>SULPHURIC ACID</u> Sasol Agri Phalaborwa Sasol SSF Secunda Foskor Richards Bay Chemical initiatives, Impala Anglo, Zincor Imports
STRAIGHT AND CHEMICAL COMPOUNDS		
<u>UREA</u> Imports only	<u>SINGLE SUPER PHOSPHATE</u> Omnia Fer-Min-Ore	<u>KCI</u> Imports only
<u>LAN</u> Sasol Omnia Imports	<u>MAP</u> Omnia Foskor Richards Bay Imports	<u>K2SO4</u> Imports only
<u>AMMONIUM SULPHATE</u> Sasol Exarro Impala Imports	<u>DAP</u> Foskor Richards Bay Imports	<u>KNO3</u> Imports only
N	P	K
DOWNSTREAM NPK COMPOUNDS AND BLENDS		
<u>GRANULAR SOLIDS</u> Omnia Sasol (LAN only) Imports	<u>LIQUIDS</u> Sasol Omnia Kynoch Sidi Parani Other Smaller Companies	<u>BLENDED SOLIDS</u> Sasol Omnia Kynoch Profert Sidi Parani Other Smaller Companies

Source: Grain SA, 2011: 46; Own Compilation

In the table (above the indicated red dot), the indicator shows the sector where the company in this study, namely: Westfert fits in. This company is in the downstream NPK blends section and currently buys raw materials from its suppliers in South Africa and blend products according to the needs of the customer. However, because of the growth of the organisation, it will soon start importing its own raw materials and will then also be present in the 'Straights and Chemical Compound' section of the figure above.

For the sake of this study, the 'Other Smaller Companies' in the Blended Solids section is listed below as they are classified as direct competitors to WestFert.

Table 1.4: Other smaller fertiliser blending companies in South Africa

<u>COMPANY NAME</u>	<u>TOWN</u>	<u>COMPANY NAME</u>	<u>TOWN</u>
A & S Kunsmis	Bethal	Sonskyn Kunsmis (Pty) Ltd	Standerton
Agriman (Pty) Ltd	Pretoria	Triomf Fertilizer (Pty) Ltd	Potchefstroom
Benietha Veevoere (Pty) Ltd	Hillcrest	TWK Agri (Pty) Ltd	Piet Retief
Bosveld Phosphates (Pty) Ltd	Phalaborwa	Vasco Fertilizer and Chemicals CC	Ladysmith
Chanrai SA (Pty) Ltd	Durban	Vetrivier Boeredienste CC (WestFert)	Hoopstad
Constantia Kunsmis (Pty) Ltd	Richards Bay	VS Kunsmis (Pty) Ltd	Vrede
Die Humansdorp Kooperasie BPK	Port Elizabeth	WR Farming t/a Pronutria	Cato Ridge
Dio Agric BK	Stilbaai	Yara Fertilizer Africa (Pty) Ltd	Cape Town
Driehoek Kunsmis	Bothaville	Growmor	Pietermaritzburg
Ekor Fert CC	Richards Bay	Nutriflo	Tinley Manor
Gavilon South Africa (Pty) Ltd	Johannesburg	Mr Fertilizer	Gingindlovu
Harmonie	Nelspruit	Brightlight Trading	Klerksdorp
Grainvest Physicals (Pty) Ltd	Pretoria	Agri Trading Services	
High Fert (Pty) Ltd	Petrus Steyn	NPK Man (CJ van Schalkwyk)	Ermelo
Kanofield (Pty) Ltd	Hill Crest	NWK	Lichtenburg
Kynoch Fertilizer	Johannesburg	Agron	Grobblersdal
Liquid Nutrien Technologies (Pty) Ltd	Durban	Cradock Saad	Cradock
Loskop Kunsmis (EDMS) Beperk	Marble Hall	Plaaslike Boeredienste (Greenlands)	Vanderbijl Park
Multigreen (Pty) Ltd	Villiers	NM Scheepers	
Nitrophoska (Pty) Ltd	Stellenbosch	Grow Fert (Piet Retief)	Piet Retief
Nutrigrun (Pty) Ltd	Senekal	Elim Kunsmis	Brits
Oos Vrystaat Kunsmis (EDMS) Beperk	Bethlehem	Agrilux	Kroonstad
Petrow Agri	Richards Bay	Nutrichem	Pretoria
Profert (Pty) Ltd	Potchefstroom	Bulkfertilizer.co.za	Johannesburg
Sasol Nitro	Johannesburg	Efeko	
Sidi Parani (Pty) Ltd	Douglas	Culterra	
SJ Van Der Walt Trust			

Source: Innofert, 2017

1.1.3 Company profile of WestFert Fertilisers (Pty) Ltd

This organisation was started by two brothers from the Free State province named: Chris Burger and Pieter Burger. Both of them had completed their tertiary education in Potchefstroom at the Agriculture College and soon after that started a business in Hoopstad, named Vetrivier Boeredienste BK. In 1999, Pieter Burger lost his brother but continued with their dream of supplying goods to farmers to better their products and results (Westfert, 2017).

Today Vetrivier Boeredienste BK operates as WestFert Fertiliser and has had immense success in the past number of years.

The organisation consists of two branches, their head office in Hoopstad and another branch in Mpumalanga; the company employ 18 staff members in their offices and ten sales representatives in their area of operation (Westfert, 2017).

WestFert prides itself on its values Integrity, Teamwork, Entrepreneurship, Liability and Excellence and their vision is to add life to the farmer's activity, be the most efficient supplier of essential nutrients for plants, be dedicated to helping their customers to grow their business and attempt to contribute in all the communities where they are present (Westfert, 2017).

This organisation consists of four separate divisions as shown below.

Figure 1.8: Westfert company divisions



Source: Westfert, 2017

1.2 DEFINITION OF RESEARCH PROBLEM

1.2.1 Problem statement

The fertiliser industry in South Africa has one major problem, namely: the industry is saturated, and it is currently in the maturity stage of its lifecycle. The annual use of fertiliser has been approximately 2 million metric tonnes since the 1980s, and no major changes are expected. But, what does this mean for this study (Grain SA, 2011: 47)?

It means that in a saturated or mature industry where the demand stays the same, players in that industry will limit each other's profit capability and steal market share from one another. What makes this specific industry even more intense is the fact that fertilisers can only be special up to a point and then product differentiation becomes very difficult (Wilkinson, 2013).

With the above taken into account this study aims to contribute to developing a new strategic marketing plan for WestFert Fertilisers in order to effectively keep its current market share as well as expand its reach and market share to ultimately increase profits, furthermore the study will contribute to the formulation of a blueprint marketing strategy that is not only relevant to Westfert but can also be implemented on similar businesses in this industry.

Over and above the saturated market environment, there is one other factor that contributes to the competitiveness of the industry and can also be addressed in the marketing strategy, namely: distribution and logistics.

South Africa imports more than 60% of the fertiliser used in the country when referring to the Nitrogen sources, there are some local producers, but all the Phosphate and Potassium sources for NPK fertilisers have to be imported (Fertiliser Machinery, 2017). This raises the issue of distribution. Since the fertiliser application by farmers is seasonal, the import of the raw materials is seasonal as well, creating a distribution problem in the peak season.

Westfert has recently erected the largest storage facility of its type in the southern hemisphere to combat the distribution problem as attempting to hedge profits by buying at the correct international prices (Farming Portal, 2017).

This addition to the business will also be included in the strategic marketing strategy and create unique selling propositions in an already saturated market.

Because of the saturated market, Westfert is competing with a many other competitors in the same market segment with only a limited amount of customers (farmers) – this means that the geographical coverage of NPK fertiliser companies are very good and another very important problem to be addressed in the marketing strategy will be effective market penetration in a very price sensitive market.

In conclusion, the marketing strategy that will be developed for Westfert and similar organisations will comprise one broad problem statement, namely: how to position the company correctly in the saturated mature market while addressing two major problems in the industry, namely: product distribution in peak season and effective market penetration.

1.3 RESEARCH OBJECTIVES

1.3.1 Main objectives

The main objective of this study is to develop an effective marketing strategy for Westfert Fertilisers (Pty) Ltd that is not only applicable to this company but can act as a blueprint marketing strategy for similar companies in this industry. This marketing strategy is combining internal and external analyses of the organisation with competitive advantage and marketing strategy theory to create this marketing strategy that can be implemented for effective market penetration and sustainable profitability.

1.3.2 Secondary objectives

The secondary objectives serving the main objectives are to:

- Conduct a literature review on the organisation and environmental analysis tools;
- Gather managerial information from management;
- Profile the typical customer in this segment (Customer Profile); and to
- Develop a marketing strategy for a typical fertiliser company.

1.4 RESEARCH METHOD

1.4.1 Phase 1: Literature review

The literature for the strategic marketing plan as well as the various management tools that are used in this study are widely available on the internet in academic journals and e-books. The strategic management book and Marketing management textbook used in this course were consulted.

1.4.2 Phase 2: Empirical review

The research design was quantitative.

A case study research was employed to gather information from the target market and current customers. In addition, a typical customer profile was also compiled. Here the present customer list of Westfert serves as the population. A random sample of 250 customers was

drawn of which total of 100 respondents' feedback could be captured. They all received a tailor-made customer profiling questionnaire to complete (see Appendix A)

1.5 CONTRIBUTION OF THE STUDY

This study aimed to contribute to the actual profitability of the current business and other businesses similar to Westfert in this industry. As it stands now, this fertiliser company has made some big strides over the past ten years and is very successful. It has now reached a point in time where it has to expand and develop to a national operation, and for this, an extensive marketing strategy is needed. Finally, the objective was to develop a strategic marketing plan for a typical fertiliser company.

1.6 CHAPTER DIVISION

The chapters in this dissertation are presented as follow:

Chapter 1 consists of the introduction into the fertiliser industry in South Africa. This chapter highlights the importance of agriculture in the country and then narrows down to exactly where fertiliser fits in the picture and ultimately where fertiliser blending companies fit in the picture.

Chapter 2 provides, firstly, the literature review, and secondly, the analysis of the business analytical tools such as the PESTEL analysis, SWOT analysis, Value Chain Analysis, and a Supply Chain analysis. The Osterwalder Business Model Canvas is also applied to the organisation.

Chapter 3 uses the theory and application of the management tools in chapter 2 and combines it with marketing strategy processes. In this chapter, the final 7-step marketing strategy is described and applied to fertiliser blending businesses in South Africa.

In the final chapter, chapter 4: conclusions and recommendations are made for the hand of the final marketing strategy process and input is given as to how to effectively implement this strategy in the business.

1.7 CHAPTER SUMMARY

This chapter serves to explain and clarify how the research was done, who was approached and what contribution is meant to be made by the research study.

This study used quantitative research methods, to understand the current target market and how to expand market share nationally in an, already, saturated market. The problem statement was addressed and can be summarised as how a company such as Westfert can stand out from the crowd in a mature market where a small majority controls imports and a large number of competitors exist over a large geographical area.

In Chapter two, all the relevant academic tools were explained at the hand of this organisation specifically, and the process was continued to identify a suitable marketing strategic plan.

CHAPTER 2: LITERATURE REVIEW AND ANALYSIS

2.1 INTRODUCTION

This chapter scrutinises the organisation, namely: WestFert Fertiliser (Pty) Ltd and the theory applicable to the creation of a strategic marketing plan for this company and similar organisations in this industry. Westfert Fertilisers (Pty) Ltd was selected for this study as they envision a successful medium sized company in this industry.

The concept of competitive advantage and sustainable competitive advantage will be defined and studied to identify the competitive advantage factors that WestFert currently have as well as new competitive advantage factors and unique selling propositions.

Competitive advantage and sustainable competitive advantage are achieved by evaluating the internal and external environment of the organisation. The tools for these evaluations were discussed in this chapter.

Each section of this chapter discussed the theory behind the concept, an explanation as to why this concept is important and then also include sections of the practical application of the concept where that specific concept will be applied to the agriculture/fertiliser industry in South Africa and in the organisation.

The outcome of this chapter was to outline all theory with regards to the sustainable competitive advantage of a company in the fertiliser blending industry in South Africa.

After reading this chapter, one should be able to understand how competitive advantage fits into the marketing strategy development process and how these advantages can be used to strengthen the marketing strategy and ultimately increase market share for the organisation.

2.2 COMPETITIVE ADVANTAGE AND SUSTAINABLE COMPETITIVE ADVANTAGE:

Competitive advantage is popularly defined as: “conditions that allow a company to produce a good or service at a lower price or more desirable fashion for customers” (Investopedia, 2017). In the case of WestFert, they produce fertiliser that classifies under goods, but they

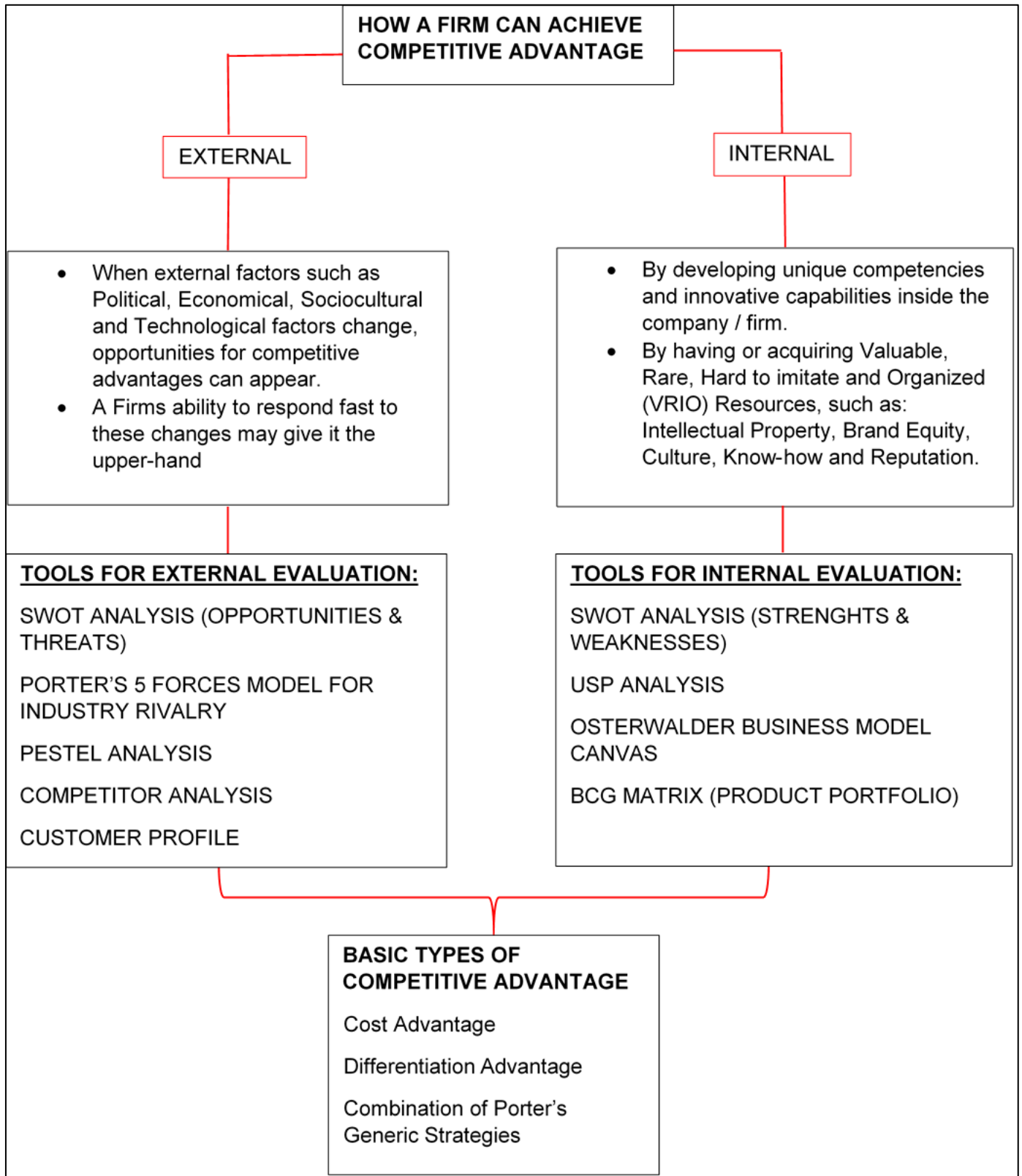
also render the service that comes with selling the fertiliser to farmers. Competitive advantage is crucial to any organisation that competes with similar businesses, but the competitive advantage has to be sustainable to really make a long-term contribution to the organisation (Business Dictionary, 2017). The long-term competitive advantage that cannot be easily duplicated by rivals in the industry can be classified as sustainable, and the more difficult it is to duplicate or neutralise the competitive advantage, the more sustainable it is (Hargreaves, 2017).

The figure below is a basic depiction of how a firm can achieve competitive advantage; it also specifies the tools to be used when evaluating the internal and external environments of the organisation.

It is important to note that external changes and the external environment are outside of the control of the organisation and can easily create the opportunity for establishing competitive advantage or take away that opportunity. However, the external environment must still be evaluated to get a full picture of the environment the organisation finds itself in as well as what may change and how to react to this (Strategic Management Insight, 2017).

In the internal environment, the competitive advantage is under the control of the company. The tools shown in the figure below is used to evaluate the internal environment in an attempt to identify current competitive advantages but also identify new competitive advantages that are hard to duplicate and can contribute to the development of a marketing strategy (Kokemuller, 2017).

Figure 2.1: How a firm can achieve competitive advantage



Source: Compiled from Rothaermel: 2017

2.2.1. External Environment evaluation

The external environment is discussed and analysed as indicated in Figure 2.2.

2.2.1.1. Strengths, Weaknesses, Opportunities and Threats analysis (SWOT)

The Strengths, Weaknesses, Opportunities and Threats analysis (SWOT) is a widely used strategic and management tool for businesses to evaluate their situation in the external environment as well as inside the firm. This tool determines what assist the organisation in accomplishing its goals and objectives as well as help identify obstacles that have to be overcome by the organisation to reach its goals. The matrix consists of four quadrants, namely: Strengths, Weaknesses, Opportunities and Threats, where the Opportunities and Threats are the external factors (Kokemuller, 2017) and Strengths and Weaknesses are the internal factors (Six Sigma, 2017).

To evaluate the external environment of the organisation, there are some questions that can be answered by the organisation. For the Opportunities, the following questions are relevant to peruse (Richter, 2011):

- What are political, economic, sociocultural or technological changes currently taking place in the environment that could be favourable to the company? In the agricultural industry, there are many of technological advances, such as soil analysis and variable fertiliser application based on soil analysis – this could be something for a fertiliser blending company to consider.
- Where are there currently gaps in the market or unfulfilled demand? In agriculture, and even more so in fertiliser, logistics and the movement of product to the end customer can be seen as a gap.
- What innovation could your organisation bring to the market?

The following questions or aspects should be taken into consideration to evaluate Threats (Downey, 2017:4):

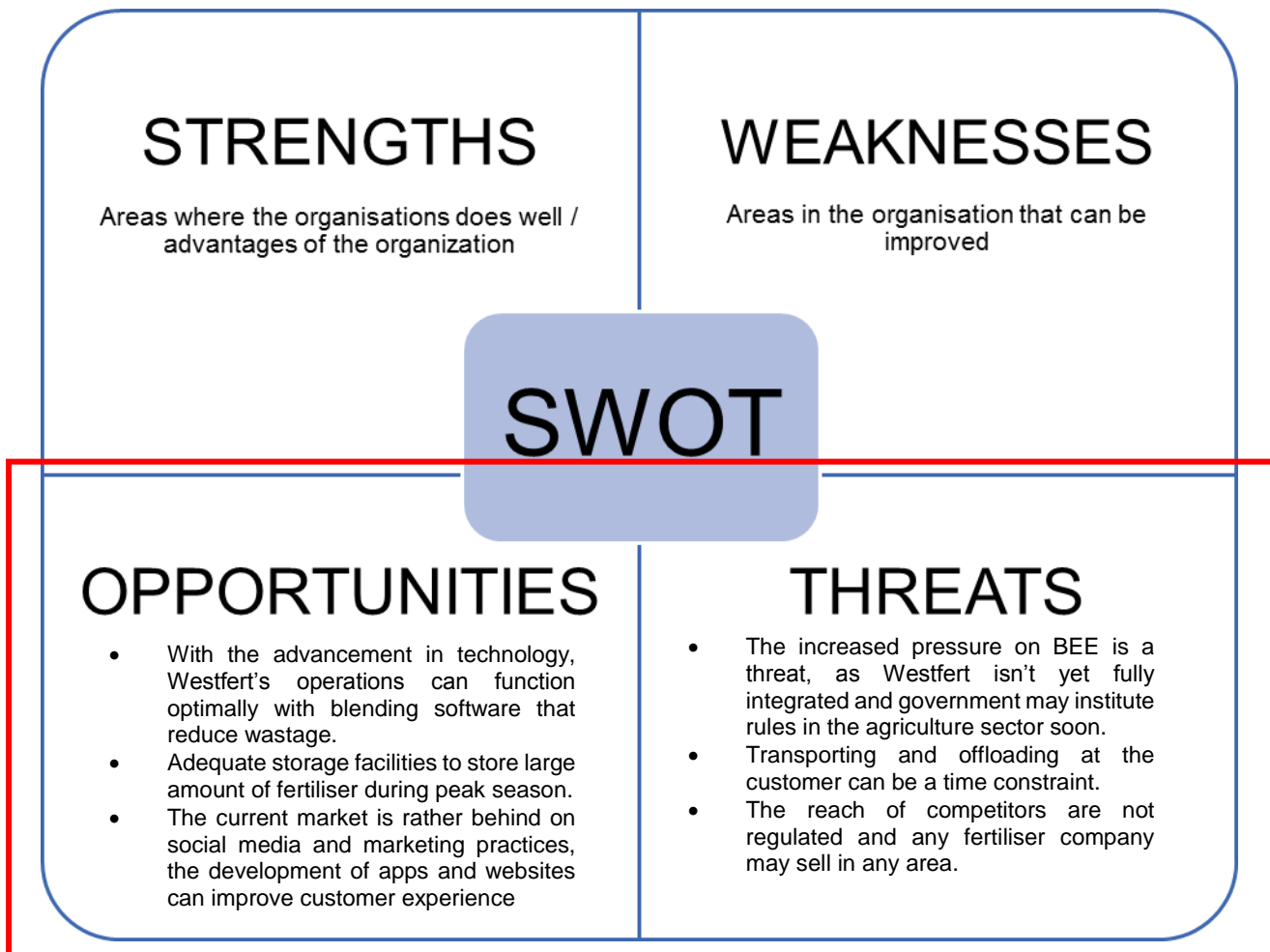
- What are political, economic, sociocultural or technological changes currently taking place in the environment that could be unfavourable to you? One of the major talking points in agriculture at the moment is the redistribution of land and land claims from

the government. This is a major factor to take into consideration when doing business in a certain region.

- What restraints does the organisation face? The production capacity of blending plants that produce certain fertilisers can be a restraint during the time when end-customers need the final product. Production capacity should be able to produce enough products to keep up with the demand.
- What is your competition doing that could negatively impact you? Geographical constraints are becoming less and less of a problem regarding marketing an agricultural product. Competitors can easily appoint representatives in the area of operation of the organisation.

A SWOT analysis is usually done in the organisation as part of the general corporate planning process and is very important as it helps the organisation to identify possible opportunities in the market where they can get involved in to grow market share and profitability. Furthermore, analysing threats or risks in the external environment will allow organisations to be better prepared for any unforeseen problems (Hill, 2017).

Figure 2.2: SWOT Analysis (External Factors)



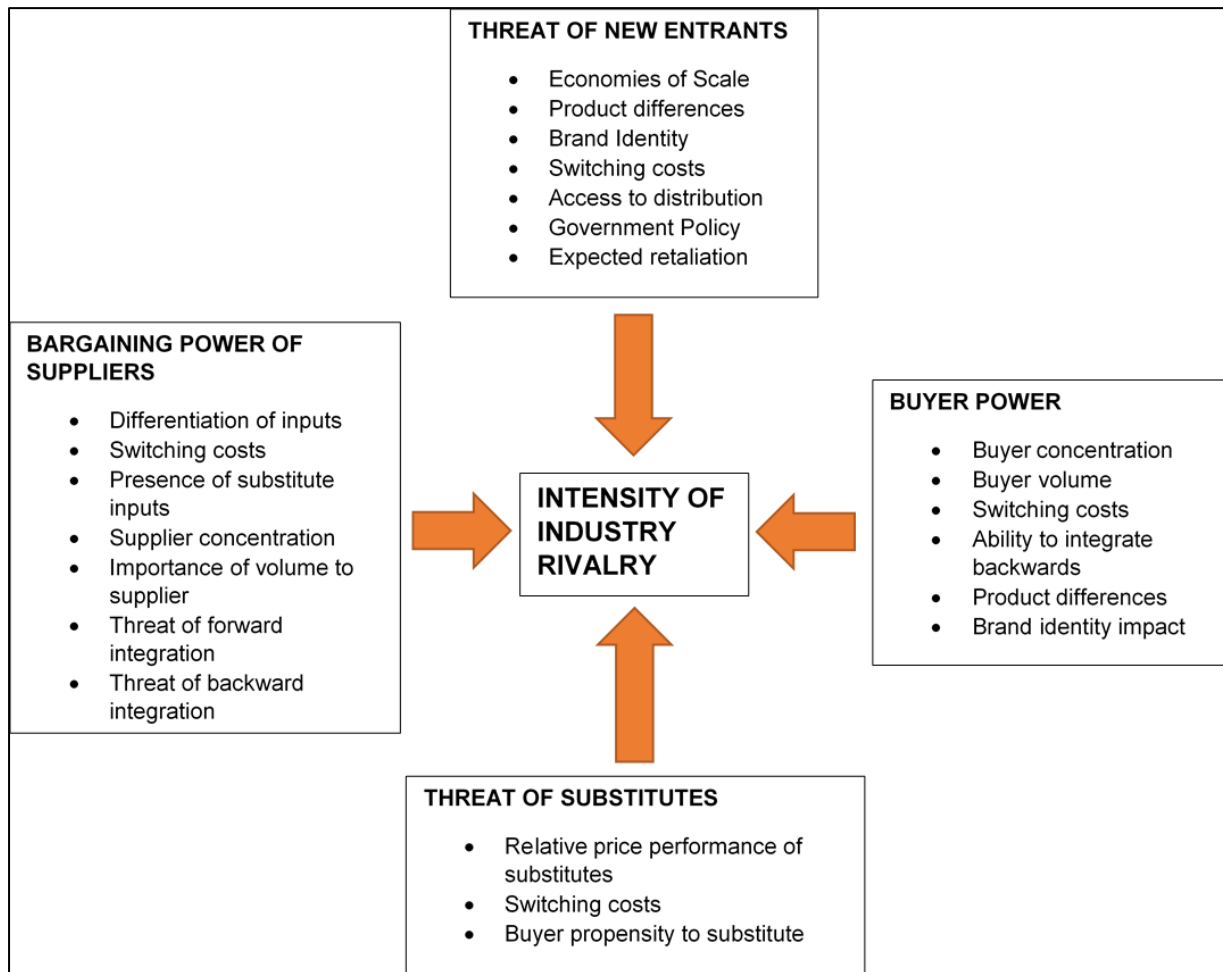
Source: Fallon, 2017

2.2.1.2. PORTER'S 5 Forces Model for Industry Rivalry

In 1979, Michael Porter developed and published this tool that is one of the most popular and widely used business management tools today. The tool helps an organisation to evaluate and analyse the forces of the industry they are operating in. Above looking closely at only competitors in an industry, Porter discovered that there are other factors as well that contribute to the intensity of rivalry between players in a specific industry, these forces are: Supplier power, Buyer power, Threat of new entry, Threat of Substitution and Competitive rivalry (Mind Tools, 2017).

This model developed by Michael Porter is depicted graphically and shown below.

Figure 2.3: Porter's 5 Forces for industry rivalry



Source: Word Press, 2017

When addressing the threat of new entrants, it is important to note that industry rivalry will increase if it becomes easy for competitors to enter the market or industry. If a market is profitable, it will attract companies to enter the market, unless barriers to entry are high, such as government policy or expensive capital layout. Regarding product, if the product in the industry is easy to buy or manufacture and sell it would make for more interest in the industry (Wilkinson, 2013).

As for Threat of Substitutes, the easier it is to supply a substitute product or service to the market the higher the degree of industry rivalry. Here the switching cost to the customer becomes important. If the customer can switch from one product to its substitute without much effort, the switching cost is low and rivalry increases (Mars, 2013).

Bargaining power of Suppliers refers to how much power the supplier in an industry has in the industry. If the number of suppliers is few, those suppliers in the industry will be price-makers and have a high level of power. Regarding the product, the more unique the product, the higher the power of the supplier. Another factor to consider is the switching costs of switching from one supplier to another.

In a price sensitive market, buyer power can be measured by looking at how easy it is for buyers of a certain product to drive the prices down. The number of buyers in the market determines the negotiation power from buyer to the supplier, and if there are few buyers, they would have a higher degree of power. Buyers can also become more powerful if they can integrate backwards and control more of the supply chain.

Finally, the key driver of competitive rivalry is the number and capability of competitors in the industry. In a market where there are a large number of competitors selling undifferentiated products such as commodities, profitability will be affected, and the market will become unattractive but still with a high degree of rivalry (Downey, 2017).

Organisations use Porter's five forces model of industry rivalry on a regular basis to evaluate the rivalry between competitors in the same industry. This model evaluates the competitive environment of the organisation, and this environment influences the profitability of the organisation (Basu, 2017).

- **The threat of New Entrants:**

In the fertiliser blending industry, products are relatively homogeneous. Therefore, the actual products are not very difficult to copy. However, the significant capital layout is required to enter this market. The initial cost of erecting a blending plant with accompanying storage space is very expensive. Therefore it is not very easy to enter the market in terms of cost.

Although the products are not very specialised or technical, switching costs are high because of customer relationships. Westfert is very focused on their relationships with their customers who will make the switching cost to other blenders high.

Although it may be expensive for new companies to enter the market, there still exists some threat because companies merge and buy each other out to secure market share contributing to high degrees of rivalry. An example is a current transaction in process between the French fertiliser giant, Roullier and Profert, where Profert is being bought over including all their facilities. In effect, a major new player will enter the market in the next 12 months which is particularly concerning for Westfert.

- **The threat of Substitutes:**

Products can easily be substituted because of the nature of the product, Westfert relies on major income from products such as Urea, MAP and CAN and these products can be classified as commodities, making the one as good as the other.

Should customers be unsatisfied with service from companies such as Westfert, they can easily switch to another supplier for their product requirement.

- **Bargaining power of Suppliers:**

Suppliers of most raw materials are plentiful, and the products are in no means differentiated, putting the supplier in a relatively weak position. Westfert has over 20 registered suppliers of raw materials, and they can buy from any one of them. The only limiting factor for buying from other suppliers is credit lines, but once established, buying is easy, and products are the same.

- **Buyer power:**

In the fertiliser and agriculture industry in South Africa, the end-users of products (farmers) are on the decline, making the target market for players in this industry smaller; this has an effect to a higher degree of buyer power because there are only a small number of buyers. Westfert has only 100 registered customers on their books that are responsible for 90% of their turnover per year.

In conclusion, the fertiliser blending and trading industry in South-Africa is particularly volatile, and a high degree of rivalry exists. Because of the nature of the raw materials and the fact that South Africa imports over 60% of their raw material requirement, local fertiliser companies react to fertiliser prices in the international market, putting their profits under

pressure (Grain SA, 2011). Westfert experiences constant rivalry because buyer power is high, substitute products are available in the market, and some threat of new entrants exists.

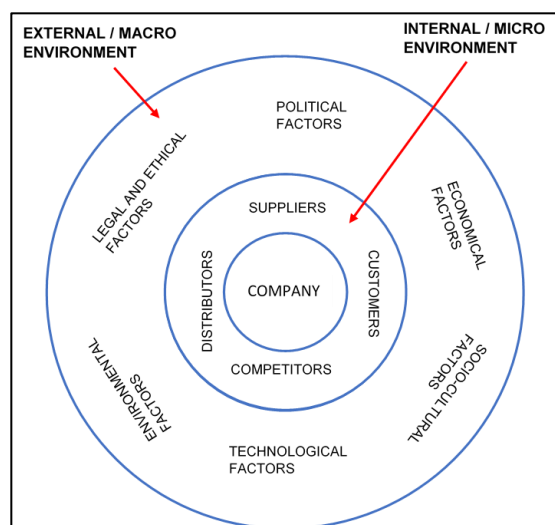
2.2.1.3. PESTEL Analysis

Some of the earliest known tools used to evaluate the external business environment dates back as far as 1967, and the core of the PESTEL analysis was formed in 1980. These authors are Fahey, Narayanan, Morrison, Mecca and Porter (Morrison, 2012). The abbreviation PESTEL stands for the analysis of Political factors, Economical factors, Socio-cultural factors, Technological factors, Environmental factors and Legal factors applicable to the industry under investigation (Da Costa, 2017).

The PESTEL analysis is an easy to use and common, though very effective, management tool used to evaluate the external or macro-environment an organisation finds itself in. The PESTEL analysis contributes to the SWOT analysis by helping to identify opportunities and threats that might affect an organisation.

Often, the PESTEL analysis is depicted graphically as shown in figure 2.4, to show how the internal and external environment is perceived about the organisation.

Figure 2.4: PESTEL Analysis



Source: Word Press, 2017

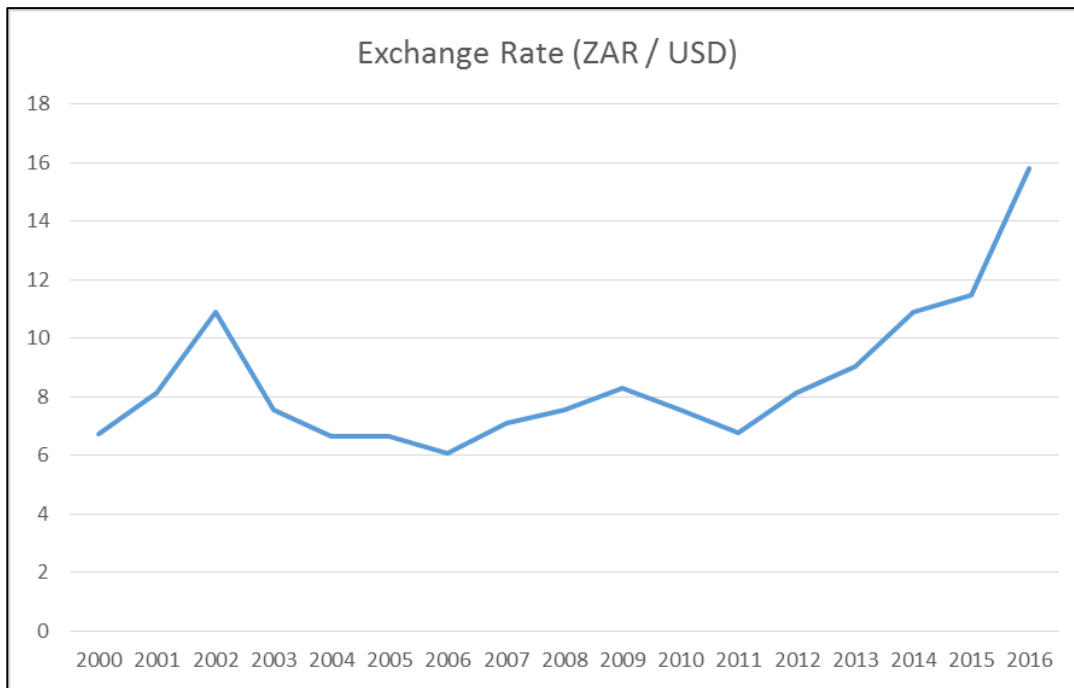
Firstly, it is important to look at the political environment the organisation operates in. Factors such as national elections, contenders for power in the country and their views on business,

the extent of corruption and organised crime, the effect and influence of duty and taxes on the organisation and the approach of government towards corporate social responsibility, environmental issues and customer protection legislation (SA, 2017).

With regards to economic factors: the stability of the current economy, exchange rates, unemployment rate, access to credit for consumers and the effect of globalisation on the industry has to be taken into account (Mind Tools, 2017).

Due to the unstable economic position of South Africa, key exchange rates such as the USD and EUR are very volatile against the ZAR. In the first quarter of 2017, South Africa briefly entered a technical recession which decreased the international value of the ZAR currency. In the fertiliser industry specifically, a large percentage of fertiliser is imported, meaning that for local use the prices may increase significantly if the currency weakens (Focus Economics, 2017).

Figure 2.5: Weakening currency from 2000 (ZAR against US Dollar)



Source: Bronkhorst, 2016

The above graph indicates the increase in exchange rate against the US Dollar. If 1 Metric Ton (MT) of Urea 46% costs 280 USD in 2006, it would be equivalent to 1 680 ZAR, if the world market price on Urea 46% remained stable until today, that same 1 MT of Urea (46%)

would cost 4 452 USD in 2016, without taking into consideration the changes in world market prices.

Socio-cultural factors refer to the society in the country, such as the population growth, age profiles, generation shifts, job market trends, social attitudes and behaviour, religious beliefs and lifestyle choices (Kozenkow, 2017).

Technological advances are one of the fastest growing and ever-changing external factors to take into consideration. The organisation must be aware of new technologies that they can use to improve their business, the access of their competitors to innovations, and the increased rate of globalisation because of technology (CFC Tech Services, 2017).

Major environmental factors to consider are climate and climate change, weather patterns and pollution. The agriculture industry in South Africa is mostly dependent on rain for a successful crop, and therefore weather predictions and climate change due to global warming directly impacts the industry.

The final external aspect to consider is the legal factors, generally consisting of consumer law, discrimination, copyright, health and safety, employment law, fraud and import/export law (Da Costa, 2017). Any organisation operates in a legal environment and has some or other set of rules to adhere to; this external factor can hamper business operations with immediate effect if not adhered to and thus this aspect of the external environment is very important.

Normally, companies perform a PESTEL analysis to achieve three outcomes, namely to:

- Find out what the current external factors are that affects the organisation;
- Identify the external factors that are likely to change in the future; and to
- Exploit the changes for possible opportunities or defend against threats that may arise from external changes, better and before competitors.

In essence, the organisation wants to forecast problems that will arise from the industry they compete in and act pro-actively by solving these problems before they become real problems. In the same sentence, the organisation wants to know what external changes may create opportunities for them (Score Card Report, 2017).

With the application of the PESTEL analysis, Westfert has identified the following major factors of the external environment that affect the organisation:

- **Political factors:** Currently in the agriculture industry in South Africa, the government is placing pressure on land claims and previously disadvantaged farm workers, which are likely to become even more prominent as the country come closer to the national elections in 2019. This means that the customer profile of Westfert may well change over time. This can be either a new opportunity by collaborating with government or a major problem.
- Another political factor is: the government is constantly putting pressure on import regulations and costs, and as 60% of all raw materials are being imported, this legislation must constantly be studied as a change in this legislation will directly impact Westfert and the availability of raw materials.
- **Economic factor:** Because of the high amount of raw materials that are being imported, Westfert is subjected to international supply and demand movements, meaning that price increases in international markets and currency volatility influences the purchase prices of their raw materials. In future, Westfert may want to look at financial trading mechanisms such as 'collars and caps' to protect them from volatile currency movements as well as sound agreements with suppliers to try and counter international price hikes.
- **Socio-cultural factors:** One of the dominant factors in agriculture is the worldwide growth in population and the production of food for this growing population. Agriculture plays a pivotal role in providing food for the world population. As Africa's population grows, there may exist an opportunity to export fertiliser to neighbouring countries.
- **Technological factors:** In the fertiliser blending industry, computer software has evolved to a stage where creating a specific blend for a customer happens at the push of a button. Westfert has a highly effective and new blending plant equipped with state of the art technology that allows the management of the plant from anywhere in the world.
- **Environmental factors:** The nature of the fertiliser blending business will have an impact on aspects such as pollution in manufacturing practices. Companies should

follow strict protocol with regards to the possible effects of its manufacturing operations.

- **Legal Factors:** Fertiliser products are governed by the Fertilisers, Farm Feeds, Agricultural Remedies and Stock Remedies Act, 1947 (ACT No. 36 of 1947), which stipulates that all fertilisers sold to the market must be registered with the Department of Agriculture, Forestry and Fisheries.

2.2.1.4. Competitor analysis

A competitor analysis is defined as identifying competitors and then evaluating strategies to identify strengths and weaknesses relative to the organisation's strengths and weaknesses.

This analysis plays a critical part in the marketing plan or strategy for the organisation because here one can establish what makes the product or service unique relative to your direct competitors (Entrepreneur, 2017).

Competitor analysis is done through the use of the CPM tool that uses the industry's critical success factors and assigns a score to each competitor leading to a final score which would rate the list of players in the industry from strongest competitor to weakest competitor. This tool also allows the organisation to see in which areas to improve to dominate more (Jurevicius, 2013).

The key success factors identified in the fertiliser industry in South Africa are as follows:

- **Product and Market attractiveness:** What are the growth prospects of the company and what is expected regarding growth in the next five years? The geographical market coverage where representatives are present will also play a role in this factor. How attractive is the product and service offering of the company? Since the product will be relatively homogeneous, the service levels to customers will be critical.
- **Actual Market share:** This factor will be measured by the amount of finished product that is sold in the industry on a yearly basis.
- **Diversification:** How diversified is the company? If high industry rivalry negatively affects a specific company during turbulent economic times, does the organisation have some other division or profit stream? In the case of Westfert, the company has several businesses including a manufacturing plant and animal feed factory.

- **Horizontal Integration:** Does the organisation have some hand in the rest of the value chain and not only in blending fertiliser? In this industry, it will also be good to have a transport and logistics division with its own trucks that can optimise delivery to their customers.
- **Vertical Integration:** Is the organisation well integrated regarding warehouse facilities at seaport and inland? In the case of Westfert, the organisation has the largest warehouse of its kind in the Southern Hemisphere, a state of the art blending facility and a rented warehouse facility at the main port of entry (Durban Port).
- **Operations Management:** In the organisation operating at optimum capacity and does it show a high utilisation rate? High market share, economies of scale and optimum production will lead to a high utilisation rate.
- **Human Resources:** The fertiliser industry is part of the agricultural sector and target markets in this sector demand high levels of service and personal contact. Does the organisation have sufficient and effective personnel to get the job done and grow personal relationships with customers?

As identified in Chapter 1, the most important direct competitors of Westfert in the competitive profile matrix (see Table 2.5) are Kynoch, Sidi Parani, Multigreen, PBD, Gavilon, HighFert, NitroPhosKa, Petrow Agri and Omnia (Innofert, 2017).

Table 2.1: Competitive Profile Matrix

CPM TABLE																					
CRITICAL SUCCESS FACTOR	WEIGHT	WESTFERT		KYNOC		SIDI-PARANI		MULTIGREEN		PBD		GAVILON		HIGHFERT		NITROPHOSKA		PETROW AGRI		OMNIA	
		RATING	SCORE	RATING	SCORE	RATING	SCORE	RATING	SCORE	RATING	SCORE	RATING	SCORE	RATING	SCORE	RATING	SCORE	RATING	SCORE	RATING	SCORE
PRODUCT AND MARKET ATTRACTIVENESS	0.1	8	0.8	3	0.3	5	0.5	6	0.6	6	0.6	4	0.4	7	0.7	6	0.6	6	0.6	5	0.5
ACTUAL MARKET SHARE	0.2	6	1.2	9	1.8	7	1.4	4	0.8	1	0.2	8	1.6	2	0.4	5	1	3	0.6	10	2
DIVERSIFICATION (EGGS IN ONE BASKET)	0.05	5	0.25	3	0.15	4	0.2	4	0.2	3	0.15	4	0.2	6	0.3	5	0.25	4	0.2	7	0.35
HORIZONTAL INTEGRATION	0.05	5	0.25	4	0.2	4	0.2	4	0.2	4	0.2	4	0.2	5	0.25	4	0.2	4	0.2	5	0.25
VERTICAL INTEGRATION	0.1	7	0.7	5	0.5	5	0.5	5	0.5	5	0.5	6	0.6	6	0.6	6	0.6	4	0.4	8	0.8
OPERATIONS MANAGEMENT	0.2	7	1.4	4	0.8	4	0.8	6	1.2	6	1.2	5	1	6	1.2	7	1.4	6	1.2	6	1.2
HUMAN RESOURCES (SERVICE DELIVERY)	0.2	7	1.4	4	0.8	4	0.8	7	1.4	6	1.2	4	0.8	6	1.2	6	1.2	6	1.2	7	1.4
PERCEPTION IN THE MARKET	0.1	7	0.7	3	0.3	4	0.4	5	0.5	6	0.6	3	0.3	7	0.7	6	0.6	6	0.6	8	0.8
TOTAL	1		6.7		4.85		4.8		5.4		4.65		5.1		5.35		5.85		5		7.3

Source: Innofert, 2017

From the above competitive profile matrix, it is clear that the market leader at this stage is OMNIA. This might be because they are the only blending company that also supplies specialised in fertiliser that is technically more advanced and can be marketed as a speciality product.

As for the pure fertiliser blending companies, Westfert is the clear leader second only to the largest Fertiliser organisation in the country. The reason for Westfert's position on the CPM is because of their superior storage facilities, state of the art blending technology, and their sales turnover of 100 000 MT per year as well as their focus on service delivery in the market. Westfert is also one of the fastest growing fertiliser blending companies currently and, their future prospects look promising with the addition of the Wonderfontein animal feeds factory.

2.1.1.5 Customer Profile

As stated in the above sections, the target market of this industry is relatively small and sensitive to service delivery. As part of the external analysis, a survey was done to determine the type of customer Westfert and the average fertiliser blending company deals with on a daily basis.

Understanding the customer and target market is critical to the success of any organisation (Biz Filings, 2017). The results from the quantitative analysis appears below and depicts a typical fertiliser company customer profile.

Table 2.2: Customer Profile Survey Results

AGE OF RESPONDENTS		NUMBER OF WORKERS ON THE FARM	
20-29	1%	> 5	3%
30-39	23%	6 TO 10	74%
40-49	46%	11 TO 15	23%
50-59	29%	16 TO 20	0%
60-69	1%	< 20	0%
70+	0%		100%
	100%		
TYPE OF FARMING ACTIVITY		SIZE OF FARMING ACTIVITY	
CROPS ONLY	85%	> 500 HA	1%
ANIMALS ONLY	0%	501 - 1000 HA	62%
BOTH	15%	1001 - 1500 HA	31%
	100%	1501 - 2000 HA	6%
		< 2000 HA	0%
			100%
GENDER		DESIGNATION OF RESPONDENT	
MALE	100%	FARM OWNER	100%
FEMALE	0%	FARM MANAGER	0%
	100%	FARM WORKER	0%
			100%

The average customer of a medium sized fertiliser blending company is between the ages of 30 and 60, male, owns the ground he works on, employs and manages between 6 and 15 employees and farm on between 500ha and 1500ha. 100% of respondents cultivate crops, and 15% of the respondents have livestock as well.

2.2.2. Internal Environment Evaluation

2.2.2.1. SWOT Analysis

The definition of a SWOT analysis can be seen in section 2.2.1.1.

In this part of the SWOT analysis, the organisation looks at its positive internal factors and its internal negative factors. The strengths of an organisation are positive attributes within the control of the company and consist of possible resources the organisation might have in its possession or superior assets such as access to capital, a large customer base or distribution network.

Strengths of the organisation can be identified by asking the question: “What do you do well?” Any aspect in the organisation that adds value to the product or service offering or contributes to possible competitive advantage is classified as a strength (Berry, 2017).

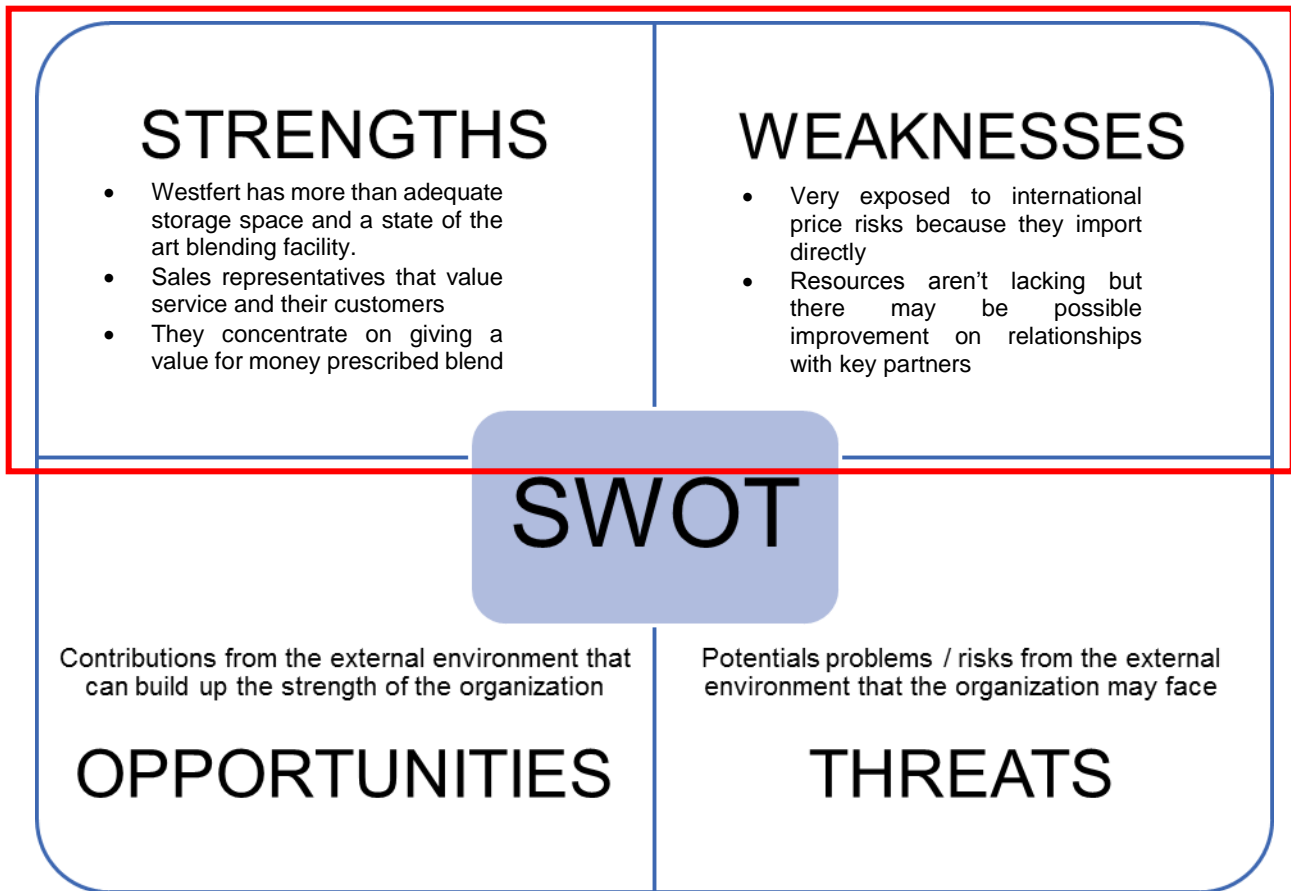
Strengths in the fertiliser industry may be superior infrastructure such as warehouse facilities or good geographical coverage using sales representatives.

In this analysis, weaknesses refer to those attributes that may hurt the organisation or prevent it from reaching its goals. Some questions can be asked to identify weaknesses, such as Gregory (2017):

- In what areas does the business need to improve?
- What resources does the business lack?
- Which part of the business is not very profitable?
- What experience is lacking?

Organisations use the SWOT analysis tool to evaluate the environment the company operates in but more specifically to strengths and weaknesses, the SWOT analysis allow the organisation to align its resources and capabilities that it possesses internally to approach the external environment correctly (Management Study Guide, 2017).

Figure 2.6: SWOT Analysis (Internal Factors)



Source: Fallon, 2017

2.2.2.2. Unique Selling Proposition (USP) Analysis

A Unique Selling Proposition is defined as that one thing that sets an organisation apart from its competitors, and that makes it unique in a market. A USP can be any number of things, and certain aspects need to be considered when thinking about the organisations USP and developing a unique selling proposition (Big Commerce, 2017).

Creating or defining a USP of the organisation is part of the internal analysis of the organisation, and it is critical to know what the unique selling point of a specific organisation is as this will form the core of the marketing strategy approach (Ciotti, 2013).

The Unique Selling Proposition analysis is a six-step process and can be described as follows (Gregory, 2009):

Step 1: Describe the target audience

In the first step, the organisation needs to know exactly who their target audience is and who they are trying to sell to. This step should be conducted in detail. In the fertiliser industry, the broad target audience can be described as farmers and/or producers of crops, dairy and meat in South Africa.

- The analysis on Westfert shows that because of the customer profile survey, Westfert has a very clear picture of their target market and who they are. This market is mostly male between 30 and 60 years of age. They are farmers and farm mostly with crops and a little bit of livestock.

Step 2: Explain the problem you solve

The perspective of the customer in the target audience identified in step 1, the organisation now needs to identify what it is that this customer has a problem with and if this is the problem solved by the organisation. For example: if the target audience in step one were dairy farmers in the Eastern Cape Province, the problem to be solved would be getting the milk production from the farms to the retailers in major provinces like Gauteng and taking the distribution problem out of the hands of the farmer.

- The farmers want to produce the largest possible crop at the smallest possible cost to maximise profit like in any business. Westfert can supply a fertiliser blend tailored to the needs of the soil, manufactured with regular straight raw materials at an acceptable cost. Because Westfert concentrates on buying value for money raw materials and negotiates on price due to high storage capacity they can supply an NPK blend to the farmer that is specialised to a degree and affordable.

Step 3: List the biggest distinctive benefits

In this step, the organisation will list 3-5 benefits that the customer will get when they do business with the organisation. Again, it is very important to think from the perspective of the customer in the target audience.

- The farmer will receive excellent service from young and enthusiastic employees, the farmer will receive a tailor-made NPK blend and the cost will be reasonable to help maximise yield and profit.

Step 4: Define your promise

After identifying and understanding the target audience as well as identifying the problem the organisation solves for the customers, it is now time to make a promise or pledge to the target audience, the organisation conveys what is offered to the target market and what can be expected from the organisation.

- Westfert promises to add value to the farming operation of the customer by delivering good quality product at a reasonable price and provide excellent customer service. The slogan of the organisation is: adding life. One may change this slogan to: “adding life, adding value”.

Step 5: Combine and rework:

Once all the information in steps 1- 4 is clear, in this step the organisation should develop one short paragraph consisting of the information in steps 1 – 4 and write a statement that is easily readable and understandable of what it offers customers that is unique and why members of the target audience should buy from the organisation.

- Westfert strives to supply quality products, tailor-made for the farmers’ soil while delivering excellent service.

Step 6: Cut it down

In the final step the organisation takes the paragraph of its unique offering, it formulated in step 5 and narrowed it down to one simple sentence. This is the final unique selling point, and it should be very clear, simple and specific.

- Westfert is adding life by adding value to the farmer's yield.

Some examples of well-known and effective unique selling points are (Arline, 2014):

- Avis: “We’re number two. We try harder.”
- FedEx: “When it absolutely, positively has to be there overnight.”
- M&M’s: “The milk chocolate melts in your mouth, not in your hands.”
- Target: “Expect more, pay less.”

As Unique Selling Propositions are marketing statements used by the organisation when communicating with their market, it is critical to perform the USP analysis because the

organisation must provide and promote a clear benefit to their customers (Mc Cracken, 2014).

2.2.2.3. OSTERWALDER Business Model Canvas (BMC)

This business diagnostic tool was developed by Alexander Osterwalder and Yves Pigneur and was first published in 2004, making it one of the more recent business strategy tools used by businesses (Osterwalder, 2012). This highly effective tool comprises some variables within an organisation. These variables are combined uniquely to analyse the current situation of an existing business. It is also widely used to develop businesses and identify in which areas an organisation can concentrate to become even more successful (Mulder, 2017).

The Osterwalder business model canvas is a creative and visual way of capturing an entire business plan in one place, making it easier to see the whole picture with the idea to allow managers to make effective business decisions.

The model can be described in some ways, but for this section, the starting point will be the customer segment. Here the possible customer segment of a specific organisation is listed, in another word, the target market. There can be more than one, and the description must be as detailed as possible. In the fertiliser industry, an example of the customer segments can be farmers in the Sub-Saharan climatic area that cultivates maize, sunflower, soybeans, peanuts and potatoes. Another segment will be farmers in the tropical climatic area that cultivates fruit and vegetables.

From the customer segment, we move to the perceived value proposition the organisation creates for each segment. The question here remains: why would that specific customer group or target market buy from the organisation rather than from the opposition. Examples can be that the organisation offers superior quality or value for money. In the agriculture industry, a value proposition would be a superior customer and after-sales service.

The next block begs the question, how the organisation gets the product or service to the customer segment? In other words, possible distribution networks would come into play in this section.

Next, customer relationships come into play, where Alexander Osterwalder believes this is the heartbeat of the business. And continued product or service delivery creates and build customer relationships (Osterwalder, 2012).

From the customer segment, the revenue streams will come in, and there are some questions that the organisation can ask under this aspect, such as: “What value are my customers willing to pay for?”, “How much can I make?”

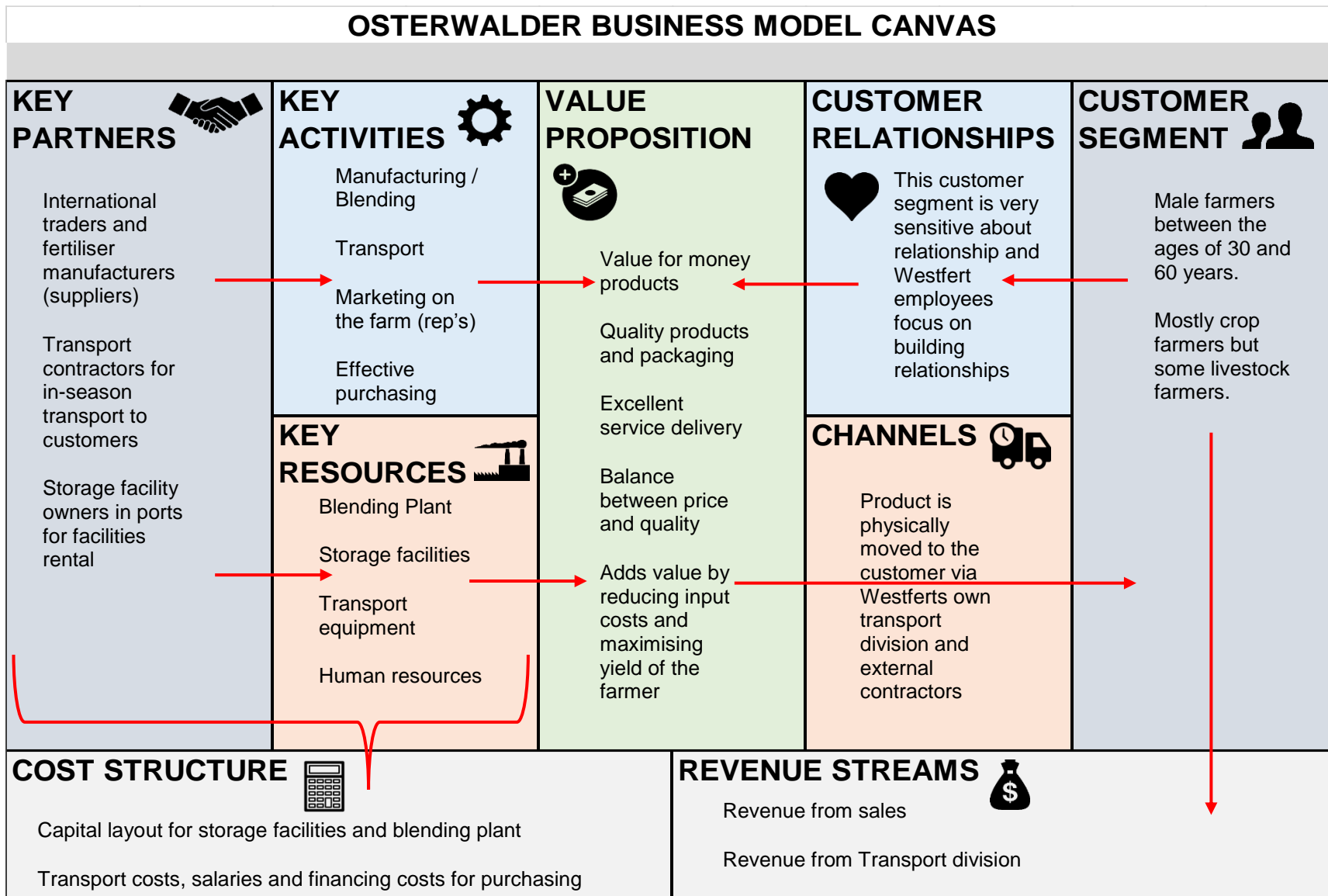
When looking at the Business Model Canvas, it can be divided into two sections, the first of which has just been discussed. The next phase is to look at how the organisation will create this value that customers are willing to pay for. The organisation will review the key activities that have to be carried out to create value, in some organisations this key activity can be something like manufacturing a certain product. Secondly, the organisation should look at the key resources they need to create the value proposition, for a manufacturing company, key resources could be a factory or warehouse. And finally, the organisation will look at key partners in their operation. Some organisations will not own all of their resources and therefore must partner with someone to assist with the creation of value. In the fertiliser blending industry, one such key partner will be a reliable and cost-effective transport organisation that can assist in moving product from warehouses to customers, effectively.

After the key partners, key activities and key resources have been identified and evaluated; there will be enough information to estimate what it will cost to create the value customers are willing to pay for (Rothaermel, 2017).

Companies make use of the Osterwalder Business Model canvas because it allows the strategy makers to focus on the business because it shows a snapshot of the organisation that shows where everything fits in. Furthermore, Alexander Osterwalder developed this model to be easily understood and to allow for speed and agility when using it. This model is not meant to create boxes of paperwork but rather to concentrate on the core aspects that make the business successful (Get to Growth, 2017).

Figure 2.7 depicts the Osterwalder Business Model Canvas. The business canvas was also applied to the fertiliser company, and the figure shows the results of the analysis as it was applied to the eight building blocks in question (Key partners, Key activities, Key resources, Value Propositions, Customer Relationships, Channels, Customer Segments, Cost structure and Revenue streams).

Figure 2.7: Osterwalder Business Model Canvas (BMC)



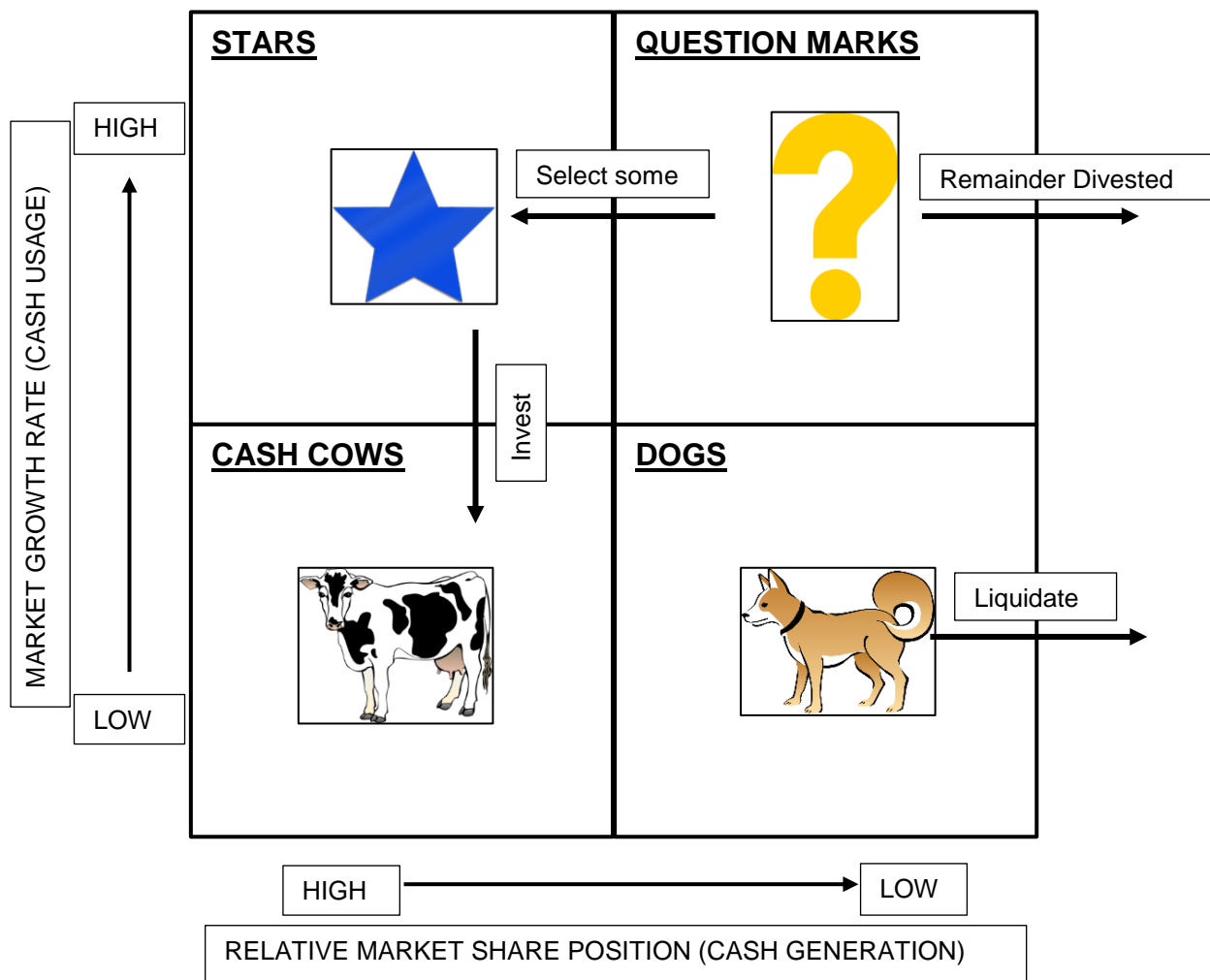
Source: Osterwalder, 2016

2.2.2.4. BCG Growth-Share Matrix

The BCG growth-share matrix was developed in the early 1970s by a man named Bruce Henderson who was part of the Boston Consulting Group at that stage. The model is based on the observation, that a company's business units or products can be classified into four categorised determined by relative market share and market growth rate. Once these products or business units have been placed on the matrix, certain decisions can be taken relating to the strategy of the organisation (Net MBA, 2017).

The categories of the matrix are shown in the figure below and are Dogs, Question marks, Stars and Cash Cows.

Figure 2.8: BCG Growth-Share Matrix:



Source: Stern, 2016

Perusing the product portfolio of an organisation, the range of products or services will be categorised according to the criteria of each possible quadrant. In the case of a fertiliser

blending business, the different straight fertiliser products, as well as specific blended products, will be classified in these quadrants (Stern, 2016).

Stars are those products that have the best market share and generate the most cash in the business. First-movers or companies with truly unique products and services can be classified under this category, but because of the high cash usage of these products, the money going into it and coming out of it are frequently the same. These products, however, can become cash cows over time and organisations will be wise to invest in these products (Simply Strategic Planning, 2017).

Cash cows are products or services that are considered market leaders and they generate more cash than they consume. Because of the low growth rate, companies usually continue to invest in these products to keep them where they are. Alternatively organisations can just, 'milk' what-ever cash comes from these products until they are no longer profitable or considered market leaders. In the fertiliser industry, a standard blend created for farmers with a high turnover and good profit margin that cannot easily be manufactured by other blenders can be classified as a cash cow (Professional Academy, 2017).

Dogs are those products with both low market share and low growth rate and normally cost more money than they generate, companies are urged to get rid of these products. Even though these products should be liquidated, sometimes they have a value other than nominal value, for example when they are part of a specific product package required by the customer.

Finally, *question marks*, also known as problem children, have the potential to turn into stars because of the rapid growth rate. Because these products put a strain on an organisations' cash position, management should decide which of these products to keep on because of potential gains and which to divest (Martin, 2017).

- The question marks in the fertiliser blending industry are products such as straight fertilisers like Urea, MAP and CAN. These products are sold at very high volumes but generate little cash as margins are very low. Most of these products cannot be divested as the customer in this segment expects these products as part of a package. However, should one of these products decrease significantly in sales volume, that product should be divested immediately.

- One of the Question marks, however, can be turned into a star, namely: MAP. In South Africa, we have a manufacturer of the MAP, which means that this product does not have to be imported. If Westfert can negotiate a good purchasing agreement with this supplier, higher margins can be made, and the MAP will turn into a Star and later on, may even become a cash cow. Stars of this industry are the blended products that are made for the farmers because it uses cheap raw materials but an additional margin can be added to the sales price because it has been blended into a specific concentration. Products in this category are: 4:2:1, 6:2:1 and 3:2:3.
- As Westfert further invests in the blended products and refine their manufacturing practices and logistics process, these products may become cash cows. Some of these products that have been on the market for many years such as 4:2:1, are already cash cows as they continue to hold a high market share.
- In the fertiliser blending industry and specifically, Westfert, there is little space for many specialised products, such as Magnesium Oxide and Magnesium Sulphate. These products have little market share and generate little cash – they can be liquidated.

In conclusion the product range Westfert that holds is divided into three major categories, namely: the straight fertilisers sold to customers such as Urea and MAP, the blended products made to specification such as 4:2:1 and 6:2:1 and finally the more specialised products that sell from time to time such as: Magnesium.

Some of the straight fertiliser must be concentrated on to increase margins on them and turn them into stars; others cannot really be divested as they form part of the overall product offering. Those fertilisers that generate good profits such as the 4:2:1 and 6:2:1, can be evolved to generate more cash at lower cost and finally, the speciality products should be liquidated.

2.5. SUMMARY

In this chapter, the theory behind the internal and external environment of companies in the fertiliser blending industry was analysed. The theory was applied to Westfert Fertilisers (Pty) Ltd as this company is representative of the average fertiliser blending company in South Africa.

The analysis applied in this chapter consists of some management and analysis tools such as a SWOT analysis, Porter's five forces analysis, PESTEL analysis, Competitor analysis, CPM analysis, Customer profiling using a survey, USP analysis, Osterwalder Business Model Canvas and finally a BCG Growth-Share Matrix.

A questionnaire was sent out to a representative group of customers, and 100 responses were received. The idea of the questionnaire was to create a customer profile to determine the type of customer these types of organisations deal with.

In the next Chapter, the internal and external factors identified in Chapter 2 are combined with marketing strategy theory to develop a 7-step Marketing Strategy Process that can be applied to Businesses in the Fertiliser Blending Industry in South Africa.

CHAPTER 3: MARKETING STRATEGY

3.1 INTRODUCTION

In this chapter the theory behind a marketing strategy is evaluated, this evaluation also includes the process and steps followed to develop such a strategy. The tools used in chapter 2 to determine competitive advantage is combined with the theory behind marketing strategy to develop a new process for the fertiliser blending industry in South Africa.

As mentioned in chapter 1, Westfert Fertilisers (Pty) Ltd was used as a case study because this company can be described as a successful fertiliser blending company that participates actively in this industry.

Three strategies will be evaluated and discussed from theory, after which, inputs from these strategies as well as inputs from the company's external and internal environment evaluation in chapter 2 will be combined to form a Marketing Strategy tailor-made for the industry where companies such as Westfert Fertilisers (Pty) Ltd finds themselves in. The three strategies at the core of this section involve Strategic Management, Competitive Advantage and Marketing plans.

3.2 MARKETING STRATEGY DEVELOPMENT

In this section, the various steps and processes for creating an effective strategy and the theory behind it were analysed. There are three major processes that were outlined in this section and were brought together in section 3.3.

The three strategic processes that will be evaluated are a 5-Step Strategic Management Process by Amy Handlin, Marketing plans for Competitive Advantage by Brian Hill and a 5 Step Marketing Plan for Business Success by Vertical Response (2015).

3.2.1 5-Step Strategic Management Process by Handlin

In an article written by Amy Handlin, it is suggested to follow the below 5-Step processes to develop an effective marketing strategy (Handlin, 2017).

- **Step 1:** Situation analysis, this step is normally synonym with a SWOT analysis as shown in this chapter. Here the organisation is evaluated internally as well as externally regarding strengths and weaknesses and opportunities and threats,

respectively. For this study, the internal and external analysis will not be limited to the SWOT but rather conducted by all the tools mentioned above for this purpose.

- **Step 2:** Describe the target audience. In the second step the focus is shifted to the target audience and the specific target market in their respective geographical areas and with their different preferences were identified.
- **Step 3:** List marketing goals, in this case, create tangible and measurable marketing goals for WestFert to make sure they grow and develop as planned. A typical goal in this section, for example, will be: to have 30 branded vehicles in 15 different towns in SA within 18 months.
- **Step 4:** Develop the marketing strategy, in the actual development of the strategy, product, place, price and promotion were evaluated and formulated the basis for this step.
- **Step 5:** Evaluate the strategy, after implementation, the strategy should constantly be re-evaluated to ensure the organisation stays innovative in the market and retains its market share. This action will allow the organisation to react and change the strategy by the changing external environment.

3.2.2 Marketing Plans for a Competitive Advantage by Brian Hill:

This theory by Hill (2016) can be classified as actions to undertake for creating a competitive advantage rather than steps to do so and focus more on the implementation of a strategy rather than the development of one.

- Firstly, the organisation should align products with customer needs, which means that the Boston Consulting Matrix which was used to evaluate product portfolio will come in very handy when aligning the products with customer needs. The customer profile was identified in this study using a questionnaire. Here the objective was to identify target markets that will most benefit from the product offering, much like the Osterwalder Business Model Canvas.
- Next, the organisation should attack new markets and try to capitalise on first-mover advantages. This can be done by performing a competitor analysis and using that to target those markets the competitor has not yet discovered. The PESTEL analysis of the external environment will identify possible shifts that may create opportunities for the organisation.

- Thirdly, the organisation should express the advantages of their offering, much like the development of a Unique Selling Proposition, that narrows down the uniqueness of the organisation into one, easy to understand, a sentence that can be used to clearly communicate the organisation's competitive advantage to the target market.
- In the fourth place, the organisation should expand distribution channels. The idea of this step is to increase the geographical footprint of the organisation and to reach more potential customers. Key partners as identified in the Osterwalder Business Model Canvas will play a big role here.
- Finally, the organisation should emphasise customer service. A study by McKinsey & Company showed that customer service is very important to the South African consumer and that South African consumers are very loyal, which also means that once they move away from a product of the organisation, they might not come back.

By keeping customers happy and building relationships, the organisation generates repeat business and increase marketing by word of mouth (Hill, 2017).

3.2.3 5-Step Marketing Plan for Business Success by Vertical Response

Vertical Response is an online direct-marketing platform that allows its users to create marketing strategies and generate ideas through exercises. The following steps have been identified to focus on the success of the organisation (Vertical Response, 2015).

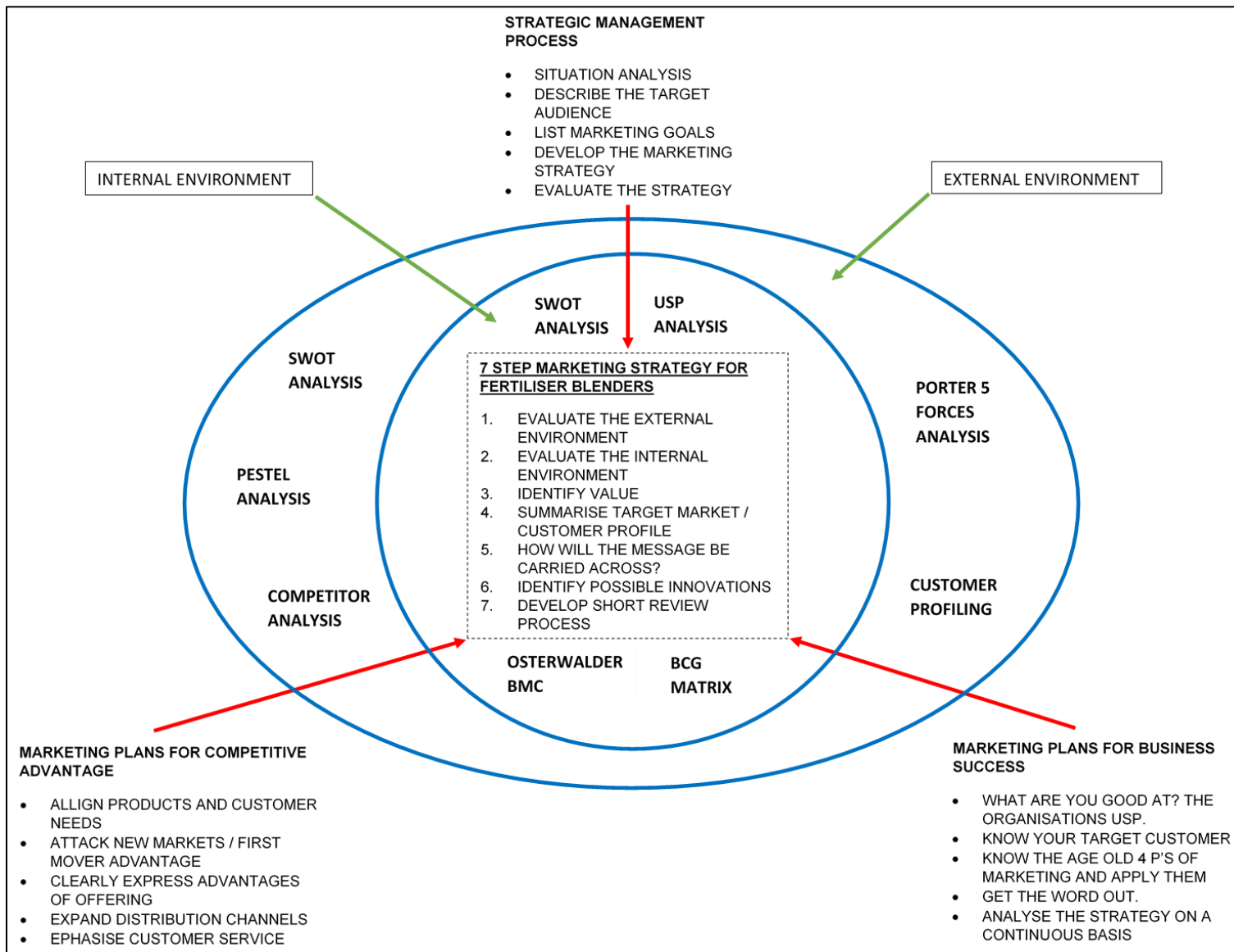
- **Step 1: What are you good at?** This step centres on the organisation's Unique Selling Proposition or the value being added by the organisation. Once again some emphasis is made with regards to the SWOT analysis on the organisation. This step also notes that a good way to evaluate customer needs is using a survey, as conducted in this study.
- **Step 2: Know your target customer.** In this step, it is important to identify and evaluate the target audience that the organisation will deal with. The customer survey in this study revealed a large amount of information on the target market especially when evaluated on the Osterwalder Business Model Canvas.
- **Step 3: Know your marketing mix.** The age-old 4 P's of the marketing mix are Product, Price, Place and Promotion addressed here. In this study, the BGC Matrix

is used to evaluate the product portfolio of the organisation. Price will be evaluated per product with the results of the customer survey, the channels (place) are evaluated in the Osterwalder Business Model Canvas. Promotion, also known as, the communication and advertising strategy will be taken into account during the next section of the chapter.

- **Step 4: Get the Word Out:** in this step, the organisation must focus on communicating (promotion) the product offering and value to its customer segment. There are some channels to be evaluated in this step and can range from expensive methods to cheap methods. These channels are websites, email, flyers and posters, blogging, social media, promotional videos, search engine advertising and affiliate programs. In this step, the organisation can also focus on getting back possible customers that have left.
- **Step 5: Analyse continually.** The process must end with analysing the marketing strategy and adjusting it to fit in with external environment changes.

Figure 3.1 below is a graphical depiction that combines the three marketing strategy processes discussed in this chapter and shows the internal and external environment analysis tools that have to be used to develop an effective marketing strategy in the fertiliser blending industry in South Africa.

Figure 3.1: Graphical illustration of marketing strategy for fertiliser companies in South Africa



Source: Own Compilation

3.3 COMBINING COMPETITIVE ADVANTAGE, STRATEGIC MANAGEMENT AND MARKETING STRATEGY TOGETHER

As shown in figure 3.1, there are a number of theoretical approaches that have been evaluated throughout this study and will come together in this section.

Firstly, the internal and external environments where companies, specifically, Westfert and similar companies operate in was evaluated. In the second place, a combination of three disciplines was evaluated and combined to form the core of a marketing process. These disciplines include:

- Strategic Business Management;
- Competitive advantage and sustainable competitive advantage; and
- Marketing Management.

The final product is a 7-Step process, aimed at formulating and successfully implementing a marketing strategy that is different from the conventional or generic strategies in the sense that it is focused on the fertiliser blending industry within South Africa.

The steps and application of this process are as follows:

Step1: Evaluate the external environment the organisation operates in and identify the most important factors that may influence in the market position

In this step the management tools relevant to the external environment of the organisation are used to determine a list of external factors that influence the company and have to be taken into account when decisions are made.

In the fertiliser industry in South Africa, the following observations:

- The target market consists of farmers.
- The industry has a high degree of rivalry due to the large number of competitors and the nature of the product (not very specialised).
- There are some competitors that were identified by the CPM matrix that shows dominance regarding the key success factors. The clear market leader in South Africa is Omnia, with Westfert being a close second. As soon as a fertiliser blending company sells more than 50 000MT per year, they are competing in the top 20 market participants. The PESTEL and SWOT analysis identified that the political environment has a big influence on the possible future target market and

an opportunity can be to collaborate with government regarding supply agreements for upcoming farmers.

- A further challenge is an international economy that influences the prices of the imported product. Together with the volatile currency, this can negatively influence purchase prices for companies in this sector – one solution may be to try and secure a fixed process with suppliers even if that means buying at higher prices.

Step 2: Evaluate the internal environment of the organisation and identify focus areas

In this step, the management tools relevant to the internal environment of the organisation is used to determine a list of internal factors that influence the company and has to be taken into account when decisions are made. Internal factors are under the control of the organisation and therefore must be addressed as a matter of urgency.

Internal factors identified in fertiliser blending companies are as follows:

- The Unique Selling Proposition of these organisations will differ slightly depending on its own resources and capabilities; it would seem that a good USP to have is a product that is delivered on time to customers, is reasonably priced and of good quality. As for Westfert specifically, they pride themselves on buying at the right time in the market to be able to provide a well-priced product. Furthermore, their USP reads: adding life, adding value; by this, the organisation provides tailor-made blends that are not priced as specialities but deliver superior results in yield.
- Key resources for this industry are a well-managed blending plant that can produce up to the required capacity as well as forward integration into transport to deliver product at a reduced cost.
- Key partners may be suppliers who can provide a buffer to the international price fluctuations or financing facilities that provide solutions to counter or minimise the effect of a volatile local currency.
- The revenue in this business mainly comes from sales to the target market, therefore looking after the customers and building relationships is critical.
- Straight fertiliser products such as MAP and UREA (commodities) are seen as question marks, but with innovative ideas, some of these products can be turned into stars.

- The custom blended products such as 4:2:1 and 6:2:1 are considered stars and with optimisation in manufacturing/blending can become cash cows.

Step 3: Identify the value the organisation adds to the industry.

The value that the average fertiliser blending company should strive to add is to minimise the input cost of the farmer without compromising on quality but rather focusing on efficiency. Optimisation will add value to the customer because if the input cost per hectare reduces because of the fertiliser company, the farmer will get higher returns per hectare.

Step 4: Summarize the target market and customer profile the organisation deals with on a daily basis (“What makes them tick?”) What are important to them? How to satisfy the customer?

The customer profiling exercise revealed that consumers in this market are all men between the ages of 30-60. This information could be of much value if the organisation invests in a deeper personality study of this market segment. A comprehensive study of this customer type may reveal possible consumer behaviour trends that can be used in a marketing campaign.

Furthermore, this customer profile values service delivery and personal relationships. Therefore, companies competing in this market should have sufficient staff on the farms to cater to the needs of these customers. Because the product offering is relatively homogeneous, the service delivery and personal relationships between customers and representatives are critical.

Step 5: Specify how the message should be communicated to add value to the business/farming activity.

It is important to communicate what the company believe that it can offer the customer. The traditional 4P's of marketing plays its role in this step. By promoting products in the right way to the customer and knowing the profile of the customer, the marketing manager can capture the customers' attention.

By promoting the company's fertiliser product on flyers and posters will not capture the attention of the customer. The farmer will be interested in results of the products together with the prices thereof.

Sales representatives must focus on marketing by word of mouth as this will convey their relationship with their customers. From the organisation's point of view, a good strategy may be to challenge the customer segment to plant with their fertiliser and wager on the net income per metric tonnes of the crop. This will demonstrate to the customer that the organisation is serious about its offering and future sales may be stimulated.

Step 6: Identify new innovations specific to the fertiliser industry to use as leverage to capture more market share.

From the external analysis, it was clear that technology in this sector may be a bit behind. Technology can be used to give the customer a better experience when doing business with the company. Commodities are normally focused on price, imagine if the organisation can give a customer a good quality product at an affordable price combined with good customer experience.

One suggestion would be to create a cell phone application where the customer can see how his fertiliser is being made, when it is loaded, when it will be delivered, the price paid, details about previous orders and value-added functions such as exchange rates or crop prices.

Step 7: Implement a workable and short process that allows the marketing strategy to be reviewed on a continuous basis.

One of the major aspects to consider is the changing environment, and once a marketing strategy is implemented, it must be evaluated to remain relevant. A short process can be followed to keep the marketing strategy up to date:

- Keep open communication with customers
- Allow for the organisation to be discussed on public platforms such as farmer meetings and farmer days.
- Communicate that management is always open to suggestions and give a yearly prize to the customer with the best suggestion about the business.

- Value the input of the personnel working with customers, everyone from the secretary to the sales representatives
- As part of the possible development of a cell phone application, allow for comments and suggestions on an electronic platform.
- Have monthly meetings about the marketing strategy and discuss possible changes to be implemented.

3.4 CHAPTER SUMMARY

In this chapter, processes from three major academic concepts, namely: Strategic Business Management, Competitive and Sustainable Competitive Advantage and finally, Marketing Strategy and Plans were evaluated and combined with internal and external organisational analysis to come to a 7-step Marketing Strategy process that can be used to develop a marketing strategy for a fertiliser blending company in South Africa.

The idea of this strategy is to optimize the organisation regarding profitability and sustainable marketing.

Steps 1 to 7 have been explained and applied to the industry in this chapter.

In the final chapter, the conclusion of this document will be stated, and recommendations will be made to the company looking to implement this strategy in their business. Further research opportunities will also be identified.

CHAPTER 4: CONCLUSIONS AND RECOMMENDATIONS

4.1 INTRODUCTION

In chapter 3, the theory behind three academic principles is evaluated, namely: Strategic Business Management, Competitive advantage and Marketing Strategy. Based on the theory behind these academic principles, a new 7-step Marketing strategy was developed.

Chapter 4 is the last chapter in this study and conclusions are drawn from the study and application, and recommendations are made based on the conclusions.

The final section of this chapter will identify some limitations experienced during the study and also list possible areas for future research.

4.2 CONCLUSIONS AND RECOMMENDATIONS

Conclusion 1:

The agriculture sector in South Africa is very important sector as it contributes roughly 2.2% to the GDP of the country. Furthermore the agriculture industry is responsible for the supply of food to citizens and animals. For the successful cultivation of crops and feed, fertiliser application is needed, making the supply of fertiliser to farmers one of the most important inputs in the industry.

With the prolonged farming activity, soil nutrients get depleted and need to be replaced for the optimal growth of plants.

Recommendation 1:

Fertiliser blending businesses are recommended to constantly capture market segments and increase market share, as agriculture plays such an important role in the success of the country it is unlikely for a good fertiliser company to ever sit without a market.

Conclusion 2:

Over many years, the requirement of fertiliser to produce crops has evolved into an industry with an annual volume of 2 million metric tonnes in South Africa. Although South Africa is home to a few raw material producers, the majority of fertiliser raw materials are

imported and distributed to companies that blend these raw materials in special concentrations of Nitrogen, Phosphate and Potassium to meet the needs of each farmer.

Because most raw materials are imported, fertiliser companies in South Africa are subjected to international market trends outside of their control combined with the volatile movements of the local currency, concluding that the fertiliser business is relatively risky.

Recommendation 2:

Fertiliser companies should attempt to protect themselves against the international market movements by entering into mutually beneficial supplier agreements that can act as a buffer between international markets and local market prices.

Furthermore, companies in this sector can implement financial mechanisms such as collars and caps against the volatile movement of the ZAR.

Conclusion 3:

South Africa is different to the rest of Africa in the sense that the application of fertiliser is much more complex because soil analysis is possible in the country. Furthermore, because of the high production capacity of crops in South Africa, farmers are forced to optimise their farming practices over the years to cut costs and produce optimal yields for their businesses to be sustainable.

Recommendation 3:

Fertiliser blending companies may look for opportunities outside the borders of South Africa for expanding market share and increase profitability. Because the industry in other African countries is less sophisticated and higher risk, profit margins can be higher.

Conclusion 4:

The nature of the industry created an opportunity for businesses to fill a gap in the supply chain and fertiliser blending companies started. Today there are more than 100 fertiliser blending companies in South Africa producing, blending and supplying over 2 million metric tonnes of fertiliser per annum.

The fertiliser market in South Africa has stabilized at 2 million MT per annum, and there is not much growth in volumes to speak of. Because of this, fertiliser blending companies

experience fierce competition and industry rivalry because of the saturated market conditions.

Recommendation 4:

Fertiliser companies are encouraged to use technology to innovate and to focus on customer experience. Because the product offering is more or less the same throughout the market, other ways of standing out should be a top priority.

Conclusion 5:

In this study, the literature was applied to the goal of the marketing strategy and not applied to a generic marketing strategy, concluding that for the literature to be applicable, it must be applied to the specific industry of the business in question.

Recommendation 5:

In the conventional literature on marketing strategy, there is no 'one size fits all' strategy and the theory must be used in conjunction with the goals of the company and unique contributing factor in that specific industry.

Conclusion 6:

As mentioned, there are some management tools that have been utilised in this document in Chapter 2. These tools proved to be highly effective and contributed greatly to the study and the application of the theory.

Recommendation 6:

Management tools can be used and applied in practice, and it will prove to effective, fertiliser companies must, however, be sure to fully understand these management tools before attempting to apply it to the industry.

Conclusion 7:

After the new Marketing Strategy Model was applied to the fertiliser blending industry, it is concluded that this 7-step Marketing Strategy is successful and can be recommended to be used by other businesses in this industry.

Recommendation 7:

As mentioned, there is no 'one size fits all' marketing strategy in conventional literature. This study concluded with a 7-step Marketing Strategy that can be applied to any upcoming or matured fertiliser blending company in the agricultural sector. From the positive results shown in this study when applying this new 7-step Strategy, this strategy can be recommended to be used by fertiliser blending companies in South Africa.

4.3 LIMITATIONS AND AREAS FOR FURTHER RESEARCH

It is common in any dissertation to come across limitations with regards to the research done in the study. The major limitations identified in this study are:

- Access to the actual market and respondents in the target market;
- Consumer behaviour specifically regarding farmers in South Africa; and
- Service levels through the perception of the end-user.

There is a possibility for future research on the consumer behaviour of farmers. In this study, the profile of the typical fertiliser consumer could be determined. However, since limited studies have been done on farmer-consumer behaviour, this could be an opportunity for further research.

Another limitation of this study is the fact that it is centred on certain crops and farming practices and results cannot necessarily be duplicated to the cultivation of other plants, such as citrus and vegetables.

Another area for further research, in this case, is the relevance and application of this 7-step Marketing strategy to other farming practices and products as well as the application of the strategy on all fertiliser blending companies in South Africa.

4.4 SUMMARY

This study is centred on the fertiliser industry in South Africa and specifically those companies that supply fertiliser products to the market (farmers) in the country. Although

a theoretical approach is followed, a company, named: Westfert Fertilisers (Pty) Ltd based in the Free State Province was identified to serve as a case study for this dissertation and practical application purposes.

The study comprises thorough evaluation and study of well-known and recognised management tools and processes.

In Chapter 1, the Agriculture industry in South Africa is evaluated with special reference to the fertiliser industry and more specifically the fertiliser blending companies within the country. This chapter mentions the technical contribution of fertiliser in soil and where fertiliser application fits into the picture, as well as how the core fertiliser products are manufactured at the source. It is important for the reader to understand the contribution of Nitrogen, Phosphate and Potassium in the fertiliser product offerings.

Furthermore, the market environment with regards to the competitors and customers is evaluated, and the chapter concludes with the technical aspects of this study, such as the research problem, research objectives, research methods and contribution of the study.

In Chapter 2, the internal and external environment of the fertiliser industry in South Africa is discussed and evaluated based on well-known and reliable management tools, which include: the SWOT analysis, Porter's 5-Forces of Industry Rivalry, PESTEL analysis, Competitor analysis, Customer profile by means of market research (survey), USP analysis, Alexander Osterwalder's Business Model Canvas and the Boston Consulting Matrix. Chapter 2 also comprises of the research results obtained from the survey to determine the profile of the customer in this market segment.

Chapter 3, discusses the theory behind three major academic subjects, namely: Strategic Business Management, Competitive Advantage and Sustainable Competitive Advantage and finally, Marketing Strategy / Plans. These three subjects are combined with the external and internal analysis on the industry to create a model for fertiliser blending companies in South Africa on which it can base its marketing strategy.

The result of this study is depicted in this chapter: a newly developed 7-step Marketing Strategy based on a combination of theory and practical application. This chapter also includes a graphical illustration of the model developed throughout this document and the actual application of the 7-step Strategy.

In the final chapter, Chapter 4, conclusions to the study are made as well as recommendations to those fertiliser blending companies in South Africa that want to apply this 7-step Marketing Strategy in their business.

The final chapter also identifies some areas for further research with regards to this topic.

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APPENDIX A: QUESTIONNAIRE

CUSTOMER PROFILE QUESTIONNAIRE:

DEMOGRAPHICS

Age of respondent

20-29	30-39	40-49	50-59	60-69	70+

Gender

MALE	FEMALE

Type of farming activity (MORE THAN ONE ACTIVITY MAY BE SELECTED)

CROP PRODUCTION	ANIMAL PRODUCTION	HUNTING AND WILDLIFE

Designation of respondent

FARM OWNER	FARM MANAGER	FARM WORKER

Physical size of farming activity

> 500 ha	501 ha - 1000 ha	1001 ha - 1500 ha	1501 ha - 2000 ha	< 2000 ha

Number of Workers on the farm

> 5	6 - 10	11 - 15	16 - 20	< 20

District / Area of operation

APPENDIX B: LETTER FROM LANGUAGE EDITOR



Dynamic Language &
Translation Specialists

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Tuesday, 31 October 2017

To whom it may concern,

Re: Letter of confirmation of language editing

The dissertation **A marketing strategy for upcoming fertiliser businesses** by **JH Steenekamp (26438798)** was language and technically edited. The referencing and sources were checked as per NWU referencing guidelines. Final corrections remain the responsibility of the author.

Antoinette Bisschoff

Officially approved language editor of the NWU since 1998
Member of SA Translators Institute (no. 100181)

Precision ... to the last letter