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# Citrus Orchard Foreman Occupational Learning

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## Work Scenario Guide

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### A7: Marketing

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|------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Qualification:</b>        | 110667 – Occupational Certificate: Orchard and Vineyard Foreman                                                                                                                                                          |
| <b>Work Scenario:</b>        | <b>A7: Marketing</b>                                                                                                                                                                                                     |
| <b>Learning Area:</b>        | A: Take part in the business management of the farming operation                                                                                                                                                         |
| <b>Scenario Description:</b> | To sell your fruit, you need to be able to attract customers, through good branding, advertising, and market research. You need to work with other managers to create and implement a marketing strategy for your fruit. |

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# Alignment Information

## Qualification

The content of this learner guide is aligned to the following occupational qualification:

|                                                    |                                                        |                                                |                                                  |                     |
|----------------------------------------------------|--------------------------------------------------------|------------------------------------------------|--------------------------------------------------|---------------------|
| SAQA QUAL ID                                       | Qualification Title                                    |                                                |                                                  |                     |
| 110667                                             | Occupational Certificate: Orchard and Vineyard Foreman |                                                |                                                  |                     |
| Originator                                         |                                                        |                                                |                                                  |                     |
| Development Quality Partner – AgriSETA             |                                                        |                                                |                                                  |                     |
| Primary Or Delegated Quality Assurance Functionary |                                                        |                                                | NQF Sub-Framework                                |                     |
| -                                                  |                                                        |                                                | OQSF - Occupational Qualifications Sub-Framework |                     |
| QUALIFICATION TYPE                                 |                                                        | FIELD                                          |                                                  | SUBFIELD            |
| Occupational Certificate                           |                                                        | Field 01 - Agriculture and Nature Conservation |                                                  | Primary Agriculture |
| Abet Band                                          | Minimum Credits                                        | Pre-2009 NQF Level                             | NQF Level                                        | Qual Class          |
| Undefined                                          | 147                                                    | Not Applicable                                 | NQF Level 04                                     | Regular-ELOAC       |

## Modules

The content of this learner guide is aligned to the following modules of the occupational qualification above.

| Module Code             | Module Title                                                                | Level | Credits |
|-------------------------|-----------------------------------------------------------------------------|-------|---------|
| Knowledge Modules       |                                                                             |       |         |
| 611202-001-00-KM-01     | Plant Structure and Physiology                                              | 4     | 5       |
| 611202-001-00-KM-02     | Vineyard or Orchard Establishment                                           | 3     | 2       |
| 611202-001-00-KM-03     | Vineyard or Orchard Manipulation Processes                                  | 3     | 8       |
| 611202-001-00-KM-04     | Harvesting                                                                  | 3     | 4       |
| 611202-001-00-KM-05     | Basic Principles of Plant Nutrition                                         | 4     | 4       |
| 611202-001-00-KM-06     | Crop Protection                                                             | 3     | 3       |
| 611202-001-00-KM-07     | Assets in Horticultural Production                                          | 3     | 2       |
| 611202-001-00-KM-08     | Farm Business Management and Farming Process Management                     | 4     | 8       |
| 611202-001-00-KM-09     | Human Resource Management and Processes                                     | 4     | 8       |
| 611202-001-00-KM-10     | Overseeing Farming Resource Utilisation                                     | 4     | 8       |
| Practical Skill Modules |                                                                             |       |         |
| 611202-001-00-PM-01     | Organise, Allocate and Monitor Availability and Productive Use of Resources | 4     | 5       |
| 611202-001-00-PM-2a     | Set Team and Individual Performance Goals to Enhancing Team Performance     | 4     | 10      |
| 611202-001-00-PM-2b     | Control Vineyard or Orchard Practices                                       | 4     | 10      |

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|                                |                                                                      |   |    |
|--------------------------------|----------------------------------------------------------------------|---|----|
| 611202-001-00-PM-03            | Supply Accurate Daily Orchard or Vineyard and Production Information | 4 | 10 |
| <b>Work Experience Modules</b> |                                                                      |   |    |
| 611202-001-00-WM-01            | Vineyard or Orchard Resource Optimisation                            | 4 | 20 |
| 611202-001-00-WM-02            | Skilled and Motivated Work Team Output                               | 4 | 20 |
| 611202-001-00-WM-03            | Daily Orchard or Vineyard and Production Information Availability    | 4 | 20 |

## Learning Outcomes

The content of this learner guide is aligned to the following learning outcomes of the modules above.

| <b>Knowledge Topics</b> |                                                                                                                                                                     |
|-------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Outcome Code</b>     | <b>Module Title</b>                                                                                                                                                 |
| <b>KM-04-KT05</b>       | <b>Customer requirements and markets</b>                                                                                                                            |
| IAC0501                 | Customer requirements regarding eating quality, external appearance (colour), fruit size, seeded vs. seedless and easy peeling characteristics is discussed         |
| IAC0502                 | Examples of the fresh consumption market segments (export and local) is discussed and the implication on production practices is outlined                           |
| IAC0503                 | Examples of the fresh consumption market segments (export and local) are listed and the implication on production practices is discussed                            |
| IAC0504                 | Examples of the processing market segments (juicing, drying, canning, wine, other) are discussed and the implication on production practices is outlined            |
| IAC0505                 | The correct application of the prescribed handling protocol for the crop is ensured to meet Health, hygiene and safety in terms of the OHSA and market requirements |
| <b>KM-08-KT03</b>       | <b>Markets for horticultural produce</b>                                                                                                                            |
| IAC0301                 | Industry marketing channels are identified and explained                                                                                                            |
| IAC0302                 | Market segments (e.g. export, local, processing) are identified and the characteristics of each are evaluated                                                       |
| IAC0303                 | Specific markets (e.g. EU, Japan, USA, supermarkets, processing) are identified and compared in principle                                                           |
| IAC0304                 | The impact of market preferences on production processes and production decisions are analysed                                                                      |
| IAC0305                 | Market standards and requirements for food safety and quality are argued                                                                                            |
| IAC0306                 | The impact of customer requirements on production decisions is analysed                                                                                             |
| <b>Practical Skills</b> |                                                                                                                                                                     |
| <b>PM-01-PS06</b>       | <b>Determine the effect of the market requirements on production practices and planning</b>                                                                         |
| IAC0601                 | The marketing plan and production data is correctly analysed and interpreted and deviations are identified                                                          |
| IAC0602                 | The risk analyses is correctly performed                                                                                                                            |
| IAC0603                 | Customer requirements are correctly identified and the quality and quantity of the harvest are correctly determined to achieve the requirements                     |
| PA0601                  | Analyse and summarise the marketing plan                                                                                                                            |
| PA0602                  | Describe the packaging, promotions, logistics, distribution planned and the deviations                                                                              |
| PA0603                  | Describe the most important risk of this product in the marketplace                                                                                                 |

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|                   |                                                                                                                                                                                                                                                                                                                                                                    |
|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| PA0604            | Analyse the contract between the farm and the marketer or exporting company in terms of the implications for production quality and quantity                                                                                                                                                                                                                       |
| PA0605            | Describe the quality of the harvest in relation to the marketing plan                                                                                                                                                                                                                                                                                              |
| PA0606            | Enforce compliance with safety, ethical trade principles and environmental laws                                                                                                                                                                                                                                                                                    |
| <b>PM-2b-PS03</b> | <b>Conduct a practical exercise to plan for the marketing of the crop based on case study information</b>                                                                                                                                                                                                                                                          |
| IAC0301           | Product requirements and marketing channels are identified and evaluated                                                                                                                                                                                                                                                                                           |
| IAC0302           | Production practices are adjusted to comply with the market requirements                                                                                                                                                                                                                                                                                           |
| IAC0303           | A risk analysis is conducted for the specific crop of the production unit                                                                                                                                                                                                                                                                                          |
| PA0301            | Interpret and summarise the customer requirements                                                                                                                                                                                                                                                                                                                  |
| PA0302            | Interpret the practical implication of the product standards and requirements (quality and quantity) in terms of the implications for production practices                                                                                                                                                                                                         |
| PA0303            | Describe the most important risk of this product in the marketplace according to the protocol interpret and describe the packaging, logistics and distribution and possible deviations                                                                                                                                                                             |
| PA0304            | Assess results from previous year against requirements                                                                                                                                                                                                                                                                                                             |
| PA0305            | Recommend adjustments to production plans for current year to address identified shortcomings                                                                                                                                                                                                                                                                      |
| PA0306            | Develop a harvesting-packing-shipping process, setting out every action that is required from when the product is prepared for the market until the product arrives in its destination market (as per learners choice), indicating time-frames and standards that must be maintained to ensure product safety and quality (understand the reason for the protocol) |
| PA0307            | Draw a flow diagram of the production and marketing process applicable to the enterprise, indicating the timing of production and marketing actions as per the production cycle                                                                                                                                                                                    |

# Chapter 1

## Market Research

### learning outcomes

The content of this chapter is aimed at helping you to:

- Describe the various citrus markets.
- Understand the value of marketing research.

### 1. Citrus Markets

For a citrus farm to be a successful, it needs to sell as much of their fruit as possible, for the best price possible. To achieve this, farmers need to use marketing to find the right customers and to convince them to purchase their fruit. Marketing citrus involves understanding what the market wants, where the market is, and making sure that you are getting your fruit into those markets.

Before you can even begin to answer these questions, you need to understand the different types of markets that citrus can be sold on. These markets are usually divided into three broad channels, which can then be further divided into smaller markets. These three channels are export, domestic, and processing, each of which we discuss below.

### 2. Export

Citrus is exported from South Africa to more than 100 countries around the world. South Africa is the second largest exporter of citrus in the world, accounting for more than 11% of the world's export market, and exporting more than R30 billion worth of citrus in 2022. This is all despite us not even being in the top 10 largest citrus producers.

We export our citrus all over the world, to Europe, the Middle East, Asia, and we export a wide variety of citrus, from oranges to grapefruit to soft citrus to lemons and limes, and more. Although only around two thirds of citrus produced in South Africa is exported, it generates 90% of income for the industry. This should show you that export is by far the most profitable way to sell your fruit, and many farms could not be profitable without export.

These export markets are all a little different from each other, with different tariffs, supply conditions, product diversity, sanitary and phytosanitary requirements, and environmental and social considerations. These conditions will determine if the trading conditions in a market will suit you as a grower. Further, your ability to deal with these considerations also determines your level of access to the world markets.

Export fruit has the highest demands in terms of fruit quality, regulations, and admin involved, especially when it comes to international shipping and logistics. If you choose to export your fruit, it is recommended that you work with an export agent or other market professional who knows the various markets and the steps required to export your fruit.

### 3. Domestic

Citrus that does not achieve the high level of quality required of export fruit can be sold on the domestic markets, within South Africa. These markets include the fresh produce markets, the bakkie trade, other informal markets, government feeding schemes, and local supermarket programmes.

Marketing fresh citrus locally is less risky than exporting the fruit, as there are less regulations involved and the standards are more forgiving, but the returns are also considerably lower. Despite this, there are examples of successful local marketing initiatives, such as ClemenGold sold by Woolworths, and there is a belief that the local market can be developed further.

## 4. Processing

The final channel is that of processing. Citrus fruit is used to manufacture a variety of fruit juices, concentrates, and oils. These products are used in a variety of other industries and markets, from food and drink, to cosmetics, to medicine, to manufacturing. Most of the fruit that is sent to this market is sent by growers as a way to get rid of fruit that is unsuitable for selling as fresh fruit, but there are some growers that produce purely for the juice market.

As with domestic, producing fruit for processing is significantly less risky and capital-intensive, though the returns are again lower than both the export and domestic fresh fruit markets.

## 5. Marketing

Now that you understand what the various markets available to you are, you can begin to formulate a plan of how to market your citrus. Efficient marketing is essential to the success of a citrus farm. Even if you produce the best quality fruit in the entire world, if you sell it on the wrong market, for a price that is too low or too high, your farm will not be successful.

When considering how to best market your fruit, and especially when planning the establishment of a citrus orchard, it is critical to ask yourself what fruit the markets you are targeting will want, and which of those fruits can be realistically and sustainably produced on your farm. The best way to answer these questions, either when considering whether to embark on a new citrus project or establish new plantings on an existing farm is to carry out market research.

## 6. Market Research

### definition

#### Market Research

Market research is the process of gathering, analysing and interpreting information about a market, or about a product or service to be offered for sale in that market, and about the past, present and potential customers for the product or service.

Firstly, you should know that market research is a complex process, and one that most farmers or growers do not have the necessary skillset or knowledge to complete alone. We will however discuss the various stages of market research below, so that you have an idea of the process, even if it is one that will likely be handled by a hired marketing specialist.

Because it requires this specialist knowledge, market research is also expensive. Despite the high cost, it is an invaluable way of ensuring that your farm is successful, and should not be skipped simply because it is expensive. However, this does raise the question of how you balance the cost against the value it adds?

In the case of fresh citrus exports for a large enterprise, the budget for carrying out a full market analysis can run into hundreds of thousands of Rands. To get around this, growers often group together with exporters to jointly fund these analyses or decide to carry out only parts of the total process.

In most cases where an individual farmer is faced with planting decisions based on marketing prospects, they will consult colleagues, technical experts, exporting companies and market agents. In this way, they are able to build up enough general information to guide their decision without incurring the cost of hiring marketing professionals.

## 7. The Process of Market Research

Market research, as carried out by professionals involves a number of key steps to create a final marketing plan. A marketing plan attempts to understand and characterise the market, the customer and the environment in which the business is being conducted.

The first step of market research is to conduct a consumer analysis, which is where consumers are divided into segments or groups with similar needs and wants so that marketing efforts can be directly targeted at them. The second step is to carry out a marketing analysis, which takes a broader view of potential consumers to include market location, size and trends.

After that, an analysis is conducted of your position as a supplier relative to that of your competition. This will tell you how closely matched you are to the competition in terms of your ability to produce and sell the fruit the market wants.

Next, the distribution channels available for you to get your fruit to the market will be analysed, as this influences the price you can charge. After this, the marketing mix is developed, a concept we will discuss later in this module. Finally, the financial analysis of the marketing plan is compiled.

## 8. Managing Market Research

Market research has to be managed, meaning that each stage has to be carefully planned, with appropriate target dates and milestones put in place. Out-sourced services can be costly, and careful budgeting must be applied to every phase of the marketing plan. It must also be carefully decided which aspects to include and which to leave out.

Once market research has been completed and a marketing plan has been developed, you need to start implementing the recommendations of the plan. Implementation does not only refer to basing decisions for new plantings on the results of the market research, but also includes adjusting on-going production practices to meet the requirements of the market.

For example, from market research the grower may very well determine that the export market requires fruit of a specific size and external quality. The production practices on the farm and decisions taken regarding fruit manipulation will be adjusted to ensure that the majority of fruit produced complies with these requirements.

## summary

### Chapter 1 – Market Research

- The citrus market is divided into are export, domestic, and processing markets.
- The export market is the most profitable but the most difficult and risky to operate in.
- Market research is about establishing what the market wants and whether there is a market for the products that can be produced on the farm.
- Market research involves consumer analysis, market analysis, and assessment of competition, an assessment of distribution channels, the development of a marketing mix (product, place, price, promotion and people), and the development of a financial analysis.

- Market research is expensive and is normally conducted together with export agents or is conducted only in part.
- Managing market research requires careful planning, scheduling, budgeting and implementation.

## assessment activities

- ✓ **Activity P1:** Complete this activity to test your knowledge of citrus markets.

# Chapter 2

## The Marketing Mix

### learning outcomes

The content of this chapter is aimed at helping you to:

- Apply the marketing mix (product, promotion, place, price and people) to your enterprise.

### 1. The Marketing Mix

In the previous chapter, we briefly mentioned the development of a “marketing mix” during the market research process. The marketing mix is a component of the marketing plan, and can be viewed as the “controllable part” of the marketing plan. The marketing mix is composed of 5 principles, referred to as the “Five P’s”, since each of them begin with a P. These five principles that constitute the marketing mix are:

- Product
- Place
- Price
- Promotion
- People

Let’s discuss each of these in more detail.

### 2. Product

When considering product, you should ask: What is the product that my target market wants?

In order for a citrus product to succeed, it must offer clear and distinct value to the buyer. Supply and demand are the ultimate judge and jury of success. At first, you may think that there is little difference between citrus fruits, as, after all, an orange is an orange. But in fact, there are many ways to differentiate your citrus from others using knowledge of the market opportunities revealed by market research.

For example, there are many different cultivar selections in citrus. Even the humble orange comprises many different cultivars and cultivar selections, each with their own features and characteristics of size, maturity time, seediness, external colour, internal quality, general appearance, and shelf-life.

Markets differ in their preference for different citrus types and specifications, and these preferences change with time. For example, it has been noted that citrus is gaining market share in Africa. The major demand is for oranges with a long shelf-life, such as valencias, and for lemons. Over time, however, it is expected that the demand for dessert oranges (navels) and soft citrus will increase.

Differentiation can also be achieved by using such techniques as chemical-free production practices, distinctive packaging, and by establishing a recognisable brand for the product. Even further, a product or certain farm can build up a good quality reputation over time, with consumers coming to associate a particular brand-name with good quality and seek this in their purchases.

The way in which the product is presented is also critical. For example, where direct delivery to the retailer occurs, such as packing for Woolworths, the fruit and packaging specifications are prescribed in detail and have to be strictly adhered to.

To further illustrate product, let's discuss a few different options for markets. For example, if you are targeting the local processing industry, what is it that makes you an indispensable supplier to them? If it is the bakkie trader or roadside hawker who is important to you, why would they choose you rather than your neighbour up the road?

Is your customer the buyer at Pick 'n Pay or Woolworths, who in turn is trying to meet the needs of the customers in his fresh produce section? Or is it the buyer in Tesco's or Sainsbury's in the UK, who is insisting on traceability, on meeting the needs of their own unique accreditation code, and in receiving product that meets the most stringent standard the world has ever known?

Each of these markets has such radically different needs and requirements, and each requires a completely different mix of product and marketing tools to successfully penetrate and maintain it.

### 3. Place

When considering place, you should ask: Where does my target market want this product, and how am I going to get it there?

Place therefore has to do with the distribution channels for getting the product to the customer. It is important to analyse the distribution channel options, because the choice of channel influences the price you can charge, and consequently the profit you can make.

The commonly used channel intermediaries to the consumer are wholesalers, distributors, sales representatives, sales forces, and retailers. For export citrus, distribution channels are advanced, and the competitive environment enables the producer to select the appropriate inland transport provider and logistics service provider at the port terminals.

Often, decisions relating to transport and logistics are the result of negotiations with the company whom the grower has chosen to export and market his product. Joint decisions are taken for instance on whether product will be shipped in containers or in reefer vessels. Moving fresh citrus by air is expensive and seldom a financially viable option.

Road transport of citrus into Africa is exposed to pilferage and border delays that compromise fruit quality. This leaves sea freight as the most viable transport option into Africa. Shipping lines have increased their ports of call and improved transit times to African destinations. An important issue remains placing the maximum number of cartons per pallet (payload) in order to provide the importer with optimal economic benefit on freight costs.

Placing fruit in local market destinations involves a trade chain of transporters and local wholesale market agents. The choice of service providers and markets depends on the outcome of the market research.

### 4. Price

When considering price, you should ask: At what price can I sell my citrus product to the customer to ensure the optimum sales but also the best possible profit margin?

The price at which your fruit is sold is critical. This is because a high proportion of the costs involved in producing and packing fresh citrus for a particular market are fixed. Distribution costs vary depending on who does it and where the market is located. Therefore, your profit is highly dependent on what price you can earn on the market.

It has been said that the market price is the market price – take it or leave it. This is indeed the case in well-supplied markets where large volumes of product are moved at discount

prices. In this case the retailer is able to exercise pressure on the supplier. In other cases, where the supplier or grower has a product that is generally in short supply or is particularly desired by the market, he has more bargaining power and is in a position to influence the selling price more easily in his favour.

When fruit of a particular variety or specification is in abundance, it is more difficult for the grower to negotiate any form of advanced payment or minimum guaranteed price with the buyer or his export agent. Under such circumstances, the grower may be forced to send his fruit to the market and hope for the best. This is called selling on consignment.

Before deciding what price to ask, you should have in mind some kind of pricing strategy. For example, you might decide to work on a cost-plus basis, whereby you simply calculate your costs and add a desired profit margin. Otherwise, you may decide to try to penetrate a particular market by going in at a specifically low price.

## 5. Promotion

When considering promotion, you should ask: How can I promote my product so that my target market knows what a high-quality product I have available?

Promotion is, in essence, communication with the customer. In its simplest form, it means "message sent, message received, and message acted upon". If the product has been produced with the needs and desires of the customers in mind, the communication necessary for getting customers to buy it is through the message used to reach them.

Promotion includes all the advertising and selling efforts of the marketing plan. Goal setting is important in developing a promotional campaign. The ultimate goal is to influence buyer behaviour, and therefore the desired behaviour must be well-defined. Different products require different promotional efforts to achieve different objectives.

For example, if the intention is merely to make the market aware of your product, the promotional mission will be to inform the market about the product and to communicate a 'need' message. If the intention is to generate interest in the product, a compelling message is required with the idea of solving a need. If the intention is to generate loyalty, the message should reinforce the brand or image with special promotions.

Whether the idea is to pull buyers to a sales outlet or to push a retailer to stock and sell, there are six general categories of promotional effort, being:

- Advertising
- Personal selling
- Sales promotion
- Public relations
- Publicity
- Direct selling

There are many techniques for implementing promotional efforts. In the case of promoting the sale of fresh citrus, much depends on the specific market and market segment, and on whether the promotional campaign is generic to a fruit type and grower community, or highly specific and applicable only to fruit of a particular cultivar from a particular grower at a particular time.

Promotions may also take the form of general media messages, or so-called above-the-line promotions, or price discounts and in-store promotions, referred to as below-the-line. Promotions are communication tools. Which, how and when these tools are used depend on specific circumstances.

## 6. People

When considering people, you should ask: Who do I need and how do I need to manage my workforce to achieve the requirements of the market?

Neither efficient production nor any of the above components of the marketing mix can be achieved without a productive and motivated workforce. True motivation only comes from the job itself. What is important is the level of empowerment and responsibility delegated with the job, the challenge and recognition associated with the job, and the potential to grow and learn in the job. These are the things that make employees go the extra mile, and the way in which these elements are managed is the key to unlocking the real potential of your people.

## summary

### Chapter 2 – The Marketing Mix

- The marketing mix is the controllable part of a marketing plan, and refers to the five Ps of marketing, being product, place, price, promotion and people.
- Product: What is the product that my target market wants?
- Product is differentiated not only by the characteristics of the product itself, such as external and internal quality, shelf-life, seediness, size and maturity time, but also by factors such as production practices and packaging.
- Place: Where does my target market want this product, and how am I going to get it there?
- Price: At what price can I sell my citrus product to the customer to ensure the optimum sales but also the best possible profit margin?
- The price at which a product is sold is the most essential factor in profitability.
- Price is generally determined by the market, except where the specific product is in short supply and high demand.
- Promotion: How can I promote my product so that my target market knows what a wonderful product I have available?
- Promotion is in essence communication with the customer.
- There are six categories of promotional effort, being advertising, personal selling, sales promotion, public relations, publicity, and direct selling.
- People: Who do I need and how do I need to manage my workforce to achieve the requirements of the market?

## assessment activities

- ✓ **Activity P2:** Complete this activity to test your knowledge of the marketing mix.

# Chapter 3

## Marketing Budgets

### learning outcomes

The content of this chapter is aimed at helping you to:

- Describe the components and different types of marketing budgets.

### 1. Marketing Budgets

As you now know, effective marketing begins with identifying a marketing goal, performing market research, and developing a marketing plan. Once the decision has been taken on what needs to be done and how, you can now develop the marketing budget. This marketing budget tells you what it will cost to finance the marketing plan and how and when the money will be spent.

Using this information, you can judge the affordability of the plan and how its execution will impact on monthly cash-flow. Consequently, you can see whether the marketing plan can be carried out as designed, or whether it has to be modified or trimmed in some way. The marketing budget provides vital information for decision-making regarding the wisdom of committing these funds to marketing.

### 2. Components of the Marketing Budget

The marketing budget is a cost centre, meaning that it generates no income of its own and its costs are covered by the company as one of its overheads. It is common to talk about marketing costs as being either above-the-line or below-the-line.

Marketing costs are made up of personal selling, a range of conventional advertising media, and a range of non-media communication tools. The conventional media tools, which include renting space on television, in newspapers, on posters, and on radio, are referred to as above-the-line promotional techniques.

Other marketing communications techniques, such as sales promotions, in-store discounts, promotional sponsorship, and exhibitions do not involve buying space or airtime in conventional media. These techniques are referred to as below-the-line techniques.

In addition, costs related to marketing include:

- Market research
- Communication costs (printing, telephone, fax, internet, etc.)
- Travel costs (local and overseas travel, vehicle and flight costs)
- Personnel costs (staff-time dedicated to marketing)
- Any other smaller cost allocations if necessary

### 3. Short-, Medium- and Long-Term Budgets

Creating awareness of and loyalty to a brand or trade name takes time. Confidence in the product is normally built-up over a period of several years, and provision has to be made in the marketing campaign and budget for ongoing activities of various kinds.

When an investment has been made in establishing a product in the market, it is unwise not to continue bringing its attributes to the notice of potential buyers. The ongoing promotion of the Coca-Cola brand is a good example. It is necessary therefore to make provision in citrus market planning and thus budgeting for a portion of the activities and costs to be of a long-term nature.

Other costs and activities are of a medium- and short-term nature. Most often such plans and the resultant costs will be governed by the current state of the market and its perceived response to below-the-line promotional activities.

## 4. Budget Monitoring

Budgets are only as good as the management support they are given. It is no use having a budget unless there is comparison of actual expenditure against the budget. It is common practice for budget reviews to be conducted quarterly, particularly for those items with recurring and relatively small-scale costs, such as communication and travelling expenses.

The commissioning of activities that involve large-scale once-off costs, such as using out-sourced advertising contractors, usually requires special approval where it is confirmed that provision has in fact been made for that level of expenditure. Monitoring of budget is usually the responsibility of the marketing manager or, in a smaller operation, that of the owner of the business.

## summary

### Chapter 3 – Marketing Budgets

- Once the marketing plan has been developed, the marketing budget for promotional activities can be developed.
- The marketing budget indicates the impact that promotional activities will have on the monthly cash-flow, and whether the promotional plan can be implemented as it is or whether it needs to be changed because it is too expensive.
- The marketing budget is a cost centre, meaning that it does not generate income.
- Above-the-line marketing techniques refer to the use of conventional mass-media tools.
- Below-the-line marketing techniques refer to more direct, personal marketing, such as in-store promotions and sponsorships.
- Above-the-line and below-the-line marketing forms an integral part of the marketing budget, which also includes the cost of market research, communication, travel, and personnel.
- The marketing budget includes short-, medium- and long-term costs that allow for the on-going promotion of the product.
- Budgeted marketing expenditure must be compared to actual expenditure on an on-going basis.
- Changes in the preferences and buying patterns of consumers must be monitored on an on-going basis.

## assessment activities

- ✓ **Activity P3:** Complete this activity to test your knowledge of marketing budgets.
- ✓ **Activity F1:** Complete this activity to test your knowledge of the entire module.