

Mango marketing potential for profit

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The fresh sector of the Australian mango industry could work more closely with the processing sector to fill untapped demand from domestic and international markets.

Industry problems are often wrongly explained as oversupply caused by increased plantings. Consequential solutions have been to process the leftovers, export to decrease domestic supplies and discourage plantings of new mango trees.

But the problem could be redefined as untapped demand with potential profits left unrealised.

If a problem and its cause are incorrectly defined, incorrect solutions will probably be developed. The industry's concern about oversupply may very well become reality if attitudes don't change. Untapped demand for fresh and processed products on both the domestic and export markets have been identified but, unless the industry develops these markets and makes a commitment to them, they may be lost in the dynamic international environment.

To achieve this, suggest, a 4 C approach — a strategy of coordination, commitment, capacity and concentration on competitive advantage. I first delivered this concept to the 3rd international mango symposium in Darwin at the end of September.

Coordination

Coordination among growers, processors and other industry bodies will help by sharing information, research, promotion and problem solving.

The industry needs to see itself as an Australian mango industry with a fresh and a processing sector, not as a fresh mango industry with a separate mango processing industry.

Commitment

Increased commitment is needed from both growers and processors to each other and hence to the markets. One option is to set up grower cooperatives for processing.

Once the consumer market is developed, consumers quickly forget their product loyalty with continual new products and high competition in the food market. Rebuilding this product loyalty every time extra mango supplies are available is very expensive. Large retail chains charge a fee e.g. \$10 000, for shelf space. If supply is irregular, this fee has to be repaid each time the product becomes available. As a result, processors need committed supplies of mangoes.

Irregular supply gives the company and its product a bad reputation and eventually leads to the refusal by the distributors, e.g. supermarkets, to display the product. Processors need to make a commitment to their retailers and exporters.

Processing operations can not be set up on demand. They need research, capital investment, plant set ups, trial runs etc. And because processing plants need to plan ahead and commit capital, they need to be assured of throughput and returns.

All these points hold for the fresh export market as well, especially the importance of a reputation as a reliable supplier.

Capacity

The industry is so worried about having a potential oversupply it may actually miss out on markets by not having the capacity to satisfy them.

Export markets are good examples which often require large quantities. Mango processors have had overseas requests and orders for mango products

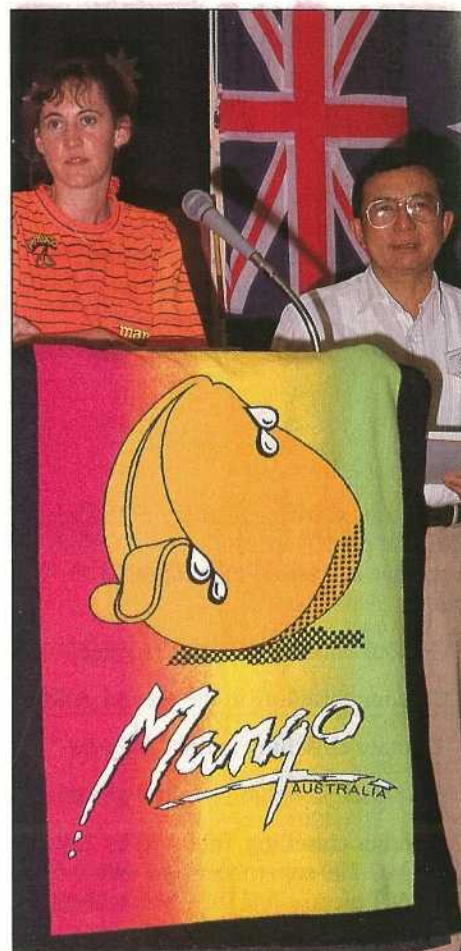


Plate 1. Joanna Kane speaking at the 3rd International mango symposium 'Australian outlook' session, with Laurence Ah Toy (chairperson).

which were greater than the overall quantity processed in Australia, without any major marketing being undertaken overseas.

These requests were turned down, due mainly to lack of capacity.

The industry needs to look more closely at the demand potential and match this with forecast supply for both domestic and export markets.

Competitive advantage

With the potential to still expand demand further, a price advantage is not yet necessary to sell more mangoes. A suggestion is promotion along the lines of a 'Tropical/unique/special/Queensland/Australian' image.

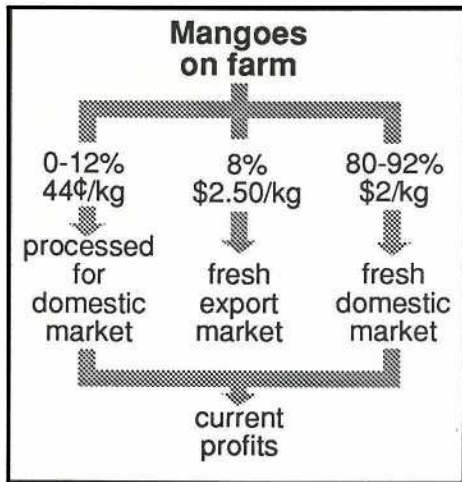


Figure 1. Current industry structure.

The Australian mango industry has defined itself as a 'fresh mango industry'. What has happened to mangoes over the decade as a result of this, is shown in figure 1.

Over this decade, 80-92 % of Australia's mango production has been supplied to the fresh domestic market. This market gives the best price for the least effort, currently averaging \$2/kilo.

About 8% is sent to fresh export markets mainly arranged by growers who have grown mangoes specifically for them.

Leftovers are either forgotten about or sent to processing. The quantities processed have varied over this decade, the maximum reaching up to 12% in one season. Returns from processed fruit are much lower, averaging 44c/kilo last season, but are offset some what by the reduced costs and quality necessary.

Overall, the industry is currently considered profitable.

Some solutions the industry has developed to overcome this perceived oversupply include:

- developing the mango processing industry for 'leftover' mangoes
- developing export markets for fresh mangoes, so that fewer mangoes are left on the domestic fresh market
- suggesting fresh mangoes be marketed as 'common everyday' fruit on the domestic market, to be able to sell as much as possible to the mass market

- discouraging the planting of new mango trees.

Coordinating the Industry

Redefining the industry as one mango industry identifies the need for coordination among growers, processors and industry bodies. This would affect the attitude towards solutions and actions undertaken in the industry.

Coordination could allow information sharing, research, promotion, etc.

It can be developed through formal or informal methods e.g. forming a processor and grower body, or marketing cooperative or board. There are numerous types of coordinating bodies that could be arranged and the industry must research into this area and decide on the optimal type of coordination.

Commitment to markets

As explained earlier, consumer markets and distribution networks cannot be used just for convenience. The markets currently lacking commitment from the mango industry include the domestic and export markets for processed mango products, and the export market for fresh mangoes. The principles of commitment to processed products also apply to the export market for fresh mangoes.

Commitment is not being made by growers to supply mangoes to the processing sector, so the processing sector cannot make a commitment of supply to the markets.

But the need for commitment is not just the responsibility of the growers. Just as much responsibility lies with the processors to make an effort to access committed supplies of mangoes. Most processors who considered the lack of

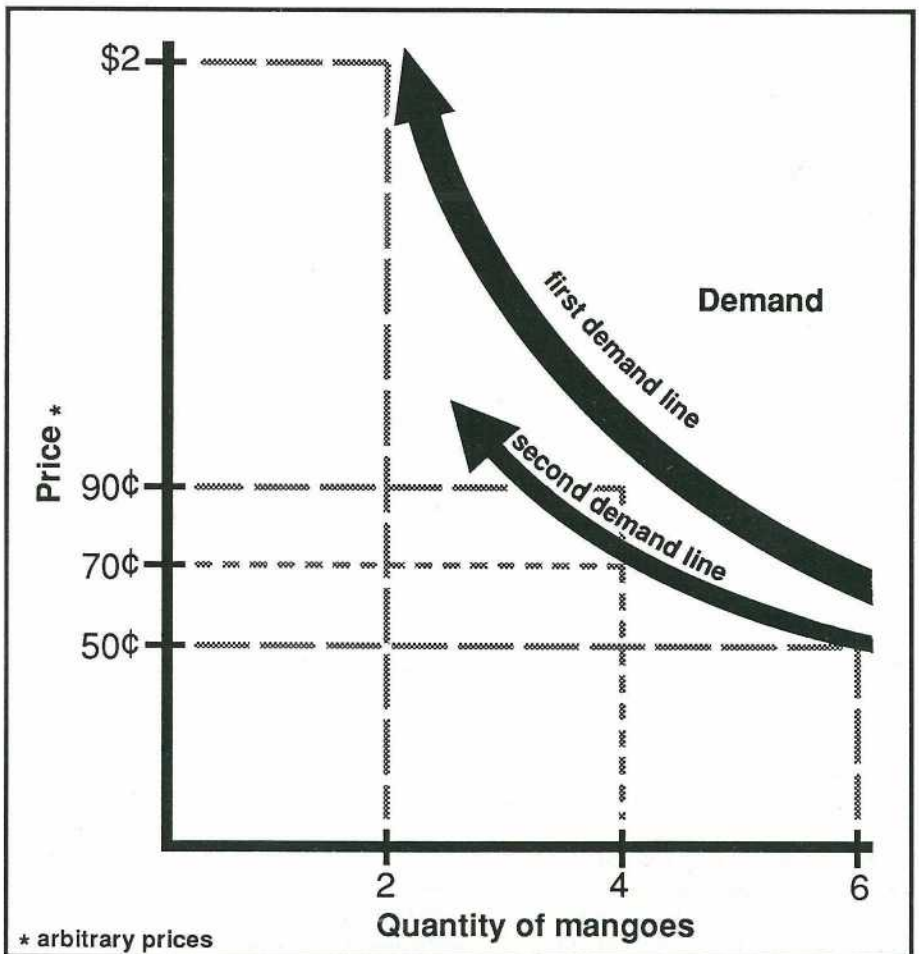


Figure 2. Demand for fresh mangoes on the domestic market.

commitment by growers as their major problem put little effort into sourcing mangoes were prepared to wait until the growers had flooded the domestic fresh market and were desperate to sell to processors.

Industry future

Supplies of mangoes are increasing and fresh mangoes sold domestically are still the major market. In the current situation, these increases in supplies are expected to lower prices, force more mangoes into fresh exports and more leftover mangoes into processing, decreasing dollar returns overall.

This situation could produce even lower profits than the industry expects, and maybe even financial losses.

Developing a market for the processed product will take time and money. A developed market can not be expected to be ready and waiting for the first season of extra supplies of mangoes. Processors need to be able to make a commitment to consumers to be able to develop the market. Just sending 'leftovers' to processing is not good enough.

By trying to sell as much as possible on the fresh domestic market, poor quality mangoes find their way on to this market. Low quality fruit is particularly damaging to a market when the fruit is 'new' to the consumers. If you eat an apple that tastes awful you won't stop buying apples for a year or two because you know apples don't normally taste like that. But if a consumer in Sydney or Melbourne buys a bad mango they may come to the conclusion that they don't like the taste of mangoes and never buy one again.

Numerous research reports have indicated the strong effect of quality on demand. Keith Chapman's research is one example. As a senior horticulturalist with QDPI, he looked at the new and tropical fruit lychee, and concluded that quality has 2 to 5 times the effect on price in an unglutted market, as quantity.

As a result, strict quality standards are necessary in the fresh sector. This problem has been recognised in some industry bodies by the adoption of grade standards, but not by enough growers.

Marketing mangoes as an 'everyday' and 'common' fruit to the mass market is likely to result in a price that is consistent with this image — a low price. But mangoes do not have a competitive advantage of low costs of production to support low pricing, e.g. the cost of production for mangoes is approximately twice that of bananas and over four times the cost of apples or pears.

As a result, the selling price could end up lower than the cost price, unless the industry develops a realistic competitive advantage.

Once fresh mango supplies have saturated the market and consumers have experienced low prices, any future decreases in supply will not result in the higher prices previously attained. To explain this using arbitrary numbers — when 2 mangoes were available, the consumer was willing to pay \$2/mango. When the supply increased to 4 mangoes the consumer was only willing to pay 90c/mango. When the supply eventually increased to 6 the consumer would only pay 50c for each of the 6 mangoes. Now if the industry then tried to process more and decrease the quantity of fresh mangoes back to 4, the consumer, having experienced the cheaper price, will now not pay 90c/mango but only, say, 70c/mango. Demand is lower when quantities decrease (figure 2).

So if the industry waits until the fresh market is flooded before processing and exporting more mangoes, and if they promote mangoes as a common everyday fruit, demand for mangoes could be permanently lowered.

So there are some major reasons why the solutions and direction of the industry may not be possible to achieve and may result in poor financial returns to growers and processors.

But should an industry so often talked about as having good consumer potential as the mango industry, have such a poor future outlook?

If 'oversupply' is seen instead as 'latent demand', the problems in the industry could be said to have resulted not from extra plantings but from the attitudes in the industry—the non-strategic attitudes.

Strategic thinking is the type of thinking that redefines the game, that is not limited by the obvious and the measurable. It is an imaginative approach towards a goal.

Developing a the solution for the redefined problem requires an attitude change within the industry.

The main areas that need to be developed accordingly are the 4 Cs.

The first step is to say "CC's" (Throw out pre-packaged perceptions).

Some strategic thinking solutions that could be implemented by growers, processors and industry bodies are:

- arranging orchards specifically for processing to lower the costs of production
- contracting orchard supplies directly from growers
- arranging the collection of mangoes from growers not bothering to pick
- setting up grower cooperatives for processing so that growers get a proportion of the returns of the end product and not just the raw material
- buy large quantities of fruit and sell it on the fresh market themselves, as well as process. This way a commitment to the processed market can be kept and the supply and quality of fruit on the fresh market controlled to ensure good prices.

Reaching capacity

The industry is so worried about having a potential oversupply it may actually miss out on markets by not having the capacity to satisfy them.

Export markets for both fresh and processed products are a good example. Australia's domestic market is very small in comparison to overseas markets, and exporting often requires quantities greater than the quantity produced by all the processors in Australia to fill just one order.

For example:

- one Japanese ice cream manufacturer enquired about buying over ten times

the quantity of mango slices produced in Australia

- one Canadian company ordered over 6 times the quantity of frozen mango slices that are produced in the whole of Australia
- a tenth of Australia's mango puree was requested by one European juice manufacturer, just for trial purposes
- one order from Japan for dried mango was for the total quantity of mango produced by Australia's biggest mango drying company.

These examples only begin to indicate the massive potential export markets.

The industry needs to look much more closely at the demand potential and

match this with the forecast supply to determine whether it will be able to supply fresh and processed mangoes to both domestic and overseas markets.

Concentrating on a competitive advantage

Any product being sold in a competitive market needs a 'competitive advantage'. The cost structure of the mango industry doesn't lend itself to a price advantage. Each product within the market may need a different competitive advantage to be developed. One example is fresh mangoes, and even many processed mango products on the domestic market, that could have a competitive advantage by being promoted for example as 'tropical/unique'.

The 'tropical/unique' image of anything mango is supported by the natural characteristics of the mango; perceived as such by the consumers; consistent with what is in vogue (and not expected to be just a 'fad') in the domestic market; consistent with receiving a high price; and with the potential to be further marketed.

Summary

The Australian mango industry needs a new direction — to change its attitudes, think strategically and redefine itself as single industry.

Coordination, commitment, capacity and concentration on a competitive advantage are recommended.

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