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PRIVATE SECTOR COMPETITIVENESS ENHANCEMENT PROGRAM

# SOURCES OF MARKET INFORMATION

**SURVEY RESULTS OF AZERBAIJANI SME-CLIENTS**

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## EXECUTIVE SUMMARY

In April and May 2010, PSCEP with help of the regional BDS providers conducted a study to identify the sources and uses of market information by local client entrepreneurs in Azerbaijan. In the assessment 51 entrepreneurs from 11 different—agricultural and non-agricultural business sectors in five regions: Ganja, Sheki-Zagatala, Guba-Khachmaz, Lankaran, Jalilabad were surveyed for their opinions.

The assessment shows that there is no consistent or accurate market information provided in Azerbaijan. Nor do entrepreneurs spend money or time for market researches that is essential for their business development. Instead, they prefer to get insufficient market information based on observations and inquiries of partners and other related parties. The basic results show that 98 percent of interviewed entrepreneurs are interested in market information, including a desire to receive market information regularly via electronic bulletins, magazines, or mobile phone messages made available by regional departments of ministries or sectoral associations responsible for the data.

### **Background:**

The Market Information study was conducted between April and May 2010. Fifty-one entrepreneurs (mostly BDS clients) from eleven business sectors: poultry, dairy, bee-farming, husbandry and processed meat, textile (silk and carpet production), aquaculture, furniture, beverage, fruits & vegetables, medical service were surveyed. Questions focused on how they obtain their market information—for both local and foreign markets for business that export, how often they obtain this information and at what cost, how accurate and useful this information is for their business, their satisfaction with the availability of market information for their business sector; and what suggestions they have for improvements in market information. The questionnaire went on to collect information on whether these businesses conducted their own market research or relied on external sources, how they assess the satisfaction of their client base, how they use this information to develop their business, and how they promote their products both locally and abroad if they export.

### **Sources and Uses of Market Information:**

Ninety-eight percent of respondents were interested in obtaining market information – specifically, over 50% of respondents were interested in prices of like products in local and foreign markets, approximately 25% were also interested in additional information such as statistics on production and sales, import and export figures, and information about new businesses in their sectors and regions. Approximately half of the entrepreneurs reported receiving the majority of their market information only verbally from partners, company representatives, relatives and acquaintances in other cities/countries where their products are sold. The other 50% indicated that in addition to verbal information that they collect data from the internet, magazines, catalogues, consulting firms, and local business development centers; and to a lesser extent from international trade fairs.

Unfortunately, 56% of respondents were not satisfied with the quality of the information collected, and noted that they did not have sufficient or accurate enough information to make informed business decisions. Only 24% were satisfied with the information received, which they used primarily to determine production volumes, sales prices, and in some cases product designs or land cultivation levels. The remaining 20% abstained from responding.

#### **Suggestions for Improvement:**

Entrepreneurs would like to see a centralized source of agricultural information – perhaps a department in the Ministry of Agriculture and/or Ministry of Economic Development that collects market information and distributes it to subscribed entrepreneurs and farmers. Preference would be for messages by mobile phone (such as in Europe), however, magazines, electronic newsletters, and newspapers dedicated specifically to sectoral market information were also recommended. Other suggestions included a business portal in Azerbaijan where entrepreneurs could market their products and find out about other sectors and products. In addition, it was also recommended that sector related associations (dairy, aquaculture, etc) should be formed and provide SMEs with market and business information, as well as other service. Trade fairs, sponsored by ministries or other official units are also seen as effective means to market and promote products.

#### **Company-based Market Research:**

Seventy-five percent of entrepreneurs surveyed indicated that they conduct their own market research for their business. This consists primarily of information gathered from company representatives and acquaintances. Information on the competition is gained primarily first hand from bazaars, supermarkets, TV and radio advertisements, other farmers and wholesalers, restaurants and wedding palaces, etc. – many reported that the small size of the Azerbaijani market makes it easy to learn about newcomers or competitors. For exporters this information comes from company representatives in the specific market.

In terms of gauging satisfaction levels of their own clients, the majority of respondents noted that they gather these opinions from the clients themselves in the bazaars, supermarkets when conducting taste tests or from informed salespeople, wholesalers, or retailers. Furniture producers and scarf manufacturers provide a sticker with contact information on their products – if the clients do not call, it is assumed they are satisfied with their purchase.

Responses as to how market information is used to influence business varied substantially by sector but the general observations included information influencing changes in packaging, changes in business strategies, locations for new branch offices, and decisions on new product development.

#### **The Mystery of Export Markets:**

Only 17 of the 51 entrepreneurs “admitted to” exporting their products –an additional 14 refused to answer the question. The general opinion is that there is “great demand” from Russia – but as to market niches or product specifications – other than clean vegetables

and/or nice packaging, few if any entrepreneurs could respond. Many felt that the Russian market valued the “quality” of their product or recognized their “name” therefore there was little need to study the market or find their niche. Where there was other demand it either came from a directly placed order with the company, or from company representatives abroad who would determine the quantity of product needed.

**Marketing Efforts:**

A quarter of all respondents indicated that they did no marketing/advertising for their products – that their label/name was enough to sell their merchandise. Half market their products verbally – primarily to wholesalers and dealers. Only twenty-five percent actually promote their products in the local markets – either through TV, pamphlets, websites, or advertisements. Therefore there is both a lack of market information, as well as information in the market on available products.

## DETAILED INFORMATION

### Source of Market Information available for local entrepreneurs:

- Survey was conducted during April- May 2010
- Local businesses/entrepreneurs from five regions were covered: Ganja, Sheki-Zagatala, Guba-Khachmaz, Lenkaran, Jalilabad
- Was conducted by the representatives of the regional BDSs: Young Agrarians NGO, Guba Marketing Center, Jalilabad Agrobusiness Center, Lenkaran Business Center and in Sheki by the Value Chain Specialist, Indira Asgerova
- Study questionnaire – Appendix A
- Sectors covered: poultry, dairy, bee-farming, husbandry and processed meat, textile (silk and carpet production), aquaculture, furniture, beverage, fruits & vegetables, medical service;
- Position of the respondents: SME owners, directors, managers and individual farmers;
- Years of activity in business: from 1.5 year up to 20 years;
- Total number of the interviewees: 51 people.

### Identification of the source of market information:

- To the question whether entrepreneurs are interested in market information only one respondent from poultry sector of Guba answered “no”. The other 50 respondents stated their interest in getting market information.
- 27% of total number of respondents indicated their interest in all kind of market information mentioned in the questionnaire: price of like product in local and foreign market, statistic information on production, import and export, information about buyers and new producers of like product in their regions;
- 50% of respondents are interested only in price of like product in local market, the other 23% showed their interest in different information taken separately;
- 22 respondents out of 51 stated that they get necessary market information only verbally through partners, company representatives, relatives and acquaints who are in other cities/countries where products are exported;
- 24 respondents stated that along with verbal information from own contacts they also get it from internet, magazines, catalogues, consulting firms, local business development centers;
- 2 respondents emphasized the usefulness and big outcome of international trade fairs;
- Names of the following information sources were mentioned by the entrepreneurs: “Business Consulting”, “American bee journal”, Russian magazine “Текстильная Промышленность”, Russian furniture catalogues the names of which were not mentioned;

- According to the results of the study most market information on new technology, equipment, related projects, new contacts and partners are identified from the internet.

**Cost of information varies:**

- For monthly internet use from 15 AZN to 30 AZN;
- 3-4 times a year participation at international trade, fairs cost about 2000 AZN;
- annual subscription to international magazines – up to 100 AZN;
- verbal information from friends, partners, acquaintances and company representatives doesn't cost for a company;
- information that businesses get from local consulting companies varies annually between 100-1500 AZN.

**How useful is market information for businesses or companies:**

- 10 % of the respondents stated that it doesn't help much;
- One person didn't give answer at all;
- The rest 90% of the respondents stated that market information helps them to plan volume of production, define in advance either cultivate more land, to change design and diversity of products, determine price and volume of sales.

**Satisfaction with the quality of market information entrepreneurs receive:**

- 56% of the respondents are NOT satisfied with the quality of information. They feel lack of information due to company representative incompetency in market research, or not enough information to analyze and derive valuable results;
- 24% of the respondents showed their satisfaction with the information they get;
- The other 20% abstained from answer.

**Entrepreneurs' suggestions for improvement of current source of information:**

- As in Europe, it would be good if agricultural info provision is centralized and sent to farmers via mobile phones;
- Develop a business portal of Azerbaijan where entrepreneurs can get any market related information, and be informed about other sectors as well;
- The best way of marketing and promotion is trade fairs, they have great effect on business, thus the suggestion is to improve and make it available for all business people through the ministries or other official units;
- There should be a department at Ministry of Agriculture and Economic Development that collects market information, and distributes it to subscribed farmer or entrepreneurs;
- Each sector related associations (dairy, aquaculture, etc.) should be formed and provide SMEs marketing and business information and other services;
- There needs to be not one but several magazines and electronic newsletters or newspapers dedicated specifically for market information;

- Producers need a source of information on price change, demanded sorts of product, gaps in the market and other general information that would help to plan production.

**To the question if they conduct market research for their own business, entrepreneurs' answers were the following:**

- 38 respondents – Yes
- 6 respondents – No, but would like to conduct once
- 6 respondents - No, don't need it for my business

35 entrepreneurs responded that they do market research with their own resources: through acquaintances, company representatives and other available channels. Three companies: “Un-Agro” (Guba), “Umman” and “Progress”(Lankaran) stated that they order to local consultancy and marketing research companies.

**Entrepreneurs get information about their competitors from the following sources:**

From partners, bazaars, supermarkets, TV and radio advertisements, other farmers and wholesalers, tourism agencies, restaurants and wedding palaces. Some respondents noted that Azerbaijani market is very small and it's not a problem to learn about newcomers into the market and about competitors. Those, who import get information about external competitors through their representatives.

**Entrepreneurs get information about client satisfaction from the following sources:**

- Most of the respondents noted that they learn about client opinions from clients themselves in bazaars, supermarkets when they conduct tasting campaigns. Some indicated about being informed by salespeople, middlemen, wholesalers/retailers;
- Furniture producer and silk scarves producers from Sheki noted that they stick labels on the product with contact information. If clients don't complain back it means that they are satisfied;
- Fish producer from Sheki noted that he doesn't need to learn about clients' satisfaction when his clients from oil companies, embassies and other international companies come and buy fish from door.

**To the question if market information helps entrepreneurs to develop new products and improve client service the study got the following results:**

- Only 3 respondents noted that it doesn't help at all;
- The answers of the rest of respondents were different but positive:
  - “It helps to make any changes in business strategy”;
  - “I learned that customers like fish in vacuum packaging, but currently I can't pack that way”;
  - “It helped me to start production of inputs that I previously bought for high price”;

- “Our new branches opened only after certain market studies that we conducted”.

### **If you are an exporter how do you learn about your external market niche?**

- 19 respondents do not export;
- 14 respondents refused to answer to the question;
- The rest of the respondents stated that:
  - “80% of the produced goods is imported and there’s no need to learn about market niche” – Suleyman adina F/E, Ganja;
  - “Have representatives in Russia/they report which supermarkets and what volume they need honey”- Ginyatogullari LLC, Sheki;
  - “We are known in foreign market with our quality and brand” – Kristal LLC, Lenkaran;
  - “Offering the market organic and ecologically clean products is my main strength” – early potato producers from the south;
  - “We’ve recently signed contracts with Ukrainian companies and a couple of others in CIS countries on cooperation, so right now don’t need to study our external niche” – Sheki preserves and processing plant;
  - “We know that Russian market demands a lot of fresh grape from Azerbaijan, so just adding nice packaging and design helps us to keep our niche” – grape exporter from Jalilabad;
  - “In Russia there is a bid demand for Azerbaijan natural silk product. I learned quite a lot about this niche” – silk scarf producer from Sheki;
  - “I don't know anything about my market niche in external market. My carpets are purchased here, from my stores and taken abroad” – Gadim Guba LLC, Guba.

### **What methods do you use to promote your products locally?**

- 13 respondents don’t advertise their products at all. They think that their labels and brand names are enough to be recognized;
- 25 respondents advertise their product verbally to wholesalers and dealers;
- The others promote their products through local TV, booklets and own websites;
- Vusal-N, furniture producer in Sheki has his own furniture catalogue that is distributed to customers in his stores;
- Suliddinoglu LLC (dairy and meat products) promotes his products in Russian market via company representatives in each supermarket who conduct tasting tests and give full information about products to visitors.

### **Conclusion**

- 98% of the interviewed entrepreneurs are interested in market information;
- Only 4 respondents out of 51 named specific magazines where they get market information along with internet and other sources;

- 100% of the respondents get market information through their own observations and verbally from company representatives, partners or acquaints and 56% out of the total number of interviewees are not satisfied with the quality and outcome of the information they receive;
- All of the respondents showed their desire to receive market information regularly via electronic bulletins, magazines, or to mobile phones through special regional departments of the related ministries or associations;
- 74% of the interviewees have ever conducted or still conduct market studies for their own businesses. Out of this number just 3 companies order market research to a professional company, the rest conduct it with their own human resources. According to these entrepreneurs market information helps 46% of them to improve their business;
- 13 respondents out of 51 promote their products and services via local TV, brochures and their own websites.

This study proved that there is no constant and accurate market information providing source in Azerbaijan. Entrepreneurs don't spend money and time for market researches that's essential for their business development. Instead, they prefer to get insufficient market info based on observations and inquiries of partners and other related parties.

## ATTACHMENT I: SURVEY QUESTIONNAIRE

### PRIVATE SECTOR COMPETITIVENESS ENHANCEMENT PROJECT ASSESSMENT

Source of Market Information gained by Entrepreneurs

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**Company Name:** \_\_\_\_\_  
**Sector or product** \_\_\_\_\_  
**Name of the respondent:** \_\_\_\_\_  
**Position title:** \_\_\_\_\_  
**Date:** \_\_\_\_\_

1. How long have you been in this business? \_\_\_\_\_
2. Are you interested in market information?  Yes  No  don't know what's this
3. What market information are you interested in? (the respondent can pick several answers)
  - prices of similar product in the local market;
  - prices of the similar product in foreign market;
  - statistical information (annual volume of produce, volume of import or export of the same produce, etc. );
  - information about buyers (who buys this product, who is interested in similar product in large volumes in internal and external markets, etc.);
  - information about new producers of the similar product in your region;
  - other information you are interested in

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4. Where do you get this information?  
\_\_\_\_\_  
\_\_\_\_\_

***If the respondent never gets market information or is not interested to get any, please go to the question 10***

5. In what format this information become available for you?
  - electronic bulletins/newsletters  magazine  newspapers  verbal information;
  - others \_\_\_\_\_

Please, specify the name of the source: \_\_\_\_\_  
\_\_\_\_\_

6. How much does this information cost you?  
\_\_\_\_\_



**ATTACHMENT II: SURVEY DATA**  
(see excel file)