



Metrics and success indicators of an international commodity
marketing office

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Abstract

This study defines the need and practicality of measuring and determining the metrics and success indicators for an international commodity marketing office for a bulk material resource mining corporation and more particularly for the recently established international marketing office of the specific corporate.

The methodology of the study offers the industry a comprehensive investigative process to prove the viability of various quantifiable and qualifiable metrics and success indicators as well as value proposition potentials for an international commodity marketing office were found.

The expected and high priority functions of the international marketing office were Customer relationship management and Competitive & Market intelligence. The measurement criteria are collated within 4 main groupings namely General, Products, Markets and Financial. The specificity of the monitoring points and the fact that they are derived from non-financial and non marketing bases proves that their determination and measurement is viable and will further increase the potential value added by a coal commodity marketing office.

Based on similarities between coal commodity market drivers and drawing this relation back through the generality of the bulk commodity marketing concepts and processes, the same benefits and or metrics may also be true for all commodities and their relevant marketing offices.

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I am compelled to express my complete and utter awe and misunderstanding of the grace of our creator and offer in return my thanks for the opportunity to complete this degree experience.

I also wish to offer to my family, especially my wife and children, the knowledge and comfort that the completion of this work and degree is not my single effort but that their input and accommodation of my time lost with them will be returned in some way.

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Declaration/statement of own work

I, Murray Justin Shaw (student number 7101 308 3), declare that the work presented is my own, except as noted in the acknowledgements, that all research materials utilized from various academic scholars/sources have been acknowledged and accurately reported in the document, and that it has not been previously submitted for the purpose of a degree at any institution before this.

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List of Terms

API#4 – The FOB index value for coal of a specific quality from RBCT
 FOB – Free on Board and the meaning and conditions ascribed in the INCO terms 2000
 RBCT – Richards Bay Coal Terminal, South Africa etc
 CAPEX – Capital Expenditure
 FOREX – Foreign Exchange
 EBITDA – Earnings before Interest, taxes, depreciation and Amortisation
 CRM – Customer Relationship Management etc
 RONA - Return on Net Assets
 ROC - Return on Capital
 ROE - Return on Equity
 IRR / MIRR – Internal Rate of Return / Modified Internal Rate of Return
 NPV - Net present Value

1 ORIENTATION

1.1 Introduction

This research will be investigating the viability and practicality of determining and measuring, both financial and non-financial, metrics and success indicators for an international commodity marketing office for a bulk material resource mining corporation. An attempt to determine the relevance of an international marketing office within a historically cyclic market will be investigated with specific consideration of the concepts of centralization and/or commoditisation (or visa versa).

1.2 Background to Study

In order to create a frame of reference as well as detail the setting of the study, the macro environment, the industry in general as well as the general market dynamics of the commodity in question will be described completely. Through this the frame of reference can be provided and description of the live supply network completed. Subsequent to this the importance, objectives, potential benefits and even consequences of the identified metrics and success indicators will be defined. The listing of the assumptions and methodology employed and finally the scope of the study will complete the background to this investigation and create the platform from which the investigation has proceeded.

A corporate, as a specific case example to be analysed, has recently established an international commodity marketing office. Their need to monitor, measure and determine the success and sustainability of their newly established office forms the basis of the business problem within this investigation.

1.2.1 International Economy

'Economy' is defined as the "the wealth and resources of a country or region, especially in terms of the production and consumption of goods and services" (Oxford dictionary definition, 2008). Furthermore, 'Economic growth' is defined as "the steady growth in the productive capacity of the economy (and so a growth of national income)" (Die.net definition, 2008). The support required within a country to develop, increase (grow) or maintain a productive economy is largely dependant on the countries infrastructure or access to infrastructure. The years, since 2000, of increasing economic growth, as well as the growth in particular of the Chinese economy, continue to lead the world demand for materials and goods. Based on the economic growth and increased living standards, the world's demand for raw materials and bulk commodities has greatly increased, to levels significantly above those previously predicted. Up until the recent financial crisis this increase in volume demand was exceeded by the change in product prices, which increased up to levels not previously experienced, predicted or even dreamt of. The use of the term volume demand, rather than (absolute) demand is derived from the fact that trade in bulk commodities is volume driven. Due to the bulk, mass and quality differences within a commodity the basic comparison and market (demand/supply) dynamics are described by the volumes within the generic types of commodities

1.2.2 Bulk commodities

Bulk Commodities may be defined as "a raw material or primary agricultural product that can be bought and sold, such as copper or coffee" (The Oxford Pocket Dictionary of Current English, accessed 18 October 2008). Experience of the last couple of years has indicated that basic agricultural products still operate within the inherent (seasonal) cyclicity of their market. However raw materials tend to operate outside of their historical cyclicity or drivers, such as seasonality or demand/supply. The new indications are that raw materials are driven more by sentiment than any historical drivers. This sentimentality of raw material markets is: -

- Effected and driven by financial derivatives, which operate outside of a demand/supply situation, on market prices; and

- Noted in the surge in physical demand. Where the demand supplements and fuels both the support for the increased in prices (of food, goods and commodities) as well as the 'substantially larger in 2008' derivative market (Brad, 2008). Following from the physical increased demand, the sudden decrease in market demand, with little to no change in the fundamental demand/supply situation, within many of the individual raw materials also indicates a sentiment driven methodology.

The increase in demand in commodities, as well as increased price level led to accelerated progress into financial commodity trading and or trading in financial derivatives. Financial, paper or derivative trading thrives in volatile markets as they are meant "to 'hedge' against adverse price fluctuations" (Economics Help, 2008), the increased non-physical trade 'activity', particularly when speculative ("derivatives"), can be mis-used by speculators. Rather than insuring against positions, derivatives can be used to gamble on a way one increase in stock markets" (Economics Help, 2008) generally increases the indices (or prices) of the commodity. However, a significant negative to financial trading or derivative ingress into commodity markets is that notwithstanding the physical demand/supply of the commodity market, the increased participation by entities other than producers, traders and users increases the role, influence, effect and impact of sentiment (as well as wider and more subtle market drivers) in an inherently demand/supply driven trade pattern. Thus the market becomes prone to exaggerated changes and becomes more and more unpredictable.

The world-wide financial crises and subsequent loss of confidence within many economics of the world (as well as pure cash need of the banks), of September and October 2008, has decimated the commodity prices in the very recent past (late weeks of October 2008). This collapse of the commodity prices occurred notwithstanding the fact that the basic demand/supply balance, for specific commodity products, did not alter at all.

Until this recent financial crisis many producers became 'cash flush' and large volumes of investment money were placed the commodity industry. This increase in cash availability placed the commodity industry in an odd situation of an

increasing number of projects but reducing supply to market. Many of the lately (last six months to one year) announced projects have been delayed or suspended due to the financial crisis but many other projects (announced during the last couple of years) were based on sustaining or replacing basic infrastructure or for longer term sustainability and country growth. Market moves, even as exaggerated as this crisis therefore do not cancel, reduce or obviate the need for new investment into commodities and infrastructure. Thus in general, the increased demand leads to the reduction in supply and supports the need for the increased number of projects. But the long lead time to the commissioning of producing units within many of these large scale projects exacerbates and exaggerates the reducing supply situation. The side-effects of the increasing number of projects can be seen in the relevant supply or support services required in new production projects. This indicates that it is not only the supply of project opportunities (or reserves) that are limiting the immediate growth of the industry, but also the skills and resources (people and equipment) that are required to operate in this industry.

1.2.3 Energy related commodities

One of the primary indicators or limitations of an economy is that of energy usage or production (World Energy Council, 2007). Currently energy is mainly derived from fossil fuels and thus energy related commodities tend to follow energy demand cycles.

The correlation is strengthened when the supply of the raw material is physically or perceived to be either limited or marginally enough to cover demand, such as in the case of coal and oil.

Urbanisation, together with infrastructural growth, increases the demand for three basic commodities, namely steel (metals), cement and energy (Shen et al, 2005). The exponential increase in energy demand has placed direct pressure on energy based commodities, such as oil, gas and coal, pushing these commodity cycles to shift to an alternate frequency and amplitude.

The world energy demand is plotted since 1971 in a graph below.

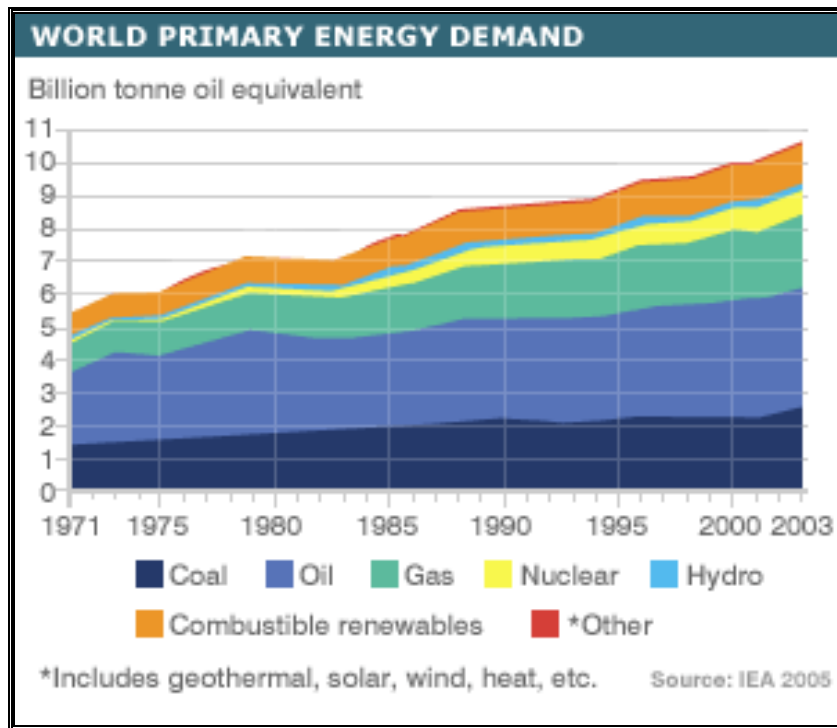


Figure 1 - Primary Energy Demand, (IEA, 2005)

Analysing the graph above, it is clear that the world demand on energy has doubled in the last 30 odd years. Furthermore the alternating increase to static demands during the periods of the seventies and early eighties has altered to become a constant increase from second half of the eighties to date. There were periods with slower rates of increase but the demand remained as an increase. Notwithstanding one year (in 2000) of static demand in eighteen years of consistent growth, a 25% increase since the late eighties has transpired in worldwide energy demand of all the forms available. This rate of increase is not mirrored in the rate of increase of production and or investment into increased production of commodities. It was therefore almost a 'fait accompli' that a point would be reached where the demand would exceed the supply, which seems to have been the case since more or less 2003. Secondly the cyclicity (and driving or predictability based on this cyclicity) of non-agricultural commodities can be seen to be of less significance and reduced effect within the commodity demand.

Since 2003 many analysts have forecasted (any many economies experienced), significantly increased economic growth and increased demand of commodities, whereas the shortfall of supply has increased and the ability of producers (of commodities) to match the demand has decreased. Thus production increases and or new projects could not keep up with market demand. The projected demand from 2003 to 2030 can be seen in the plot below.

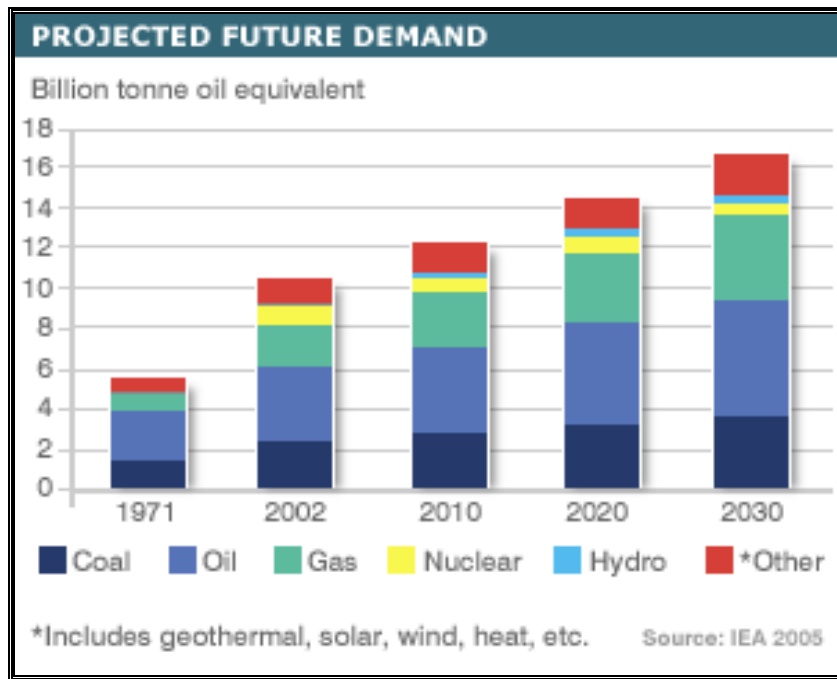


Figure 2 - Projected Future Demand (energy) (IEA, 2005)

As read from the graph above, the projections for energy demand for 2010 indicate an approximate 40% growth, with a further 20% leading up to 2030 from the base year of 2002. This continued and significant growth supports and extended and continuing increased physical demand of commodities.

1.2.4 Sustainability of commodity Industries

Many of the commodity producers have recently realised (some may still be in the process of realisation) that there is a serious issue in their industry, that of predictability, forecast ability and or positive reaction to information at hand.

Notwithstanding the surplus profits (from expectations) of the last year or two, the commodity industry producers and participants do not forget the historical 'doldrums' of the pricing within their respective industries, namely low product pricing and single digit margins (Griffith, 2005). Therefore the focus of many commodity producers has become the virtual predictability of forecasting and the sustainability of the business into the future, notwithstanding the vagaries of the commodity market. This is all the more important since the commodity markets have become less and less cyclical, predictable and historical in nature. It therefore becomes a significant challenge for bulk commodity companies to remain present and sustainable in an industry that is unpredictable. Therefore the companies have to manage themselves according to standards and objectives that will give accurate and quick reflections. This indicates the accuracy required of and need for forecasting to have the flexibility to predict and or identify causality. The overall result is that the nature of forecasting has or must change and current models must be adapted so that the causalities affecting the market and or commodity are noted and or predicted. The positive reaction, of companies, either before the occurrence of or resulting from the effect of the causality, enables the sustainability of the company through the market changes.

1.3 Problem delineation

Within commodity trade, the traditional borders defining the role of the Producer, Trader and End-user appear to be blurring based on their attempt to either maintain their place in, or maximise their gain during, a transaction. Therefore the measurement of the success of a marketing department, office or initiative can no longer only be measured by traditional financial (e.g. profit margin, cost reduction) and or traditional marketing measurements (market share, market retention, segmentation identification). Secondly, derived from the focus and requirement of maximum value added to a corporate (aiming toward sustainability), this research will explore the potential to extract additional value from the establishment of an international marketing office for a corporate commodity producer. This additional value could be of relevance to other

business perspectives (e.g. Human Resources, Operations, Corporate services etc) and therefore comprise of more than a financial and or marketing benefit.

The basic premise of the marketing office would be to identify, network and correlate the market information and dynamics in order to predict the trends and or identify the causality of market changes. This ability would contribute to the ability of the company to survive any 'rough ride' in the commodity cycle. The secondary effect of the identification of the causalities would be to improve the accuracy, forecast and predictability of the companies business and or sales. The placement of the office closer to the market offers the obvious opportunity to access the information and construct the network required to develop the ability of prediction or forecasting and therefore redirect the company's attention and or strategy. The relevance of a marketing office and the need to be 'closer to the market', may (in principle) be more true for non-commoditised products, i.e. products other than commodities. However the need for and placement of the office is derived from the access to information rather than the marketing methodologies and or processes in use.

The closed loop feed-back systems (Encyclopædia Britannica. 2008) offer an indication of the requirement for a business to monitor and respond to these predictions, forecasts and re-directions. The effectiveness of the feed back loop thus requires one to define specific items or points to monitor and respond, thus the indicators, factors and market information of the measurement of a marketing office are required. In and or through the definition of the potential measurement points the possibility of the extraction of the additional value may be proven.

Many commodity producers are constantly investigating methods and undertaking initiatives focussed on extracting maximum value from their production process and or product. Thus due to the search for maximum value, the many new entrants or competitors in commodities and based on the relevance and potential of new commodity marketing methodologies, the subject of branding and company identity will be discussed and from that the potential to extract branding value explored.

The concept of 'Value Innovation or Value-in-Use' (Kim W, Mauborgne R, 2005) is an innovative methodology for extracting maximum value within the marketing of commodity products. Within the specific corporate this is a practice and methodology that is used, under the guise of Value-in-Use marketing tool, to distinguish the value and additional benefit of the use of their particular products in specific uses. The literature review will explore the subject of Value-in-Use as well as the potential consequence of the use of the Value-in-Use principle in the commoditisation and or differentiation of the commodity within the market place, as well as the company from its peers.

The subject of complementors and supplementors will be explored in the literature review, so as to attempt to extract concepts for application within commodity marketing and within an international commodity office.

The possibility that commodity marketing requirements and or success indicators may differ between markets and or commodities, based on buying trends, economic growth rates, cultural aspects and or commodity specificities is noted.

The goal of this research is to explore and investigate the potential to identify metrics and success indicators of an international marketing office for any bulk raw material commodity producer. Furthermore the goal is to increase the potential and locate or extract maximum value from the establishment of an international commodity marketing office for the specific corporate case.

1.4 Importance and potential benefits of the study

When considering the mechanisms used in commodity sales, the importance of this study lies largely in the ability to measure the effectiveness and efficiency of the use of a marketing office. The second important result of this study would be the ability of the company to accurately predict and respond in relation to their current course and or strategy based on the information collected by the marketing office.

More specifically the importance of the study to the specific corporate lies in the fact that they have recently completed and approved the establishment of a marketing and sales office in Europe, which was opened during January 2008. The establishment included the contracting of a previous agent as an employee to ensure the transfer of the relevant international marketing skills to the specific corporate case and thereby internalise the relevant skills, previously purchased and used via agency and representation contracts. A further reason for the contracting of one of the previous agents was such that the continuing export of coal product would not be affected during the skills transfer, product volume ramp-up and office establishment. Following the completion of the establishment of the office, the importance of this study will give credence and add support to the financial viability and feasibility of the presence and need for this specific international office within the specific corporate case example.

The particular benefits of this research project will be largely two-fold; firstly it will determine the most relevant evaluation criteria for the success of the international commodity marketing office of the specific corporate. Secondly, the benefit of this research will be to determine and ensure the sustainability of the success of a commodity marketing office for corporations.

A further benefit of this research would be for other corporations, in similar circumstances (maturity or size), to identify specific and particular success metrics and thereby increase their chances of sustainability and or progress. Subsequent expansion of this benefit may be increased to include the bulk commodity producing industry based on generic similarities between the drivers of the markets for bulk commodities. The benefit for many large corporations, with production and sales environments at significant distances apart from each other, is the increase in the confidence in and performance of these distant offices. This confidence would results from the derivation and quantification of specific and relevant measures and success indicators within the marketing of bulk goods.

A direct consequence of this research would be the practical importance and need for the identification and implementation of control and measurement

factors, following the establishment of an international commodity marketing office for any corporate. Based on these factors the specific corporate would secure, captured and be in a position to exploit the full value potential of their newly established international commodity marketing office.

A last potential, derived from the success and ability of a marketing office to manage their effect on their product or market, would be the ability to add value to their commodity (as well as corporate). In other words the corporate would develop the potential to decommoditise their product and therefore secure their 'place' in the specific commodity market as well as increase their chance of the highest returns on their product notwithstanding the market dynamics of the particular commodity in question.

1.5 Assumptions of the Study

Due to the significance and large effect on the world energy market (as well as economy – through cement and steel) and being a significant and recognised bulk commodity, the study use the coal commodity as a basis for the research. The following assumptions (and facts) are listed to define the investigation and give relevance and substance to the results and the conclusions derived.

Thus the assumptions are. The: -

- Coal industry can be seen as representative of many (if not all) bulk commodities;
- Generality of the concepts and processes used within the marketing and sales of raw material goods applies across bulk commodities and is relevant to end-users, traders, service providers as well as fellow competitors;
- Coal industry has the characteristics of a live supply network, adding to the representativity and applicability of the results of this investigation to bulk commodities in general;
- Focus on the Atlantic market area is derived from the similarity of and impact due to the market drivers and influences of the Pacific and Atlantic market areas;

- Coal exports are to be sourced from a country external to that of the delivery country, in other words a significant geographical distance exists between the production and sales points of the transaction;
- Volumes have exceeded the nominal minimum volume required to fund the operations of a specific international marketing office and are expected to maintain at least this volume;
- Creation of and the requirement for an international presence is in the companies interest, is in line with its strategy and company has the capacity and wishes to increase their skills to accomplish this goal; and
- Company is not bound by any agency or exclusivity contracts or preventative clauses of previous contracts or by any legal or competitive compliance law such that the establishment of a specific international marketing office may be prohibited.

Thus the assumption is made that the coal industry and the Western European market area of focus is representative of and adequately describes the needs and limits of this research area.

1.6 Delimitation of the Study

The study will not address the feasibility or validity of the need for a specific international marketing office. Similarly the choice of location of being close to the product distribution market will not be discussed within this study.

Following the definition or noting of success indicators, this study will not attempt to evaluate the practicality or implementation potential of these success indicators.

A minimum volume of exports is necessary to justify the existence and cost of a self staffed marketing office, separately located from existing administration facilities, however this study will not determine the specific level or volume of exports required to economically justify the presence of a self managed international marketing office. The study will not also determine the average,

equivalent or cost of marketing offices so as to evaluate the comparability and viability between self managed and out-sourced marketing offices.

The study will not determine or delineate a strategy that allows or promotes the presence of an international marketing office. The details required within a corporate strategy to manage and direct a specific international marketing office will also not be detailed within this study.

The use of feed-back and or closed loop control process within corporations and the subsequent need for specific metrics or indicators in order to effectively monitor, measure and potentially respond to the trends will not be investigated within this study. However the specificity and need of indicators and metrics, promote the investigation and identification of these indicators and metrics.

1.7 Methodology and Criteria

The methodology and criteria that will be considered in this investigation will include an industry analysis and a literature review. This will be investigated such that the potential of theoretical success indicators may be extracted and could lead the study direction. The review and analysis will also assist in supporting the need and understanding of the need for the specific metrics or indicators derived from this study.

The practical (applied knowledge) of the industry will be investigated through a research questionnaire in order to further extract potential or normally accepted success indicators currently in use. The respondents to the questionnaire will be chosen so as to ensure that influence, operations (and or a basis within Western Europe), significant experience or size (so as to add to the reliability of their responses) and insight will result in relevant and credible responses being returned. The respondents will be purchasers, end-users, competitor producers, industry service providers and or traders of coal and coal products. The fact that the study will be focussed on a wide selection of market participants (agents, traders, competitors, etc) all operating within the coal industry will ensure that the

effects of industry dynamics and capabilities are not compounded. Furthermore the interpretation due to dis-jointed and or a contradictory focus or strategies will be circumvented.

The focus on a single commodity and the use of Western Europe (a specific marketing area) as a basis for the investigation also necessitates a sample of sufficient sample size and generality. The analysis of the request and response rate and size of the sample will be completed to support the inclusion, relevance and credibility of the results obtained.

As large corporations at times continue using operational and administrative methodologies, because of their existence rather than their need an inter-discipline and internal (to the specific corporate) sample will also be investigated. This investigation will be completed through the use of the same questionnaire as used for the industry respondents. However, so as to capture the dreams, aspirations and wishes of the specific corporate for their recently established international marketing office some additional questions will be added to the questionnaire. This attention to the dreams, aspirations and wishes of the specific corporate will add validity to and secure the needs and measures for a marketing office within the specific corporate.

Finally a comprehensive report will be constructed to detail the investigation and the results derived.

It is expected that these criteria and this methodology would ensure the applicability of the data generated for this research focus and goals.

1.8 Scope of Study

This study will detail and define the need for metrics and success indicators for international commodity marketing offices. This will begin in chapter one with a description and outline of the business problem, leading into the research statement and intent of the study.

The second chapter of the study will give a summarised industry analytical description for developing and depicting a frame of reference for the investigation purposes. This will be achieved by describing commodity markets and the international economy effect on commodities to support the need for these metrics. The coal commodity will be used to detail specific drivers within its market and from these derive success indicators and metrics in use.

The specific corporate will be further investigated (by a detailed specific survey) to expand and determine specific measures required for their newly established international coal commodity marketing office.

Chapter three will detail and define the theoretical foundation through the detailing of some industry common interpretations and terms used.

This literature review will be expanded on in chapter four, where the problem statement will be defined and lead into the research questions. Chapter five and six will explain the research design and analyse the results derived from the analysis, respectively.

The discussion and recommendations based on the process followed and results obtained are to be found in chapter seven with chapter eight drawing the conclusions of the investigation from the interpretation, analysis and discussion of data and information listed in previous chapters. The indicators and metrics identified may then be used to measure both the performance and success of the office into the future.

The references, bibliography and appendices will be included as chapters nine, ten and eleven respectively. This structure will complete the study and investigation into the metrics and success indicators of an international commodity marketing office.

1.9 Overview

The above chapter serves to describe the basis, framework, environment and goals aimed for in this study.

The business problem was identified and delineated in terms of its extent, importance, objectives, impact and potential benefits to commodities in general. Based on the emergence of new entrants into the commodity businesses the relevance and practical importance, to the commodity industry, of this particular study cannot be underscored anymore than with the particular relevance for the specific corporate who recently established a specific international marketing office.

Based on the restriction of the study, with respect to the coal industry and the area of relevance, the assumptions and delimitations of the study were listed and described in detail in order to construct the vehicle of discovery for the completion of this study.

The methodology, scope of the study, defined investigation process, specified sample and limits of the study, if successful will offer the industry a comprehensive investigative process to prove the viability or possibility of determining the metrics and success indicators for an international bulk commodity marketing office.

The ability to identify, monitor and measure the success and sustainability of an international commodity marketing office, will have solved the business problem for the specific corporate (established an international commodity marketing office in 2008) as well as various other commodity corporations.

2 THE COAL INDUSTRY

The use of coal as an input raw material in the production of steel, cement and electricity (energy) is a fact that has driven the increase in worldwide transport and trade of this commodity over the last couple of years.

The importance and effect of the world economy, on energy and infrastructure (cement and steel), has been defined through the use of the coal market as indicative of the energy market which then is a descriptor for world economic trends.

Thus the importance of and volumetric growth in the international trade of coal supports the use of this commodity as a bulk commodity indicator and basis for this investigation.

The summary of the coal industry will therefore offer some understanding and support the interpretation of the results obtained in this investigation.

2.1 Supply And Demand

The attractiveness of, investment in and coal production within the mining industry was on a clear decline toward the end of the last century. By the late 1990's, the under-investment in coal mining together with the revived world economic growth and thus need for cement, steel and power caused the demand supply balance to swing in the direction of an undersupply situation. The long lead time to commissioning of new coal mining resources due to their large scale as well as high capital investment and relatively low return (based on low product prices) delayed the recovery of the supply to match demand. Subsequently and consequently the swing to undersupply has accelerated since 2003.

This acceleration based on an increasing supply shortfall caused a structural shift of the base price or index of the coal market during the year of 2003. It was during this year that the introduction of Chinese export licences on coking coal

and coke pushed the price of all coal types to levels triple, if not quadruple, to what they had been in the previous year. This disturbed the historical cycle, as well as activated previously suspended mining investment ventures.

However as much as the investment was activated, the lead time to project fruition was such that the demand for coal product further and further exceeded the availability of supply and together with the ever increasing worldwide energy demand, the accelerating price trend was more and more supported.

2.1.1 International Coal Industry

Within the international coal industry the spot/short term index is monitored on a minute by minute (and publicised on a daily) basis. As much as the spot/short term indices and prices varied since 2003, the general and significantly obvious trend was that of a (compared to historical rates) exponentially increasing nature. As an indication, the thermal coal API#4 (which is the FOB index of the RBCT price of coal on a specific constant quality basis) index, during 2002, ranged at the levels of \$20-\$25 per ton where as the most recent forecast (March 2008) by JP Morgan (reference JPMorgan Global Coal Mining Equity Research, Ross Gardiner, 12 March 2008, South African Equity Research) lists the average expected API#4 index for 2008 to be \$120 per ton (see figure 3 which graphs the spot API#4 from 2001 to date).

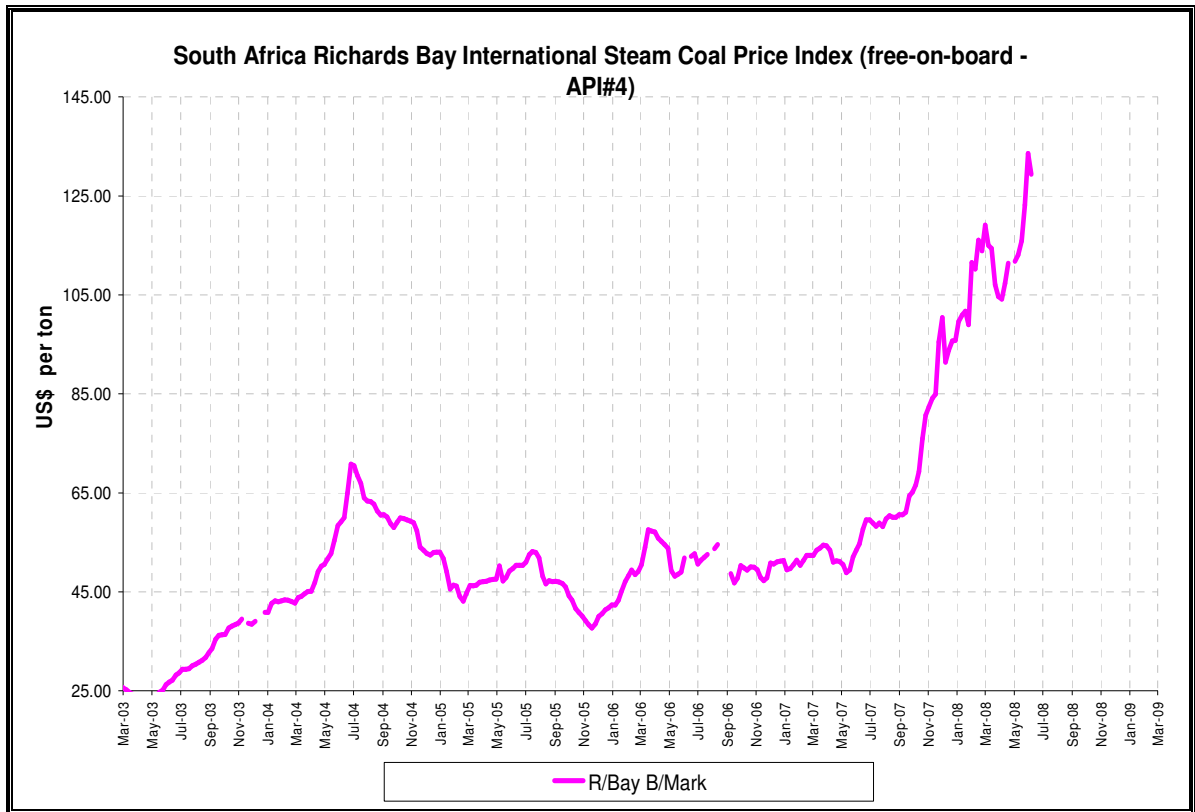


Figure 3 : RBCT International Steam coal index price FOB

The international coal market is largely dominated by diversified miners, namely Rio Tinto, BHP Billiton, Anglo American and Xstrata but also by producing areas, namely Australia, Indonesia, South Africa, Russia and Colombia. China and America both have the largest coal producing industries by a factor of 10 or more but their contribution to the international sea-borne trade is not significant. In other words a large proportion (approximately ninety nine percent 99%) of their coal production is for domestic (within their own borders) use.

The international seaborne coal trade totals approximately 500 million tons per year, of which South Africa currently supplies approximately 70, Indonesia 120 and Australia 110 million tons. Over the last 3 years, China has changed from a net coal exporter to a net coal importer and India is experiencing significantly import demand both due to economic growth and need for thermal coal. All of the above points to an increasing international coal demand.

To a large degree the Pacific and Atlantic coal market (trade) basins were disconnected from each other, based on alternate timing and customs within each contracting cycle. Included in this disconnect was the impact of the logistical (freight) dynamics. However, the growth of the Chinese and increasingly important Indian economies, as well as the global realisation that the trade disconnect was reducing or in fact was non-existent, has increased the impact of the Pacific market basin on the Atlantic market basin dynamics. Since, more or less 2003, (as with many commodities) the change in the frequency of the coal cycle has been largely influenced by the growth of the Chinese economy. Historically the coal cycle oscillated over a 2 – 3 year period however recently this cycle has altered to a constant growth trend and market commentators refer to a 20 year period for coal in general.

Within the Atlantic market area the producing coal source countries include South Africa, Colombia, Venezuela, USA and various countries from Eastern Europe. The main market areas for sales of international sea-borne coal are Northern Europe (Denmark, Sweden), Western Europe (Germany, United Kingdom, and Netherlands), Southern Europe (Spain, Italy, and Greece), North Africa (Morocco, Tunisia), Middle America (Mexico) and Middle East (Israel, Cyprus, and Turkey). Western Europe accounts for 9% of the metallurgical (coking) coal and 14.9% of the thermal coal traded internationally on an annual basis (reference Coaltrans World Coal Map, 2005). The removal of the thermal and coking coal volumes traded with Korea, Taiwan and Japan increases the quantum and highlights the importance of Western Europe in terms of international seaborne coal trade, Western Europe then accounts for 24.5% and 17.5 % of thermal and coking coal traded on the international market.

Furthermore, approximately 78% of SA coal exports are delivered to Europe and the two most significant international coal marketing indices (API#2 and 4), are derived from sales between South Africa (Richards Bay) and Western Europe (ARA – Amsterdam, Rotterdam, Antwerp).

Thus selection of the coal sales within Western Europe market area, as one of significance, relevance and importance for this study as well as for the specific corporate is supported by the above facts.

The Chinese economic growth is under-pinned by two drivers, namely urbanisation (or increasing living standards) and creation of jobs, for the population. The single largest market for consumer goods is the American market place, thus to a large extent the Chinese economy was linked to this market, implying that the Chinese growth was dependant and directed by the strength of the American Dollar. Considering the pressure that the American economy (and in fact western world economy) and the Dollar value is under, the support of and for the Chinese economy is being questioned. However using Chinese population and urbanisation statistics as a basis, the need for steel, cement, energy and household goods (within China) is sustainable for an extended period. China is listed as number 152 (37% urbanised), out of 204 in terms of urbanisation level in the world (Population Division of the United Nations Secretariat, 2002)

The above evidence for an extended growth based on the Chinese economy, supports the potential or prospect of growth for commodities and therefore the general increase in commodity prices remains very likely, even when including the current financial economic crisis in existence.

When considering the coal industry as a 'live supply network' the value chain of the said network is of interest. The Figure below depicts the generic value chain of many of the International Coal producers

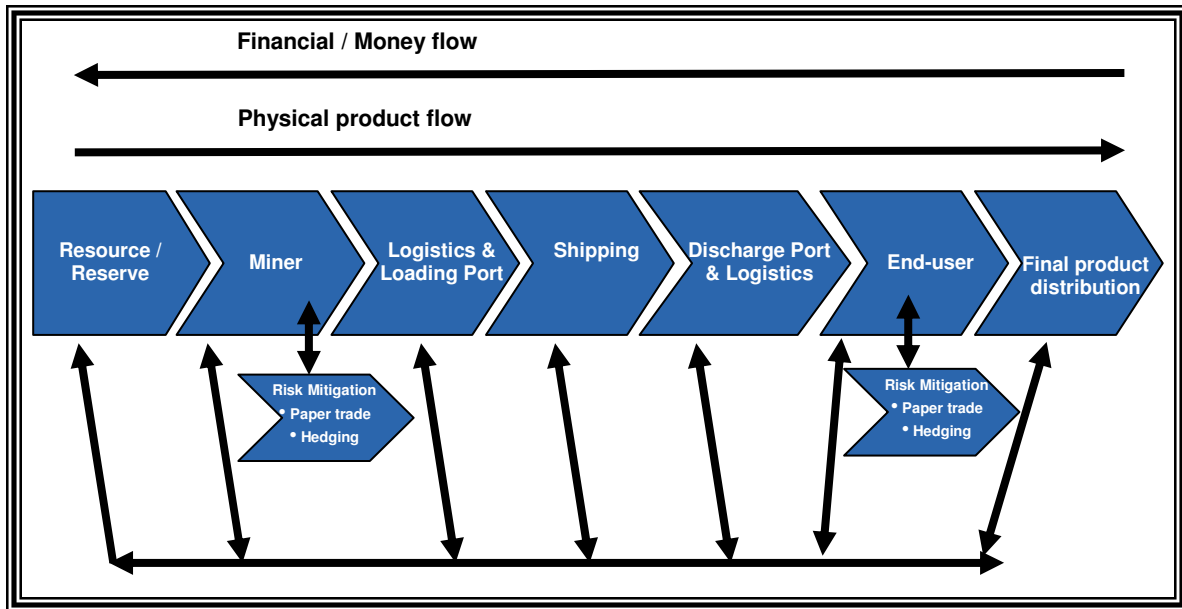


Figure 4 : Coal Industry value chain and flow routings

Three main ‘flows’ may be derived from the above diagram, namely financial, physical product and information or communication. The sequence of these three flows is not of importance but the inter-activity and reaction to each other is of interest. The identification of these three ‘flows’ is of interest and importance when evaluating and or understanding the relevance and impact of metrics and or market indicators (or information).

2.1.2 South African Coal Industry

The domestic or coal industry within South Africa's borders is dominated by Eskom (the state owned local electricity producer). Eskom procures approximately 120 million tons of low grade coal for use to generate electrical power within South Africa.

The second significant segment with regards coal production within South African is that of exports from South Africa. Roughly 70 million tons of coal is exported from South Africa per annum. The three main ports for South African coal exports are Richards Bay Coal Terminal (RBCT - up to 68 million tons), Terminal Carbonnes de Matola (Maputo – up to 2 million tons) and Bulk Connections

(Durban - up to 3 million tons). The most sought after port for coal exports is RBCT due to their scale of operations and experience/efficiency of operation of the terminal as well as the possibility of loading larger vessels and therefore offering the customer the opportunity to reduce their input or delivery logistics costs. The coal exports from South Africa are significant, to the world wide trade as well as South Africa as a country. Especially when considering that South Africa is the world's sixth largest coal producer and exports approximately one-third of the coal produced, resulting in South Africa being the world's third largest net coal exporter (73.7 million metric tons) in 2002 (SA Energy, 2008)

Fundamentally the support for the establishment of an international marketing office and the change in marketing to a more direct relationship outside of the borders of South Africa for a South African resource producer can be derived from the success of similar initiatives completed by many of the competitor mining houses from South African. In all of these comparative company structures, the marketing department is structurally separated (in terms of being a separate company) from the mother or relevant company (Anglo Coal Marketing London ACML for Anglo Coal, Kru Trade for Kru). Secondly all of the comparative mining houses also have a marketing office presence within the large markets that they target, namely European, Asian, North and South American and Australian offices.

A second (perhaps even secondary) motivator, for the international marketing office, is derived from industry common discussion as well as increased credit or financial pressure of small scale traders. This need for an international marketing office may be described as and based on the increasing number of end users of commodities (raw materials) developing a combined marketing (sales of their product) and purchasing department in order to fully exploit the leverage and benefits of the upwards and downwards management of their value chain. This increased leverage is offered by financial derivatives and or the focus on the process of the transport throughout the value chain (logistics) rather than only the process of their core business. Examples of this occurrence may be described by trading/marketing offices being established by, RWE trading for RWE, Interbulk trading for Italcementi, EdF trading for EdF, Essent trading for Essent.

The simple logic (for the specific corporate when motivating the establishment of their own marketing/trading office) was that if the end-users found benefit, then what would prevent the producer from also experiencing the same benefit. The most obvious benefits included:

- The control of and the information from the logistical flow of their material or sales;
- The benefit and potential of participation in the financial derivative market (risk mitigation methods); and
- Getting closer to the market (and customers) in order to simplify and accelerate the return of real and true market information, without the influence and interpretation of the traders or middlemen.

An interesting trend is that the increased demand for coal product has increased the risk and reduced the potential of business for traders to such a degree that they are in turn moving up the value chain into mining production (Glencore and Xstrata, Noble trading and Noble Energy).

A further motivation for the development of an international presence is due to Business development and or new ventures possibilities (as well as the future growth of sister commodities into the international sales arena) within the specific corporate.

Based on the above delimitation and factors considered, the results of this study are credible, relevant and can be generalised to similar situations and operations in the coal industry. Furthermore, but more significantly, the results of this study will add value and assist in the resolution of the needs of the South African corporate (raw material commodity producer), who has recently established their own international commodity marketing office.

3 THEORETICAL FOUNDATION AND LITERATURE REVIEW

Coal is a bulk commodity and due to all bulk commodities including, following and or requiring similar marketing initiatives, generic concepts and marketing principles, the literature and theory will be reviewed for specific marketing concepts and terms.

Following this an attempt to detail what has already been done in this field of study and or what the recent or current trends are will also be explored. Derived from this study as well as industry trends, the basis and description of the planned research for this paper will be constructed.

3.1 Introduction

Current coal market price indices are at levels that are extreme, never tested or reached before and thus the validity of trends, standards, measures, theory and practice may be questioned, however the principles of best practice, costing and sustainability remain valid. In other words, even though the immediate economic industry circumstances, of comparatively high margins, do not create an urgent need to focus on cost saving, money spent and margin management, irrespective of market volatility, these concepts remain of importance for sustainability and or stability.

Bulk commodities, based on the nature of commodities (all encompassing, generic, transparent, widely known and defined specificity), have universal principles and tools that can be applied across commodity products. It is therefore valid to state that particular characteristics of the specific commodity and the selection, pricing and marketing of different products are specific but are derived from basic, common and therefore universal principles. Thus the marketing concept developed within a product may be transferred, carried or applied within another product.

This chapter starts with the world economic trend and then uses a few defining and descriptive terms of the tools, principles followed and goals targeted in the marketing of a commodity in order to explore the literature for the support for this study.

The applicability of these tools, principles and or goals, within an international commodity marketing office, may be based on the selection and or the validity or relevance of the item to the corporate. However using the principle of commonality within commodities these tools, principles and goals should find commonality within commodity organisations. The tools, principles and goals used in the search of the available literature are listed below:-

- Measurement, Indicators And Factors,
- Branding,
- Value-in-Use,
- Differentiation and Decommoditisation, and
- Complementors and Supplementors.

The industry trends as well as search criteria of the literature review are used to title the below sub-sections, in order to extract the recent 'norms' or trends of the metrics and success indicators being used in the performance and management of an international marketing office.

3.2 Industry and Economic trends

Coal is a primary input into energy, steel and cement production. The steel and cement production, while exposed to world economic conditions in the short term, may also be related to urbanisation (with an increasing populace base) over the longer term and therefore the support for the need for coal for these particular markets and applications is relatively stable and assured. The relevance and importance of the coal industry is further supported by an increasing (volume and urgency) need for energy (see figure 1). This increase in need is based on industrial growth and surging populations in terms of volumes as well as living standards.

The increased margins, size and returns of the coal industry as well as the increased difficulty of substitution products has increased the attractiveness of the coal industry, not only to new mining entrants but also to investment funds. Investment funds have recently noted that commodities offer increased returns versus alternate investments, such as equities, this is noted in the following comment “The commodities vs. equities battle has been tilting in the direction of commodities” (Bill Luby, 2008). It must be noted, however, that the recent financial crisis and impact on share prices has pushed a lot of investment back to safe havens, where the “safety” is based on knowledge, experience and historical association.

From many publications, as well as discussions, on the subject of ‘what corporations search for’, it appears (hasn’t been proven) that resource corporations seek the following with regards to a dedicated and separate marketing office that is close to their end users or within the market that they are targeting: -

- Gain access and direct contact with the end-users;
- Develop and market their brand;
- Reduce the marketing expenses (example, recovering the marketing fees currently spent on various sales agents);
- Internalise currently external marketing skills in order to achieve/attempt direct marketing;
- Eliminate the possible compromised competitive advantage (reference the use of agents that sell two competitor’s products); and
- Create and build a solid marketing position and therefore a sustainable or increased company growth potential

3.3 Measurement, Indicators and Factors

The ability to determine what marketing success is, or what marketing indicators should be monitored (in order to ascertain the success of the marketing initiative), resides in the ability to understand and identify what the marketing activity of a particular product is.

Within goods transactions, the marketing dynamic of bulk goods versus capital equipment versus fast moving goods is often interpreted to be significantly different to each other. Yet the theoretical basis, to marketing, is common to all transactions of goods and even services for that matter, thus the question is – What causes, underpins or creates the perception of (and or existence of) a difference in the marketing dynamic?

The difference must therefore be in circumstances surrounding the transaction rather than the theory supporting the transaction process. The difference must lie in the decision (action) of the buyer than the transaction of the goods. This can be explained by viewing the cost or large sums of money involved in bulk (high volume, low cost per unit) goods and capital equipment (low volume, high cost per unit) sales versus the sales of fast moving goods (low volume, relative cost per unit).

This potential commonality is further supported by the common metrics, measures and current practice, irrespective of industry, as determined by a CMO (Chief Marketing Officer) Council survey completed for European members (some of whom had North American mother companies) and completed during middle 2005 (The CMO Council Report, 2005). This survey proposed the following most important measurements to Chief Marketing Officers, namely, revenue, qualified leads generated, sales and channel feedback and finally, marketing programme Return-on-investment. Additionally, accurate measurements of sales were noted to be limited to particular activities, namely direct mail, internet marketing and telemarketing campaigns. The accuracy of the measurement (within these activities) was seen to be related to the software that was developed or available to complete these tasks. This implied that automation of measurements, or non-subjective metrics and methods yielded increased accuracy in results more than an interpretive methodology.

It must however be commented that the success of the software (and therefore the measurement) and or the data generated, was subdued due to the inconclusive relevance and or relation to the success of the marketing initiatives

undertaken during the period under review. Furthermore, the relevance of branding, intellectual property and inherent product value is increasing with respect to the sale of goods, especially when compared to the quantifiable points listed previously. Thus the importance of these new factors increases when one considers the possibility of measuring any one of them. These factors are known as soft, or intangible, factors and it is exactly within this intangibility, that the generation of data and the analysis of that data can be seen to be extremely difficult.

Additional measurements of marketing effectiveness, proposed by Bob Norton (CEO of C-Level Enterprises, Inc., Norton B) include the following: - Cost/qualified opportunity, Customer Survey, Awareness, No criteria/subjective, Press/media outreach, Sales/cost efficiency, Communication responsiveness, Stock price, Closed loop tracking.

Mr Eran Livneh, President of MarketCapture (which provides results-based marketing services to B2B software companies) summarised the following lessons towards facilitating measurement (Livneh, E 2002):-

- Define clear measurable market impact goals;
- Estimate the expected and desired market impact of each activity;
- Prioritize your budget based on estimated results and cost per market impact;
- Diligently measure whatever you can; and
- Estimate whatever you cannot measure directly; imperfect measurements are still better than no measurement at all.

Sound advice so as to “Connect Marketing to Sales, and Sales to Financial Results” was penned by Ms Leopard (Leopard S, 2006) where it was suggested that “marketing should be evaluated by criteria for which it can be held accountable” (Leopard S, 2006), this included “the number of qualified leads delivered to sales and the ratio of leads to closure” (Leopard S, 2006), with the interpretation that “the higher that ratio, the better marketing is nurturing and qualifying the lead before it is handed over to sales” (Leopard S, 2006).

It was then further suggested that amongst the environment of having multiple and often contradictory priorities “the key isn't how much you do, its how much

you help your organization achieve” (Leopard S, 2006). In order to manage, drive and prioritise this principle the following questions were proposed, “Which products/services drive the majority of our revenues? Which clients? Which channels? What about service attach rates? What products and services do customers naturally tend to buy together?” (Leopard S, 2006). The concept of “quick wins along with longer-term strategies” (Leopard S, 2006) is also suggested as a concept to cement and motivate further success.

A single and very simple initiative drawn from the article was “don't try to boil the ocean. Start with something simple, like making sure that you have a program in place to communicate with your customers on a regular basis about things that are important to them” (Leopard S, 2006).

Mr Roy Young, president of MarketingProfs (a web based marketing association) lists 25 metrics that are applicable to “the four stages of the sales (customer acquisition and retention) funnel” but that can be used “to prove marketing drives sales and to track progress”. Each individual metric may have different levels of applicability depending on the sale item or situation to which they are applied therefore a selection of the metrics is required (i.e. not all are 100% applicable at all times). Therefore Mr Young, suggests that the selection of “the metrics most critical for marketing in your organization” should be selected and that the “consider(ation of) sales goals and areas of greatest business leverage” may help to direct that selection process. “The four sales funnel stages and metrics per stage are categorized and listed as follows:-

1. Lead generation to fill the funnel (Top of the funnel)
 - *Profile of best prospects and decision makers;*
 - *Quantity of qualified leads (Are you keeping up with the competition?);*
 - *Cost per qualified lead (ratio of the marketing spend divided by the number of qualified leads produced);*
 - *Leads to appointments; and*
 - *Knowledge about leads (Depth and breadth of information)*
2. Lead management to move leads through the funnel (Inside the funnel)
 - *Number of requests for proposals (further contact);*
 - *Number of proposals leading to presentations (or offers);*

- *Time spent with prospects/customers* (maximize time out of the office);
- *Number of sales calls or meetings/number of valuable calls or meetings* (what percentage is valuable? Current or future sales?);
- *Usage of marketing materials and messages*;
- *Leakage* (percentage of leads leaving the funnel? Do the leak's share anything in common in order to alter the definition of a qualified lead accordingly?); and
- *Dollars invested to nurture leads* (don't waste valuable resources on poor prospects. Track the effectiveness to determine which prospects to nurture and which to release from the funnel)

3. Closing sales (bottom of the funnel)

- *Sales from high-margin products* ;
 - *Sales from new products* (could also consider Number of new and retained sales);
 - *Number of meetings to close* (time spent with customers);
 - *Time to close* (sales productivity, influencing not just investment of resources but also cash flow);
 - *Close ratios* (Percentage of leads, entering and at various stages, converted to customers);
 - *Value of sales funnel*;
 - *Size of orders* (Is there an 80/20 rule - 80% of the business being generated by 20% of customers? What does this mean for the use of marketing and sales resources? What does it mean for risk associated with losing a valuable account?);
 - *Marketing spend/sales* (What level of marketing investment is required to meet the sales targets? What changes in marketing spend result in a different sales result?); and
 - *Market share* (Using a careful definition of the market and competitive offerings, what is the company's share of revenue? Are you keeping up with trends—growth rates—in the market?)
- ### 4. Customer retention, cross-sell, up-sell, and win-back (Retention in the funnel)

- *Breadth and depth of customer relationships* (What is the level of customer loyalty, given the relevant measure of retention? What is the lifetime value (in terms of revenue and profit) of customers?);
- *Net Promoter Score* (a gauge of the extent to which customers will refer you to others like them - future sales);
- *Share of wallet* (cross-sells and up-sells) *among existing customers* (Customers spend? Are you meeting all their needs that you can meet? What are the revenue consequences of additional products and services sold to existing customers?); and
- *Win-back opportunities and successes* (Effectiveness at renewing relationships with previous customers)

Of course any written work on metrics would not be complete without the perennial comment of former NYC mayor Rudy Giuliani who said when asked how he reduced crime in the city, in reference to the extensive use of metrics and benchmarks exercised by his administration: "If you can't measure it, you can't manage it."

The above sections details a number of thoughts processes and points to be used to measure, monitor, add value and or prove the success or need of marketing. As previously stated the applicability of marketing theory is across businesses and objects, however due to the nature of the transaction, the commonality (and perhaps selectability) of many of these metrics may vary. Therefore metrics, relevant to the specific international commodity marketing office, should be selected and the metrics in use should be reviewed as to their relevance on a regular basis.

It was interesting to note that the number of hits on Google, when using the words "Coal Decommoditisation", numbered only 12 (accessed 25 April 2008 and again 28 June 2008) and the phrase "commodity office marketing metrics" (and similar) resulted in zero hits. The phrase "marketing performance measurements" resulted in 310 hits in total. The very specific nature of the phrase required to obtain any result implies that the term has not been put together and that the

investigation of the concept needs research on a wide basis to explore the full meaning or potential.

David Reibstein has also commented that “Marketing metrics has been the top research priority for the last six years of corporate marketing professionals” (Reibstein, 2008) which further supports the infancy and new focus on this research area.

A commonly used marketing tool is that of branding. The application and use of branding as a concept has crossed into the production and sales of commodities. Thus ‘Branding’ is used as the next search criteria, to define marketing success and reference within the literature.

3.4 Branding

Branding is a concept that is widely used within the marketing of consumer products and services. “Legally, a brand can be defined as a name, term, sign, symbol, design, or a combination of, intended to identify the goods and services of one seller or group of sellers, and differentiate those goods and services from those of other sellers..... In practice, a brand is a promise that manages consumers’ expectations. This promise is expressed both tangibly and intangibly, through signals.” (Blackcoffee, no date)

Branding theory therefore relates largely to the creation of a perception or sense of reality with regards the value of products. Sustainable branding is then about creating an identity for your product, as well as creating the perception that your product is the best (or only) solution to your prospects problem, rather than just creating an attraction to your product over that of your competitors (American Marketing Association, 2007). Therefore it makes sense to understand that branding is not about getting your target market to choose you over the competition, but it is about getting your prospects to see you as the only one that provides a solution to their problem. Furthermore, it is more sensible for an outward looking marketing function to know what and into where are they

marketing. Also this insight enables the marketer to determine clearly what the buyers selection criteria is and leverage on that particular need.

The link between branding and commoditization is basically an either or situation, Philip Kotler, professor of marketing, Kellogg School of Management, Northwestern University says, ““The art of marketing is the art of brand building. If you are not a brand, you are a commodity. Then price is everything and the low-cost producer is the only winner” (American Marketing Association, 2007).

In a low price market, volume sales together with low cost creates a successful business, in a high price scenario, branding and premium prices create the success but together with the high prices comes a drive, from the purchasers, to reduce dependence on that particular raw material and thus volumetric pressure is felt by the producer. In the vast majority of bulk commodity producer's processes, as much as a variation in production levels is possible the consistency and stability of process increases the chance of efficiency as well as an optimised process, thus a market imposed production demand, or deficit, impacts on these efficiency and optimization drives. It is therefore in the producer's advantage to smooth out these demand variations.

One of the mechanisms of being present in the commodity business, but creating an identity for your product, within that commoditised situation is that of Value-in-Use, where the commoditised product can justifiably command its price relative to its value addition in the process it is used. A second mechanism of creating a brand within a commodity raw material industry is referenced within section 2.6 below and labelled as “supplementary branding”.

An interesting point on the history of branding under investigation is the date of emergence of branding. An article written by David Wengrow (Wengrow, 2008) suggests that branding “strategies have deep cultural origins and cognitive foundations, beginning in the civilizations of Egypt and Iraq thousands of years ago”. It is exactly the reference to the cultural aspect of branding that is of significant impact and interest within a multi-cultural and multi-national industry.

The reference and importance of the cultural aspect of branding is supported by a reference to a comment made by Mr. Hamza Al Haddad (marketing manager of Al-Muhaidib Foods in Saudi Arabia) in an article written by Mr. Kuldeep Sharma (Commodity Branding, no date) where he says, "... that commodity products require branding more than products in established categories At supplier level, commodity branding provides a form of protection to the brand in order to survive in the commodity market..... Commodity consumers tend to be even more responsive to promotions than consumers in other categories because the value of the gift differentiates one product from another. This is particularly important when products are not so visible or known to the consumer".

Branding therefore is increasing in relevance even within a commodity industry. The concept of 'Value-in-Use has', for the last couple of years, been a strong focus of many of the coal commodity producers marketing initiatives, so much so that technical appointments of marketing personnel in order to support this initiative have been completed within marketing departments. Therefore the concept of 'Value-in-Use' was also used as search criteria within the literature in order to define and detail metrics and success indicators within a commodity marketing office.

3.5 Value-in-Use

Associated with the Value-in-Use concept, is the optimisation of a process through the specified selection of input raw materials and or the alteration of the process to suit specific raw materials. Dr Bill Gern (VP Research, University of Wyoming) said, "Because of its dominance in the electrical market and the concern of carbon dioxide in the atmosphere, GE's research is going to focus on how to optimize the gasifier for the use of Powder River coal" (Gern,2008). The optimisation of the critical process step and related key selection of specific raw material indicates that the inherent value of both the process and the raw material has not yet been achieved and GE believes that the combination of the two will unlock additional value to that which is currently experienced. Typically in large scale operations stability is the name of the game to ensure sustainable

and consistent operations and thus in general operators are hesitant to change many (if any) input variables (other than process control variables) in order to achieve near perfect efficiency and use.

Producers of raw materials have become more aware of the end-user or customers process, for two main reasons, firstly to ensure that they return the full value for their product to their company and secondly that they secure the market with specific customers by increasing the interdependence of the two institutions on one another. This increase in interdependence is based on both the need of that particular (high value) sale for the producer as well as the need of that particular (specific) product by the customer. Both parties experience mutual benefit in this type (Value-in-Use) relationship due to the customer achieving a stable and more efficient process and thereby increasing their production or rate of production and the producer achieving a higher than market value for their specific product or even an ensured sale/transaction irrespective of the demand supply situation in that specific commodity.

The Chinese corporate coal producer, Shenhua, recognised this concept of Value-in-Use and efficiency of raw material use, where from their website they suggest that they “.... supervised the loading process to keep the reputation of “Shenhua Coal Brand”. We over-performed in the purchase of external coal and coal blending” (Shenhua, 2008). This statement indicates the Shenhua focus of branding as well as blending (external coals) to achieve an increased technical efficiency of use and an extension of in-situ raw material qualities, all with a commercial focus.

In order to enter the Value-in-Use phase, the producer requires the knowledge and information of determining the value (unique or at the very least identifiable) that one provides for the customer. The following 3 step enquiry process has been proposed by Mr Hasan Luongo, Community Leader from E-myth Worldwide (Luongo, 2006) in order to collect the data and or inputs for the company under review to analyze and define any identifiable unique value attributes and thereby develop your unique brand:

- Isolate the value you provide to customers (hint: it is not a product or service) by questioning what it is, what the customers look for and why the customers buy from you;
- The number one compliment you hear from customers ; and
- What you do better than anyone else, especially your closest competitors

Once the value addition has been identified, active and consistent communication will ensure that the concept of value addition is continuously recognised by both parties. This continual focus on the concept means that the marketer may recognise any change in the market reality of the concept and adjust his marketing strategy, or even product production process, accordingly. However the buyer also recognises the need for the particular input material or resource and thus will actively search for it at the time of purchase. Thus continual recognition of the value addition concept cements the realism of this value addition as well as the establishment of the unique value in the product that is under question.

Value-in-Use is a concept that has potential particularly when both parties can appreciate, extract and or contribute to that value. Thus the selection of the participants and their relationship with one another is of importance when attempting to apply the concept of Value-in-Use.

Inherent in Value-in-Use is the concept of identification and specificity. Thus the commoditisation of the product may then be questioned. Therefore the next search criteria, used in the identification of success indicators and or metrics for a commodity marketing office, were those of differentiation and decommoditisation.

3.6 Differentiation and Decommoditisation

Following on from the establishment of the value addition concept is that of differentiation. Mr Peter Knapp from Landor said "The name of the game is to get as much difference from your competitors as possible" (Arruda, 2006). While this statement was made to airline officials, the link to commodities exists as follows.

The airline industry is currently under pressure to perform in a highly price pressured environment, where numerous airline companies are liquidating and cannot survive the cycle trough. This hints at the commoditization of airline transport not as an industry but as a market dynamic. Thus while bulk commodity raw materials may currently be experiencing market peaks it is prudent to investigate and detail the experiences of those markets in troughs and watch the initiatives undertaken to both survive and or exit the trough. The concept of differentiation hints at and is similar in many respects to that of de-commoditisation.

In order to understand what de-commoditisation is about the following definition of a commodity is offered by Mr Dave Dolak, MBA, PCM (Dolak, 2005) – ‘Commodity products are largely undifferentiated products that offer little or no perceived differences between competitive offerings. These are lowly differentiated products or services with high levels of substitutability and straight forward price discovery. Commodity products are fungible as competitive offerings are easily interchangeable.’

Mr Dolak also offers the following points, used by commodity sellers, as indicators of differentiation: -

- New product features;
- "Plus 1 Features" - small, incremental differentiating features in products;
- Bundles. - Bundling several options, features, or services into your package can significantly increase the value of your offering;
- Payment terms and guarantees;
- Better quality;
- Reduced uncertainty - money-back guarantees, free trials, free repairs or replacements, 100% satisfaction-no questions asked return policies, free financing;
- Better product delivery;
- Packaging & design;
- Definition and communication of standards for secure ordering, fulfilment, delivery and technical support - You might just promise something that none of your competitors are willing to put in writing;

- Customer-driven added value - Customers have a way of knowing what unmet needs there are and they are usually happy when a company comes along and asks them how to serve them better. Make sure you do it in a way that is valid and statistically significant through research. You might just uncover a benefit that you never would have thought about on your own; and
- Look outside the industry for examples

As further detail on the description and defining of commoditization, in an effort to describe the opposite to de-commoditization, a number of forces of commoditization are listed by Mr. Martin E Thoma of ThomaThoma – brand power, (Thoma, no date). Mr. Thoma suggests that “Commoditization is driven by a number of powerful and accelerating forces—most of them enabled or under girded by the explosive development of technology over the past fifteen years or so” and as such he lists the following forces of commoditization in order to describe the support to branding :-

- Internet: Where he refers to the internet as “the greatest system ever created to do instantaneous price comparisons on almost any product or service in the world”. He further suggests that “In an Internet-enabled economy, prices are under constant downward pressure” and thus on the products are on the path of commoditization,
- Disintermediation: Due to the market transparency and “awakening” or even moving of producers down the value chain many producers and manufacturers or consumers are dealing together directly and the usefulness or business of the middleman/trader is reducing,
- Automation,
- Globalization: The path of Globalization and movement of Money, talent, knowledge, opportunities, technologies, organizations and jobs more and more freely around the world, seeking out the best environment in which to do business in the most profitable, productive, enjoyable way, also supports the growth of commoditization,
- Convergence: The convergence into more user-friendly, more ubiquitous technologies of all computer and communications systems (e.g. the internet) to providing the power of information to a wider audience than

previous supports commoditization as the ability to understand and or transact in various businesses becomes easier and less specialized and as such more commoditized,

- Consolidation: Large scale organizations are able to monopolize complete sectors of the economy and force smaller companies out of the market place. Frequently the logic for consolidation is to create economies of scale and drive prices down and it is this action that promotes commoditization,
- Consumerism: The collapse of communist regimes, economic liberalization of large markets (e.g. China) and global free trade agreements are bringing billions of new consumers into the established economic system. But many times these new markets operate or expect lower prices forcing existing producers and markets to reduce prices to the level of the new consumer incomes in order to attract business. This price reduction again points to commoditization of products, and
- Capitalization: The growth of stock and bond markets around the world over the past decade has staggered many observers. Capital aggressively seeks new companies that can develop and market the most price-efficient yet profitable goods and services.

Mr. Thoma also suggests the presence of anti-commodities, where companies can say of themselves that “they are the only one” and if so, “they can’t be commoditized”. If this is the case the company is truly unique and therefore is by definition immune to commoditization. Mr. Thoma, based on this uniqueness, suggests the following definition of an anti-commodity “the discipline of defining and articulating your unique and sustainable competitive advantages. It’s differentiating yourself from the morass of undifferentiated competitors that comprise a commodity business.”

It is interesting to note that the number of hits on Google, when using the words “Coal Decommoditisation”, numbered only 12. Thus the literature review was largely focused on the concept of de-commoditization rather than the relevance and application to the coal industry.

The concept of differentiation is a safety or preventative action at this stage. This is largely due to the place within the coal commodity cycle that the industry is currently in.

Drawing from Michael Porters five forces model (Porter, 1979), the concept of complementors and supplementors should be investigated to see the impact or additive aspects that either one of these two forces (and/or items related to them) could add to the sale of coal as a commodity.

3.7 Complementors and Supplementors

The concept of complementary and or supplementary forces in strategy dynamics may also be included in marketing through the ability to market the complementary or supplementary aspects of the product. For example, KLM Inc suggests that “commodities ingredients (such as sugar and or grain) can be successfully positioned and branded, and carried forward as “hero ingredients” within retail products by the commodity manufacturer” (Moore, no date). But equally as much, the use of “hero production processes” could have attraction in the production of the commodity. For example an environmentally friendly production process or rehabilitation program may be a great selling point. Similarly, the social impact of the production process may also be used as a support generator for the producer. The social impact referred to includes the generated livelihood and support environment in mining towns, empowerment not only of the employees but also their supporting family (reference the social centers at various mining sites) and better living standards (e.g. sports facilities and mine installed infrastructure in mining towns).

It also stands to reason that the selling of coal under the banner of “green power” and then the use of Corporate Social Responsibility (CSR) is not only applicable when approaching the electricity utility but also may become an advertising campaign that the coal producer could embark on in order to promote the public and consumer insistence to purchase a particular producers coal product. Thus the complete value-chain and industries within that value chain increase the

marketability of commodity products, but the detailed knowledge of the various industries within the value chain become critical if the full appreciation and leverage is to be extracted.

Furthermore, care that the incorrect understanding or interpretation of intent of the marketing campaign must be taken into account, such that the marketing campaign does not have an un-intended negative impact or does not work opposite to its original intent. This potential complementary/supplementary marketing concept is supported by the statement made in the article written by Daniel H. McQuiston, where he suggests : “For industrial products, branding is a multidimensional construct that includes not only how the customers view the physical product, but also the logistics, customer support, and corporate image and policy that accompany this product” (McQuiston, 2003). This statement refers to many of the traditional value chain components of a bulk commodity producer and therefore the extension of the concept, up and down the value chain, is a natural extension of the suggested concept.

The possibility with the introduction of supplementary branding is that the components of the product become stronger than the product itself. This concept is hinted at in the article written by Mr. Stefan Stern (Stern, 2007), in the Financial Times, where he suggests that “quality (of product) becomes the commodity in brand battle”. Granted this article was written for fast moving consumer goods (clothing) but the concept remains valid within the bulk commodity industry. The branding focus of marketing, may lead to the brand becoming the driver more than the product, but it must be said that this has not occurred within the bulk commodity industry as yet.

However it may be argued that the exception could be the company branding of bulk commodity producers, for example the growth of the Anglo American and BHP Billiton company brand has extended past their product production portfolios and currently the company brand and trade in shares is relatively independent to the branding and sales of their individual products. Many diversified product producers are following a similar route of establishing company credibility or identity based on product portfolio and then leveraging

their company brand based on this portfolio to increase share trade and thereby develop a company brand identity. Examples include other producers, Peabody in USA, other commodity users' example Power utilities (E-on, Electrabel, Essent, RWE, Shenhua) and Steel industry (Mittal-Arcelor, TKS).

A second aspect of supplementors could be the impact of supplementary energy sources affecting the size and potential of the coal market.

3.8 Summary

From the above chapter a listing of metrics, items, monitor points, measurements and or ratios can be listed for an international commodity marketing office, in order to record and form a data-base.

The generic marketing initiative of branding, the theoretical forces of complementors and supplementors as well as the market dynamics of differentiation and decommoditisation also offer potential points of interest and potential to extract or leverage value from and through an international commodity marketing office.

The problem statement and research questions in order to explore this value extraction will be found in the next chapter. The chapter will expound and expand on the aspects, points and trends found in the literature review and either confirm their relevance and importance or refute their presence and impact in the success of an international commodity marketing office.

4 PROBLEM STATEMENT, RESEARCH QUESTIONS AND RESEARCH DESIGN

4.1 Introduction

Following from the previous chapter in which the industry and literature extracts or referenced comments detailed the generic concepts and principles within bulk commodity marketing. This study will, through research, interviews and questionnaires, investigate the measures and success factors, relevant within the generic concepts and principles that will determine the need for and or add value to the existence of an international commodity marketing office. All of this will be achieved within the dynamics of the current market trends as well as accounting for the existing as well as future business operations of the specific corporate.

4.2 Problem statement

In order to extract maximum value as well as to ensure sustainable success of a commodity marketing office, this study will investigate the methods, means, measures and indicators of success within the international marketing of a bulk commodity.

A further motivation for the investigation is founded on the fact that the specific corporate has from their coal division determined the need for and recently established the presence of an international commodity marketing office.

It is therefore under these circumstances that the determination of the sustainability, validity and feasibility of a self-managed and staffed international marketing office is of importance. The exploration of this importance will be completed through the identification of quantifiable and qualifiable benefits and measurement indicators, of both a financial as well as non-financial nature.

Coal is a bulk commodity, and as detailed in the literature review, bulk commodities have, follow and or require similar marketing initiatives and

concepts. Thus based on the literature, relevant theories and recent trends in this field the theoretical basis of this research has been established.

Research, delineated by the same descriptions but expanded on based on experience and practice, will be completed via interview and or questionnaire completion by respondents from the selected market area.

The main ideals and goals aimed for in this study may be separated into three distinct points of interest, listed below: -

- The identification of quantifiable, qualifiable and sustainable benefits for a bulk commodity producing corporate with an international marketing office;
- The relevance of a self managed international marketing office within a cyclic market with specific consideration of the concepts of centralization to decentralization or commoditisation to de-commoditisation; and
- The derivation of financial and non-financial measurement, evaluation and success criteria for an international commodity marketing office for a South African Coal mining corporate.

From the above points of interest the research questions are derived.

4.3 Research questions

This research is qualitative and therefore, the research ideals or goals listed above are expanded into specific questions. These questions are then defined and detailed so as to give relevance to (as well as create) the link to the ideals or principles searched for in the questionnaire.

Thus the specific questions are as follows: -

Question 1. Are quantifiable, qualifiable and sustainable benefits achievable for commodity companies through the establishment of an international marketing office or is the relevance of an international marketing office purely related to a cost saving focus?

Question 2. Does the establishment of self managed international marketing offices, in a commodity corporate, follow a centralization - decentralization or commoditisation - de-commoditisation cycle?

Question 3. Once the benefits of an international marketing office are detailed, what financial and non-financial evaluation or measurement criteria can be defined in order to measure the success or progress of an international commodity marketing office for a South African Coal mining corporate?

4.4 RESEARCH DESIGN

Based on the inadequate availability of literature regards the investigation topic and area of research directing the research toward a grounded theory approach (Strauss, 1998), a qualitative investigation is proposed. The generic, to commodity marketing, concepts as well as the interest of the specific corporate, due to their recent establishment of such an office, directs the nature of this investigation toward a typically exploratory and therefore qualitative form. In order to identify, measure and or expose the trend, subjectivity and strategic initiatives of the industry (through the companies evaluated) a structured survey tool will be developed to complete the evaluation.

The survey tool will be structured in the form of a questionnaire and shall be developed to form the basis of and thereby function as a research tool. This survey tool will be completed independently and returned either directly or anonymously. The responses will be collated to inform the reader, via the complete and detailed responses, as to the results obtained. The anonymity offered by the survey and the fact that the questionnaire will be based on broad concepts will remove the risk for the respondents to compromise their strategies and competitive advantages. The fact that the respondents will be drawn from the industry and thus will be competitors, trading and transaction partners, new entrants and employees of the specific corporate increases the need for anonymity as well as increases the ethical considerations of this research.

The choice of a questionnaire as a survey tool rather than interviews or discussions reduces the chance of incurring a bias in the respective responses. Secondly a review of the respective corporation's documents, annual reports and limited access to internal documents and policies will not release enough detail to truly ascertain the measures and individual companies focus points. A targeted representative respondent sample adds to the ability to interpret the responses within the paradigm of the respondent frame of reference. The fact that the sample is selected allows the potential to return to the respondent for clarification, if the response is unclear or contradictory in content. The selection of the sample improves the chances of obtaining first time responses (which reduces the chance of biased and incomplete responses) as well as the chance of receiving a response at all.

The fact that commodity marketing is similar between commodities increases the list of potential respondents. Furthermore, the fact that the broad concepts within commodity marketing are generic and similar between commodities supports the assertion that the responses drawn from any single commodity could be applicable within other commodities. Lastly, the fact that respondents across and along the value chain, although they may be focussed on opposing goals (e.g. buyers and sellers), use similar generic concepts and processes to achieve their goals supports the potential of all participants (within an industry value chain) to make valuable contributions. Thus the selection of the coal industry and the participants within the coal industry could be seen to be representative of commodities in general.

The survey tool will consist of questions that offer open ended, scaled and ask for detailed, specific responses. The questionnaire will be designed to corroborate responses between questions so as to substantiate the responses and or highlight potential areas of error. For example if a negative response to the use of metrics or success indicators is offered to respond to one question yet in a further question a list of indicators and measurements are listed as a response, the respondent will be contacted to re-confirm their response and have the option to re-submit or clarify their submission.

The respondent base will consist of two distinct areas internal and external to the specific corporate focussed on in the internal study. The selection of a separation into these two areas is based on the following: -

- For full success and complete value extraction, the international office requires the internal support of the corporate and the various sectors, business units, disciplines and senior management within that corporate. The formation and sustainability of a specific international marketing office will be naturally supported if it aims toward and achieves the corporate vision, objectives, goal and aims. It will garner further support if the wider (outside of the marketing discipline) corporate and business unit management, believe in, see benefit and extract value from its existence. Thus in order to ensure the extended support the investigation to determine their specific requirements may shed light onto the indicators that the office should achieve or attain; and
- The external support of the customers and market participants is also of importance, in that if the customers (and to an extent competitors) do not find the office to add value or have an impact/input in their interaction with the specific corporate, the communication through or 'use of' the office will not occur. The gathering of information will not occur and the efficiency and effectiveness of the office (or in other words) its need for existence will be under serious question.

Based on the inclusion of an internal sample and due to the desire of the specific corporate to ensure the success of as well as extract the maximum value form their new endeavour, the questionnaire will offer the opportunity to the internal respondents to submit their personal, functional and specific dreams, wishes and aspirations for the presence and value to be extracted from such a marketing office.

The questionnaire will include questions with regards current and proposed evaluation criteria (subjective responses). The intention of the questions would be to re-affirm the respondent's view of the success of the evaluation criteria being used versus their opinion of what is required to be used. In other words, if an item that is currently used to evaluate a marketing office, be it of a financial or non-financial nature, is repeated in the proposed evaluation criteria listing then

the item (or criteria) can be considered to be successful and therefore potentially an industry accepted success indicator or metric of interest.

Research questions evaluating the respondent's consistency in answers would also be included across the questionnaire. For example, scales questions evaluating the relative importance of the presence of a general marketing versus the importance of an international marketing office may be used. It would be difficult to understand that an international marketing office could be of more importance than a general marketing office.

Research questions requiring yes or no answers regards the separation (separate identity but sharing of information) of international and domestic marketing offices, perhaps even on a geographic basis as well would emphasise:

-

- The respondents appreciation of nuances of international business;
- The requirement of detail and specific market information (from as close to the source as possible);
- The requirement or ability to pre-empt the market (market maker/mover) or react to market; and
- The respondent's expectations of value add or value to be extracted.

In other words if the respondent indicates a comprehensive selection of the potential value to be extracted from the office as well as an extensive listing of measurement possibilities and success indicators, a negative response to a yes or no question of whether a marketing office can add value would be impossible or at least require clarification.

It is therefore the expectation of descriptive and some interpretive responses, as well as the exploratory nature of this study topic that supports the motivation and decision to complete a qualitative evaluation both from an internal as well as external view point. Additional support for a qualitative evaluation is derived from the proposition that dreams, aspirations, practical measures and indicators and industry norm's are to be used 'to create new and theoretically expressed understandings' (Strauss, 1998) rather than quantitative evaluations.

Thus the survey results obtained will consist of primary data, which when combined or aligned with theory will support and motivate the basis for the analysis, suggestions and recommendations to be made. These suggestions and recommendations can then be used to determine and construct the metrics and success indicators to be used for an international marketing office.

The open ended results obtained will be collated and grouped into similar concepts, measures or focus points. This will reduce duplication of success indicators, reduce the potential to identify the respondent or respondent's organisation and highlight the intent of the measurement rather and therefore not include the potential misunderstanding of the indicator based on different definitions of terms.

The scaled answers will be evaluated as per histograms to visually evaluate the relative grouping or bias of sub-samples. The subject of the question for the scaled response would indicate the reason and lead the interpretation of the result of the histogram.

The yes or no answers and selections from suggested answers will be evaluated in terms of percentage of respondents selecting the particular item or position. This will give an indication of the generality and level of acceptance of the particular item.

4.5 Sampling

4.5.1 Sample design

Due to the exploratory nature of this investigation, specific and particular parameters for selecting the relevant sample of respondents will be determined and applied.

Representativity of the sample is of particular interest and relevance in qualitative analysis (Mangen, 1999). Thus the first parameter used in the sample delineation will be the market area to which the majority of South African coal (as well as the

specific corporate) is exported. This area will form the basis of the area of interest and comparison.

Secondly, respondents from both the producing and the market areas are to be selected, such that the similarity of focus negates the effects of competing strategies and the comparative area also reduces or minimises the potential differences due to production and market dynamics.

Finally, competitor producers, traders and end-users/buyers are to be all included or considered in the sample in order to ensure a sufficient sample size and that the results will be applicable across commodities, companies as well as market perceptions and or requirements.

The sample will be defined by:

- Company – to ensure generality,
- Focus – to describe the primary objective or focus, and
- Area of influence – to infer the basis of relevance. The classifications will be International (which includes SA and Europe), South Africa, European, and Indian.

The respondents chosen will be from the senior management of the relevant organisation.

Data will be solicited from a population of 28 companies and in cases multiple persons from within these companies. In this manner both various, as well as wider, perceptions and expectations will be captured. The variety and breadth of the external respondents should explore and expose the majority and certainly the main success metrics in use within the coal marketing commodity industry. The seniority and experience of these same respondents should expose the maximum experience, information, opinions and knowledge gained over the past years of international bulk commodity (and or coal) sales. The fact that a significant number of independent companies sampled should also expose the generality and true requirement of the measure or validity of the particular success metric or indicator.

A comprehensive sample and response of the senior management of the specific corporate will also be investigated. Such that the potential for added value and focussed goals associated with the particular development phase and needs of the specific corporate may be solicited.

As these measures and indicators will be used within the specific corporate, this study will be of significant interest and impact within the particular corporate. The seniority and multi-disciplinary facets of the internal respondents should explore and detail the maximum number of needs, aspirations and possibilities for measurement from within the specific corporate.

4.5.2 Sample size and make-up

A total of 28 companies, via 18 internal and 35 external questionnaires were sampled in order to complete the sample and survey.

4.5.2.1 External Sample

The external sample may be described as follows, firstly a pie chart describing the main focus of the company in question: -

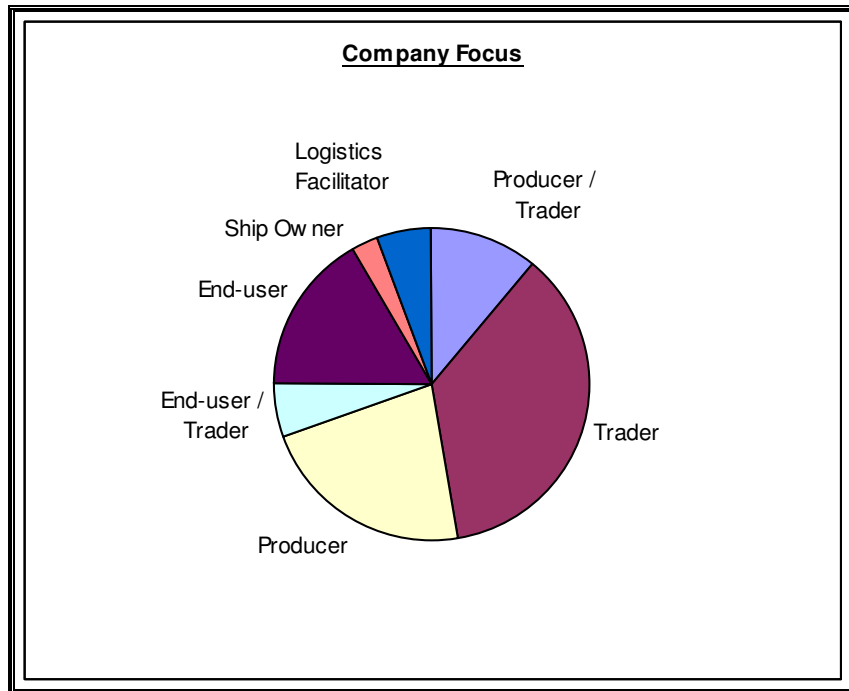


Figure 5 : Distribution of the business focus (or core competency/business) of the external sample (encompassing the various companies sampled)

Three functional identities, namely end-users, producers and traders form the basis of any commodity transaction. Within the external sample, 91% of the organisations could be identified as a single or a combination of at least two of these functional identities. Thus, with a significant proportion of the sample having any one of the minimum functional identities required within a transaction, the results derived from the sample can be argued to contain and or be used to derive a solid and true reflection of the requirements and current trends of the corporations within this industry.

With the comparatively even distribution of the end-users, producers and traders within this 91%, the sample can also be argued to offer an unbiased view of the requirements and current trends of the corporations within this industry.

The chart below describes the trade area of influence in the majority of the companies business, influence and or transactions.

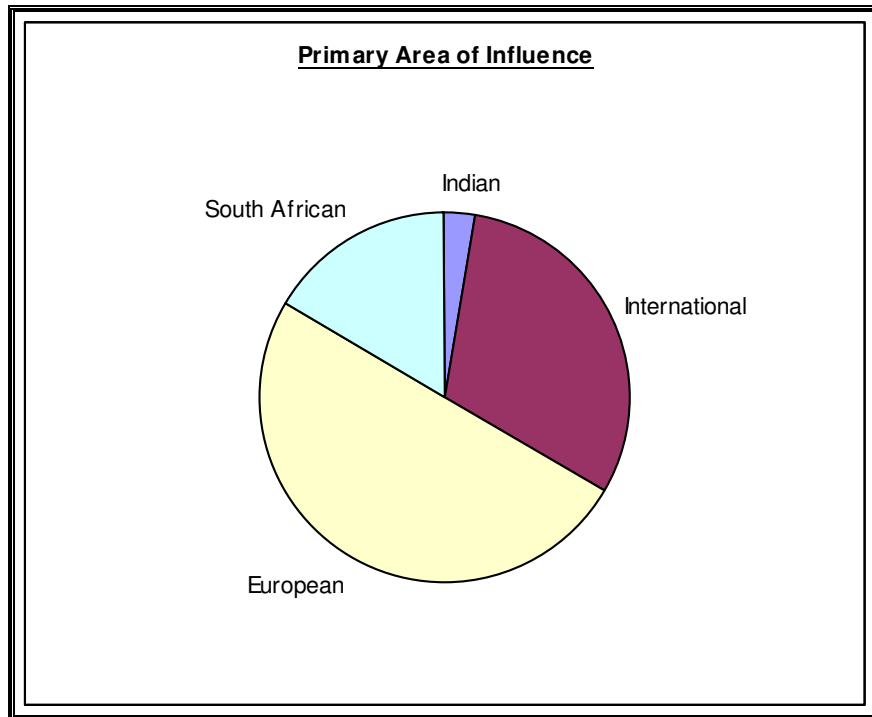


Figure 6 : Distribution of the primary area of influence of the external sample (encompassing the various companies sampled)

The area of interest, for this study, is coal sales from South Africa into Western Europe and with 65.7% of the corporations within the external sample active (in the majority of their business) in these two areas, excluding the respondents from the international area (although the international sector respondents do interact in either one of these two areas it is not a major portion of their business) the results derived from the sample can be argued to contain and or be used to derive a solid and true reflection of the requirements and current trends of the corporations within this industry and this area of interaction and influence.

The last chart of the external sample explores the functional role or position of the respondent.

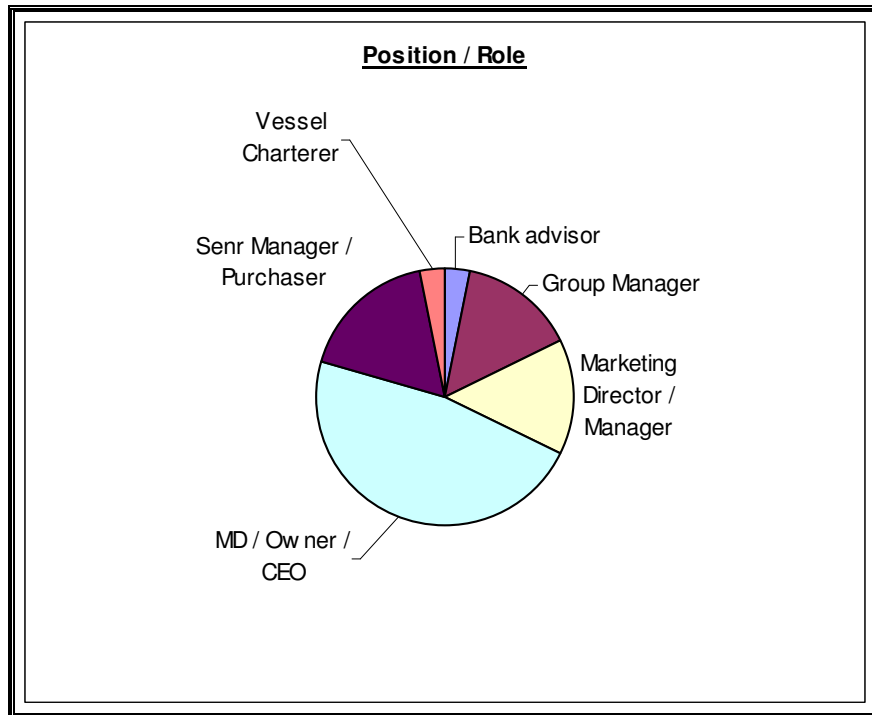


Figure 7 : Distribution of the relative position of role of the respondent from within the external sample (encompassing the various companies sampled)

Derived from the position and/or role within the respective corporation, 91.4% of the respondents held either a Senior Manager/Purchaser, Marketing Manager/Director, Group Manager or Managing Director/Chief Executive Officer/Owner role within their respective employing corporation. Thus the results of the sample can be seen to be derived from credible, experienced and highly influential people. Secondly the strategic nature of the respondents job function would add an aspect of or strategic perspective to the detail and content of their responses. This strategic perspective would further support the basic need for an international presence, which would then further corroborate and support the specific corporation's recent decision to open an international commodity marketing office in Europe.

The international sea-borne traded coal volume totals approximately 500 million tons per year. In order to calculate the cumulative influence on the total world wide coal trade volume and therefore the relevance of the response in terms of international exposure and experience the following assumptions were made: -

- The traders within the sample, trade with the coal produced by and or on-sold by the end-users during any year; and
- The end-users have to buy coal from one or the other coal producer

Thus the denominator in the cumulative percentage calculation is triple the international sea-borne coal volume. This will negate any potential duplication of the volume count when calculating the cumulative influence, in terms of coal volume. Using approximate production, traded and consumed volumes the respondents in the external sample had a cumulative influence of 34.6% of the worlds traded coal volume. This is a significant influence when one considers the volume traded, as well as the distance and distribution of the producing to consuming areas of the traded coal.

The South African exported volumes approximate 70 million tons per year, however additional access (or port capacity) has been announced over the last couple of years. For this reason the sample respondents have nameplate capacities in excess of the 70 million tons. In order to calculate the cumulative influence on the South African coal trade volume the relevant nameplate capacity of the various respondents is used to calculate the relative influence and activity within South African coal exports, thus following assumptions were made: -

- The traders trade with and from the same coal listed as being exported from South Africa; and
- The coal producers list their capacity in terms of their total coal volumes leaving the country borders.

Thus the denominator in the cumulative percentage calculation is double the name plate capacity of the current RBCT (Richards Bay Coal Terminal) plus the expansions known as Quattro (4 million tons) and SDCT South Dunes Coal Terminal). This will negate any potential duplication of the volume count when calculating the cumulative influence, in terms of coal volume. The respondents in the internal sample had a cumulative influence of 48.6% of South Africa's international traded coal volume. This is a significant percentage and adds credibility to the results, especially when considering the specific requirement of a South African corporate.

The external sample is therefore a comprehensive (across the value chain), representative and experienced sample from which to derive results when considering the needs, requirements, metrics and success indicators of an international commodity marketing office.

4.5.2.2 Internal Sample

The internal (to the specific corporate) sample was characterised and defined by discipline as well as corporate role and influence.

The internal sample may be described by the following pie charts, firstly the respondents' role and influence within the corporate: -

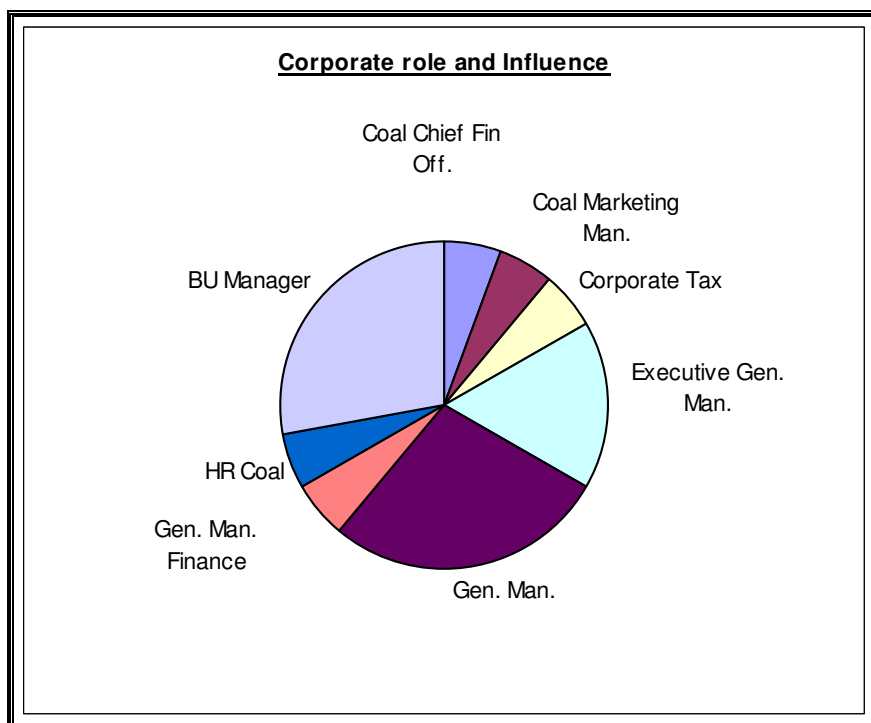


Figure 8 : Description of the internal sample based on the corporate role appointment and influence within the specific corporate.

Derived from the position and or role within the respective corporation, 72.2% of the respondents held a commodity specific senior post. The following list would detail the internal respondents: -

- Responsible for various operating business units (such as Business Unit Managers);
- Within the financial role of the organisation (Coal Chief Financial Officer, General Manager Finance, Corporate tax specialist);
- Having an executive appointment (Executive General Managers); and
- Being appointed to the senior management of a specific commodity within the corporate (Human Resources Manager, Coal Marketing Manager, General Managers).

Thus the results of the internal sample can be seen to be derived from credible, experienced and highly influential people. Secondly the comprehensive sampling of both the commodity specific senior management as well as the relevant direct or immediately involved corporate senior management adds a commodity specific aspect as well as strategic perspective to the detail and content of the responses recorded. The comprehensive and strategic perspective of the total internal sample could add support and specificity for the needs and requirements of the specific corporate, with regards to their metrics and success indicators of their own recently opened international commodity marketing office in Europe.

The following pie chart depicts the disciplines included within the internal sample.

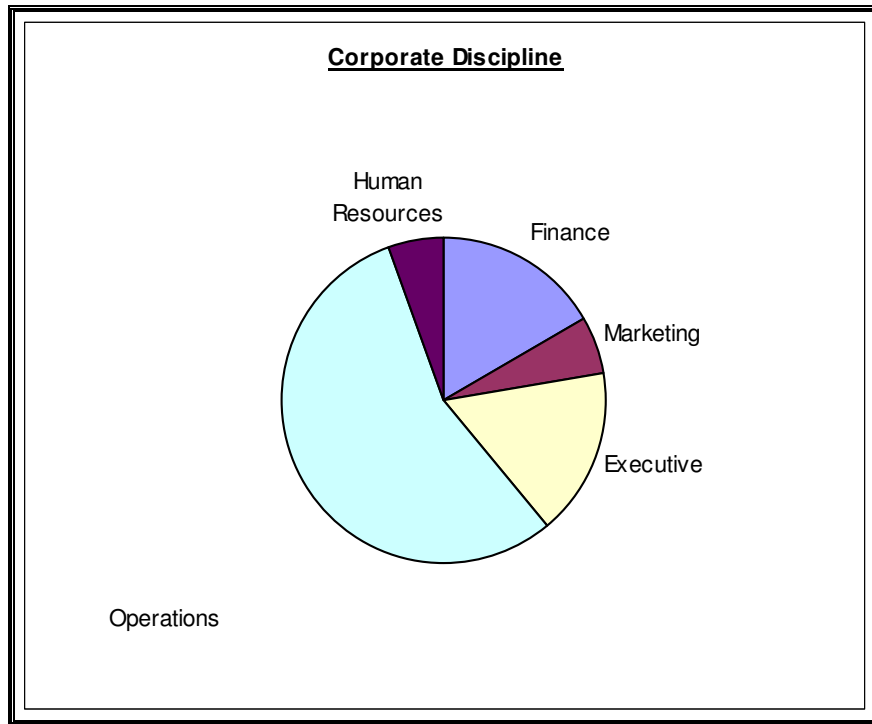


Figure 9 : Description of the internal sample detailing the disciplines included

The job functions of marketing, finance and operations form the three most basic functionalities which any corporate requires in order to operate. These three functionalities made up 78% of the respondents and were from within the coal division of the organisation in question. Thus, with a significant proportion of the sample having one of the minimum functional identities required within a corporation, the results derived from the sample should contain a true reflection of the requirements and current trends of the corporation in question.

The internal sample is a comprehensive (across the functional disciplines), representative (the complete senior management team of the specific corporate) and experienced sample from which to derive results when considering the needs, requirements, metrics and success indicators of a South African corporate international commodity marketing office.

In summary and based on the above, the internal and external sample may be described as being representative of both the specific corporate (within the coal industry), as well as the international coal market. Thus the sample forms a

reputable and repeatable research basis from which to extract trends, metrics, success indicators and learning's from and for an international commodity marketing office.

4.6 Measuring instrument

The data will be collected through a structured questionnaire dispatched to the external and internal respondents.

The process of questionnaire verification will be organised as follows: The research instrument will be pre-tested twice. In its draft form, it will be reviewed by the 'Marketing and Commercial Manager' of the specific corporate as well as the 'Growth' and 'Coal' Executive General Managers. A second pre-test will be concluded by discussion with academics and questionnaire design experts.

Following the pre-testing and some minor modifications, the final questionnaire, which includes 3 additional questions for internal respondents, will be mailed to the sample population (respondents) chosen, together with a letter explaining the purpose of the study.

Respondents are to be offered and assured anonymity. This will be achieved by making an independent General Manager's secretary available to collate those responses received via email or post. Two weeks after the initial mailing, a follow-up mailing that includes the same material as the first will be sent to those who haven't responded as yet. This should ensure the maximum response rate possible.

An example of the questionnaire is attached as appendix 1.

4.7 Data analysis

The external questionnaire is made up of 18 questions while the internal questionnaire included 3 additional questions (namely question 19, 20 and 21). All the questions yield three sets of data, namely: -

- Numerical data – this type of data set relates to the selection of items contained within lists as well as yes/no type questions, namely questions 1, 2, 4, 5, 7, 9, 14, 15, 17 and 21. Frequency of selection analysis may be used to describe these results and after interpretation may yield insight into the criteria/item's relevance;
- Statistical data – this type of data set relates to the scale type questions, namely questions 3, 10, 11, 12 and 16. Histograms can be used to describe these results; and
- Subjective data – this type of data set relates to the detailed and experiential type questions, namely questions 6, 8, 13, 18, 19 and 20. Question 13 concerns the starting dates of the various corporations offices, as the corporate, in some cases, have been in existence for a relatively long time, the accuracy of response may be subjective. Questions 6, 8, 18, 19 and 20 should contain commonalities therefore themes and or similar measurement items will be grouped in order to evaluate their repetition and therefore relevance. It should be noted that these themes and or items may be specific to disciplines, companies and or maturity of corporation/office, but this study does not expose the possibility of investigating this potential. This may form the basis of further research and or investigation.

4.8 Validity of study methodology

Improper conducted survey research may very well provide misleading results with measurement and measurement tool errors creating a significant potential of bias (Fowler, 2002). However, while measurement errors are almost inevitable, the extent to which these errors affect the findings is a function of what particular

efforts before and what checks after have been completed so as to minimize or account for the potential bias.

In order to circumvent and or account for this error or biased potential, the validation of the study methodology is required (Fowler, 2002). Firstly the literature review was completed to ensure that the measurement items represent and are relevant to the study focus area. Secondly the questionnaire was constructed to yield subjective data as well as numerical data. The numerical data would extract the respondents experience but in an unbiased manner, while the subjective data would be interpreted as far as possible to yield core principles and thereby include all responses in order not to bias the results or interpretation of the data. Thirdly the sample is constructed to be as representative of the industry focus area as well as representative of the specific corporate as possible. The interpretation of the data is expected to yield new fields for study due to the relatively low number of results and investigations completed on this or similar subject matter.

In summary, however, all analysis and construction of the sample and sample tools as well as the information derived from the literature review provide reasonable confidence that the measures used are valid and reliable and the results obtained will be representative and repeatable.

4.9 Research Ethics

This qualitative investigation is based on the individual respondents' opinions and subjective inputs, furthermore generic concepts are used to attempt to describe, identify, measure and or expose the trend, subjectivity and strategic initiatives of the industry. The potential value or competitive advantages that the respondents are exposing through their response to this investigations highlights the ethical concerns and considerations required in this research.

In order to reduce the potential identification of the respondent corporations or individuals, the possibility of an anonymous response will be offered.

Furthermore no names or identities will be mentioned in the reporting and or analysis of the data derived. The corporations will be segmented into industry defined groupings such as end-users, traders, producers and combinations thereof. The individual respondents will be grouped by functional appointment to indicate their level of experience, influence as well as indicate the broad activity functions of the sample and therefore the relevance and comprehensive or complete nature of the responses.

The need for anonymity and non-identifiability is emphasised by the fact that the respondents would be drawn from a single competitive industry. Thus their relation as competitors, trading and transaction partners, new entrants and internal to the specific corporate is of significant importance to ensure credible and substantial responses.

The ability of the author to potentially obtain strategic and confidential information through such a research design and process also emphasises the need for ethics on behalf of the management and storage of the responses and detailed data obtained. However the questions will be framed such that strategic and sensitive responses are not required nor requested.

4.10 Summary

The research approach (methodology) and sample design will ensure that the population selected will yield results which are realistic, relevant, reliable and ethical.

The preparation, construction and development of the survey tool will ensure the comprehensiveness, generality and applicability of the results obtained.

The external sample response based on various perspectives and or aspects of the sale transaction, ensures the complete evaluation and extraction of the inherent successes and measurements available.

The internal sample, responding from across the corporate as well as across functional disciplines, ensures the comprehensive collection and exposition of the selected corporation requirements and aspirations for success and the measurement thereof in relation to the recently opened international marketing office.

The response rate for the internal and external sample will be analysed to determine whether the responses received offer an indicative or comprehensive view of the sample population opinions. This will be completed in the following chapter by quantifying the response rate per defined category.

5 RESULTS AND ANALYSIS

5.1 Introduction

The results of the questionnaires were collected and can be found listed and analysed in this chapter.

Firstly the responses for the external and internal samples were collected and interpreted for the response rate, this further added validity and reliability to the interpretations based on the responses, which have been determined to be representative and repeatable based on the sample design.

Following from the response rate the question responses themselves will be analysed for the extraction of information from the data. Keeping in mind that an overall 66% response rate from the requests issued was achieved; the data base has the potential to release credible and reliable information.

5.2 Response Rate

In an attempt to increase the response rate the questionnaire sent out was preceded by a telephonic request for interest and ability to participate. Tracking of responses and a reminder (a repeat mail of the questionnaire four weeks after the first issue) was required for 50% of the sample population. During the response collection and collation a great deal of interest was expressed by all respondents as to the results expected and the potential to receive a copy of the final report. This expressed interest indicated both the motivation and support for the subject matter of the investigation.

The following facts broadly describe the response rate for the total sample: -

- The overall response rate totalled 66% from the 53 questionnaires distributed;
- Of the 28 companies issued with questionnaires 64% of the companies responded;

- 72% of the internal 18 people sample responded; and
- 62.9% of the external 35 people sample responded.

The interest in the subject matter, the research methodology followed and the selection of a targeted sample population are seen as the reasons for a significantly positive and successful response rate.

The following sub-sections detail the specifics and describe the responses of the internal and external samples.

5.2.1 External Sample

The categories used to describe the sample are used to analyse the response rate. In order to explore the number of responses with regards to the respondent descriptor comparative bar charts were plotted to describe the external sample. Thus the bar chart below explores the responses when related to the particular companies business focus: -

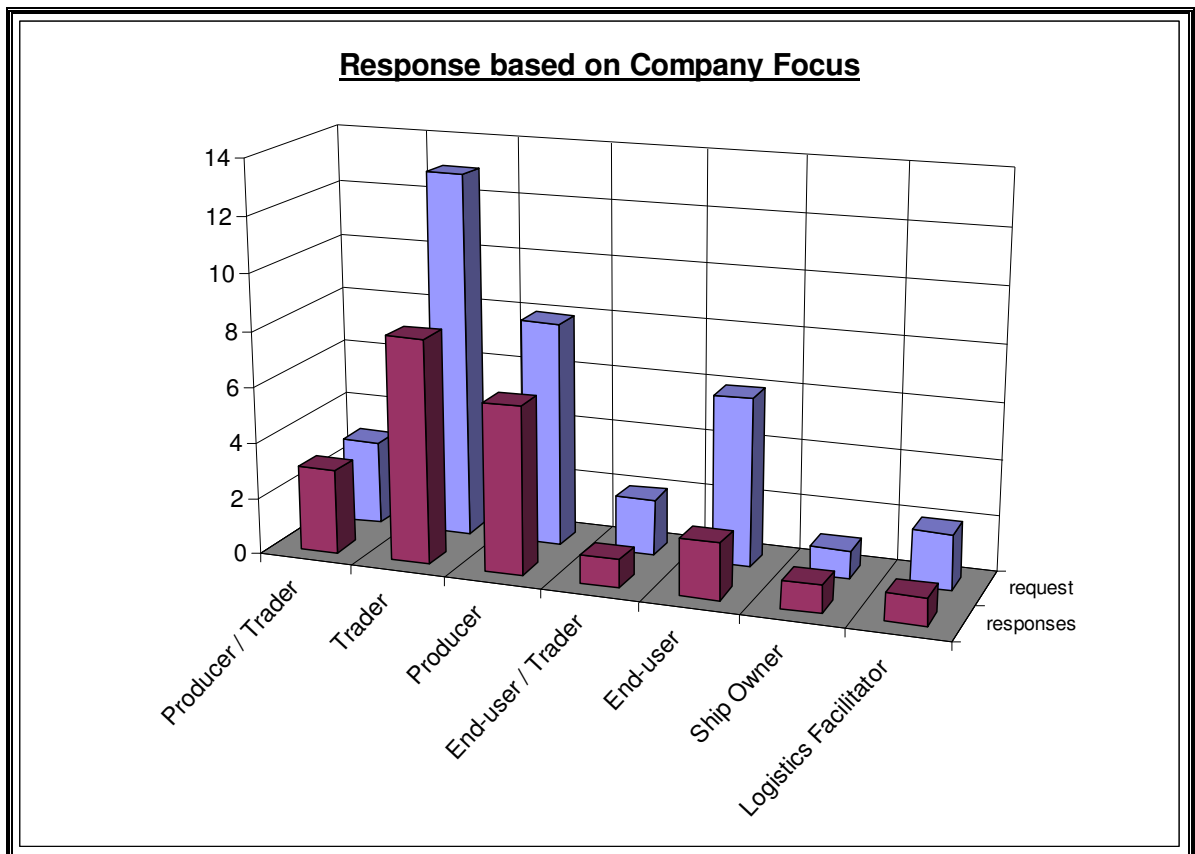


Figure 10 : Response rate per business focus (or core competency/business) of the external sample (encompassing the various companies sampled)

Cumulating the three functional identities, namely end-users, producers and traders, which form the basis of any commodity transaction, the response rate was 62.5%. The response rate was 100% from the producer/trader, 61.5% from the traders, 75% from competitor producers, 50% of the end-user/traders and 33.3% of the pure end-users. 100% of the vessel owners and 50% of the logistics facilitators returned responses. It is interesting to note that the respondents associated totally or partially with end-users returned lower responses than any other. This may be of no significance or may be because the end-user/purchasers over the last couple of years have been under increasing pressure to hold back the increases and thus the release of information may have been difficult for them. This is not the focus of this study and may therefore be of interest for further or a new research topic.

The external sample was also segregated into main area of influence or majority of business transacted within the specific geographic area and the bar chart plot of this data may be viewed in figure 11 below: -

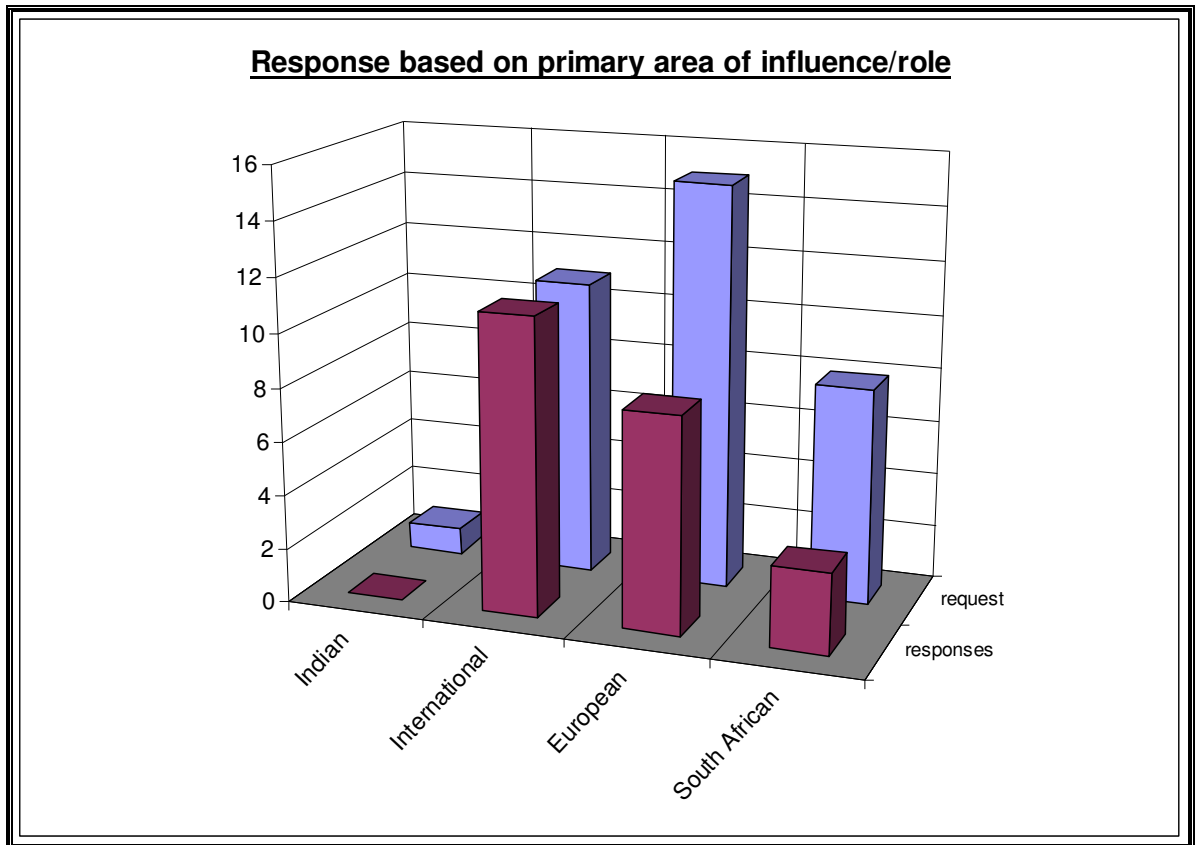


Figure 11 : Response rate per Geographic area of influence of the external sample (encompassing the various companies sampled)

The single Indian respondent was not able to submit a return thus a 0% response was returned from this area of influence. 100% of the international, 53.3% of the European and 37.5% of the South African respondent areas of influence returned a response. Mention has been made of the generally conservative nature, as well as at times sensitive or hesitant to release information nature of the average or general South African business person. Many South African corporations have dedicated corporate communication departments to centralise any external communications. This may explain the particularly low response from the South African corporation respondents but this is and was not the focus of this study and may therefore be of interest for further or a new research topic. The 53% response rate of the European respondents may or may not be significant, but the difference to the response rate of the international respondents causes the response rate to be noted.

The external sample was furthermore segregated into the relevant corporate role of the responded and the bar chart plot of this data may be viewed below: -

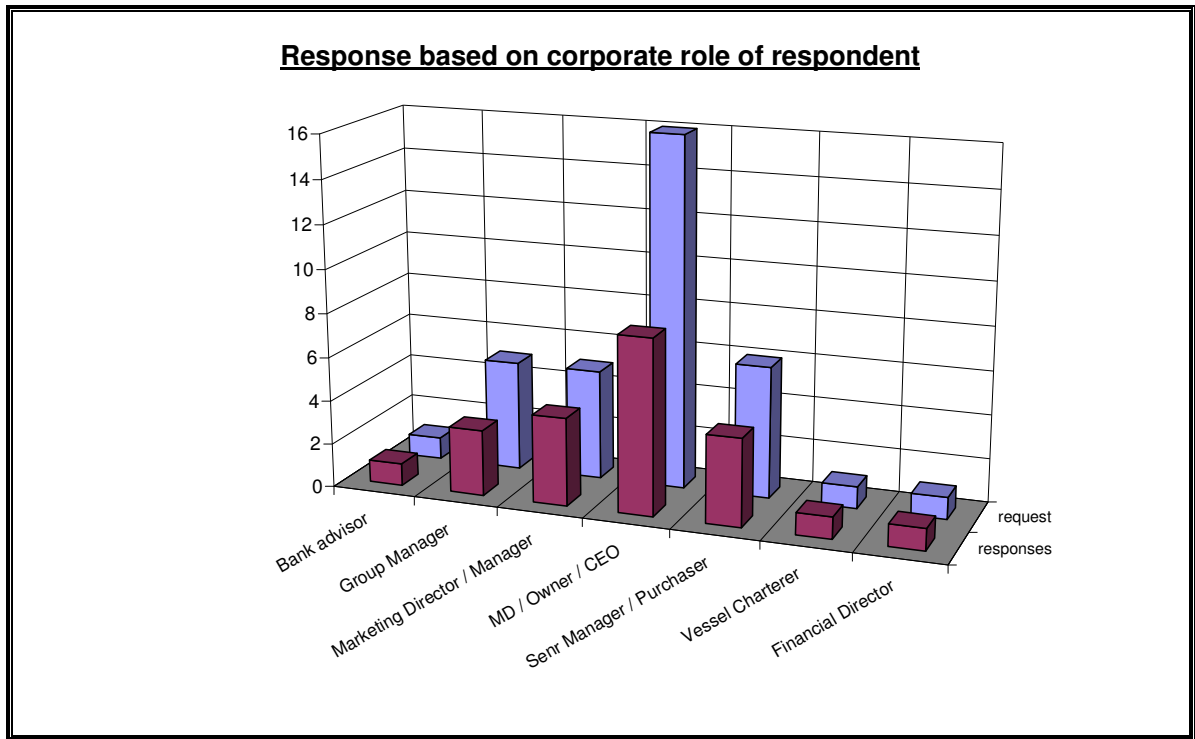


Figure 12 : Response rate based on the corporate role of the respondent (encompassing the various companies sampled)

The largest deviations from 100% response were found within the Managing Director/Owner/Chief Executive Officer, Senior Manager/Purchaser and Group Manager segments (50%, 66% and 60% respectively). This could be explained by the time aspect of responding or perhaps security of information or even releasing competitive advantageous information, however with these segments totalling 27 of the 35 requests and the response of the cumulative of these segments being 55%, the data may be less reliable. Note, however, should be made that of the 35 requests, 16 were from within the Managing Director/Owner/Chief Executive Officer segment and a total of 50% or 8 responses were received from within this segment. However in terms the strategic thinking and influence that these eight respondents may add to the information resulting from their responses, the inclusion of their responses, even though the percentage response rate may be low is validated.

Significantly, 80% of the Marketing Managers/Directors sampled, responded and thus the information validity with regards and international commodity marketing office is therefore valid, representative, repeatable and reputable.

It must be noted, however that the particular response rate achieved for questionnaire question 13 was not the same as the general external sample response rate. This particular questionnaire question was commonly excluded or not responded to. The result of this question was paramount to the core research point of research question 2. The results received for questionnaire question 13 were collated and reviewed but based on the reduced response to this particular question as well as the number of queries regards the accuracy and precision of the responses received, it was not possible to interpret the data. Therefore it is not possible to resolve research question 2 and it is suggested that a specific or separate research into this research problem be investigated.

5.2.2 Internal Sample

One specific corporate, which is a multi-product raw material producer, was used to obtain internal views. The division selected within the corporate for survey was the coal division. The internal (to the specific corporate) sample was characterised and defined by discipline as well as corporate role and influence. Similar to the sample description as well as external sample response rate analysis the internal sample response rates were describe by bar charts to depict or analyse for anomalies.

The internal sample may thus be described as in Figure 13, where the spread of the corporate or functional discipline of the internal sample is depicted.

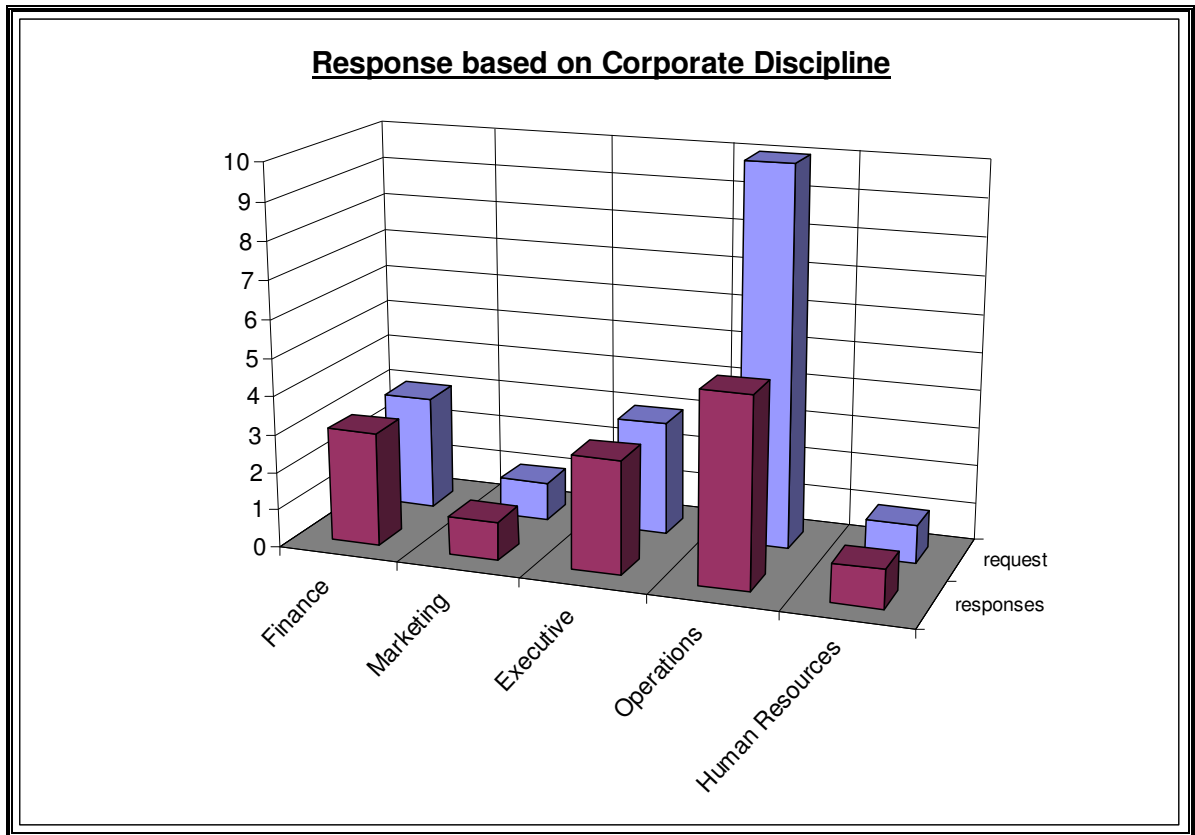


Figure 13 : Response rate based on the corporate discipline and appointment of the internal respondent

The only discipline and or role to indicate less than 100% response were from the operations within the specific corporate. This may relate to the time and or relevance of the questionnaire to the sample. However the relevance and or attention to the motivation of the individual discipline responses was not the focus of this study and may therefore be of interest for further or a new research topic.

The fact that the complete spectrum of disciplines requested for response and the senior and strategic role players of the specific corporate responded circumvents the 50% response rate from the operations personnel. This is supported by the fact that the Marketing function (and therefore motivation for an international commodity marketing office) is focussed both operationally as well as strategically, while the operational focus is more tactical within the business transaction.

The internal sample may further be described by Figure 14 which depicts the spread of the corporate role and level of influence within the corporate of the internal sample:-

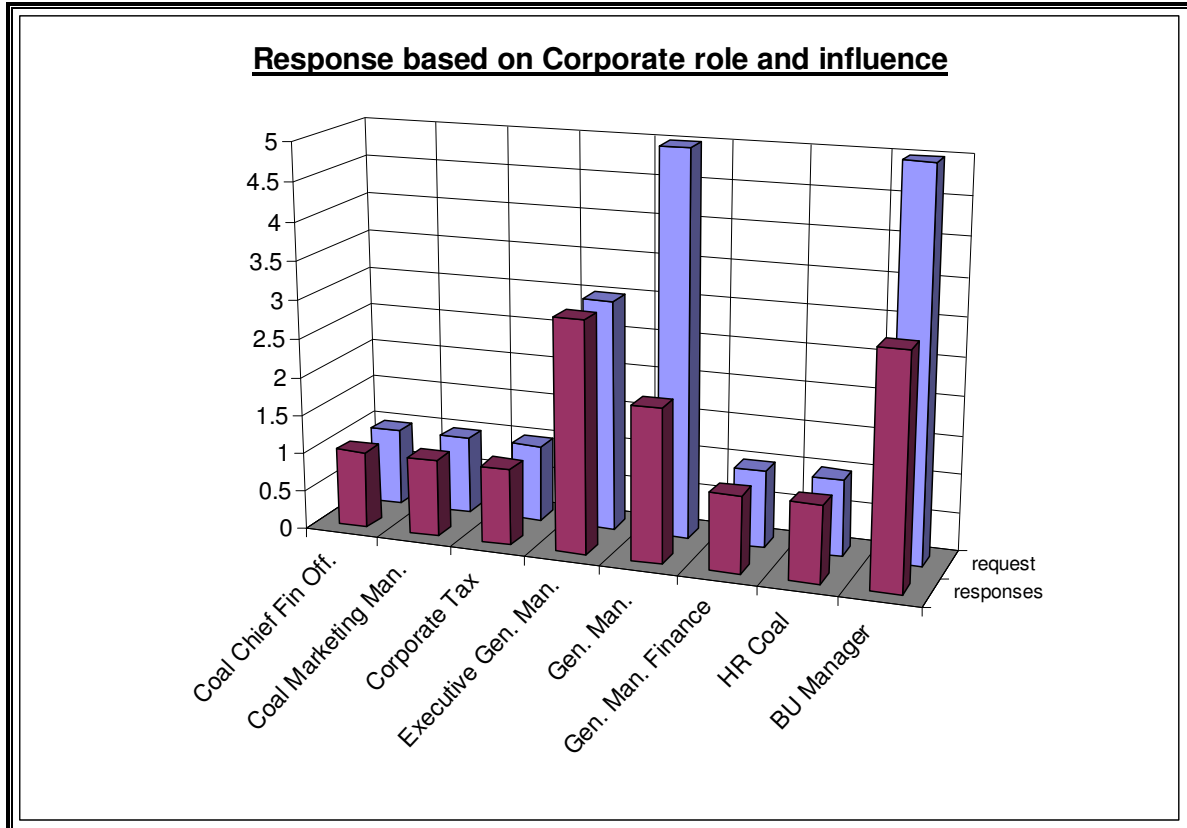


Figure 14 : Response rate based on the corporate role and level of influence within the corporation of the internal respondent

Similar to that noted in Figure 13, the operational disciplines and in this case appointment or roles are the only areas within which less than 100% response rate was obtained. It is interesting to note however that a better response from the Business Unit Managers was achieved than the General Managers. This fact is even more interesting when noted that the General Managers who responded both operate on very large scale operations as compared to the other two General Managers who monitor a number of smaller scale operations. Thus it appears that the Managers of the operations were more able to offer responses than the area General Managers. However the relevance and or attention to the motivation of the relevant roles or level of influence with regards responses was

not the focus of this study and may therefore be of interest for further or a new research topic.

The fact that the complete spectrum of roles across the specific corporate requested for response were able and succeeded in returning a response implies that a broad and general response and or requirement of the specific corporate was obtained and thus the derivation of the trends, requirements, needs, wishes and relevance of the information was obtained.

From both the analysis of the external and internal samples enough generality and variety of responses were obtained in order to have captured the widest and most generic metrics and success indicators for an international commodity marketing office. Thus the results interpreted from the information derived from the data should clearly and comprehensively depict the trends, requirements, needs, wishes and relevance of the metrics and success indicators required for an international coal commodity marketing office.

5.3 Research results

As the questionnaire in appendix 1 was the survey tool used, the results from the answers received formed the database for the information to be derived. The research questions were investigated through the use of targeted and specific questions surrounding the particular question subject.

The numbers of the relevant questions in the questionnaire, relevant to each particular research question, are listed below: -

- Questions 1 – 9 (both inclusive) relate to Research Question One - *Are quantifiable, qualifiable and sustainable benefits achievable for commodity companies through the establishment of an international marketing office or is the relevance of an international marketing office purely related to a cost saving focus?*
- Questions 10 – 15 (both inclusive) relate to Research Question Two - *Does the establishment of self managed international marketing offices, in a*

commodity corporate, follow a centralization - decentralization or commoditisation - de-commoditisation cycle?;

- Questions 16 – 18 (both inclusive) relate to Research Question Three - *What financial and non-financial evaluation or measurement criteria can be defined in order to measure the success or progress of an international commodity marketing office for a South African Coal mining corporate?;* and
- Questions 19 – 21 (both inclusive) were only offered as internal questions but also relate to Research Question Three.

5.3.1 Results of Research Question One

Questionnaire 1. 82% of the external and 92% of the internal respondents answered yes (positively) to their company having an identifiable/separate marketing department/office.

Questionnaire 2. 91% of the external and 100% of the internal respondents answered yes (positively) as to a belief that a marketing office/department is a requirement within a commodity business.

Questionnaire 3. The following histogram plots the internal and external respondents rating of the importance of the marketing department.

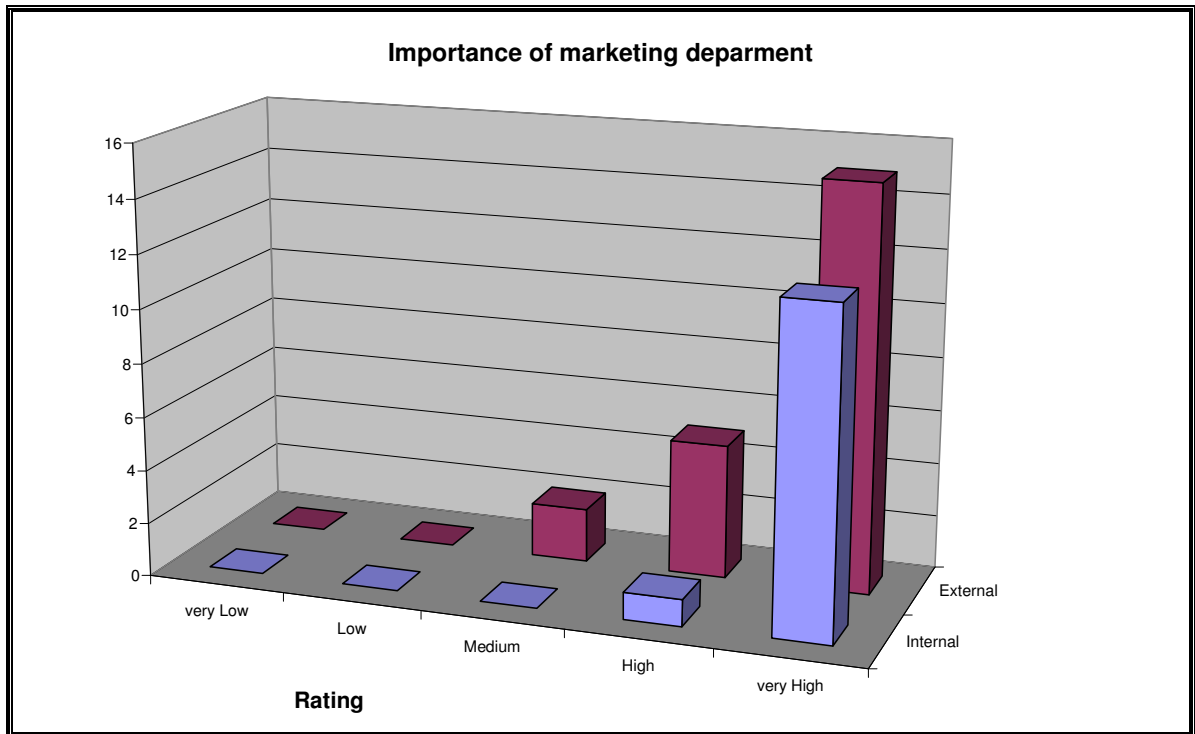


Figure 15 : Rating of the importance of the marketing department within the respondent's corporation

Questionnaire 4. 9% of the external and 23% of the internal respondents answered yes (positively), that a marketing department is a pure cost for the Organisation.

Questionnaire 5. 100% of the external and 100% of the internal respondents answered yes (positively), that a marketing office can add value to the sales of products/commodities

Questionnaire 6. The particular or specific functions (listed from the respondents) as being performed or completed by their marketing office for both internal and external samples were collated and counted for number in agreement per listing.

	<u>No of Respondents in agreement</u>	
	<u>External (22 respondents)</u>	<u>Internal (13 respondents)</u>
Sales - Identification of optimal sales destinations for production, execution of sales & contracts, liaison with production for specification changes and/or new products for market	19	10
Contract derivation and management	12	9
Trading and agency product tonnage	17	4
Derivative trading for hedging and trading purposes, price risk management (internal & external)	10	1
Networking	3	
Market intelligence - Feed management with trends and future directions of business	10	8
Marketing Strategy derivation or input	1	1
Customer relationship management	4	7
Business development in establishing market position/viability of long term projects	2	1
Technical, logistical and financial support	5	3
Execute arbitrage opportunities when identified	1	
Technical Assistance		2
Product positioning, mix and blend optimization		3
Sales planning		2
Negotiations		2

Questionnaire 7. 73% of the external and 77% of the internal respondents answered yes (positively) to the opinion/belief that an internationally positioned/placed commodity marketing office (specifically within the sales area) is a requirement when a product is supplied to international customers.

Questionnaire 8. How or what the expectations of the respondent were for the value addition of an international marketing office, for both internal and external samples were collated and counted for number in agreement per listing.

	<u>No of Respondents in agreement</u>	
	<u>External (22 respondents)</u>	<u>Internal (13 respondents)</u>
Customer relationship management	14	11
Market intelligence	15	9
Logistic optimisation	3	2
Product mix optimisation	1	
Financial tools (derivative trading platforms)	3	
Cost saving (on international travel)	1	
Contracting and sales	3	
Company Profile, Branding and Corporate vision	2	1
Value-in-Use evaluation on site at customers		3
Elimination of traders		1
Networking		5
New market segment development		3
Sales Volumes		2
Pricing		3

Questionnaire 9. How or what the value proposition of an international commodity marketing office could include for both internal and external samples were collated and counted for number in agreement per listing.

		% of Respondents in agreement	
		External (22 respondents)	Internal (13 respondents)
HR	Recruitment	27%	15%
	Training and development	36%	46%
	Staff retention	5%	31%
	Incentive potential	27%	38%
Corporate	Branding	86%	77%
	Business development	68%	62%
	Contact point for international investor potential	23%	38%
	Structuring potential	14%	23%
	Group purchasing point / supply chain information	41%	15%
	Business credibility	50%	54%
	Global footprint	73%	62%
	Strategy growth/expansion	55%	38%
Financial	General financial market information	32%	46%
	Instruments/derivatives trading (separated from operations)	41%	38%
	International financing	18%	15%
	International credit	27%	31%
Operations	Internal point of exposure to Business Unit Managers	32%	69%
	Reward/Incentive potentials	18%	38%
	Internal "real-time" market info source	77%	85%
	Logistical optimization and synergies with other sellers	59%	77%
	Face to face contact with customers	91%	85%
	Marketing intelligence ito blending, if applicable	59%	62%
	Marketing intelligence ito Value-in-Use comparative product characteristics	64%	77%
	Optimization of logistical network to customers	73%	77%
	Market intelligence in terms of customer technology changes which might lead to different product quality characteristics	82%	85%
	Providing a seamless open ended service to customers	68%	69%
	Improving transparency between customer and supplier due to easier access etc	64%	85%

An alternate depiction of the above results is given in Figure 16 below: -

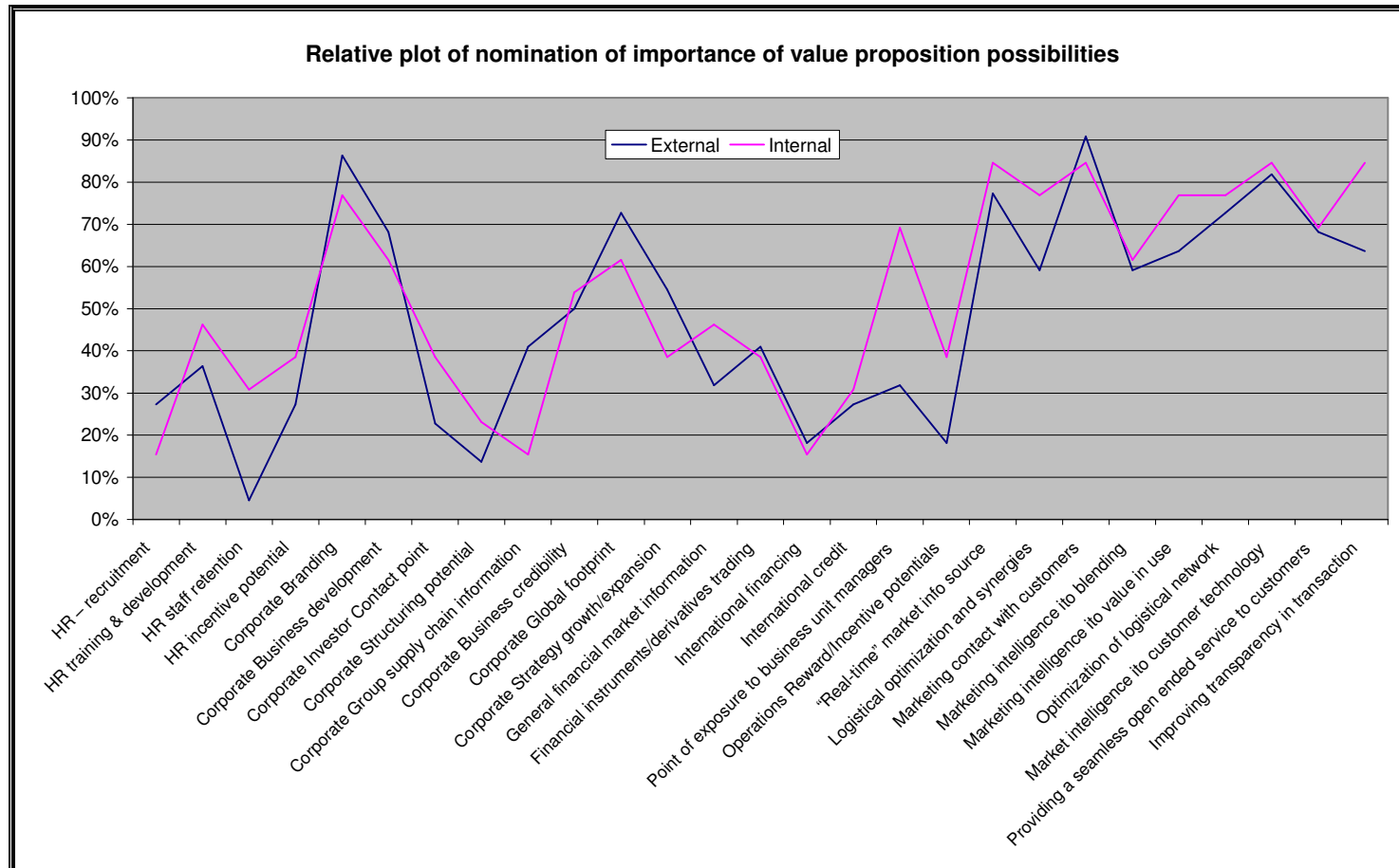


Figure 16 : Relative plot of the nominated importance or selection of the potential value additive proposition that an international commodity marketing office could include

The correlation coefficient (r^2) between internal and external samples sets of data is 83%.

Results of Research Question Two

Those respondents who chose not to or were not able to respond to some of the questions in the questionnaire were removed from the calculations and or data compiled regarding research question two.

Questionnaire 10. The number of marketing offices known to or listed by the respondents for or within their own organisation/corporation are depicted in a bar chart below

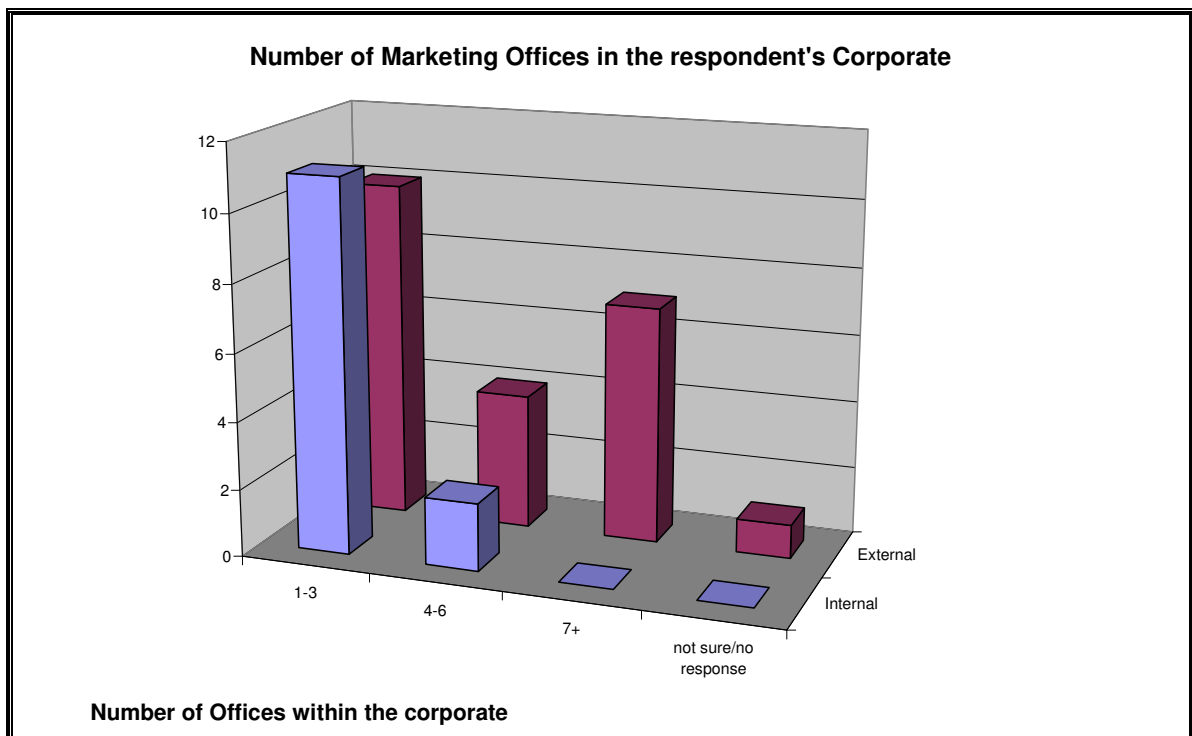


Figure 17 : A bar chart plot of the number of marketing offices within the respondent's corporation/organisation.

Questionnaire 11. The number of marketing offices associated or linked to producing areas/countries within the respondent's Organisation/corporation are depicted in a bar chart below

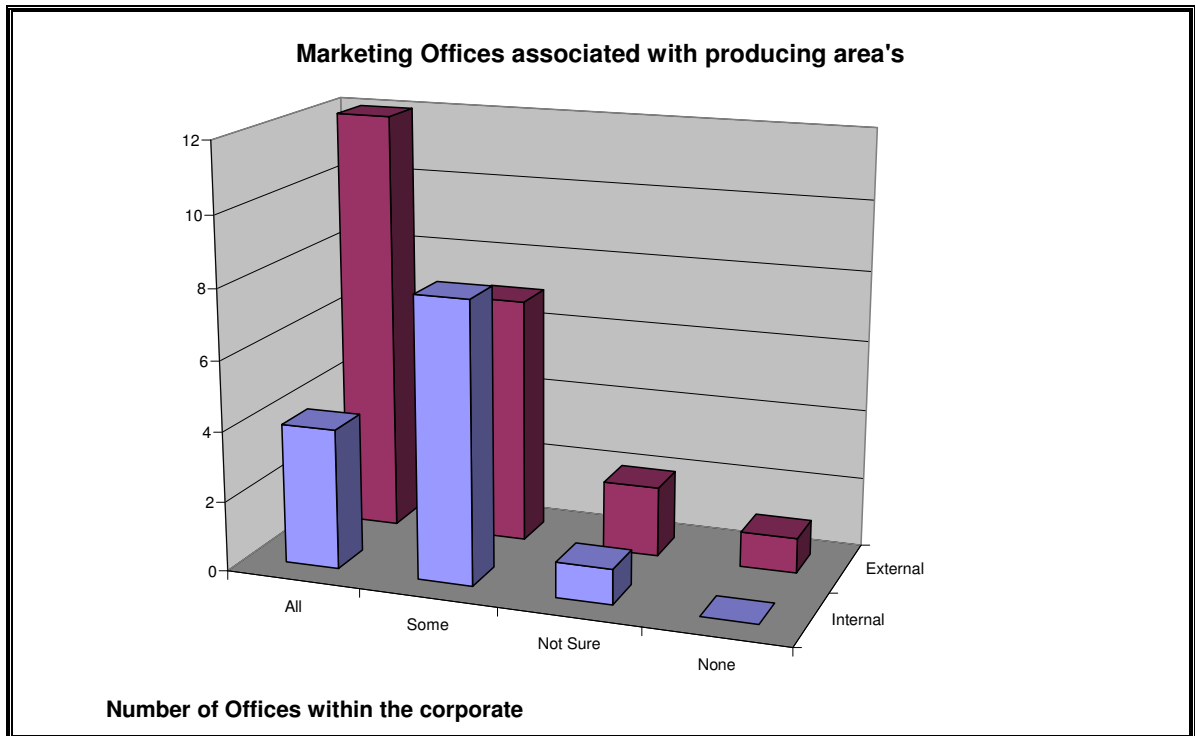


Figure 18 : A bar chart plot of the number of marketing offices within the respondent's corporation/organisation that are associated or linked to producing areas/countries.

Questionnaire 12. The number of marketing offices associated or linked to sales/customer regions from the respondent's Organisation/corporation are depicted in a bar chart below

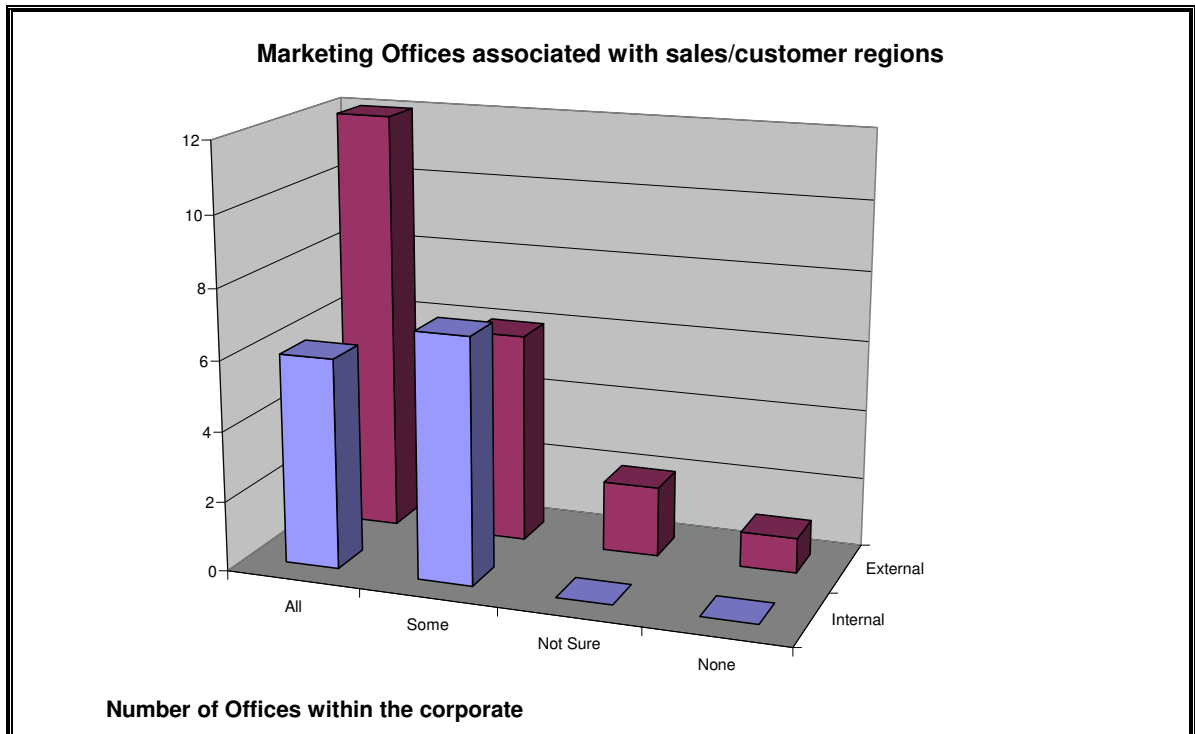


Figure 19 : A bar chart plot of the number of marketing offices from the respondent's corporation/organisation that are associated or linked to sales/customer regions.

Questionnaire 13. The year and or date of establishment of the marketing offices (for those corporations who responded to have one) was requested.

Ten responses were achieved and or received. These were: - 1980's, Singapore 2006 rest 80's, 2000, France in 1990 and Germany in 2006, second half 2005, Company is 24 years old (10 listed on exchange – various dates for office establishment), 2008, 1981, 1995 – 2006 and 1993.

Questionnaire 14. 41% of the external and 38% of the internal respondents answered yes (positively), that the international and domestic business aspects are separated from each other.

Questionnaire 15. 50% of the external and 92% of the internal respondents answered yes (positively), that their Organisation made use of a focused international segment, in other words that the international sales were separately defined from domestic sales.

5.3.2 Results of Research Question Three

Questionnaire 16. The value extraction for the corporate from the relevant marketing office was questioned in terms of being largely/mainly financial. The responses received are depicted in a bar chart below

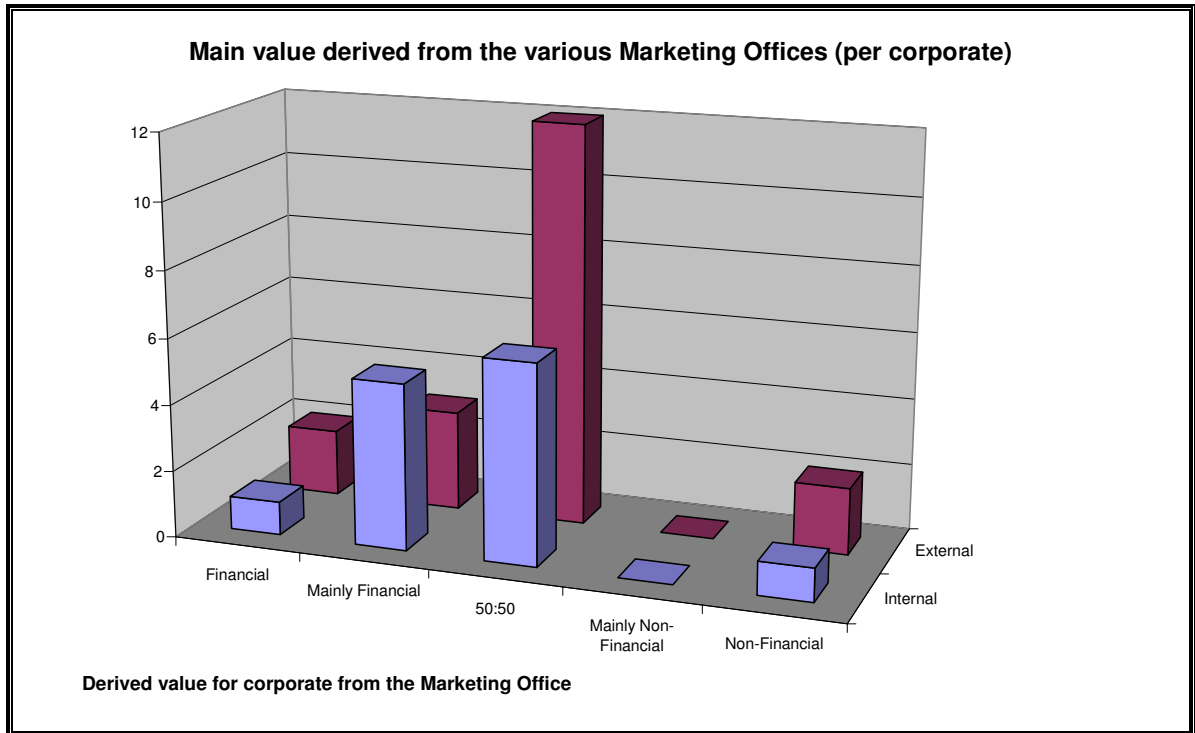


Figure 20 : A bar chart plot of the value (or perceived value) derived from the presence and or operation of the relevant marketing offices (per corporate respondent both internal and external).

Questionnaire 17. 14% of the external and 23% of the internal respondents answered yes (positively), that the value of their marketing office was only measurable financially.

Questionnaire 18. The top 3 measures used by the relevant Organisation to monitor/measure the marketing office's success was found to include the following: -

External Sample

<p>General (discussions)</p> <ul style="list-style-type: none"> i. Individuals performance ii. Trouble free sales performance iii. Achievements per customer iv. Long-term achievements/strategies v. Products and development vi. Setting and monitoring of realistic goals. vii. Continual communication between all responsible personnel 	<p>Products</p> <ul style="list-style-type: none"> i. Successful product development and application ii. New markets and products opened - Market intelligence to customer technology changes which might lead to different product quality characteristics
<p>Markets</p> <ul style="list-style-type: none"> i. Have an optimal sales/contract mix (different from product to product and company to company) of contract and spot business, physical and paper trades, direct (with customer) and direct (through traders) ii. Reduce/minimise risk iii. Gathering of relevant information from local clients iv. New business vs repeat business v. Market penetration vi. Increased Customer Contact vii. Managing Market exposure presence (watching your business) - minimizing ones business exposure and managing details of demurrage failures viii. Customer satisfaction ix. Credibility x. Total amount of tons sold 	<p>Financial</p> <ul style="list-style-type: none"> i. Turnover or revenue ii. EBITDA iii. Return on capital employed iv. Profitability (per strategic business unit and for total corporate) v. Comparison with competition (Loss mitigation) vi. Diligent, accurate and timely account keeping vii. Prices obtained viii. Market forecasts (market mover - market leading information rather than reaction)

Internal sample

<p>Sales</p> <ul style="list-style-type: none"> i. Volume and value growth ii. Price increases (vs. benchmark prices) iii. Value realized versus potential value iv. Logistical strike rate on sales planning and distribution 	<p>Strategy</p>
	<p>Ability to retain / attract competent staff</p>
<p>Market</p> <ul style="list-style-type: none"> i. Product and market development ii. Product and market optimisation iii. Technical assistance iv. Regular market reports v. CRM / Customer base growth vi. Market knowledge and info vii. Fulfilling market obligations e.g. contracts 	<p>Financial value add (increased prices and margins)</p> <ul style="list-style-type: none"> i. Accounts receivable ii. Better than budget iii. Average collection payment period iv. Fiscal discipline v. Cash retained vi. Reduced agent costs

Questionnaire 19. The internal respondents were faced with an additional chance/question to add new measures or methods for defining success for the newly established international marketing office. The responses included the following: -

- Office must be self funded due to value added;
- The office must create a positive & professional image of the company, The marketing office is the face of the company;
- Retention of clients during market downturns;

- Ability to settle above average of going prices – Obtain premiums for our products;
- Coal trading profit;
- Forward thinking when negotiating contracts (crystal ball view, market intelligence); and
- Must be able to contractually bound Exxaro for just the right period of time

Questionnaire 20. The internal respondents were requested to evaluate, within their specific area of influence, what difference can the international marketing office could add. The responses included the following: -

- Provides opportunity to expose high flying individuals with international global exposure and networking;
- Good Market intelligence;
- Supply/Demand outlook of international coal;
- Expose personnel to experience;
- Pricing advice i.t.o contracting;
- Risk profiling of clients;
- Advise the organisation on new market trends;
- Contact point of investor potential;
- Potential of FOREX to be used for foreign expansion;
- Understanding the HR Makeup of our customers and learning from their successes (or failures);
- Branding;
- International awareness creation; and
- Creation of new markets (away from conventional ones).

Questionnaire 21. The internal respondents were requested to select the top 5 measures that they would expect to be used to monitor/measure the marketing office's success. The following listing of potential measures was offered to select from together with the option to add a personal or additional input and choice. The percentage of internal respondents selecting the particular item is listed next to each one.

- RONA, ROC, ROE, IRR / MIRR, Profitability ratio, Profit share – bonus scheme – 0%,
- NPV (Net present Value), Quality planned vs. actual, Market intelligence (Information/Knowledge prior to press print thereof), Budget, Average collection/payment period, Average sale period – 8%,
- Accounts receivable turnover, Regular performance meetings, Relationship building/presence – suppliers / service providers, Regular market reports, Market Information, Customer base ('growth in'), Strike rate in terms of Logistical timing, No of new market opportunities investigated – 15%,
- Profit Margin, Mark to market pricing, Percentage market share per customer – 23%,
- Outputs / Goals, Distribution channel control, Volume planned vs. actual – 31%,
- Market Knowledge – 54%,
- Relationship building/presence – customers, Own product vs. Competitor pricing (comparable coal & customer) – 62%,
- No of new market opportunities captured – 69%.

5.4 Summary

The external sample was proven to be representative of the population of the coal industry sales transaction participants by the generality, company size, industry influence, corporate position and value chain functions fulfilled by the requested respondents and or their relevant company. Through the similarities of coal sales to sales within a bulk commodity the external sample results are representative of the bulk commodity industry.

The internal sample was proven to represent the management (across the operational corporate functionality) of the coal division, as well as many of the executive management of the specific corporate. Thus the internal sample is representative of management of the specific corporation selected for detail study

The response rate of the total survey sample ranged from 64% to 73%, when viewed from an external, internal, number of companies and or total respondent basis, which indicates the success and significance of the responses received. The response rate, breadth of functionality and depth of experience (or influence) of the respondents describes the sample from which to construct a comprehensive database for interpretation and conclusion.

The responses obtained were collated and listed in this chapter in order to interpret and draw conclusions, which shall be completed in the next chapters.

6 DISCUSSION AND RECOMMENDATIONS

The report began with the description of the motivation and rationale and basis for the study. The next step was to describe the industry dynamics and explore the literature and common knowledge describing the concepts and principles currently followed in the achievement of the goal of the thesis, namely the determination of the success indicators and metrics of an international commodity marketing office.

After the industry and literature review, the sample was evaluated in terms of size, relevance and construction. The responses received were then evaluated (within the same criteria) to determine the reliability and credibility of the data and therefore information obtained.

The results collated, were then listed per research question. The interpretation of this information will be discussed within this chapter, where relevant, recommendations will be made and the study will be concluded in the next chapter.

6.1 Discussion of results from Research Question One

The significant and overwhelmingly positive (82% and greater) response, for internal and external samples with regard to the presence of and requirement for an identifiable or separate marketing department or office indicates the support and need for the functionality and possibility resulting from such a department or office. The need for an internationally positioned/placed commodity marketing office (specifically within the sales area) being a requirement when a product is supplied to international customers was well supported by both the internal and external samples. With at least 73% agreement the need to focus on the customer and or a presence close to the market, as well as supporting the need for an identifiable or separate marketing department or office was re-iterated.

The rating, on a relative scale, of the importance was found to be overwhelmingly 'very high' with a small proportion rating the relevance as 'high' (see figure 15 –

Importance of Marketing department). This further supports the need, relevance (usefulness) and demand for such a facility in a commodity corporate. For the specific corporate, who have recently opened such a facility, this type and level of positive response (at least qualitatively) offers the managers the confidence that this latest initiative and their decision to support it, was well within the realms of normality and even perhaps was a natural occurrence when considering their maturation and growth

The low (9% - external and 23% - internal) percentage of respondents indicating that a marketing department is 'just' a pure cost for the Organisation supports the suggestion that a marketing office either adds or can add value. By combination of this response together with question one, the respondents derive more than a functional (or cost) benefit from such a facility in their own organisation. In fact it could be suggested that they derive a valued need from such an office or departments existence. This value addition potential was 100% positively corroborated by the response to whether a marketing office could add value to the sales of products or commodities.

Although the large number of organisations suggesting the presence of such a department or office in comparison with an organisation without such a presence may make it difficult. It is recommended that the quantification of this value addition could be the basis and source of additional research. The quantification of the value addition may even result in further metrics or success indicators that could be used to evaluate the success of an international commodity marketing office

Five common (a minimum of 45% commonality) functions or items were listed as currently performed by the various external corporations marketing offices. This commonality indicates the minimum requirements and or industry norm for such a facility. These are as follows (listed in order of priority): -

- Sales Identification of optimal sales destinations for own production, execution of sales & contracts, liaison with production and originators for product specification changes and/or new products for market;
- Trading and agency product tonnage;

- Contract derivation;
- Derivative trading for hedging and trading purposes, price risk management (internal & external); and
- Market intelligence.

Four functions or items were commonly (a minimum of 53% commonality) listed as currently being performed by the selected corporate marketing office. The maturation (one party state owned and the other party a relatively newly formed BEE corporate merged 2 years prior to this study) of the selected corporate that was studied in detail in terms of operating in its current form may have resulted in this data being un-qualified or non-repeatable, as such the recommendation is that this particular aspect of the survey should be repeated sometime into the future to determine its true validity. None the less for the time being the responses indicate the specific corporate minimum requirements for such a facility. These are as follows (listed in order of priority): -

- Sales,
- Contract management,
- Marketing intelligence, and
- Customer relationship management.

It is interesting to note that the next listed priority or requirement was that of trading, which emulates that found in the industry. However the priority given, in the internal sample, to this need was only 30%. This relatively low need indicates one of two things, either maturation of the corporate (i.e. focussing on establishing a base of operations) and/or perhaps a natural conservative approach to focussing on what is known (sales and marketing of own goods) rather than progressing to new and or down the value chain abilities.

As much as commonality in need and or value addition was found for both internal and external samples with regards to current functions being performed by the marketing office or department. A similar question with regards the expectations of the respondent, for the value addition of an **international** marketing office, was also investigated and resulted in commonality not only across the external and internal samples but also that a significant difference (in

both samples) between the top two functions and relatively positioned next function was at least 50%.

The two highest prioritised functions (for both the internal and external samples) for an international marketing office were: -

- Customer relationship management, and
- Competitive & Market intelligence.

Further research and investigation of the relative importance between these two functions is recommended. Firstly, in the external sample the 'Competitive & Market intelligence' function was given the higher priority as compared to the internal sample. Secondly, the difference in priority (5% external and 15% internal sample) between the two functions was also noted between the samples. Both of these differences may be an indication of or related to the maturity of the corporate and as such could be the focus of further research.

The potential of 'How or what the value proposition of an international commodity marketing office could include' was explored to further extract the benefits (whether quantifiable, qualifiable and or for sustaining purposes) derived from the establishment of an international marketing office. The identification of significant support for benefits other than cost savings would support the fact that this type of office is not just a cost saving exercise. From the list of choices offered in the questionnaire the following results were derived. As per figure 16 – 'Relative plot of the nominated importance or selection of the potential value additive proposition that an international commodity marketing office could include', the visible match between internal and external samples is very close, while the correlation co-efficient (r^2) between the two sets of data is 83% (statistically confirming the match in trend). Similar to the significant support for the need of an identifiable marketing department and the confirmation and corroboration of the current and required functionality, the perceived identified value additive potential of an international marketing office follows a similar trend of support between the two sets of data.

The top ten value proposition potentials of an international commodity marketing office (with at least 70%) are listed, in order of priority, as follows: -

- Operations – Internal “real-time” market info source;
- Marketing – Face to face contact with customers;
- Marketing – Market intelligence in terms of customer technology changes which might lead to different product quality characteristics;
- Marketing – Improving transparency between customer and supplier due to easier access etc;
- Corporate – Branding;
- Operations – Logistical optimization and synergies with other sellers;
- Marketing – Marketing intelligence i.t.o. value-in-use comparative product characteristics;
- Marketing – Optimization of logistical network to customers;
- Operations – Internal point of exposure to Business Unit Managers; and
- Marketing – Providing a seamless open ended service to customers.

It is interesting to note that the only difference between the internal and external samples is with regards the 10th and 11th value proposition potentials, namely ‘Providing a seamless open ended service to customers’ and ‘Corporate – Global footprint’. The difference is that the external sample lists ‘Corporate – Global footprint’ to be the 10th priority value proposition potential and visa versa for the internal sample.

The top ten priorities were rated in the range 70% to 85% while the remainder of the priorities were rated in the range 60% down to 15%. Thus for completeness a second band of priorities could be defined as those in the range 50% to 60%, these priorities were

- Corporate – Business development,
- Corporate – Global footprint,
- Marketing – Marketing intelligence i.t.o. blending, if applicable, and
- Corporate – Business credibility.

However for reasons of operational simplicity, practicality and or manageability of priorities and focus areas, the priorities with below 60% prioritisation are deemed to be of secondary importance.

6.2 Discussion of results from Research Question Two

The fact that an organisation has multiple (or even international) marketing offices relates to the respondent's ability to offer reliable input into the value of a specific international marketing office but also to their ability to relate corporate growth to either the corporate strategy or market dynamics. In Figure 17 which relates to the number of marketing offices in the organisation, it is clear that the external sample contained a number of corporations with multiple international offices. Thus the relation to the commodity cycle could then support the proposal of corporate growth following a commoditisation - de-commoditisation cycle. It was interesting to note that the internal sample indicated more than one marketing office within the specific corporate. This may be due to a mis-understanding of the question or mis-understanding of the role and purpose of the other international offices that the specific corporate does contain.

Further support to reliability of the linking of corporate growth to growth to either the corporate strategy or market dynamics may be derived from the relevant office's association to producing and or sales areas/countries within the respondent's organisation/corporation. If the offices were related to specific uses and areas the chance that the offices grew out of organic structural growth and or mergers and acquisitions are reduced and therefore the structure purpose can truthfully be said to be related to only the corporate strategy or market dynamics. In both Figure 18 and 19 the external sample had a significant portion of the respondents indicating that all of their international offices were related to producing and or sales areas or countries. Again the internal sample was ignored for relevance due to the spurious results of 'some' marketing offices being associated, the fact is that only one international marketing office exists in the specific corporate and thus some misunderstanding or mis-information of the purpose of the other international offices within the specific corporate is suspected.

The information achieved from the exploration or attempt to detail the year and or date of establishment of the international marketing offices was dismal to say the least. Only ten responses were achieved and or received from the 22 external

respondents. Those that did not respond indicated that either they forgot or did not know as it was before their time of employment. The responses achieved included half years, years and decades as periods or indications of dates. This was not accurate enough to link the establishment of the relevant offices to the commodity cycle. The error could also have been in the fact that the interpretation of the office establishment could be at idea, project motivation/acceptance, corporate approval and or office inception date. Since the difference in time between the idea and inception could be as long as years this question requires more detailing and refinement. Thus this aspect deserves more investigation and a more thorough research process.

The questions on the separation of the international and domestic business aspects from each other as well as the question on the use of a focussed international segment (or that the international sales were separately defined from domestic sales) were meant to add detail and increase the relevance of the correlation of the international coal index cycle to the international office establishment date.

However due to the incomplete and inconclusive dates of office establishment this research question could not be clearly answered. This is largely based on the poor response rate with regards the date requested, questionnaire question 13 of the survey tool. Some respondents returned comment that the questionnaire question 13 was ambiguous as they weren't sure to give the date of decision to establish or date of commencement of duties or date of establishment of their relevant marketing office. As such those dates that were obtained were viewed with the same circumspection and thus these results were determined to be inconclusive and not usable.

What could be derived was that the corporate structure growth was due to pertinent, particular and focussed decisions made by the corporate rather than organic structural growth perhaps due to staff retention and or assets gained from merger and acquisition activities. In other words the respondents knew that a specific reason was the support for a specific international marketing office establishment, they just couldn't accurately recall the date of establishment.

6.3 Discussion of results from Research Question Three

Seen as the question of value addition was relatively comprehensively noted or explored under research question one, the repeat of this question in the questionnaire may seem superfluous. One of the reasons of the repetition was to corroborate what was answered previously. In other words if the respondent answered that the marketing office was a pure cost and then here responded that the office was measured in terms of non-financial metrics his responses could be marked as unreliable. It should be noted that no cases of this were found. As from Figure 20 – ‘A bar chart plot of the value (or perceived value) derived from the presence and or operation of the relevant marketing offices (per corporate respondent both internal and external) ‘the majority of respondents replied that their offices were measure on either a 50:50 (financial: non-financial) basis or mainly financial.

A similar principle explains the purpose of the next question, which explored the chance of the office only being measurable financially. The responses of 14% (external) and 23% (internal), positively indicating only a financial measurement of their international marketing office, affirmed that value and or measures, other than financial items, were used to determine the progress, performance and or success of the international marketing offices of the relevant corporations.

In order to extract the potential measures used, the exploratory question of the top three measures used (by the relevant organisation) to monitor/measure the marketing office’s success was collated. Due to the respondents listing only 3 measures and that the question did not limit the respondent by means of a suggestion list, the total set of results is used to indicate the potential measures in use and or that could be used to measure or monitor an international marketing office. The fact that the respondents top three measures included more market, product and general items than the financial items and that the respondents had commented that their international marketing offices were not measured on only a financial basis, confirmed the fact that the respondents drew

more than financial and or value from an international commodity marketing office.

It is interesting to note that the internal respondents seemed to be more focussed on sales (or products) than the external respondents and less focussed on the general points of measurement. The alternate focus could be related to the current corporate strategy (Value-in-Use sales/marketing strategy) or company maturity. In other words more mature corporations may use standard commoditised products and standard processes and thus focus on the mechanisms of the transaction rather than the product itself. Secondly the more mature corporations are 'set' in their ways and therefore the corporate management is challenged with introducing change (or questioning the established normality) rather than a new corporate which may simply be attempting to establish a normality in both product and process.

The internal respondents added additional measures or methods for defining success for the newly established international marketing office. This would serve to enable the management of the specific corporate to gain further internal support for the newly established office, by means of measuring and ensuring the achieving of as many of the internal expectations as possible. The additional responses included the following: -

- Office must be self funded due to value added (through service or information);
- The office must create a positive & professional image of the company;
- Retention of clients during market downturns;
- Ability to settle above average of going prices – price premiums;
- Coal trading profit;
- Insight when negotiating contracts; and
- Contractually bind the company for just the right period of time.

In order to explore the added potential that the new international office added to the corporate the internal managers were requested to evaluate, within their specific area of influence, what difference can the international marketing office could add. The responses included the following: -

- Human Resources
 - i. Exposing of high flying individuals to international (global) exposure and networking
 - ii. Expose personnel to experience
 - iii. Understanding the employee demographics and structures of our customers and learning from their successes (or failures)
- Corporate
 - i. Supply/Demand outlook of international coal for strategic uses
 - ii. Advise the organisation on new market trends
 - iii. Potential of FOREX to be used for foreign expansion
 - iv. Creation of new markets (away from conventional ones)
 - v. Branding
 - vi. Contact point of investor potential
 - vii. International awareness creation
- Financial
 - i. Risk profiling of clients

Lastly the internal respondents were requested to select the top 5 measures that they would expect to be used to monitor/measure the marketing office's success. The top 5 selected (from a given list) measures are: -

- No of new market opportunities captured,
- Relationship building/presence – customers,
- Own product pricing vs. Competitor pricing (comparable coal & customer),
- Market Knowledge, and
- Outputs / Goals.

6.4 Summary

The method of research has proven to be reliable, reputable and credible. The sample surveyed is representative of the coal industry in general and the internal respondents represent the operational and senior management of the specific corporate and therefore offer a representative view of the particular needs of the said corporate.

The discussions based on the information and or results obtained from the survey therefore can clearly be said to be the most generic, comprehensive and representative of the results possible for both the industry and the specific corporate.

Thus the conclusions derived from the results and discussions will clearly and comprehensively depict the trends, requirements, needs, wishes and relevance of the metrics and success indicators required for an international coal commodity marketing office and these will be found in the last chapter.

7 CONCLUSIONS

7.1 Overview

This study was initiated as a result of the need to determine metrics and or success indicators for an international commodity marketing office within a bulk material resource mining corporation. The viability and possibility of such an office was described through the description of a frame of reference, which also detailed the setting of the study, of the macro environment, the industry in general as well as the general market dynamics of commodities.

The commodity of coal was then used as a generic descriptor of international commodities and thus became the basis of this investigation and therefore the vehicle of discovery. The research methodology employed consisted of the construction of a survey tool in order to extract responses from a representative (of both the specific corporate and the international coal market) sample and therefore create a reputable and repeatable research basis from which to extract trends, metrics, success indicators and learning's for an international commodity marketing office. The survey tool was tested, prior to its use, with various academics and senior management within the specific corporate so as to determine its reliability and relevance to the goal of this study. This resulted in a comprehensive investigation process, reliable frame of reference and description of the live supply network as well as representative tool through which the research would be completed to direct the reader toward the importance, objectives and potential benefits or consequences of the identified metrics and success indicators.

The results obtained were listed and discussed and in this chapter the study and implications for the specific corporate will be concluded. Thereby the existence of quantifiable and qualifiable benefits (metrics) and measureable success indicators (of both a financial as well as non-financial nature) in order to sustain, validate and ensure the feasibility of an international marketing office will have been identified.

7.2 Conclusions drawn from the results obtained

The external sample was proven to be representative of the coal industry sales transaction participants in terms of generality, corporate size, industry influence and value chain functions. The internal sample was proven to represent the general and executive management of the specific corporate and therefore a coal corporation. Based on the above observations and deductions the sample and the results derived there-from can be viewed with the requisite credibility.

The response rate of the survey sample ranged from 64% to 73% in terms of the following bases: external, internal, number of companies and or total respondent basis and therefore indicated the success and significance of the responses received. The functionality, influence and depth of experience of the respondents formed a comprehensive, repeatable and reproducible sample for the collection, interpretation and derivation of metrics and success indicators that could be applied through out the industry.

Quantifiable and qualifiable requirements, with significant commonality between respondents, for a commodity marketing office were found to include: -

- Sales Identification of optimal sales destinations for own production, execution of sales & contracts, liaison with production and originators for product specification changes and/or new products for market;
- Trading and agency product tonnage;
- Contract derivation;
- Derivative trading for hedging and trading purposes, price risk management (internal & external);
- Market intelligence; and
- Customer relationship management.

The relative maturity of the corporate and its particular requirements were found to perhaps deviate from the above list but further investigation to prove or define this potential difference is recommended.

The expectations of the various respondents, for the value addition of an international marketing office, found commonality not only across the external and internal samples but also within the selection of the highest two expectations. The two significantly prioritised and expected functions (for both the internal and external samples) for an international marketing office were: -

- Customer relationship management, and
- Competitive & Market intelligence,

The identification of specific benefits or value propositions (for an international commodity marketing office) was derived from internal and external samples. The corroboration (based on the high correlation between the two data sets) between the two sets of data re-affirmed the need, commonality, requirement and specificity of the functionality or value additive potential of an international marketing office. The conclusion is thus that the benefit or value proposition is not just on a cost saving basis but is furthermore quantifiable, qualifiable, generalisable and creates a sustainable marketing office and corporate.

The ten most significant value proposition potentials of an international commodity marketing office were found to be, in order of priority, as follows: -

- Internal “real-time” market info source;
- Face to face contact with customers;
- Market intelligence in terms of customer technology changes which might lead to different product quality characteristics;
- Improving transparency between customer and supplier due to easier access etc;
- Branding;
- Logistical optimization and synergies with other sellers;
- Marketing intelligence in terms of Value-in-Use comparative product characteristics;
- Optimization of logistical network to customers;
- Internal point of exposure to Business Unit Managers; and
- Providing a seamless open ended service to customers.

The existence of multiple (international) marketing offices and the association of these marketing offices to producing and or sales areas within the external sample added to the reliability, accuracy and credibility of the responses for the value of a specific international marketing office. The relation of the existence of an international marketing office to corporate growth (based on strategy or market dynamics or commodity cycle could then support the proposal of corporate growth to follow a commoditisation - de-commoditisation cycle. The information achieved from the exploration or attempt to detail the year and or date of establishment of the international marketing offices was not accurate enough to draw any conclusion with regards the correlation to the commodity cycle. However, the results and opinions obtained strongly suggested that the corporate structure growth was due to pertinent, particular and focussed decisions made by the corporate.

Notwithstanding the strategic or specific benefits to the corporate, the following criteria were defined as being relevant to the measure and indication of success of an international commodity marketing office for a South African Coal mining corporate.

General (discussions) <ul style="list-style-type: none"> i. Individuals performance ii. Trouble free sales performance iii. Achievements per customer iv. Long-term achievements/strategies v. Products and development vi. Setting and monitoring of realistic goals. 	Products <ul style="list-style-type: none"> i. Successful product development and application ii. New markets and products opened - Market intelligence iii. Volume and value growth iv. Price increases (vs. benchmark prices) v. Value realized versus potential value vi. Logistical strike rate on sales planning and distribution
Markets <ul style="list-style-type: none"> i. optimal mix of contract and spot business, physical and paper trades, direct and direct traded ii. Reduce/minimise risk iii. Gathering of relevant information from local clients iv. New business vs repeat business v. Market penetration vi. Increased Customer Contact vii. Customer satisfaction viii. Credibility ix. Total amount of tons sold x. Product and market development xi. Product and market optimisation xii. Technical assistance xiii. Regular market reports xiv. CRM / Customer base growth xv. Market knowledge and info xvi. Fulfilling market obligations e.g. contracts 	Financial <ul style="list-style-type: none"> i. Turnover or revenue ii. EBITDA iii. Return on capital employed iv. Profitability v. Comparison with competition (Loss mitigation) vi. Diligent, accurate and timely account keeping vii. Prices obtained viii. Market forecasts (market mover - market leading information rather than reaction) i. Accounts receivable ii. Better than budget iii. Average collection payment period iv. Fiscal discipline v. Cash retained vi. Reduced agent costs Strategy
	Ability to retain / attract competent staff

The various measures, highlighted through the differentiation between the internal and external samples, were observed as being related to the relative maturity or marketing strategy (Value-in-Use sales/marketing strategy) of the relevant corporate. Thus defining the selection list to be the total list of items identified increases the relevance of the measures irrespective of the maturity and or strategy of the corporate in question.

A set of focussed, particular needs and success indicators for the specific corporate were derived from internal responses regarding additional measures or methods for defining success for the newly established international marketing office. The additional responses included the following: -

- Office must be self funded due to value added (through service or information);
- The office must create a positive & professional image of the company;
- Retention of clients during market downturns;
- Ability to settle above average of going prices – price premiums;
- Coal trading profit;
- Insight when negotiating contracts; and

- Contractually bind the company for just the right period of time.

The corporate functionalities (outside of marketing) that were found to have the potential to derive value out of the presence of an international marketing office were Human Resources, Corporate (Head office) and Finance.

The five most important measures and monitoring points, for the specific selected corporate recently established marketing office are: -

- No of new market opportunities captured,
- Relationship building/presence – customers,
- Own product pricing vs. Competitor pricing (comparable coal & customer),
- Market Knowledge, and
- Outputs / Goals.

Thus the presence of and need for a marketing office is proven to add additional (more than just a functional or cost saving) value to a corporate. In order to fully exploit and extract the potential value addition, the geographic placement of the office has relevance and thus for an international commodity corporate an international commodity marketing office is a requirement. The identification of internally identified measures and monitoring points for the specific corporate determines the need and offers the sustained and supported success of the recently established international commodity marketing office.

7.3 Concluding Remarks

The similarity of the market drivers, the generality of the concepts and processes (used within the marketing and sales of bulk commodities) as well as within this research offer the same benefits (derived from within an international coal commodity marketing office for a bulk material resource mining corporate) to a general commodity corporate. Therefore the determined metrics and success indicators or the process used to determine them may also be true for a general commodity marketing office.

The need for and significance of further research, identified during this research process, proposes the following two research topics: -

- The relation of the maturity of the corporate and its particular requirements to the strategy followed and therefore the metrics and success indicators in use for the corporations international commodity marketing office, and
- The potential to accurately identify the date establishment of an international commodity office and secondly to draw a relation based on the date of establishment and the trend of the commodity cycle to the motivation for the establishment of the international commodity office.

The above two points of research could be combined or used in the determination of the following research topic:

“What determines structure (and therefore the need or type of metrics and success indicators), strategy or maturity? In other words for an new entry corporate (without a large staffing or corporate structure), can or do the existing, established, developed and mature corporations in the industry affect the strategy and or expected structure of the new entry corporate?”

The specificity of the monitoring points, metrics and success indicators and the fact that some are defined outside of a financial basis proves that the determination and measurement of metrics and or success indicators, not only of a financial nature, is a viable, practical, plausible and successful initiative for a coal commodity marketing office. The specificity combined with the ability to recognize, prioritise and quantify the potential benefits and consequences indicates the potential to determine the objectives and rank the importance of the identified relevant metrics and success indicators for a coal commodity marketing office.

The recognition and prioritisation of the objectives, metrics and success indicators offers an opportunity to predict and or forecast future trends and the potential to interpret the causality of the current market dynamics being experienced. The existence of indicators and metrics (as well as interpretation thereof) offers the objectives against which the strategy, targets and annual business plan of an international commodity marketing office can be determined,

which will ensure the relevance of the performance measures and therefore the performance (and success) of the marketing office. The specificity of the indicators enables the accurate and timeous reflection and positive reaction to the information released. More importantly the specificity of the metrics and indicators predicates the effectiveness and efficiency and therefore the sustainability of the marketing office irrespective of the vagaries of a commodity market. The opportunity or process of monitoring indicators within a market offers the potential of deriving leading indicators for market change and this would become the standard against which an international commodity marketing office would be measured. Therefore the corporate would be in a position to manage the prevailing market dynamics and its effect on their product or market and therefore ensure their place, add value to their product (through all eventualities) and finally secure the position or demand of their product within the market environment.

The process and methodology suggested within this research exposes the potential and ability for a corporate to monitor and measure the performance of their international commodity office in terms of relevant (directed by strategy) indicators and current industry and market trends, thereby obviating the traditional financial and marketing requirements. Furthermore this process offers the opportunity to determine relevant additional value, required by the corporate at that stage in their maturity, in terms of both marketing (decommoditisation), finance (value creation) and or corporate development (functional specific requirements).

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10 APPENDICES

10.1 Appendix A: Questionnaire (including Cover Letter)

To Whom It May Concern:

I (Murray Shaw) am in the process of completing my final year studies of a Masters in Business Leadership at Unisa SBL.

A significant component of the final year requirements of this degree is the completion of a research. The title and therefore focus of my thesis is as follows: - **“Metrics and success indicators of an international commodity marketing office”**.

Based on your experience, knowledge of and influence within the international commodity business environment, you have been particularly selected and are requested to complete the attached survey. Your valued experience and opinions will be of great use in the analysis and investigation during the fulfilment of this research.

The questionnaire should not take longer than 10-20 minutes to complete.

Due to the time requirements of the University, please could you return this completed questionnaire by email (please feel free to use murray.shaw@exxaro.com) or post in the provided envelope.

Please be advised that any request for anonymity will be respected. Furthermore, in order to ensure anonymity, feel free to respond without adding any indication of name or respondent identity.

Furthermore do not hesitate to expand on any answers, more than the allocated space if required.

It is not critical how the selected the option (/s), as requested per individual question, is signified, however to ensure that the selection is clear, may I suggest to use highlight or mark using an X.

Best Regards and thank-you in advance for your participation.

1. Does your company have an identifiable/separate marketing department/office?
☐ Yes ☐ No
1. Do you believe a marketing office/department is a requirement within a commodity business?
☐ Yes ☐ No
2. How would you rate the importance of the marketing department?
 A very low B low C medium D high E very high
3. Is a marketing department a pure cost for the Organisation?
☐ Yes ☐ No
4. Can a marketing office add value to the sales of products?
☐ Yes ☐ No
5. Which particular functions does your marketing office perform?(e.g. sales, contract derivation, trading, derivatives, research etc)
-
-
-

6. Do you believe an internationally positioned/placed commodity marketing office specifically within the sales area is a requirement when a product is supplied to international customers?
☐ Yes ☐ No

7. How would/do you expect an international marketing office to add value?
-
-
-

8. What could the value proposition of an international commodity marketing office include?

Please mark that which you believe is or may be applicable

- | | |
|--|--|
| <input type="checkbox"/> HR – recruitment | <input type="checkbox"/> HR – staff retention |
| <input type="checkbox"/> HR – training and development | <input type="checkbox"/> HR – incentive potential |
| <input type="checkbox"/> Corporate - Branding | <input type="checkbox"/> Corporate – Global footprint |
| <input type="checkbox"/> Corporate – Business development | <input type="checkbox"/> Corporate – Business credibility |
| <input type="checkbox"/> Corporate – Contact point for international investor potential | |
| <input type="checkbox"/> Corporate – Structuring potential | <input type="checkbox"/> Corporate Strategy growth/expansion |
| <input type="checkbox"/> Corporate – Group purchasing point / supply chain information | |
| <input type="checkbox"/> Financial – General financial market information | |
| <input type="checkbox"/> Financial – instruments/derivatives trading (separated from operations) | |
| <input type="checkbox"/> Financial – International financing | <input type="checkbox"/> Financial – International credit |
| <input type="checkbox"/> Operations – Internal point of exposure to Business Unit Managers | |
| <input type="checkbox"/> Operations – Reward/Incentive potentials | |
| <input type="checkbox"/> Operations – Internal “real-time” market info source | |
| <input type="checkbox"/> Operations – Logistical optimization and synergies with other sellers | |
| <input type="checkbox"/> Marketing – Face to face contact with customers | |
| <input type="checkbox"/> Marketing – Marketing intelligence in terms of blending, if applicable | |
| <input type="checkbox"/> Marketing – Marketing intelligence in terms of Value-in-Use comparative product characteristics | |

- ☐ Marketing – Optimization of logistical network to customers
- ☐ Marketing – Market intelligence in terms of customer technology changes which might lead to different product quality characteristics
- ☐ Marketing – Providing a seamless open ended service to customers
- ☐ Marketing – Improving transparency between customer and supplier due to easier access etc

9. How many marketing offices does your Organisation have?

- ☐ 1 - 3 ☐ 4 – 6 ☐ 7 +

10. How many (of the marketing offices) are associated or linked to producing areas/countries

- ☐ All ☐ Some ☐ Not Sure

11. How many are associated or linked to sales/customer regions

- ☐ All ☐ Some ☐ Not Sure

12. In which year were they established? Can you recall when established

13. Are the international and domestic business aspects separated from each other?

- ☐ Yes ☐ No

14. Does your Organisation make use of a focused international segment? (is international sales separately defined from domestic sales)

- ☐ Yes ☐ No

15. Is the value of your marketing office largely/mainly financial?

- A Financial B Mainly Financial C 50:50 D Mainly non-Financial E Non-Financial

16. Is the value of your marketing office only measurable financially?

- ☐ Yes ☐ No

17. Please list the top 3 measures used by your Organisation, to monitor/measure the marketing office's success?

Please feel free to list any others that you may have found or believe to be of benefit

- _____
- _____
- _____
- _____
- _____
- _____

Exxaro Internal Questions

18. How else have you (or would you have) defined success for the marketing office?

19. Within your specific area of influence, what difference can the international marketing office add? In terms of tools to motivate/learn/add to your personnel? To the corporate?

Examples as per question 9 may be repeated and or expanded from, feel free to add as many as you may aspire to.

20. Please select the top 5 measures you would expect to be used to monitor/measure the marketing office's success?

Please add that which you don't find in the list below

- | | |
|--|--|
| <input type="checkbox"/> RONA (Return on Net Assets) | <input type="checkbox"/> Return on equity |
| <input type="checkbox"/> ROC (Return on Capital) | <input type="checkbox"/> Profit margin |
| <input type="checkbox"/> IRR / MIRR (modified Internal rate of return) | <input type="checkbox"/> NPV (net present value of investment) |
| <input type="checkbox"/> Profitability ratio | <input type="checkbox"/> Accounts receivable turnover |
| <input type="checkbox"/> Regular performance meetings | <input type="checkbox"/> Budget |
| <input type="checkbox"/> Outputs / Goals | <input type="checkbox"/> Profit share – bonus scheme |
| <input type="checkbox"/> Average collection/payment period | <input type="checkbox"/> Average sale period |
| <input type="checkbox"/> Mark to Market pricing | <input type="checkbox"/> Regular market reports |
| <input type="checkbox"/> Relationship building/presence – customers | |
| <input type="checkbox"/> Relationship building/presence – suppliers / service providers | |
| <input type="checkbox"/> Market knowledge | <input type="checkbox"/> Market information |
| <input type="checkbox"/> Information/Knowledge prior to press print thereof | |
| <input type="checkbox"/> Distribution channel control | <input type="checkbox"/> Customer base ('growth in') |
| <input type="checkbox"/> Own product pricing vs. Competitor pricing (comparable coal & customer) | |
| <input type="checkbox"/> Strike rate in terms of Logistical timing | |
| <input type="checkbox"/> Volume planned vs. actual | <input type="checkbox"/> Quality planned vs. actual |
| <input type="checkbox"/> Percentage market share per customer | |
| <input type="checkbox"/> No of new market opportunities investigated | |
| <input type="checkbox"/> No of new market opportunities captured | |

Other _____
