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UGANDA VANILLA
MARKETING STRATEGY

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This project was initially scoped to deliver a consumer brand strategy (my focal expertise) for Uganda vanilla. Several months into the research, however, it became clear that this was the wrong approach. Uganda vanilla faces a classic B2B marketing challenge, which must be the focus for the industry's strategy to expand the vanilla sector. Trying to build a consumer-facing vanilla brand would be wasted effort. So, I conducted the remaining flavour house and company research with B2B in mind and built a business marketing strategy that yields straightforward direction. In my view, the Uganda vanilla sector can readily meet its ambitious goals by following this plan. In addition to developing the B2B strategy and plan, the report that follows also explains the rationale for shifting from a consumer brand focus to B2B, and provides a different logic for how stakeholders should view the on-going evolution of the Uganda vanilla brand.

PROJECT GOALS

The project began with three initial goals. I embrace two goals and challenge the remaining goal:

1) Economic Development. Building the Uganda export market will be a great boost for the Uganda economy. Specifically, smallholder farmers will benefit greatly since vanilla can be an exceptionally lucrative crop for them. Our aim is to support the VANEX/VINES ambition to grow exports by about 4X over the next five years (from current 100-150MT to 500MT), and along they way develop an export market that incentivizes the overall quality of Uganda beans and structures that improve economic benefit to farmers.

2) Supply Diversification. Uganda's expansion will be very helpful for businesses that buy vanilla, and especially for the major flavour houses, since they can diversify supply and somewhat deflate Madagascar's monopoly position.

3) Balancing the Global Commodity Market. The project has a third goal as well, which is to "balance" the global vanilla market: that is, to avoid the

historic boom-bust cycles that have devastated farmers and export production, and caused huge supply chain headaches for buyers.

I view this third objective as implausible. No one that I interviewed was able to explain how expanding Uganda production to 500MT would lead to this result. To diversify the market enough to alter the influence of crop failures in Madagascar (80% of global production) would require five successful Ugandas (including countries like Indonesia, India and PNG, which have been trying to grow their quality export markets for decades). And this expansion would only help balance the market in years when there is crop failure in Madagascar (and thus a surging price). In the current market, which is moving to major oversupply in the next few years, adding several hundred tons of quality beans that are directly competitive to Madagascar is a recipe to exacerbate downward price pressures.

The only way to moderate extreme price swings is to develop a countervailing mechanism to influence global demand for natural vanilla. Food/Bev companies were burned by the last spike and are now extremely cautious in the use of real vanilla as an ingredient. So, it is highly unlikely that they will respond to a crashing price by significantly expanding their buys. In fact, one Flavour House salesperson told me that they are still pushing in the opposite direction, looking for ways to substitute artificial vanilla. The market will never stabilize until demand is more responsive to price. The industry must develop the ability to influence global demand, which will push food/bev companies to use more natural vanilla. With more elastic and predictable response to commodity prices, the second-tier countries, Uganda and the rest, could confidently grow their exports.

To drive vanilla demand in the USA and EU is entirely feasible in my view, with concerted and coordinated effort by the entire industry (including Madagascar since it would benefit them the most). Starting a decade ago, the tremendous interest in natural food products in the West has pushed the big food/drinks companies to add more natural vanilla (including Nestle's famous pledge). Today, the demand for natural vanilla is even greater but it is latent, since consumers don't look at ingredient fine print, and no one is communicating to consumers about what they are actually eating and drinking. Only around 2% of vanilla is natural today, so driving this percentage up with a category-build campaign to increase demand when prices are crashing is a straightforward cultural branding assignment. Artificial vanilla has disturbing but unknown qualities that can readily serve as a rhetorical enemy from which to build a provocative campaign. The industry could then turn off the campaign when prices stabilize to avoid sending prices too high. This would be a vanilla industry campaign (not Uganda) since it would mostly benefit Madagascar. That is for another day.

STRATEGY GOALS

This marketing strategy, then, is designed to address the first two objectives, which we can specify in marketing terms: 1) to generate demand for an additional 300+ MT of quality Uganda vanilla in five years, and 2) to drive the export price received by exporters toward equivalence with Madagascar (today Uganda is discounted 10-15%). In other words, we aim to drive demand for quality vanilla such that competition amongst flavour houses and food/bev companies will push the price up to what the technical quality of Uganda beans deserves. The strategy is also designed to be relatively easy and inexpensive to execute (compared to the complexities, costs and speculative risks of a consumer strategy). Finally, successful execution requires that the strategy is enthusiastically embraced by Uganda's vanilla exporters. Exporters are a diverse group. So, I've aimed to create a strategy that will support all producers of quality vanilla in Uganda.

PROJECT PIVOT: FROM B2C BRAND TO B2B MARKETING

<u>Vanex should focus on B2B marketing to achieve the goals above. The Uganda COO consumer brand will be developed organically by Ugandan entrepreneurs and by food/bev companies that will eventually choose to feature Uganda vanilla</u>

on their products. This is a long-term process (10 years+) that will eventually yield dividends. There is no short-cut.

This project was briefed based upon a thesis widely shared amongst stakeholders (the Vines project, VANEX, SVI): that Uganda marketing efforts should focus on building "the Uganda brand," by which was meant a consumer brand. The thesis was that demand for Uganda vanilla is limited because the country does not have a strong COO (country of origin) consumer brand. The clear reference was Madagascar, which has a very strong COO consumer brand, along with the geographical mark Bourbon that, in practice, is a Madagascar brand as well. Therefore, the strategy should focus on building a strong consumer brand, similar to Madagascar. Columbia coffee brand that was developed via consumer advertising (Juan Valdez) was also used as a reference.

So, I set up the project to build a Uganda consumer brand and spent the first few months exploring the most feasible options, with increasing frustration. The more I learned about the vanilla market, and the opportunities and challenges that Uganda vanilla faces, the more I was convinced 1) that a consumer branding effort was strategically unsound, couldn't work, and would be a huge waste of money and effort and that 2) there is a much more effective and straightforward approach that is much easier to execute. Here's why:

VANILLA ISN'T AN ARTISANAL CONSUMER PRODUCT

Vanilla is always a flavoring ingredient, never consumed on its own. Consumers don't sample different vanillas as they do wine, beer, coffee, tea, mezcal etc. (Branding a COO vanilla is equivalent to trying to brand a particular hops that is used in beer.) They don't taste vanillas from different countries as an act of artisanal connoisseurship. To build a COO consumer brand directly requires appealing to artisanal consumer tastes. So, its simply not possible to win over consumers.

AS AN INGREDIENT, VANILLA CONSUMER BRANDING IS DONE BY FOOD/BEV

COO consumer vanilla brands are either a small artisanal niche (below) or else must be embraced and built by the big food/bev companies. They choose to include COO when it works as a premium signal for their brands. They will only have interest in using Uganda vanilla in this way when the brand is much further along (as I describe below). Even if we had a tremendous coop advertising budget to entice them, they are unlikely to play along since there's no reason to believe it would work. Even if one had a spare $50 million to invest, this would be a very risky, complex and multi-year effort even to launch.

CONSUMER BRANDING REQUIRES AN IMPRESSIVE AND DISTINCTIVE PRODUCT HOOK. YET UGANDA AND MADAGASCAR BEANS ARE NEARLY IDENTICAL.

Even in the rarified tiers of artisanal foods and beverages, the development of a Uganda brand is very challenging. Artisanal branding requires some sort of intriguing and discernible aesthetic hook. The vanilla has to be different than Madagascar in noteworthy (visible, taste-able) ways that one can drive with branding. Yet, I learned that the opposite is true: Uganda vanilla is particularly noteworthy and valued because it is so similar to quality Madagascar vanilla! Even experts have trouble describing any real differences in the product experience.

ARTISANAL VANILLA BRANDING IS NICHE, AND VERY DIFFERENT THAN COO

There is an artisanal segment in vanilla, to be sure. But its tiny compared to coffees, wines, beers and such because it appeals only to professional chefs and prosumer bakers/cooks. This niche follows the logic of other artisanal categories in that the branding requires much more specificity than COO. Artisanal branding for upper-middle class consumers long ago moved to terroir, regions, appellations, farms, and even specific lots. For example, Rwenzori coop has a brilliant vanilla story that is particular to the cooperative and the microclimate in which it grows. There are perhaps a dozen other Uganda specialty brands that sell either DTC or through boutique specialist channels. Following the logic of artisanal branding, these exporters develop their own premium brands (Ndali, Valley of the Moon, etc.) to position well above the average Uganda vanilla. These artisanal brands make an important contribution to building the Uganda brand over time and, so, should be included in the strategy (per below) and deserve VANEX support. But doing so is very different than trying to build a COO consumer brand, which is necessarily aimed at the mass market.

HOW SHOULD UGANDA COO INGREDIENT BRANDING WORK?
FOLLOW MADAGASCAR, AN EXCELLENT EXAMPLE.

Madagascar/Bourbon is the key point of reference for Uganda. So, how did these brands develop? Not through a concerted media campaign by Madagascar and not in a five-year time frame. Vanilla has been grown commercially in Madagascar since the mid-19th century (when a slave figured out how to hand pollinate the Mexican cultivar). Madagascar established its position as the preeminent vanilla in the world over the next 150 years, as its reputation grew slowly through marketplace experiences and word-of-mouth. The Bourbon mark was established in 1964 as a designation for vanilla grown on Madagascar and neighboring islands. In principle, Bourbon is a Madagascar mark since almost all volume comes from the island, and it too has gradually become an important consumer brand over many decades, working its way from niche to mass market. Both brands developed as Food/Beverage companies gradually transformed these COO marks into brands. Over many years, they taught consumers that these marks represented the very best vanilla in the world by using them on vanilla products (e.g., ice cream) and retail extracts.

This progression no doubt followed the same path that we find in all other categories that have become "artisanalized" over time: They start with niche producers serving the high end of the market: expensive restaurants, foodie boutiques and the like. And, over time, as the brand gradually takes hold, companies with bigger brands serving a more mass consumer ("masstige") adopt the COO to grab the premium cache established in the gourmet niche and further develop the mark to become a potent symbol of quality.

The path for Uganda needs to follow the same trickle-down route. There is no short cut. Big companies have no interest today in launching line extensions featuring Uganda vanilla, nor switching out Madagascar for Uganda, because (as Uganda stakeholders well know) Uganda is largely unknown amongst consumers. The only way companies will change their mind is if Uganda cultivates a great deal of interest in the upper echelons of the market and this reputation begins to seep out into the mass market. Efforts to short-circuit this trickle-down process (such as Valley of the Moon tried with Waitrose) haven't worked because the COO consumer brand is still in very early stages of development.

Uganda has a vibrant group of artisanal producers and they need to continue to develop their business. It is certainly possible that, if we're successful, in a decade or so, Uganda vanilla will be adopted as an ingredient brand by bigger consumer brands. But that will happen because of this process (artisanal producers continue to grow, VANEX succeeds in building the B2B brand), not by running our own consumer campaigns. These companies will build the brand for us when it's in their interest to do so. Our aim should be to "prepare the soil" to make this happen.

UGANDA SHOULD AIM TO DEVELOP A B2B COO BRAND, AN ENTIRELY DIFFERENT ENTERPRISE. IN B2B, BRAND IS THE REPUTATION THAT UGANDA EARNS FOR DELIVERING ON THE DESIRED VALUE PROPOSITIONS OF BOTH FLAVOUR HOUSES AND FOOD/BEV COMPANIES OVER YEARS.

This strategy aims to build a B2B COO brand. While Madagascar/Bourbon brand is very strong with consumers, it has major weaknesses as a B2B brand, which this strategy aims to exploit. If Uganda delivers on the value proposition over a number of years while effectively promoting the company's value proposition to flavour houses and food/bev companies through sales and trade shows, Uganda will earn a strong reputation in the industry.

B2B MARKETING STRATEGY LOGIC

B2B strategies have similar components to the B2C strategies that are more familiar to project participants. We still work through segmentation, targeting and positioning. And we still have the 4Ps. But, since the customers are companies, marketing works differently. There are several key differences:

1) B2B is very pragmatic and business-centered. B2B requires carefully understanding customers' economic value proposition, and how this varies across different segments (sometimes even different customers since they are so large). B2B is focused on designing the offer to align with customer needs and executing very well (driving "net promotor score" "customer delight" and such).
2) B2B usually involves complex customer "journey" and organizational buying decisions and, again, often varies by segments and by customer. Designing the marketing effort to align with the journey/decision-making is key.
3) B2B requires understanding the value chain, and which actors in the value chain control the decisions that are important to us.
4) Because we are targeting small numbers of customers that make big ticket purchases, sales and other direct interpersonal interactions are generally much more important than mass communication tools to promote the product.

CUSTOMER ANALYSIS

I analyzed the Flavour Houses and the medium and large Food/Drink companies (including the major extract retailers such as McCormick, CostCo and Dr. Oetker). I consider the value proposition, the journey/decision process, the channel, and brand. The artisanal/boutique segment is very different with much smaller lots, smaller companies with much more particular demands, and often direct sales from exporters to the companies.

FLAVOUR HOUSES

A handful of global flavour houses dominate the vanilla market, playing a key role in the value chain. Flavour Houses are the market experts, with far more in-country knowledge (agriculture, politics, internal value chains etc.) than any of the companies that they sell to. They also dominate market access (in both directions) and have a substantial influence on prices (often in negotiation with the

Madagascar government). Much more than distributors that convert beans into extracts, their value comes from the hedonic, technical, agricultural and political expertise that they contribute to the value chain, and also the relationships that they maintain amongst exporters and food/bev companies.

For our purposes, it is critical to note their role in the COO choice for their extracts. Some customers require sourcing Madagascar/Bourbon for branded extract requirements, which they provide. However, the high majority of quality extracts are "unbranded." In other words, the extract is used in products that do not feature the vanilla COO on the package or in ads as part of their branding. For these unbranded extract orders, the flavour houses usually have considerable leeway in choosing what COO vanilla goes into the blend. Usually, companies call out technical specifications and certifications and rely on flavour houses to deliver a consistent blend. But the COO is either invisible to them or the decision made explicit to them but is inconsequential as long as the final product delivers on the contracted specifications. Unbranded quality extract is by far the best target for volume contracts for Uganda to capture.

<u>MADAGASCAR VALUE PROPOSITION</u>

<u>Positives</u>
<u>Trust</u>: Long experience, very well known, you know what you get, predictable.
<u>Scale</u>: Massive volumes so can usually deliver what clients demand.
<u>Brand</u>: Madagascar is the default option, expected by customers, no selling.

<u>Negatives</u>
Politics badly distort the market and add costs and risk.
Monopoly selling power. Price-taking. No leverage.
Susceptible to cyclones, which is devastating given monopoly position.

The flavour houses are directly impacted by Madagascar's politics and weather problems and, so, have a very strong incentive to diversify—all things equal. They have no particular commitment to Uganda as the alternative though. This diversification could be directed to any of the vanilla-producing countries that can deliver on the value proposition they need. So, Uganda must earn its place as the go-to alternative.

UGANDA VALUE PROPOSITION & THE COO DECISION

Flavour Houses have great incentive to shift volume to Uganda if it doesn't require taking risks with their key accounts and the start-up costs are manageable. But if the costs are too great, or risks significant, they will be risk-averse and continue to do business as they've been doing for many decades (especially the French flavour houses, which are particularly embedded in Madadagascar). Knocking out these risks and lowering costs is critical for Uganda's vanilla sector to succeed in its ambitions. Choosing to do business in Uganda is a major strategic move. It is business strategy involving major investments and risk and, so, involves careful analysis and due diligence. As a result, VANEX must work closely with the major flavour houses to to understand their needs and act in a responsive manner torestructure Uganda's internal market to so that pushing aggressively into Uganda becomes an easy decision for them.

Roughly half of the flavour houses are already doing some business in Uganda (my best guess). For flavour houses that don't do business now in Uganda, Uganda is not well known place Uganda in the second tier of lower quality small volume spot market producers, a distant second tier, and don't distinguish Uganda in any way. They don't see Uganda as a real substitute for Madagascar:

- Inconsistent quality
- Too small to invest in the market
- Unknown entity, would add unnecessary risk to delivering their value prop to major customers. Why take the risk?

This is a simple brand problem that can readily be corrected by applying the strategy and plan below.

The Flavour Houses that are in Uganda are very bullish on Uganda as a perfect addition for sourcing unbranded extract beans. However, they are taking cautious first steps today. They will expand aggressively—adding Uganda extract to major contracts—only if they are convinced that exporters will meet their customer needs at least as well as does Madagascar (the explicit point of comparison for all of the houses). The value proposition is the same for all. They need to trust that Uganda exporters will deliver at least to the same level as Madagascar: consistent bean quality (Mad+), no mold, pass pesticide standards, deliver contracted volumes, offer certifications required by customers, and so on. And they must trust absolutely that all lots ordered will be delivered as required.

Food/Beverage Companies

I interviewed buyers at major food/bev companies, along with several managers responsible for sustainability standards. I was surprised to learn that companies have very little institutional knowledge with respect to vanilla agriculture, production, and value chains. Buyers have modest vague third-hand knowledge of Madagascar and negligible knowledge of the second-tier countries. Buyers at food/beverage companies move around too much and are too busy to devote time to the particulars of their various supply chains. So, they largely work with arms-length contracts that have technical and sustainability specifications. They are mostly blind as to what actually happens on the other side of the contract. Because companies rely so intensively on the flavour houses, the trust that evolves between companies and their flavour house partners is a huge part of the value proposition. Flavour house brands are in large part based upon their perceived market and product expertise and the trust that has developed based upon their historic record on delivering very consistently for their customers their vanilla requirements.

The only partial exception occurs when companies set up showcase projects to feature their sustainability efforts, largely for publicity purposes. These projects mostly take place in Madagascar. Even then, the companies are very modestly engaged, as I learned interviewing the Mars buyer, who knew little about their massive Madagascar project. For the food/bev companies, then, the COO is a B2B brand, based upon collective perceptions rather than rigorous direct analysis (in contrast to the flavour houses).

MADAGASCAR BRAND

Brand: Default. Never questioned. Dominant Historic Reputation for world's best vanilla.
Trust: Long-term COO supply has built confidence
Scale: Huge volumes (usually), meets all certifications and supply needs.

Food/Bev don't deal first-hand with the politics or even the weather events and so they have a rose-colored glasses view compared to the Flavour Houses. Madagascar is the only game in town. There are no problems, so why switch?

UGANDA/SECOND TIER BRAND

Food/Bev serving the mass market know nothing about Uganda. They barely know that Uganda grows vanilla. They are more likely to know about Indonesia. (There are a few exceptions, such as Dr. Oetker and CostCo).

When I explain what Uganda is up to, their response:
Concerned about delivering to quality standards.
Concerned about meeting certification requirements.
Likely too small to be relevant, deliver lots needed.

COO DECISION:

When I discuss the possibility of shifting some of their contracts to Uganda, the following points are very clear and consistent:

1) It's impossible to shift Madagascar/Bourbon branded extract, as we would expect.

2) For companies with showcase projects in Madagascar, they are too committed to the country (both publicly via publicity and internally through senior management) to consider switching
3) For Big Vanilla (the top 15 or so multinationals that do huge volumes across a number of brands and products), the decision-making process is far more complex because the technical team and likely the brand team would have to be involved in approving a shift in COO supply. It would likely involve trials and small beta orders and take a few years to complete.

These interviews point clearly to Uganda's target market and the marketing strategy required to win the incremental 300MT contracts.

TARGETS

To start, we need to determine the target for VANEX to focus its efforts. Which vanilla contracts can Uganda exporters most readily win, contracts that would otherwise go to Madagascar? How can Uganda source the incremental volume needed to reach our ambitious sales goal (+300MT in five years) while also improving the quality of Uganda's vanilla (both actual and perceived)?

Uganda needs to scale in the quality segments of the market where the volumes are high enough to support our growth target. There is no expectation that Uganda can expand the overall global market. Therefore, the vast majority of Uganda's volume has to come from Madagascar's quality extract business, where large volumes are traded. We can expect that increases in organic and fair trade will make only modest contributions and, so, shouldn't be the focus of our revenue strategy. And we can be more specific, based upon our analysis above:

<u>REVENUE TARGET</u>

UNBRANDED QUALITY EXTRACT CONTRACTED BY FOOD/BEV COMPANIES (OTHER THAN BIG VANILLA)

By far the easiest contracts to win are for unbranded quality extract from medium-sized companies (i.e., not "big vanilla"). Branded vanilla is impossible to touch. And, for unbranded, the "big vanilla" companies are far harder to convert COO sourcing and also are much more likely to have showcase projects ongoing in Madagascar. So, unbranded extract sold to companies other than the biggest vanilla buyers are by far the best target. These companies buy in major quantities, up to 10 tons or more annually, and represent a large percentage of the market (for which market data is critical and has not been available to me). Flavour Houses can make this switch readily, passing along some of the cost savings to their customers. They could even add Uganda unilaterally for some customers that don't specify COO in their contracts. This target allows Uganda to take advantage of the weaknesses of Madagascar B2B brand for Flavour Houses.

BRAND TARGET

ARTISANAL VANILLA TO BRAND QUALITY & SUPPORT GROWTH

In addition, Uganda's artisanal vanilla exporters (premium extracts and gourmet beans, often organic or fair trade), also play an important role in the strategy. Uganda's artisanal exporters are beginning to have very good success developing the top end of the market, arguably producing some of the best vanilla beans in the world. While this segment can only contribute modestly to our volume goals, they play an important role in building the B2B brand today. And, in the longer term, they will contribute to the development of the Uganda consumer COO brand as explained above.

MARKETING STRATEGY

1) WIN THE FLAVOUR HOUSES: KNOCK OUT BARRIERS

The Flavour Houses are the most important customers for VANEX to address because they largely control the COO decision for our key volume target. If the major Flavour Houses commit to developing Uganda vanilla and push aggressively to include Uganda in major contracts, then Uganda will very likely succeed in its goals. If not, it is nearly impossible to do so.

Flavour Houses already have a strong incentive to diversify business away from Madagascar. We want to make Uganda the obvious no-risk choice for them to do so. Our ambition should be to win over all of the major flavour houses to pursue aggressive expansion of their business in Uganda as a key second source to complement their Madagascar business. As they become vested in the growth of Uganda production and compete for our growing production, they will slowly push up the price to Madagascar equivalent, chipping away at today's discount.

VANEX should aim to remove the main barriers that today hold back the Flavour Houses from fully committing to Uganda. Obviously, there is much that exporters must do to deliver on the flavour house value proposition. However, there are important contributions that VANEX can make to structure the export market to complement the work of the exporters, to set the table for their success. Recall our objectives:

> REDUCE RISK: We want to take away the perceived risk of doing business in Uganda. Flavour Houses should eventually come to believe that Uganda is a safer bet than Madagascar.

REDUCE BUSINESS COSTS. We want to make doing business in Uganda easy and seamless, lowering the costs of locating and developing trusted suppliers.

PROMOTE FLAVOUR HOUSE COMPETITION

As VANEX delivers on the "new and improved" Uganda market, the organization will be in a great position to promote and prod the Flavour Houses to push business to Uganda. We want to reinforce with all of the Flavour Houses (through sales below) how Uganda is delivering on their value proposition, addressing Madagascar's greatest weakness is the unpredictable inept market run by the government. And we want to particularly pressure the laggard firms that are still fully committed to Madagascar only that they will lose out if they don't follow their competitors.

2) BRING ALONG THE FOOD/BEV COMPANIES

Food/Bev companies are relatively passive "takers" of vanilla supply proposed to them by their flavour houses (apart from Big Vanilla). It is unlikely that they will demand that their Flavour House include Uganda vanilla and that shouldn't be our objective. However, it is very important that we develop the Uganda B2B brand specifically for food/bev buyers, sustainability managers and any other key stakeholders within the target companies so that they fully support (and perhaps even prod) their flavour houses adding Uganda beans into the extracts. We want to eliminate any perceived risk that the Flavour Houses may have, thinking that their customers might balk at including an unknown and unproven entity in their vanilla contracts. This will require conventional B2B branding activities (below) that aim to position Uganda vanilla as equal/better on product and superior on everything else:

Uganda vanilla is even better than Madagascar, and the market is organized more professionally.

3) LEVERAGE & SUPPORT ARTISANAL PRODUCERS

Uganda has a superb and rapidly growing range of artisanal processors that produce very high-quality vanilla, often with Fair Trade and/or Organic certification. Leading producers are now growing visually impressive beans with vanillin well over 3%. We want to leverage Uganda's "greatest hits" vanilla in our B2B branding to food/bev companies, and we also want to support further growth of this sector, which is important for long-term development and consumer brand building (per above).

LEVERAGE

Use Uganda's most impressive vanilla as "hero" examples in communications and sales materials to convey Madagascar+ quality.

SUPPORT: LEAD GENERATION

Artisanal exporters have a much more challenging time locating customers than processors producing for the major companies simply because the market is much more fragmented. There are many more customers buying much smaller lots, and they are often too small to get much attention from the Flavour Houses. So, they often have to do DIY sales and channels work, even heading to the US and EU trade shows on their own to drum up business. VANEX can be of tremendous service to these exporters by building a lead generation service, which is easily done as it complements the "hero" promotion of these exporters in our website and at trade shows (below).

MARKETING PLAN

REDESIGN UGANDA'S VANILLA MARKET

How Vanex and its partners should organize the market will require specific discussions with exporters, flavour houses, and other expert stakeholders that build from the direction in this strategy. Let me offer some general conceptual guidance. Before I begin, one critical recommendation that I arrived at after much discussion is that Vanex should <u>not</u> develop a new quality mark (brand for vanilla that meets quality standards). Such a mark will not address the key barriers that I've described above and will create problems of its own. I describe the rationale in the Appendix. Instead, the objective of the Uganda vanilla sectors should be to design the internal market and supply chains to maximize customer trust and lower their business costs per above, through the following two actions:

1. Professionalize the supply chain.

Flavour houses and the major food/bev companies strongly prefer supply chains that that are organized in the conventional "professional" manner of Western supply chains. Today, Uganda's vanilla sector is very casual and disorganized. There is no visible organization of the market from the outside. So, buying from Uganda supply chains is less predictable and challenging to navigate, which erodes customers' beliefs that the country's exporters will deliver on their contracts. (Indeed, several interviewees described it as the "wild west"). Major companies simply do not like to work this this sort of disorganized supply chain and will avoid them if given a choice. To upstage Madagascar, Uganda must push to organize the vanilla sector to deliver a more predictable business-like experience for customers.

2. Push to create more efficient market.

Uganda's vanilla market is difficult and costly for new entrants (both exporters and customers) because crucial information is not readily available. To win over new customers and encourage new exporters, it is critical that Vanex work with the government to make the market (supply and demand) visible for participants and lower search costs for both customers and exporters to find the right partners. Today, prospective customers have no idea what is available in Uganda. And, likewise, Uganda's exporters have little idea of the demand for their vanilla beyond their on-going customers. The market works through whispers and rumours at present. Uganda exporters, farmers, types and quantities of vanilla available etc are all today invisible to any party not deeply engaged in the market. As a result, flavour houses and prospective exporters have to spend lots of time in country to figure things out, hitting dead ends, building relationships over time. This "invisibility" is a major market barrier for both flavour houses seeking to expand business and for companies of all types interested in doing business in Uganda. Making the market visible, with as much information as possible presented in a simple public trustworthy manner that is easy to access is critical to lowering the entry barriers for both customers and exporters, and will go a long way toward enhancing trust for vanilla customers. These data should be made available digitally, perhaps behind a membership wall on the website.

PROMOTE UGANDA VANILLA

Coordinate Sales: Lead Generation and Sales Assistance

VANEX should complement the sales and promotion efforts of Uganda exporters by filling in the gaps where exporters do not have sufficient resources or incentives. Three promotional activities are key:

1) It is not economically feasible for the major exporters to systematically develop and manage the key accounts in the target above (perhaps 100 companies in the EU and North America), so Vanex should take the lead in this role.

2) Individual exporters do not have the resources or incentive to develop the COO B2B brand for food/bev companies and so Vanex should take on this

task. So, VANEX should also take on the role of promoting Uganda vanilla through key account sales, a website, and trade shows, as described below.

3) Finally, as I describe above, artisanal producers are in great need of help in generating qualified leads since it is impossible for them to devote the sales effort to engage such a large and fragmented range of potential customers. And, so, Vanex should promote and coordinate leads for artisanal vanilla on the website below.

KEY MARKETING ACTIONS

KEY ACCOUNT SALES & PRODUCT MANAGEMENT

The most important role that VANEX can play is to act as the product manager for the sector and to manage key accounts (both Flavour Houses and Food/Bev companies) to assist the country's exporters. VANEX should hire a Vanilla Marketing Director with significant experience in commodity sales to major food and drinke companies. This person should be charged with the following: 1) track and manage relationships with all of the Flavour Houses and the major companies in our target above, 2) understand Flavour House needs to develop Uganda business and act as conduit for Flavour House viewpoint in the design of the Uganda market above, 3) make sales calls with key food/bev prospects (in conjunction with Flavour Houses), 4) orchestrate trade show activities, 5) act as the public spokesperson for Uganda vanilla.

WEBSITE

VANEX should build a website that is aimed at the food/bev companies. Vanex can direct prospects to the website via key account calls, trade show interactions, and perhaps some digital marketing. Flavour houses can direct their customers to the website in order to make them comfortable with Uganda supply. The website is intended to serve two synergistic purposes, in line with the strategy:

1) Build the Uganda B2B brand for Food/Bev Companies. Contribute to Uganda's "new professional" vanilla sector, helping to shape perceptions (alongside actual in-market experiences, sales calls, country visits, and trade shows)
2) Promote & Generate Leads for Artisanal Exporters

TRADE SHOWS

VANEX should also develop a trade show exhibit for the major EU and NA trade shows, with staffing led by the product manager. This exhibit is a critical place to demonstrate the "new" professional Uganda, to show that the country is buttoned up and eager to do business with the major accounts. Trade shows are an excellent place to gather and develop key account contacts as well. Trade shows often feature speakers and so we should seek out opportunities for our product manager to give a presentation featuring the messaging pillars below.

MESSAGING PILLARS

The key content to communicate to the food/bev companies for sales calls, the website, and trade shows should focus on the following messaging pillars (all of which are well-known to Vanex members) with some provisional lines.

<u>LEAD WITH THE HEADLINE STORY</u>

UGANDA IS THE NEXT GREAT SOURCE OF WORLD-CLASS VANILLA

Start by staking out the market position that we want to claim, including proof points that anticipate food/bev company scepticism and counterarguments:

Uganda has the perfect climate for vanilla, yielding the best beans in the world
Uganda vanilla cultivar is the same as Madagascar, with same hedonics/aromatics
Uganda has built a 21st century professional market to supply vanilla

Uganda exporters deliver on all technical requirements and certifications that companies may require
Uganda has 3 decades of expertise and now is methodically expanding to 500MT/year to service the biggest vanilla customers

QUALITY STORY
THE EARTH'S BEST PLACE TO GROW VANILLA
Romance Uganda vanilla with films and images that profile Uganda's "greatest hits" vanilla beans and producers. Our aim is to demonstrate (without claiming directly) that Uganda has even better quality vanilla than Madagascar.

- Average vanillin for certified crop averages 1.7% in 2023 (need actual data)
- Top exporters delivered 3%+ on many lots
- High Savanna climate is ideal match for Mexican cultivar. So good, it's the only place in the world where vines produce two crops per year.
- Sought after by the most prestigious artisanal food, drinks, restaurants

SUSTAINABILITY STORY
GLOBAL LEADER IN SUSTAINABLE VANILLA
Uganda vanilla is the perfect ecological crop, which doesn't require pesticides or fungicides, no tilling and thrives in mixed/shade ecosystem so no slash and burn.

Uganda Vanilla is spectacularly good economics for farmers, producing farmer incomes something like 5x vs coffee (the next best major crop) even at $50/MT. (Run through farmer economics).

Uganda has leading organic vanilla exporters (feature film)

Uganda has the leading fair trade vanilla cooperative in the world (Rwenzori film)

Add Vines projects:
Building community banking system

Building digital traceability of farmer income

Training Ugandans to be next generation exporter entrepreneurs

etc

APPENDIX

UGANDA SHOULD NOT ESTABLISH A QUALITY MARK.

During the project, I explored and tentatively presented to the team an idea that I've dropped from the final recommendation: a quality mark for the B2B market. This would be a mark that would aim to deal with the widely variable quality of current production by establishing a Uganda "Premium" (named tbd) brand for beans that met a basic quality standard that would certify (by third-party firms) exporters that met the criteria. The criteria might include minimum vanillin content (1.5%), proper curing and grading, and passing pesticide and heavy metals standards.

I concluded that such a mark is a bad idea and I strongly recommend that VANEX focus on improving the structure of the supply chain and internal market (above) rather than a quality mark.

1) Not helpful for customers. Customers don't care about a general mark. They only care that the vanilla lots they are buying meet their specific standards, and their standards vary widely. So, a mark is far too blunt for this purpose and would just create confusion.
2) To make the mark convey "quality" in the current vanilla market would require including certifications and standards that some major exporters today do not meet. This would be unnecessarily divisive when we need the support of the entire vanilla industry for this project.
3) Establishing such a mark is a major administrative burden and cost. VANEX need to focus its resources on where it can have the most impact, which I describe above.
4) There is a much better way to drive vanilla processors/exporters to "up" their game. The incremental volume will come from major food/bev companies that are increasingly demanding not only quality beans but often traceability and other certifications (as well as smaller volumes of organic and fair trade), which we can't include in a quality mark. If we provide companies with full

information on Uganda exporters, and vice versa, the market will exert tremendous incentives for existing and new exporters to push quality and cert standards much higher.