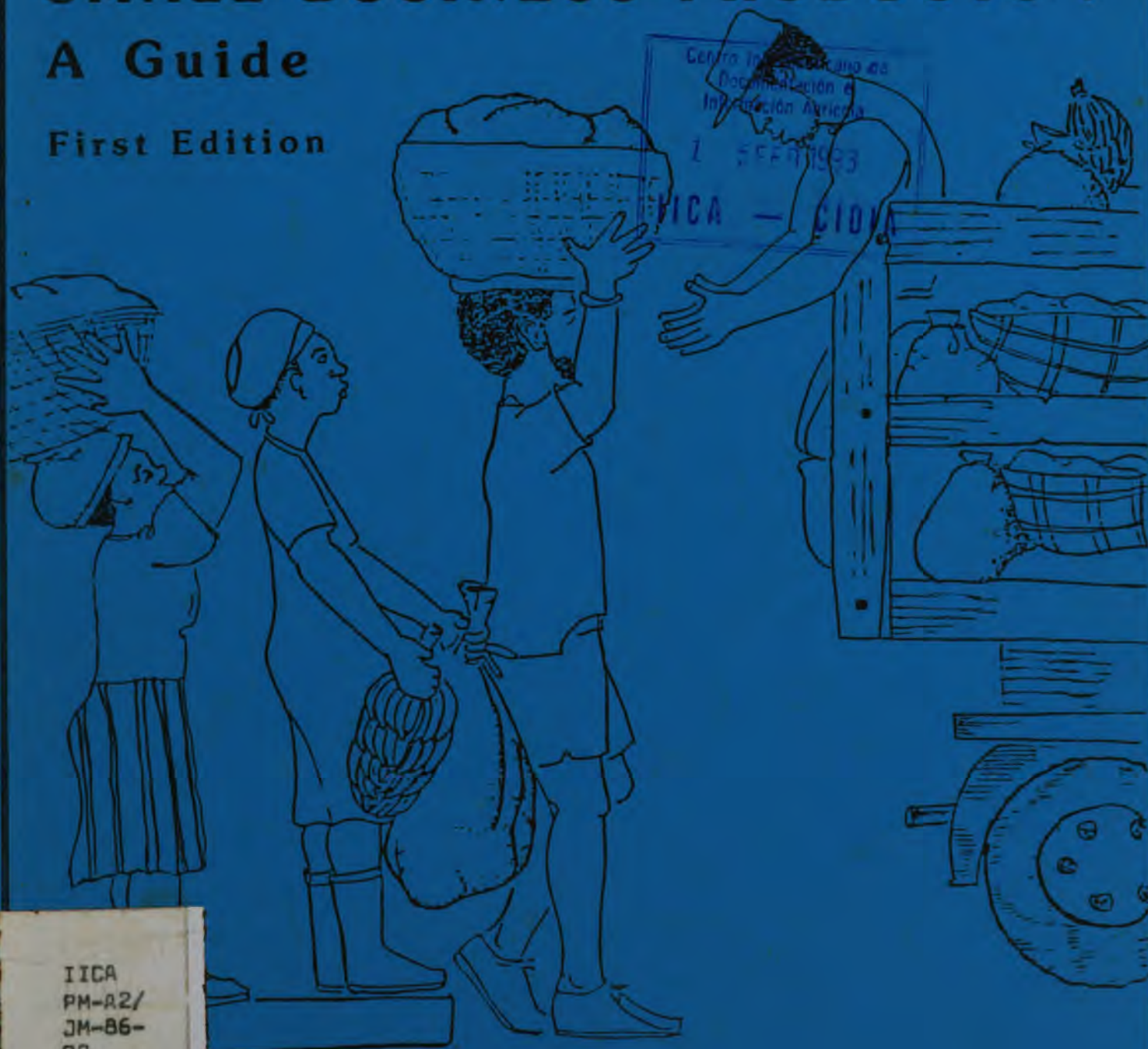


# MARKETING JAMAICAN SMALL BUSINESS PRODUCTS : A Guide

First Edition

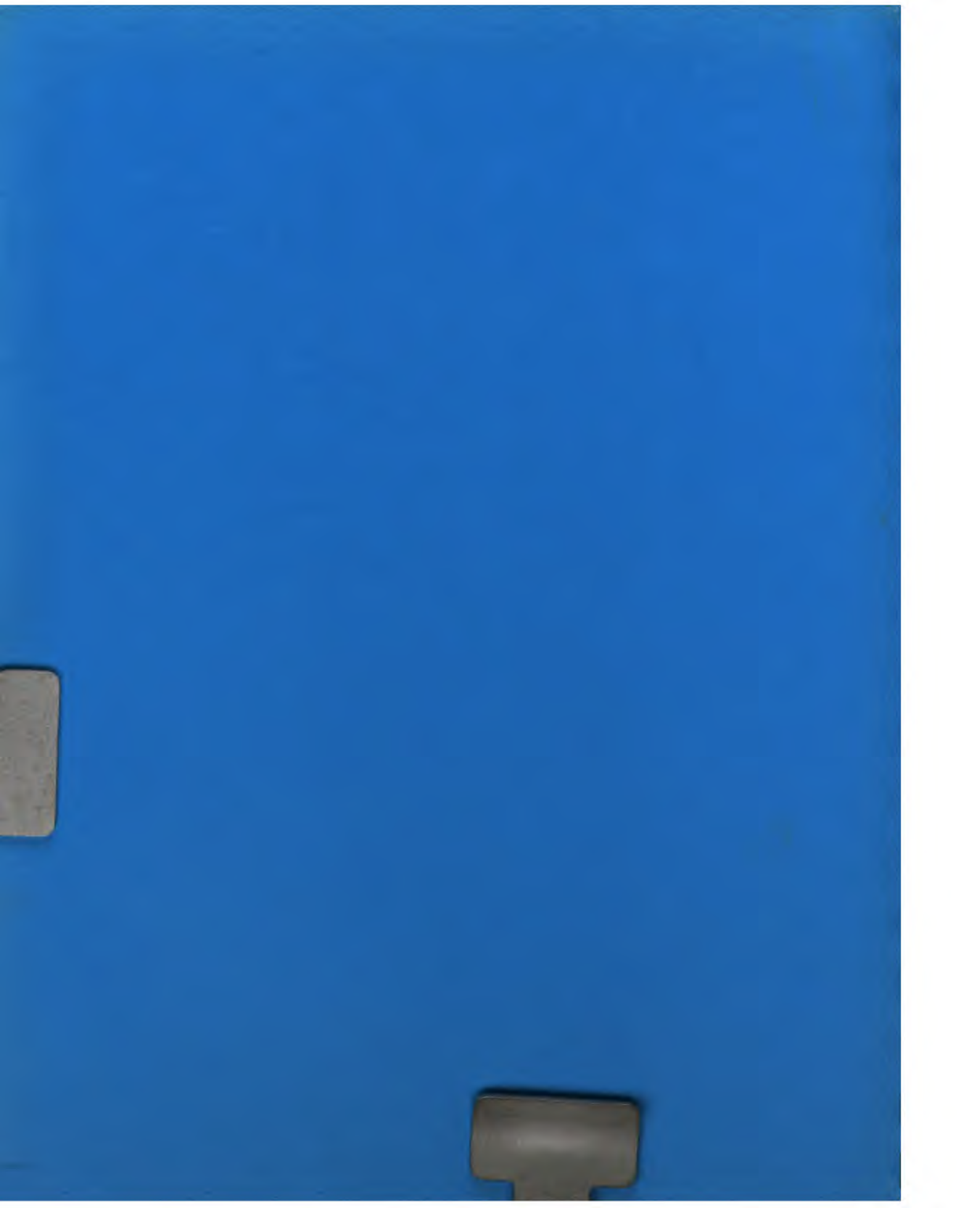


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MINISTRY OF AGRICULTURE  
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NATIONAL DEVELOPMENT FOUNDATION  
SELF-START FUND  
SMALL BUSINESS ASSOCIATION OF JAMAICA  
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JAMAICA NATIONAL INVESTMENT PROMOTIONS LIMITED  
INTER-AMERICAN INSTITUTE FOR COOPERATION ON AGRICULTURE



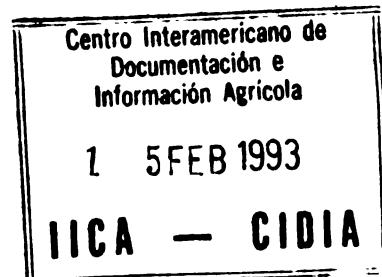
# IICA



MARKETING JAMAICAN SMALL BUSINESS PRODUCTS

A GUIDE

First Edition



Integrated Rural Development Project

IICA Office in Jamaica

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# INTRODUCTION

This guide to marketing small business products is intended for micro-entrepreneurs who want to learn about marketing or improve the marketing of their product or service, but find the existing material too difficult. It was also prepared for the trainers (extensionists, field officers and promoters) who work together with these business people, trying to improve their skills in marketing.

The materials contained in this manual were originally developed in Jamaica by a number of agencies which joined together in a united effort to produce something that could be useful to all, and expensive to none. They formed a Small Business Training Advisory Committee to guide the preparation of the materials and the training of producers.

In addition to this manual, two others complete the series. These are:

Operating a Small Business in Jamaica, A Guide  
Starting and Financing a Small Business in Jamaica, A Guide

All three business manuals can be used in individual, partnership and cooperative enterprises. They are aimed at four major types of small enterprises: manufacturing, retailing, farming and service-type businesses.

Accompanying these business manuals is a guide for trainers, titled:

Teaching Tools for Small Business Trainers

The following agencies have contributed by providing resource material from their programmes in different countries:

Dominican Development Foundation, Dominican Republic  
Small Business Administration, U.S.A.

Also among the reference material used were:

Marketing: What is it and why is it necessary for women?

The Tribune, Newsletter #25, 2nd Quarter 1985, International Women's Tribune Centre Inc.

Marketing: What it is and why it's important for women

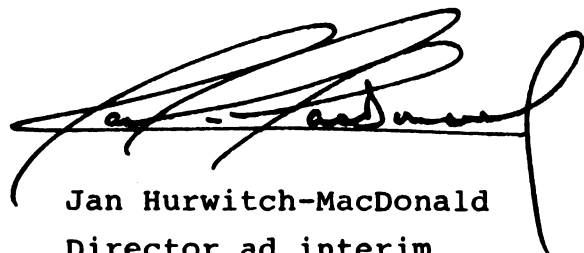
The Tribune, Newsletter #31, 2nd Quarter 1985, International Women's Tribune Centre Inc.

Business Basics - Marketing Strategy, Small Business Administration, U.S.A.

Marketing - Course 3, Dominican Development Foundation

Ice Almanac - Peace Corps Times September/October/November 1985

USAID in Jamaica contributed by providing financial help. IICA was asked to coordinate the production; we are pleased with the result of this effort. We hope the materials will be useful to all involved.



Jan Hurwitch-MacDonald  
Director ad interim  
IICA/Jamaica



# METHODOLOGY

The work on the first edition of this manual, (the third in a series on business management for micro-entrepreneurs) began in July, 1985 and was completed in November, 1986. Continuing the methodology used in the development of the first two manuals in the series the materials were taught to trainers who were then observed teaching these same materials to selected business persons. Revisions were made based on the responses of both the trainers and the business persons.

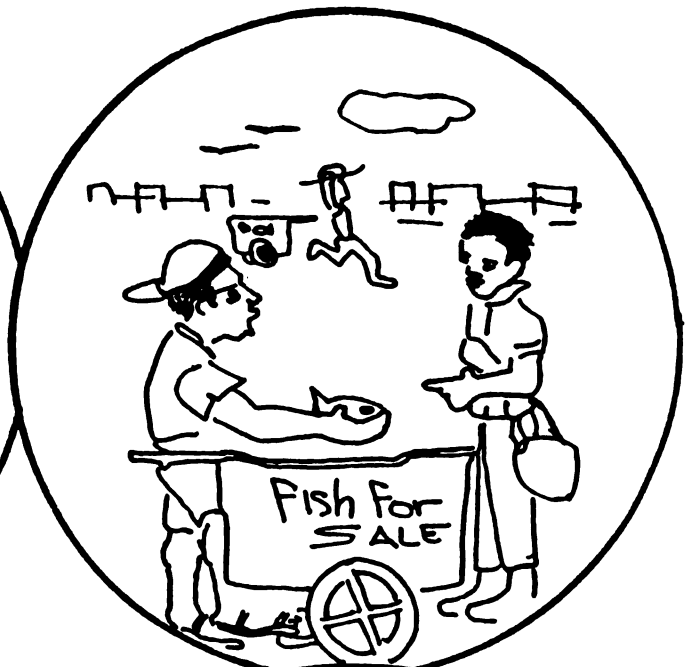
During the testing phase lasting about 8 months, Advisory Committee members also provided feedback to IICA on the training process in each of their agencies. In all, 97 trainers in Jamaica participated in this process, reaching over 200 producers. In addition, the materials were tested with 21 trainers in Guyana, whose interest has resulted in an extension of the programme in that country.

We believe that this methodology of participation and dialogue has made it possible to produce manuals particularly useful to Jamaican micro-entrepreneurs as well as to other business persons in Caribbean Basin countries, though there is a need for some adaptation, incorporating local examples and "sayings".

We are grateful to the many individuals - advisors, trainers and producers - who made the production of this manual possible. Without them, the exercise would have been meaningless. Because of them, many small business persons now have a manual to their needs.

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# PART 1: THE IMPORTANCE OF MARKETING IN SMALL BUSINESS



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# 1. WHAT IS MARKETING?

What do YOU think the term 'marketing' means?

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We asked a few small business people the same question and these were the answers they gave:

Frankie said: "Marketing is buying and selling!"

Leonie said: "Marketing is when you take your goods to the market to sell them".

Eustace said: "It is selling things that people want to buy".

Marketing is all these things and more. It is ALL the things which need to be done so that the products you make or grow, or the services you offer, are bought by the people who will use them.

But marketing starts even before production begins. In order to market a product or service well, before you start producing, you should know, or have a good idea about:

WHAT YOU WILL SELL TO CUSTOMERS  
WHO YOUR CUSTOMERS WILL BE  
WHAT THEY WILL PAY FOR YOUR PRODUCT OR SERVICE

Here are some questions for you to think about and suggestions on how you should go about your marketing.

1. What will I sell?

It is much easier to sell what people want, so before you start producing, make sure that you find out what features and kind of quality your customers will be looking for in the product or service you want to sell.

What do YOU sell?

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2. Who will I sell to?

A small business cannot cater to everyone, so it is important that you find out just who are the people who will buy your product or service and do all you can to encourage them to buy.

Who do YOU sell to?

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3. How much will I sell my product or service for?

You should put a price on your product or service which customers will pay, always making sure that you cover your costs. Deciding what is the best price to charge is sometimes not an easy task; usually there is no one price you can ask but rather, there may be a range of possible prices. You should remember however, that sales usually fall when prices are

raised, so try to sell at a price which adequately covers your costs and allows you to sell in large enough volumes to make your business profitable.

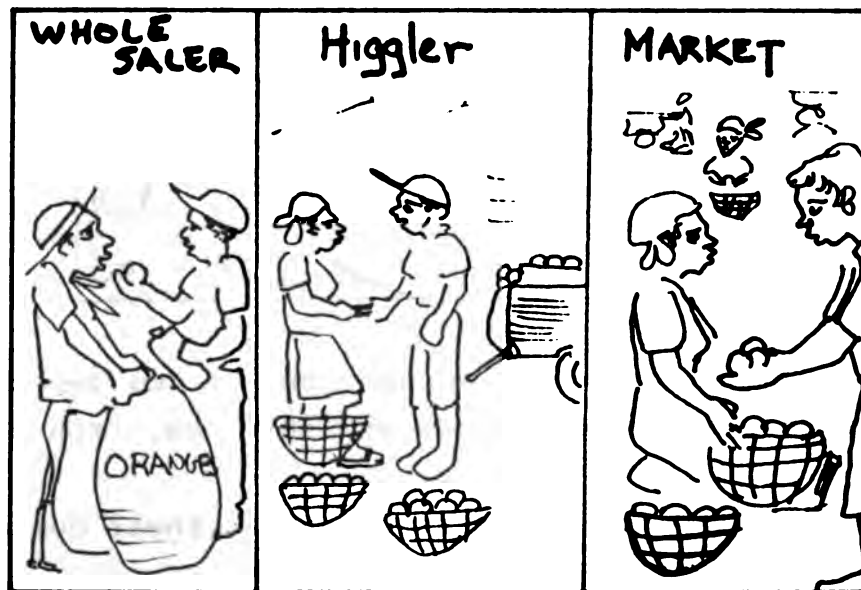
How do YOU price your product or service?

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4. How will my product get to the consumer?

If you cannot sell directly to the people who will use your product, there are other ways in which you can get your product to consumers. For example, you can sell through retailers or wholesalers.



How do YOU get your products to the consumers?

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## 5. What can I do to increase sales?

There are many simple, but special things you can do to encourage customers to buy more of your product or service. Things like offering discounts, putting up attractive displays or signs, giving away samples or handing out leaflets are only some of the ways you can use to promote your product or service.



You should also try as much as you can to be competitive with other people who sell goods and services. You can:

- i) watch how your competitors treat their customers and try to do better;
- ii) look at the prices competitors are charging when you set your price;
- iii) do things to make your product or service more appealing than those of your competitors'.



What things do YOU do to increase sales?

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Now that we have talked about what marketing is and some of the things you do in your marketing, let's find out how well you are really doing.

Many small business persons complain that their goods or services are not selling as well as they would like them to be. Steve Harley has been talking to a number of small business persons to find out from them what their problems are and to offer them advice on how their marketing practices can be improved. Here are some parts of the conversations he had with them.

Steve first talked to Fitzroy Coore, a woodcarver selling to tourists on the north coast.

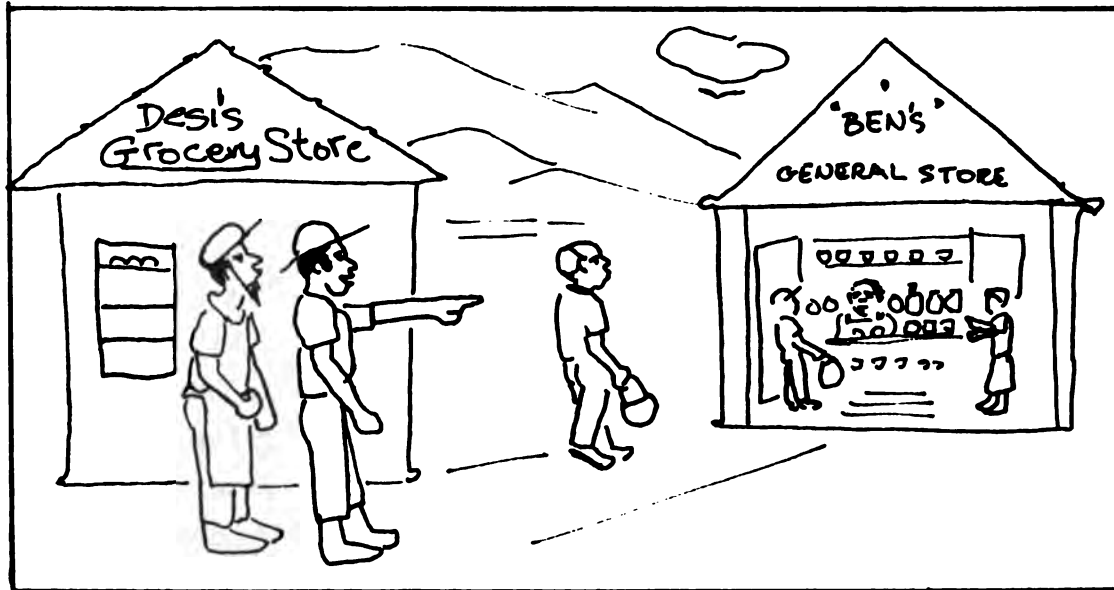
Steve: "What kinds of problems are you having with your marketing, Fitzroy?"

Fitzroy: "My big problem is that although I have many different kinds of carvings on display in my stall and customers say my prices are reasonable, the tourists don't buy enough pieces for me to make a good income. I have lots of nice, big African masks, but they only go for a few small pieces."

Steve: "So why do you still make those big masks?"

Fitzroy: "I've been making these masks for years man, It's what I do best!"

Desmond Jackson owns a small grocery shop in a rural village. He told Steve of his problem.



Desmond: "Recently, many of my customers have stopped buying from my shop and have started buying from the new shop down the road."

Steve: "Why do you think this is happening?"

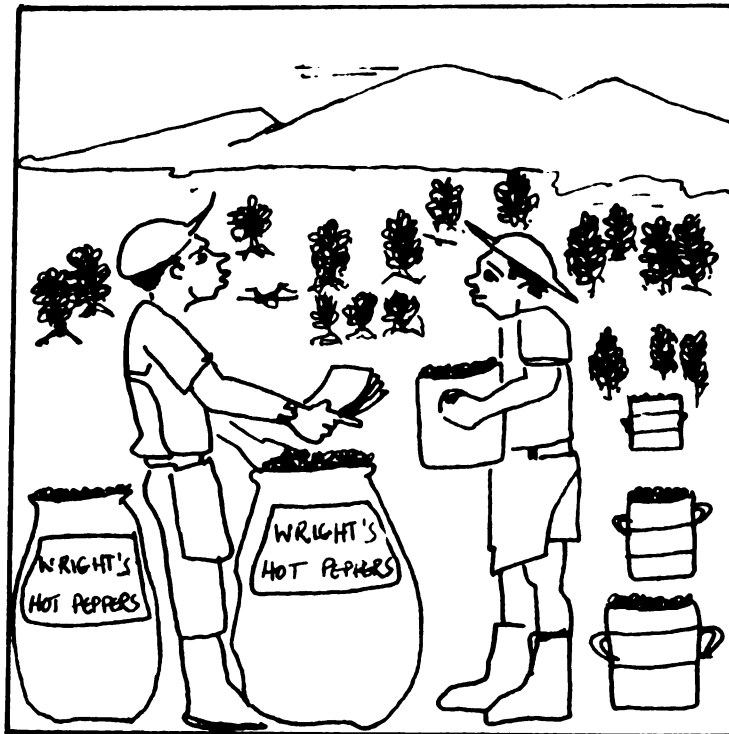
Desmond: "I suppose it's because the new shop sells on credit and stocks fertilizers, seeds and hardware items, as well as groceries. All I have in my shop are groceries."

James and Jessie Wright, who own a small farm in St. Mary had this conversation with Steve.

Steve: "You have a good crop of peppers here - how is your marketing going?"

James: "Up to now we've been selling the peppers to a factory four miles away, which processes them into a pepper sauce. The factory will take all we produce - but the price they offer is really low! We just manage to cover our costs and make a small profit. We'd like to do better."

Jessie: "I've been selling some to vendors in the market. I get a good price per dozen but the market vendors can only take a limited amount, so we're forced to sell the rest to the factory."



Steve: "You've got a van haven't you? Why not try to link up with an exporter who might take a large enough volume and pay a better price?"

Marcel makes clay pottery. Recently, he's been selling his pots on the corner of a busy intersection in a well-to-do neighbourhood in St. Andrew. Steve found him asleep beside his stall.



Steve: "Have you been selling many of your pots here?"

Marcel: "Not many. I was sure that they would sell quickly here. These people have lots of money; they can afford to buy my pots, but I've only sold two in one week. I sold at least ten per week in Spanish Town!"

Steve: "What went wrong? Didn't the people like them? Did they think they were too expensive?"

Marcel: "I think the prices were O.K. Some people said they didn't like the brown colour and the glaze and some said they were too big, but I never got those complaints in Spanish Town!"

Steve then talked to Betty, a higgler who buys goods in Panama and sells them from a stall in an uptown plaza.

Betty: "People are always complaining that my goods are too expensive. They don't know that I have to cover my air fare, customs duties, taxi fares..."

Steve: "Are other higglers charging the same prices as you? How do they get their customers to buy their goods?"

Betty: "The other higglers buy the same kinds of goods, but in bulk and at cheaper prices than I do, that's why they can sell for less."



It was pouring rain, so Steve sheltered in a small barber shop in a little village on the outskirts of Ocho Rios. While waiting for the rain to stop, he decided that he might as well go in and get a haircut. He introduced himself to the barber who said his name was Bob Sutherland.

Bob: "Sorry about the water in here; the roof leaks in a few places, but never mind, I'll give you the best haircut you've ever had!"

Steve: (Looking around the shop): "How's business these days?"

Bob: "Oh its bad! But I don't understand why my customers are leaving - there isn't another barber nearby who gives a better haircut - and at such a reasonable price."

Steve: "Have you asked any of the men in the village why they are not coming back?"

Bob: "Oh, one or two of them say the shop needs attention. My wife used to take care of the shop but, since she died, I'm doing the best I can. It's not as bad as they say it is, is it?"

Can you tell what went wrong with the way these people did their marketing? Let's look back at each of their conversations with Steve to find out what went wrong. Then, keeping the suggestions made earlier in mind, you can decide what each of these business persons should do to improve their marketing.

**WHERE THEY WENT WRONG**

**HOW TO IMPROVE**

**Fitzroy**

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**Desmond**

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**James &  
Jessie**

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**Marcel**

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**Betty**

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**Bob**

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We have seen from some of the conversations the small business persons had with Steve, that many of them believe that customers should buy their products simply because they make or grow them, or offer them in their shops. THIS IS NOT ENOUGH!

To do well at selling a product or service, business persons must first find out what customers want to buy and how much they are willing to pay for them. They must also convince customers to buy by promoting their product or service in whatever way they can afford. They must also get the product or service to customers in a way which is convenient and efficient without being too costly.

What problems are YOU having marketing your product or service?

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Now, list some of the ways you think you can improve on the marketing of YOUR product or service.

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## 2. IMPORTANT ACTIVITIES OF MARKETING

Marketing involves many important activities, some or all of which must be done if business persons are to be successful at selling their crops, goods or skills, satisfying their customers and making money.

A marketing strategy is a plan which outlines the methods you will use to get customers to buy more of your product than your competitors' products. In this and other exercises, we will talk about some of the more important of the activities which you may have to do, as a marketer of the products you make, crops you grow, goods you buy for resale or services you perform. These activities must be considered when you prepare your marketing plan. They are:

- \* Doing a market study
- \* Getting what you sell to the consumers
- \* Transporting what you sell
- \* Storing your goods or crops
- \* Packaging and labelling what you sell
- \* Controlling quality
- \* Promoting what you sell
- \* Looking at costs and pricing what you sell

Which of these activities do YOU perform when marketing your goods or service?

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Let's now discuss the first of these important activities.

## \* Doing a Market Study

To be as efficient as possible in selling your goods or service, you should try as best as you can to find out:

- a) who your customers are likely to be,
- b) how many of them there are,
- c) where they are located,
- d) what features customers are looking for (so that your can be sure that what you offer for sale is what people will want to buy),
- e) how much of your product or service customers are likely to buy,
- f) what time of year customers will buy more of your product or service,
- g) what prices they will pay for your product or service.

This is information which you should have, whether you are thinking about how to market your new product, crop, goods you will buy for resale, or a service you will offer, or whether you want to increase sales of existing products.

How will you get all this information?

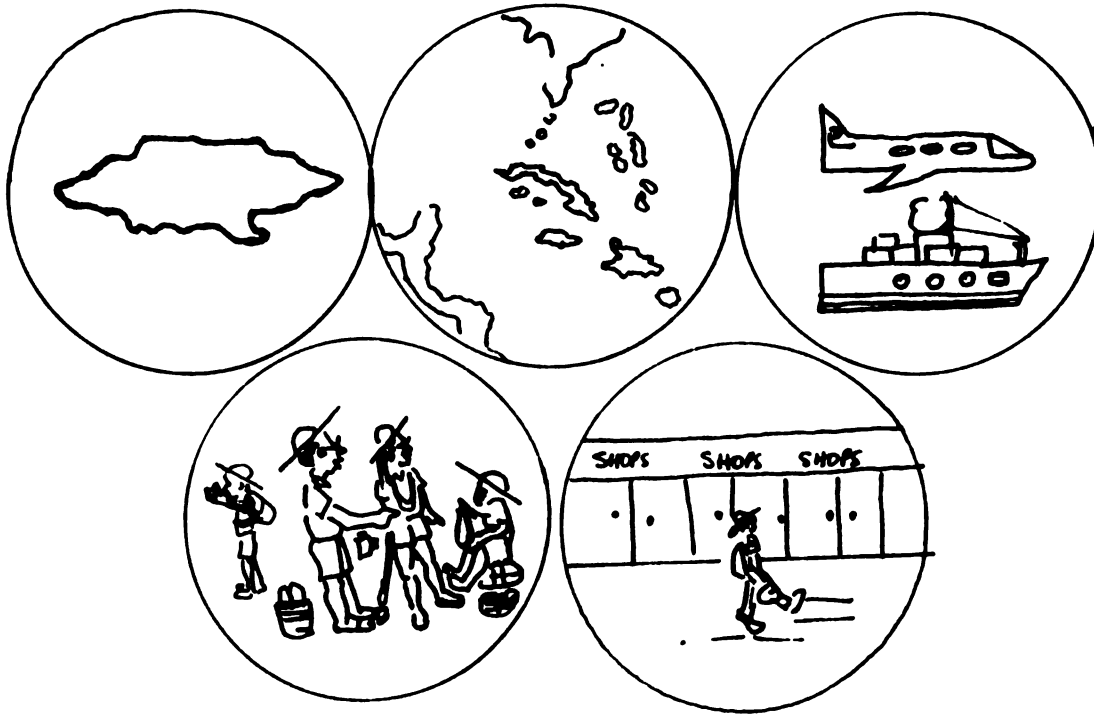
You must go to the 'market'; that is where you will find the answers.

But what is a 'market'? It is a place where buyers and sellers meet. Sellers go there in order to exchange their goods for something of value, usually money. Buyers go to obtain something they need, for which they are willing to exchange something of value, usually money.

For instance, the town or village market is the place where people go to sell their goods and buyers go to purchase them.

Sellers talk about several different types of markets for their goods and services. Some of these are:

- a) national markets, or possible buyers in the same country.
- b) regional markets, or possible buyers in a district area or region.
- c) local markets, or possible buyers in nearby areas.
- d) export markets, or buyers overseas.
- e) tourist markets, or buyers who are tourists.



To which of these markets do YOU sell your product or service?

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Studying the market will help you to decide:

WHAT TO SELL  
WHO TO SELL TO  
HOW MUCH TO SELL FOR  
HOW TO GET IT TO BUYERS

You can also find out about other aspects of your marketing, such as:

- a) what the demand is for your product or service; that is, how many people are likely to buy it,
- b) what competitors are doing.

By gathering and analyzing this information, you will be doing a MARKET STUDY. Let's talk about two important things you should find out when you do your market study.

a) FIND OUT ABOUT DEMAND

Finding out how many people not only like your product or service, but are willing to buy it is very important, because then you have a better idea of what your chances are for selling a new product or service, or for expanding sales in your existing business. Many business people make the mistake of trying to sell something because they think people will like it and buy it. However, they should first find out how many people like it, whether or not they are prepared to buy it for the price being asked and whether they will buy it often enough for the seller to make a satisfactory income from it.

Fitzroy Coore made that mistake:

Fitzroy had been making large, 'African' masks, carved out of wood, for years. When he set up his stall in a busy tourist town, he stocked it with mostly big masks, figuring that the tourists would like them, as he did. Some tourists did, but it took him a long while to find out that there were just not enough tourists who like the masks and who were also prepared to buy them, even though the prices were fairly low. Many of them complained that the carvings were far too large for them to carry back home.

Once you have found out how many possible buyers there are who want your product or service and are willing to pay the going price for it, there is even more information you should have.

You should get the answer to the following questions:

Are there similar products or services available?

What level of quality are customers willing to pay for?

For a product, what features (size, colour, shape, style, etc.) are customers buying?

What prices are they paying?

What quantities are they buying?

Can I sell all I produce at a profitable price?

Are sales of similar products or services increasing, decreasing, or remaining the same?

b) FIND OUT ABOUT YOUR COMPETITION

In doing your market study, you must consider the other business people who are also selling to your possible customers. These are your competitors. There are a number of questions which can be asked about competitors, such as:

How many competitors are offering similar products or services?

What quantities are these competitors selling?

How long have they been in business?

How do you think they will react to a new business, a new product or service, or increased competition?

What prices are they charging?

How do they get their products to customers?

How do they promote their products or service?

Have they been expanding their businesses or cutting back?

What do you estimate their marketing costs to be?

You can see then, that there is a lot you need to know about the "market" in order to sell your goods or service and make money for your business. If you have never done a market study, shouldn't you do one now?

#### DOING A MARKET STUDY - SOME HELPFUL HINTS

In order to do a good job of getting the information about the market which you need to develop your marketing plan, you must go about doing your market study in an organized and business-like way.

Here are some suggestions which can guide you when you carry out YOUR market study.

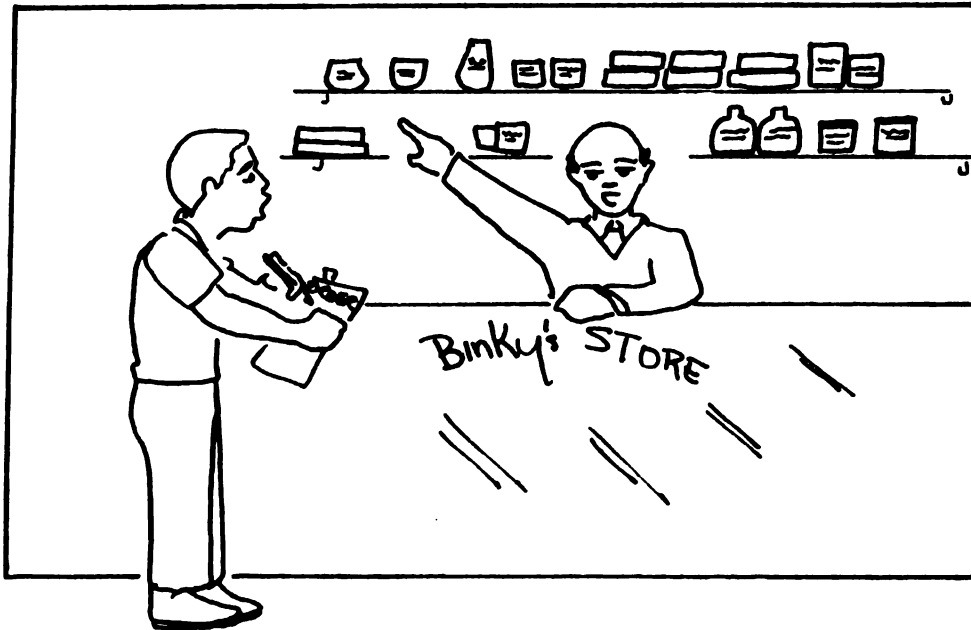
1. Decide where you will go to do your study.

A good place to start would be in the places you expect to find the people you think will buy your product. Deciding where to go also depends on whether you plan to sell directly to consumers or whether you will sell to "middlemen" - higglers or store owners.

Here are some places you might go to do your study:

If you plan to sell directly to consumers:

busy street intersections, offices, markets  
fairs, exhibitions, bazaars



If you plan to sell to "middlemen":

markets  
shops, supermarkets, grocery stores, etc.

You might also find out from other sellers, who are the people THEY sell their goods to. This will give some ideas on where to go.

Do you have more suggestions to add to this list? Where else could a seller go?

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You must not forget to "check out" your competitors as well, because you need to be aware of where they sell their goods or services, what they sell, how much they sell for, and so on.

Now, where will YOU go to do your study?

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2. Make contacts with possible customers.

Making as many contacts as possible with likely customers, storekeepers, higglers, etc., increases your chances of getting a good estimate of the numbers of people and shops who might be willing to buy your product. It will also give you valuable information on what people like about your product and what changes, if any, they think they would like to see made to it.

When you make your contacts, you should introduce yourself, giving your name or the name of your business and explain what you are about. You might also ask the person's name and if you are told, use it when you address the person. If the person seems interested and offers you suggestions or advice, take note of these and be sure to thank them for their help. It is also a good idea to note the names and addresses of the people who show interest in your product or service, so that you can contact them in the future.

3. Prepare samples to "test" your product.

If yours is the kind of product that can be "tested" using samples, this is a good way of getting reactions from possible buyers. It gives them an opportunity to see the product, to taste it, feel it, smell it, or whatever they need to do with it, in order to give you their opinions of it. You should be

aware however, that sometimes, when customers are asked for their opinions, they often tell you what they think you WANT to hear, rather than the way they really feel about your product. However don't let this stop you from trying to get feedback on your product as there ARE people who will give you their honest opinions.



You must make sure however, that the sample you present to possible customers is an accurate example of what the product will be like. On no account should you give people false impressions about your product. This can only hurt your reputation as a good business person - a reputation which once lost, may never be regained.

Here is an example:

In doing your market study to find out how customers would like the baked products she planned to produce, Sheila Smith took samples to the supermarkets, shops and schools where she planned to sell them. She asked each person who sampled her products to tell her how they like the taste, the size, the package and the price at which she planned to sell them.

After spending a week testing her products, Sheila was able to make her marketing plan. For instance, instead of making one pound and two pound buns as she had planned to do, she decided to make more of the smaller half-pound buns. These were the sizes she had planned to sell in the schools, but grocery-store shoppers also said that they would rather buy the small size buns than the larger sizes.

4. Take your order book with you!

You may find many opportunities to get orders when you are doing your market study. However, don't start making the product unless you have a firm commitment from the buyer, including a down-payment, if possible.

# **\* Getting what you sell to consumers**

Getting your product, crop, merchandise or service to your customer is probably the most important of all the activities you will have to perform when marketing.

Some business persons sell directly to consumers - the people who use their product or service, while others sell through one or more persons, sometimes called "middlemen". Some middlemen buy from producers and sell to consumers and are called "retailers". Other middlemen buy from producers and sell to retailers who then sell to consumers. They are called "wholesalers".

Let's find out more about these middlemen before we discuss how you can become more efficient at getting what you sell to the consumers.

## **RETAILERS**

Retailers sell goods directly to consumers. Business people who buy goods in order to resell them at a profit are involved in retailing. So too are business people who produce AND also sell their goods directly to consumers.

Retailers sell from a number of places. Here are some of them:

From their own stores; from co-operative stores

From their homes or from friends' homes;  
from stalls on the sidewalks, in the markets;  
at fairgrounds or bazaars

From cars, vans, bicycles or motorbikes

Selling from house to house

Are you a retailer? Yes \_\_\_\_\_ No \_\_\_\_\_

What do you sell? \_\_\_\_\_

Who do you buy from? \_\_\_\_\_

Where do you sell from? \_\_\_\_\_

Who do you sell to? \_\_\_\_\_

If you are not a retailer, do you know of any businesses in your area which are involved in retailing? What types of goods do they sell?

TYPE OF BUSINESS

TYPE OF GOODS

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

#### WHOLESALEERS

Wholesaleers are the link between producers and retailers, because they sell the goods they buy from producers, to retailers. Retailers then sell the goods to consumers. Because of this 'chain', producers usually get lower prices for their goods when they sell to wholesaleers, as these wholesaleers must then sell to retailers and put their markup on the price.

In addition to helping producers sell their goods, wholesalers sometimes pass on many helpful hints, for instance, giving advice on what kinds of products sell best. Often too, they know a lot about what is happening in the marketplace and can therefore be valuable sources of market information.

Wholesalers can also help producers to reduce their costs for transportation and storage as well as the expense of keeping large stocks. This is because they are usually better able to handle and store large quantities of goods. Many wholesalers also have their own sales staff who sell the goods they stock to several different retailers. To retailers, wholesalers are important because:

- a) they offer a range of products to choose from, since they usually buy from several kinds of producers;
- b) they may also offer delivery and storage services. This not only reduces retailers' costs of transportation, but also the cost of keeping more stocks than they need.

Do you know of any wholesale businesses? Yes \_\_\_\_\_ No \_\_\_\_\_

What types of goods do they handle?

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Who do they buy from?

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Who buys from them?

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So you can see that for producers who are not able to sell their goods to the consumers themselves, or those who cannot sell enough of their goods, middlemen can be helpful in a number of ways:

- \* they come in contact with many consumers or other middlemen and can therefore expose producers' products to more people than producers could on their own.
- \* they can help to select suitable prices, so that consumers will be encouraged to buy.
- \* they can help to reduce producers' costs of transportation, storage and promotion.

However there are some disadvantages of selling through middlemen. Can you think of any?

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How do YOU now get your goods to consumers?

I sell directly to consumers \_\_\_\_\_

I sell through middlemen \_\_\_\_\_

I do both \_\_\_\_\_

Do you sell all that you produce? Yes \_\_\_\_ No \_\_\_\_



If you answered 'No', perhaps you should consider selling through a middleman, who might be able to help you sell more of your goods. If you are already selling through a retailer or a wholesaler, but not selling as much as you would like to, you might consider looking for other retailers or wholesalers who might do a better job of helping you sell your goods. Whichever way you decide to use, make sure that it is the most profitable for your business.



## \* Transporting what you sell

There are a variety of ways that your product, crop, merchandise, or service can get to your customer and transportation is an essential activity for that to happen. The question you just answered, "How do you now get your goods to consumers?" may determine if you will be responsible for transporting your product or service to the consumer.

Depending on your type of business, your customers may come to you to buy your products or service, or you may have to transport your product or service to them.

Can you name some businesses which do NOT transport their goods or services to customers?

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Can you name some businesses which DO transport their goods or services to customers?

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In your business, do you transport your goods or services?

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, how do you transport your goods or services?

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## **\* Storing what you sell**

Storage is an important activity of marketing. Storing what you make, grow or buy for resale, allows you to keep goods on hand so that they are available when customers want to buy them. Storing your goods or crops can also allow you to keep them until a time when it is more profitable for them to be sold. However, when making the decision to store your goods, you should always take into account the costs of storage and the possibility of losing some or all of your product through spoilage or shrinkage. Thus, the income you will receive from the products you store should always be greater than your storage costs, AND the cost of losses which may result from storage.

Neville thought he had done the right thing when he decided to store his crop of gungo peas last December, instead of selling it to the many buyers wanting gungo peas for their Christmas dinners. He had stored previous crops and had made good money selling the peas when the supplies fell early in the new year. But this time he had not been careful enough in storing the crop, and the moisture in the air caused by the prolonged rains had ruined his chances for making any money at all.

Storage may also be necessary if marketing is seasonal and you must accumulate your goods until the buying season begins.



Do you store your goods or crops before selling them?

Yes \_\_\_\_\_ No \_\_\_\_\_

If you answered "Yes", why do you store them?

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Where do you store them?

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# **\* Packaging and labelling what you sell**

Packaging your product properly is an important marketing activity which can help to sell more of your goods or help you to get a higher price for them. Either way, packaging your product may make more money for you, provided the additional money you earn from selling more, is greater than the packaging and labelling costs.

Packaging protects goods and keeps them in good condition until they reach the consumers. Attractive and sturdy packaging can also help to attract customers' attention and so help to increase sales. Labelling of packages is also important, as labels provide information about products which can help customers decide whether or not a product is what they want to buy.

Labels should contain information about products, such as:

- the brand name, the name of the product and its contents
- the address of the business
- instructions for care and protection
- an expiry date
- its weight, size, volume, etc.

The amount of information which needs to be put on a label will depend on the type of product. For example, a sculptor need only inscribe the title of the work, his initials and the date on his craft; while a food processor should include on the label of the product a list of ingredients, the volume of the contents and the name and address of the business.

## \* Controlling quality

The first step in quality control is to decide what will be the quality of the product or service you will offer to customers. Then from the moment you select the inputs which will go into producing your product or service, growing your crops or rearing your animals, quality control should begin. This means ensuring that the materials you start with are the right quality which will make the product what you want it to be. But quality control should not stop there. It should continue through the entire process of production until the finished product has been made or grown, or the job completed.

In addition, the quality of your products should be consistent, that is, if you make a particular product, all of that sort of product should be of the same quality. Here is an example which shows what can happen when producers make products of inconsistent quality.

When Pat Wade and her sisters Denise and Sandy started producing fruit jams for the local market, they made the jams with lots and lots of fruit. Their market study had shown that many consumers were dissatisfied with the amount of fruit in the jams already on the market. In the first few months of business, sales were much higher than they had ever anticipated. Soon however, they were forced to lower the amount of fruit in the jams as fruits were in short supply and prices for them had become exorbitant. Because of this, sales fell quite low and by the end of the first year, the sisters had lost so much money that they decided to give up the business and go back to their old paying jobs.

What was important in this example?

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Here are some hints on how you can control quality in your production process. Remember that before you adopt any of these suggestions, you should work out the possible costs and likely increases in returns, so that you end up making money and not losing.

1. Have someone responsible for controlling quality in your production process. This should be someone who knows the process well and is a good worker.
2. Prepare a sample of the product which is satisfactory to you and to your buyers.
3. Decide what steps will be used to produce the item. For example, if you are making a stuffed toy, first you will get all the different types of material, then you will trace the patterns, then you will cut, and so on.
4. Decide what standards must be met for each step in production. Those responsible for quality control should check regularly to ensure that these standards are being met.
5. The finished product should be compared to the sample to ensure that it is of the same standard.

## \* Promoting what you sell

Promotion is a way of getting customers to buy more of your product or service, but is an activity which should only be considered if the returns to you (increased sales) will be greater than the cost of the promotion.

Promotion is also helpful in providing customers with information about your product or service; that it is available, what price it is sold for, where it can be bought and something about its qualities and characteristics.

There are many ways to promote your products or services. Some of these ways include advertising in newspapers, on radio, television and in magazines, exhibiting at fairs and bazaars and giving away samples.

Selecting the most suitable way to promote your business is very important if it is to succeed. Before you begin to promote your business however, you should ask yourself these important questions:

How much money do I have to spend on promotion?

Considering the amount I have available to spend, what are the types of promotion which will give me the best value for my money and also help to get more customers interested in my product or service?

How much more net income will it provide me with?

Now let's talk about some of the more well-known ways business people use to promote their products or services.

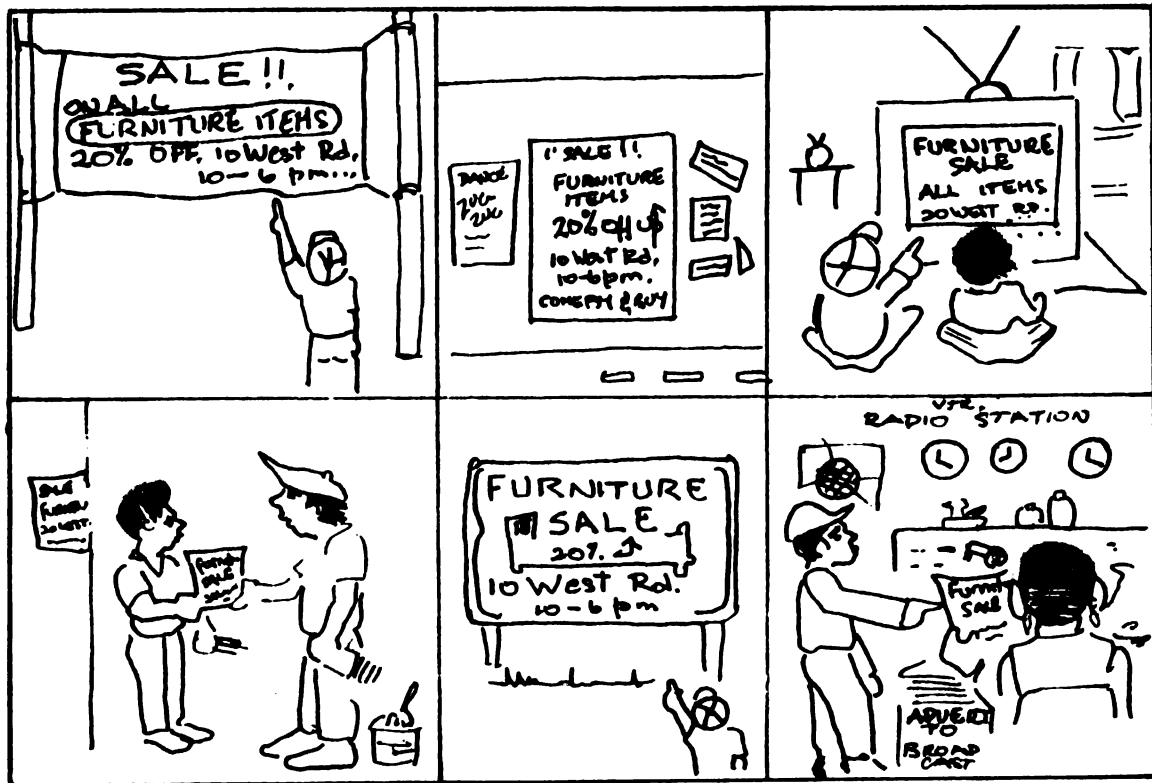
### Advertising

Advertising is often done through radio, television and newspapers, although other forms of advertising such as using leaflets, posters, outdoor signs, etc., are also popular. Although some types of advertising can be expensive, they have the advantage of being able to reach a larger group of people than can any other method of promotion.

Do you advertise your product or service? Yes \_\_\_\_\_ No \_\_\_\_\_

What type(s) of advertising are you using?

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How much does it cost you to advertise ? \$\_\_\_\_.\_\_\_\_ per \_\_\_\_

Have your sales increased as a result of advertising?

Yes \_\_\_\_\_ No \_\_\_\_\_

If you answered yes, by how much? \$\_\_\_\_.\_\_\_\_

Is the increase in sales more or less than the cost of the advertising? More \_\_\_\_\_ Less \_\_\_\_\_

### Fairs and Exhibitions

Taking part in fairs and exhibitions is a good way to reach customers at relatively low cost. These events usually attract large crowds of people who go to look at the displays, so instead of the seller going to find customers, the customers go to them. People not only go to look at the displays, but also to buy or place orders for goods. The seller gets a chance to make personal contact with customers, to answer questions, to demonstrate the uses of the product and to find out just what consumers want.

Shortly after he had started his own furniture-making business, Marvin Brown was invited to display some pieces of his work in an exhibition put on by the Ministry of Housing. The exhibition was held each year over two days, to show off the work which could be done by small business people. Marvin made up some samples of furniture and also hand-wrote some leaflets telling what kinds of furniture he produced, where they were available and their range of prices. The response was overwhelming! As a result of his efforts, he obtained several orders, including a contract to supply bed headboards to a thriving furniture store.

Have you ever promoted your product at a fair or exhibition?

Yes \_\_\_\_\_ No \_\_\_\_\_

How much did it cost (for your time and materials)? \$ \_\_\_\_\_.

Did sales increase? Yes \_\_\_\_\_ No \_\_\_\_\_ By how much? \$ \_\_\_\_\_.

Was it worth the effort? Yes \_\_\_\_\_ No \_\_\_\_\_

### Samples

A sample is used to show customers what a particular product is like. Small samples looking like the actual product may be given away to customers, or actual-sized products may be kept by the seller to be shown to customers. Bakers or candy-makers might give away samples of their products, but furniture-makers will keep samples in their shops so that they can display the types of goods they produce.

Samples allow customers to gain first hand experience of the product, whether by testing, touching, smelling, inspecting, or using them. Giving away samples is a good method of introducing a new product to consumers, letting them know that the products are available and allowing them to prove for themselves the advantages of using the products.

Producing samples could be expensive, so if you decide to use them as a way of promoting your product or service, be sure that your business will benefit in terms of increased sales, over and above the amount you spend making them.

Do you think giving away samples or showing samples of your products would be a good way of promoting your business?

Yes \_\_\_\_ No \_\_\_\_

### Middlemen

Many wholesalers and retailers assist small business people by promoting their products for them. Not all of them do however, so you should first find out if this service is offered. However, you should think carefully about doing business with middlemen just because they will promote your product for you. You should be satisfied that they can sell more of your product than you could on your own.

Devon Kidd makes a line of leather products. Three years ago, he arranged with a chain of retail shops selling craft items to market his products on his behalf. He had agreed to sell to the shops in bulk at discount prices, hoping to take advantage of the fact that the shops were located all over the island, and that they ran an effective advertising programme using billboards and ads in the daily newspaper.

After three years however, Devon was forced to end the arrangement. For some time, he had been concerned that orders for his products were not forthcoming from the shops. He did some research and found that excessive "mark-ups" were being added on his products. Although the products were getting good publicity, they were overpriced and competing products were selling in much larger volumes.

What did you learn from this example?

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Satisfied customers

Having satisfied customers is undoubtedly one of the best ways in which you can promote your product or service. No advertisement, however clever, can sell a product or service which customers do not want or which does not satisfy them. If you are unfriendly or discourteous, few clients will want to buy from you. So bear these in mind, for the success of your business ultimately depends on your clients.

Do you have satisfied clients? Yes \_\_\_ No \_\_\_

Do they help in promoting your product or service? Yes \_\_\_ No \_\_\_

Look carefully at the chart on the next page and decide which ways of promoting your product or service would be best for you to use, bearing in mind the three questions you had asked yourself earlier:

How much money do I have to spend on promotion?

Considering the amount I have available to spend, what are the types of promotion which will give me the best value for my money and also help to get more customers interested in my product or service?

How much more net income will it provide me with?

TYPE OF PROMOTION	WOULD IT REACH MY CUSTOMERS?		WILL THE BENEFITS BE MORE THAN THE COST?	
	YES	NO	YES	NO
Leaflets, Posters	-----	-----	-----	-----
Business Cards	-----	-----	-----	-----
Billboards	-----	-----	-----	-----
Display signs	-----	-----	-----	-----
Advertisements on radio	-----	-----	-----	-----
on television	-----	-----	-----	-----
in newspapers	-----	-----	-----	-----
in magazines	-----	-----	-----	-----
at the cinema	-----	-----	-----	-----
Fairs & Exhibitions	-----	-----	-----	-----
Samples	-----	-----	-----	-----
Middlemen	-----	-----	-----	-----
Satisfied customers	-----	-----	-----	-----

Have you made up your mind which promotional activities suit your business best? What have you decided?

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## **\* Pricing what you sell**

For the small producer, deciding on the 'correct' price to charge for goods or services is often a difficult task.

In deciding what price to charge for your product or service, you must consider three important things:

- a) What it costs you to produce your product or service
- b) What competitors are charging for similar products or services
- c) Customer demand for your product or service.

Let's talk more about these.

### a) COST

The first step in setting a price for your product or service is to know what your costs are and then add to these an adequate mark-up so that a profit can be made.

What are your costs?

Your costs are those which go into making and selling your product; growing and selling your crops and rearing your livestock; providing a service; operating your store or stall.

These would include:

**PRODUCTION COSTS:** those for raw materials, farm inputs or supplies, wages for yourself and the people who work with you, utility costs, rental and transportation costs for buying raw materials or supplies, etc.

MARKETING COSTS: those for promotion, packaging and labelling, storage, delivery of goods or finished products, etc.

What production and marketing costs do YOU have in your business?

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(you should refer to the manual, 'Operating a Small Business in Jamaica' for more detail on the calculation of costs).

Here is a chart which shows how your selling price can relate to your costs:

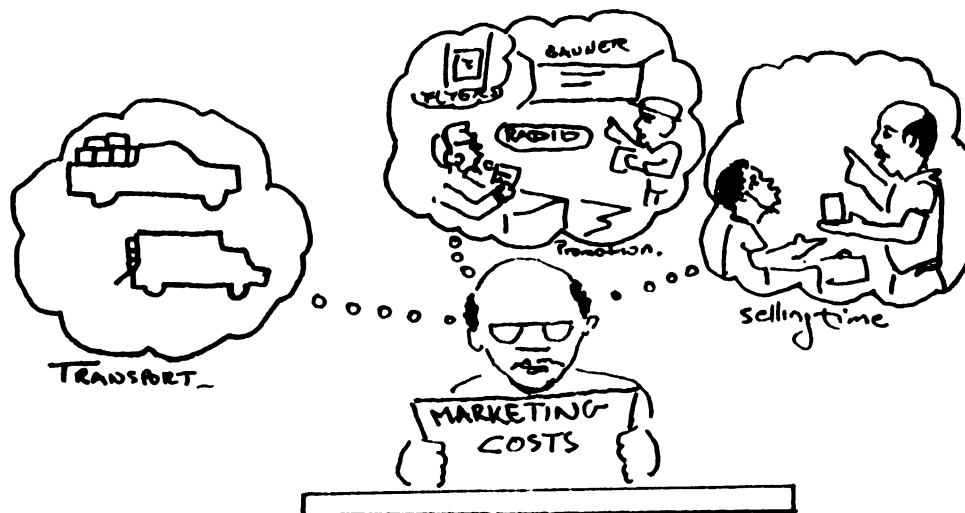
	PRODUCTION COSTS	MARKETING COSTS		
COST is when you ADD	<ul style="list-style-type: none"> <li>- raw materials</li> <li>- supplies</li> <li>- goods for sale</li> <li>- inputs</li> <li>- labour</li> <li>- utilities</li> <li>- rental</li> <li>- transportation</li> <li>- miscellaneous</li> </ul>	<ul style="list-style-type: none"> <li>- packaging</li> <li>- labelling</li> <li>- promotion</li> <li>- storage</li> <li>- delivery</li> <li>- selling (labour)</li> </ul>	TO GIVE (=)	Total cost of product or service
PROFIT is	The amount of extra money which your business makes after all costs have been covered.		=	PROFIT
PRICE is	What it costs to produce the product or service	+ Profit	=	SELLING PRICE

If all goes well and you are successful at marketing, then you will sell enough to cover your costs, leaving sufficient profits to keep your business alive and to help it grow.

However, if your costs are more than your income, then you will lose money and the business will fail. So in planning your marketing programme, you must look carefully at your costs, to make sure that they are kept at a level which your business can afford and will allow it to make profits.

### MAKING YOUR MARKETING BUDGET

It is always a good idea to make a budget, listing what your business can expect to earn from sales, and the costs which will have to be covered in order to produce the number of items you think you can sell. You should also pay careful attention to your marketing costs, for these are often underestimated by small business persons. The budget can be for any time period you choose - a month, a quarter, six months, or a year.





Here are some questions to consider when thinking about the marketing costs you should budget for in a particular time period. When considering these, you should remember that every marketing activity costs money and that these costs will have to be added to the price of your product or service. Therefore, you should make sure that the marketing activity you perform will result in increased sales for your business AND increased profits.

What costs will I have for delivering my goods to customers?

\$ \_\_\_\_ . \_\_\_\_

How much stock should I keep on hand to sell?

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How much must I spend on space to store this stock? \$ \_\_\_\_ . \_\_\_\_

If I operate a store, how much will I have to pay for:

rental? \$ \_\_\_\_ . \_\_\_\_

utilities? \$ \_\_\_\_ . \_\_\_\_

How much should I spend on packaging and labelling?

\$ \_\_\_\_ . \_\_\_\_

How much would each of these kinds of promotion cost if I used them for my business?

Leaflets	\$ ____ . ____	Billboards	\$ ____ . ____
Posters	\$ ____ . ____	Neon signs	\$ ____ . ____
Business cards	\$ ____ . ____	Display signs	\$ ____ . ____

Advertisements: on radio \$\_\_\_\_\_.\_\_\_\_  
on television \$\_\_\_\_\_.\_\_\_\_  
in newspapers \$\_\_\_\_\_.\_\_\_\_  
in magazines \$\_\_\_\_\_.\_\_\_\_  
at the cinema \$\_\_\_\_\_.\_\_\_\_

By how much would sales increase using any or all of these kinds of promotion? \$\_\_\_\_\_.\_\_\_\_

Therefore, which form(s) of promotion will I use?

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Which way of getting my goods to the users would cost less?

selling to them directly \_\_\_\_\_  
selling through a wholesaler \_\_\_\_\_  
selling through a retailer \_\_\_\_\_  
selling in large volumes \_\_\_\_\_

What discounts will I give?

to wholesalers \_\_\_\_\_  
to retailers \_\_\_\_\_  
for large volumes \_\_\_\_\_

By how much would sales increase as a result of giving these discounts? \$\_\_\_\_\_.\_\_\_\_

Will I offer credit to attract customers? Yes \_\_\_ No \_\_\_

By how much will this increase sales? \$\_\_\_\_\_.\_\_\_\_

Who will be eligible for credit? \_\_\_\_\_

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(Remember that giving credit COSTS a business, although most people do not realise it. If you must give credit, perhaps because your competitors do, avoid giving it to customers you don't know or to those who don't pay their bills. You should only give it to regular customers and those you know well).

What services will I offer along with my product?

---

How much will this cost? \$\_\_\_\_\_.\_\_\_\_

Will sales increase by doing this? Yes \_\_\_ No \_\_\_

By how much? \$\_\_\_\_\_.\_\_\_\_

What about the cost of the time you spend marketing? You should ask yourself:

How much time should I spend making existing products more attractive and appealing?

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How much time must I spend : selling? \_\_\_\_\_

making deliveries? \_\_\_\_\_ collecting money? \_\_\_\_\_

What is the total time I will spend on these activities?

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You can see then that marketing costs money. It is such an important part of your business however, that it cannot be ignored. You must therefore think about how doing any or all of these various activities will increase sales and profits for your business, look at their costs and make decisions on how you will proceed. Whatever you decide, remember that your marketing costs must be included when you consider what price to charge for your product or service.

b) COMPETITION

Another factor to take into account when thinking about the price to charge, is the price competitors are charging for similar goods and services.

Your product or service may have certain features or advantages which can justify a higher price than your competitors'. It may be that you are a master craftsman with skills that few other craftspeople have and so your product is of a very high quality; or it may be that you are a creative shoe-maker who produces trendy and well-made shoes.

On the other hand, you may decide to charge a lower price than your competitors' in order to get more people to buy your product or service rather than theirs.

In order to decide which of these strategies you will use, you should consider using the price at which you can get the most profit.

Here are two questions to ask yourself when considering whether or not you should lower your price below that of your competitors':

If I lower my price, will I be able to sell sufficiently more units and make more profit?

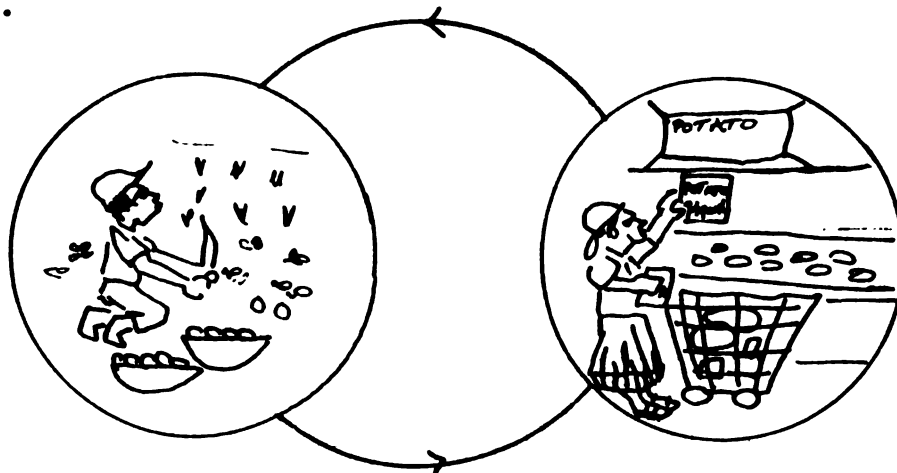
If competitors then lower their prices, what effect will this have on my sales?

If you are thinking about raising your price above your competitors', ask yourself:

Will I be able to sell a sufficient number of units at this higher price, to make more profit for my business?

c) CUSTOMER DEMAND

The price people are prepared to pay for goods or services, usually depends on SUPPLY (the quantities of goods or services which are available) and DEMAND (the quantity of goods or services which people are prepared to buy at a particular price).



These forces of supply and demand work in a kind of cycle.

Here's a chart which shows the relationships between price, demand and supply.

	THE PRICE	THE CUSTOMER
When the supply increases	FALLS	BUYS MORE
When supply decreases	RISES	BUYS LESS

	THE PRODUCER	THE CONSUMER
When the price rises	WILL PRODUCE MORE	WILL BUY LESS
When the price falls	WILL PRODUCE LESS	WILL BUY MORE

Can you think of examples of this cycle occurring with a particular product?

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Courtney grows sweet corn in St. Elizabeth and sells his crops to two food processing factories near his farm. His farm business has done well in the three years he has been producing corn. A few months ago, he decided to expand his acreage. Just after planting the increased acreage, the larger of the two factories closed down. At harvest, Courtney was unable to sell any additional sweet corn to the smaller factory and for what he could sell on the market, he got a much lower price.

How did the forces of demand and supply affect Courtney's business? \_\_\_\_\_

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What should Courtney have done? \_\_\_\_\_

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Although the forces of supply and demand have an important say in what price you can reasonably charge for your product or service, you still have to set your price.

In doing that, you have to consider how customers will react to the price you set.

If you raise your price above that of your competitors, your customers may only buy your product if they feel that it has an advantage over your competitors' products which would justify the higher price.

Also, when setting your price, you must think about whether you will sell directly to your customers or whether you will sell through a wholesaler or a retailer. If you sell your goods or crops through a wholesale or retail store, or through a higgler, you must sell them at a price which allows these 'middlemen' to add their mark-up and still keep your price competitive.

You can see then that there is a lot more to pricing your product or service than meets the eye. In pricing, you must be aware of how the forces of supply and demand work in the marketplace. You must also consider what your costs are, as well as what prices other producers or sellers are charging for similar products.



### 3. HINTS ON PERSONAL SELLING

Everyone who operates a business becomes involved in selling, whether it is to the user of the product or service, or to a wholesaler or to a store owner.

Selling is not an easy job. Some people seem to be born with natural powers of persuasion and to them, selling comes very easily. But to others, it is a skill which has to be learned.

Are you good at:

	Yes	No
bargaining over price?	_____	_____
persuading people?	_____	_____
demonstrating the benefits of your product or service?	_____	_____

Here are some things you need to know if you want to 'brush up' on your selling skills or you want to start learning how to be a good seller.

#### 1. ABOUT YOURSELF

- \* Be clean and well groomed.
- \* Dress neatly and look presentable
- \* Make sure you have complete knowledge of your product; know its uses as well as its shortcomings.

- \* Be friendly and courteous; do not argue with your customers. Remember, for a good seller, "the customer is always right!"
- \* Treat your customers with fairness, respect and good manners. Good treatment wins customers.
- \* Be honest always.

## 2. HOW TO APPROACH CUSTOMERS

- \* A friendly greeting is a good way to start. An attitude which shows an interest in your customers and a willingness to serve them, is always a good way to get customers' attention.
- \* Be brief when you make your presentation.
- \* If you make an appointment with a customer be sure to keep it and get there on time!



- \* If you are selling your goods from a store or stall, keep your goods well organized and in a position where customers can view them. If your goods are hidden, how are customers going to know what you have for sale?
  
- \* Don't 'oversell' your product. If you can see that a customer is not interested at all, end your presentation. No one likes to be harassed.

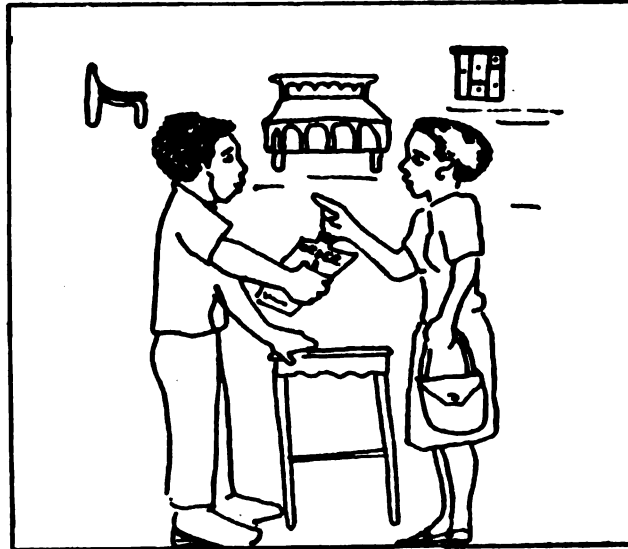
If you have made a good approach and you have the customer's undivided attention, you must present your product or service, showing its features, emphasizing its advantages and giving examples of how it has satisfied other customers. You could also explain how it is used and let the customer feel, smell, or operate it, depending of course, on what the product is. While the customer is examining it, you could point out how the person could benefit from owning, using and enjoying the product.

To be convincing to your customer, you should know your product so well that you have a ready answer to any questions he or she may ask.

Sometimes customers complain about the price of the product or its features, or question whether they really need it at all. Usually this shows that the customer has some interest in it, so you should use this opportunity to find out whether they are not interested at all, or whether they are trying to get you to lower your price, for instance.

For example a customer might say: "I can't buy from you because you only make furniture in cedar."

A good seller should respond by saying: "Do you want to have mahogany, Spanish elm or pine? I can make your furniture in any wood that you can name!"



Sometimes the customer is right about the faults of the product and you have to agree with him, but you must show how the product's advantages outweigh its disadvantages.

### 3. CLOSING A SALE

From the start of your conversation with customers you should begin to look for "closing signals". These are signs that the customer is ready to buy the product. A signal might be in a question asked, such as:

"How much does it cost?", or

"How many can you supply?", or

"Can you deliver it by next Thursday?"

Or the customer may nod his head or pull up a chair to listen more carefully. When these signals appear, you should follow up by asking questions, such as:

"Which colour do you prefer?"

"What time next Thursday would you like to have them delivered?"

The person who is willing to buy, will answer these questions willingly and positively. If the person does not intend to buy, he will more than likely say then and there, that he is not interested.

If you have received a signal that the customer is ready to buy, close the sale promptly. If you do not, you may end up losing the sale, if you prolong the conversation. The customer might think that you are wasting his time, or you may say something which turns him off.

Closing the sale can be done in number of ways. Here are some ways you can choose from:

- a) Be direct and assume that the person is going to buy, then ask a direct question, such as:

"Will three dozen be enough?"

If you need to write up an order, get out your order book and say,

"How do you spell your last name?" or,

"At what address should the goods be delivered?"

- b) Still assuming that the person is going to buy, prompt your customer by offering different choices. For example, you may say:

"You can pay a part of the cost now and the balance on delivery, if you take six dozen",

or

"You can get it in three different colours."

- c) You may offer a special price, a discount, or a gift or 'brawta' if the customer buys the product.
- d) You may go over all the advantages of buying the product and then simply ask for the order.



Usually, a seller will use not only one of the techniques listed above, but a combination of them. Finally, closing the sale means not only getting the order, but also collecting the money.

#### 4. FOLLOWING UP THE SALE

In some businesses, especially those which offer personalized services such as catering, plumbing, etc, it is important to go back to visit the customer, to make sure that he or she is satisfied with the job. This is often a neglected part of selling.

A good salesperson should always make sure that after the sale has been completed, both the buyer and the seller have agreed on the terms and that the goods are delivered and the customer is satisfied. Follow-up also includes making sure that the item is performing well for the customer, or the service has been done to the customer's satisfaction.

After Melba Grant delivered the cutwork dresses she had sold to the boutique in the hotel, she visited the store regularly. She did this not only to try to sell them more dresses, but also to make sure that there were no complaints from the boutique's customers about sizes, colours or styles. The boutique's owner was really pleased about this and decided that she would give Melba all the orders for cutwork dresses.

Following up on your sales can mean new orders for your business and lasting trust and respect can be developed between yourself and your buyers.

You can see then, that the ability to sell is critical in any small business. Selling is a skill which can be learned. Now that you have discovered how you can become a better seller, you can start applying these techniques in your business today!

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## PART II

# MARKETING IN MANUFACTURING BUSINESSES



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# 4. ✓ Checklist

## for making a marketing plan for a manufacturing business

THINGS TO DO	Tick when done
1. Plan your product	
2. Do a market study	
3. Look at product strategies	
4. Look at distribution strategies	
5. Look at promotion strategies	
6. Look at pricing strategies	
7. Prepare your marketing plan	

In this chapter, we will consider the things which need to be done in order to make a marketing plan for a manufacturing business. You are encouraged to use the checklist on the previous page as a guide in preparing YOUR marketing plan.

What is a manufacturing business?

It is a business which uses basic raw materials to produce items for sale to its customers.

## \* Plan Your Product

Why is product planning important?

- . It is necessary to ensure that the right product is produced for the market.
- . It is important to prevent costly mistakes which can result when you try to sell poorly designed products.
- . It gives your business an opportunity to earn more money from selling an improved product or a new product which you want to sell along with existing products.
- . It gives your business an 'edge' over your competitors, as new products are developed keeping in mind what buyers want. Also the existing products you now make can be refined to keep up with changes in trends, fashion, etc.
- . Products which are carefully planned to suit what consumers want to buy, are by far better sellers than those which are not. It is therefore worth the time to plan your product carefully, for it is no use

trying to market a product which is hard to sell, when with less effort, you could be marketing what people want to buy.

When should you plan your product?

You should plan your product when you want to:

- (a) Start a new business.
- (b) Improve the sales of a product you now sell.
- (c) Start selling a new product because demand for your existing one is low and your business is in danger of failure.

How can you plan your product?

You need to find out from possible customers what features they want in your product, including:

- the type of materials which would be used to make it
- the design it will have
- the type of finish it will have
- the colours it will come in
- the uses to which it can be put

There are four steps to planning your product: These are:

- (1) Searching for product ideas
- (2) Screening ideas
- (3) Making the idea a reality
- (4) Making samples

Let us start with the first step.

Step 1 - Searching for product ideas

If you want to start a business and are trying to decide what to produce, you should look at the products now being offered on the market, paying particular attention to:

- \* QUALITY
- \* DESIGNS
- \* PRICES

This should give you some ideas about a product you can make and sell. If you are already in business, you may have some ideas about a new product which you could sell along with existing products. Or you might be thinking about changes you could make to a product you now make, which is not selling well.

On the other hand, you may want to start a new business, or want to make improvements to your product, but you have not come up with an idea. One good way to search for new ideas is to consider the following questions:

What skills do I have which could be put to good use?

What skills could I learn which could be put to good use?

What products are in demand, but short in supply which I could produce?

## Step 2 - Screening Ideas

After deciding on possible products, you should ask yourself the following questions about each of your product ideas.

- 1) Do I know enough about the product? Do I have the skills to make it?
- 2) How many and what kinds of people are likely to buy my product? Will I have sufficient market for it?
- 3) Will I be able to sell the product at a price which will allow my business to make a reasonable profit?
- 4) Are customers satisfied with the product now being produced, in terms of price, quality, etc?
- 5) Will I be able to find the money which is needed to start producing it?
- 6) Will I have a good, continuous source of supply of raw materials and will their prices be reasonable?
- 7) What production problems am I likely to have?
- 8) Will the added business interfere with the established part of my business?
- 9) How many people are already producing the product? Will I be able to compete with those people making the product?

You will need to spend some time and money to go out into the field, finding out about possible buyers, suppliers, competitors, prices and sources of financing, in order to answer these questions, before you proceed to the next step.

### Step 3 - Making the idea a reality

If the idea is good, then consider the following guidelines when planning the product:

- . think about the raw materials you will use
- . think about quality and performance
- . think about colours and design
- . think about the uses of your product
- . think about the number of different versions or styles you will offer
- . think about the sizes you will offer
- . think about costs

### Think about the raw materials you will use.

When selecting raw materials, you should think about:

- \* How suitable they are to work with
- \* How they will affect the quality of the product and thus its sales appeal.

While some raw materials are suitable to make the product, they may not be the best ones to use. For example, some woods are not the ideal types for making furniture or even some types of craft. Materials should also be strong enough to take wear and tear of the product and also be fairly easy to work with.

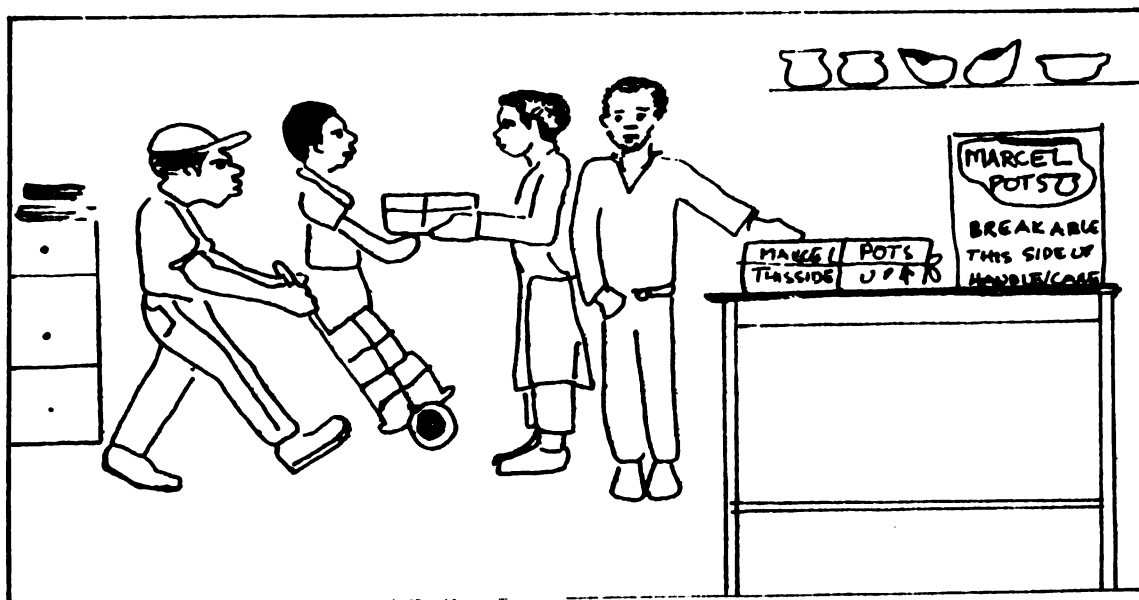


Remember that the quality of the raw materials you use to make your product affects the quality of the finished item, so be careful that you do not spoil the sales appeal of your product by using inferior raw materials.

Think about quality and performance.

Your product should be of good quality and give good service. This does not mean that you should make products of higher quality than customers want, or use unnecessary or expensive packaging. For instance, if your product will be thrown away after a short period of use, it would make no sense to try to make it last for a long time, or to use expensive packaging on it.

To ensure good quality, quality control should begin from the moment you select the raw materials, continue when you use your skills to make the product until the item is finished, packaged, labelled and delivered for sale.



The quality should also be consistent. This mean that each item must be made with the same standard of quality. Every time consumers buy your product, they should know what to expect from it. Your product must be reliable.

### Think about colours and design

For certain products, the colour and design may be the most important considerations when consumers buy. This is true for garments, for example. Choosing the right colour or combination of colours is therefore important for two reasons.

- 1) It must make the product attractive for the buyer.
- 2) It must help the product to function well.

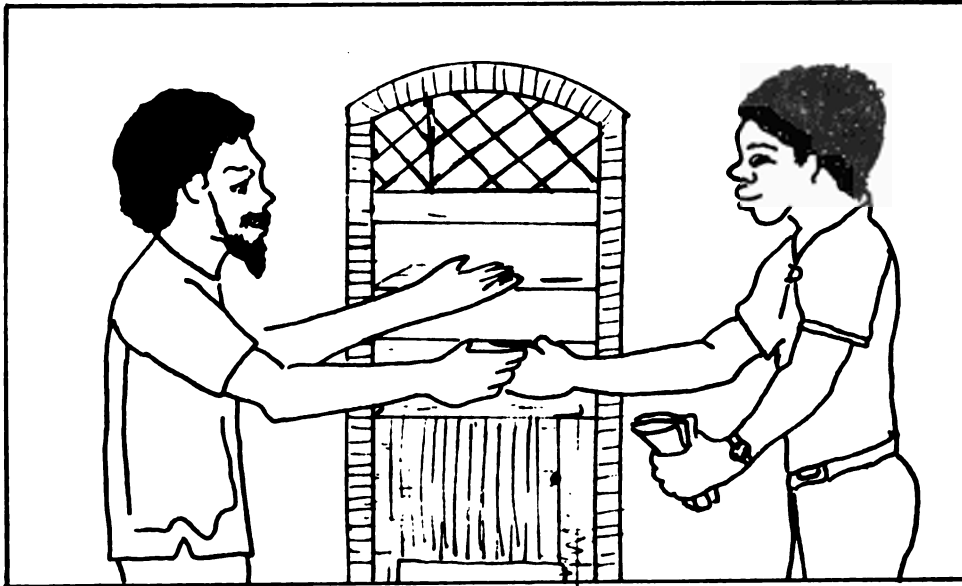
For example, clothing for young boys are usually made using dark-coloured fabrics, since these hide dirt. Parents then won't have to change their boy's clothing so often in the course of a day.

Using colours that are in fashion also attracts buyers to a product. However, there are some colours which should not be used with certain products, so you should try to avoid using colours on your product which would look strange. Your colours should also blend in with your design.

The design of your product should be simple and practical. It should help the product to function well and also look attractive. Creating good designs is not always easy, so if you are not very good at designing, you should try to get someone who is good at it to help you. Even though this may cost you more money, it will pay off in the long run.

Think about the uses of your product.

Most products perform one function, but it is better when you can design your product to serve more than one purpose.



Lennie Morgan makes wicker furniture, and makes it well. Most of his friends who work in wicker make the usual type of furniture and craft items - chairs, tables, baskets, and so on. Lennie decided, however, that he would make something which was unique. So he set about looking through magazines which had pictures showing furniture suitable for apartments and townhouses. There are quite a number of townhouse and apartment dwellers who, he imagined, would need compact but attractive furniture for their homes. After hours of browsing through magazines, Lennie designed a unit which he figured could be put in a bathroom or a bedroom. It has three sets of shelves on which could be placed books, towels, or "nicksnacks" and at the bottom it has a compartment which can be used for storage.

The first day he put the unit on the sidewalk where he normally made and sold his work, the owner of a store stopped and bought the one he had made and ordered five more! Since then Lennie has worked hard at planning the designs of his wicker furniture so that not only are they attractive, but functional as well.

Think about the number of different versions or styles you will offer.

You should try to limit the number of different versions or styles of your product. This will help to avoid problems when customers want to make re-orders. It is also costly to stock too many differing products, so plan to offer only a few different kinds.

Often, sales are lost because a producer cannot quickly supply the exact version a buyer wants. This is especially true for many craft producers who create slightly different versions of the same product, and, as a result, someone who tries to buy two identical items from the same producer has a hard time finding them.

When your product has features that competing products do not have, your business has an advantage. Your product is easier to sell when it is not identical to others. But you should also be aware that if your product is unique and is popular with consumers, it will more than likely be copied. So it is good when you can keep changing your product to stay ahead of the competition, but still not produce too many different versions.

Think about the size.

Sometimes it is hard to decide on the number of sizes to offer. Although it is simple to sell one size, some products must be marketed in different sizes. In these cases, it is best to offer the most popular or common sizes in order to cut down on costs. It must not be forgotten however, that often small businesses thrive by offering products in sizes or quantities that are not produced by large businesses. In this way, many small businesses capture markets which are not well served by large businesses.

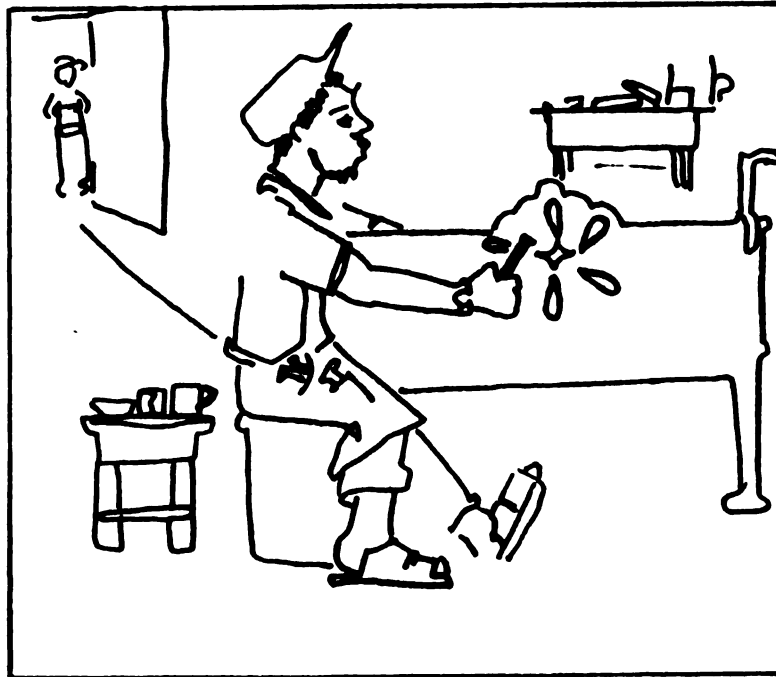
Think about costs!

Every feature a product has, costs money. To lower costs, try to keep the number of features you add to your product to a minimum. Ask yourself the question:

Will it cost me more to produce this feature than a customer is willing to pay for it?

Customers may want to see improvements made to your product but may not be willing to pay the extra price for them. So keep your product as simple as you can, as this will also make it easier for you to produce and sell it.

When Marvin Brown was planning the designs of the bead-headboards he would manufacture for Leo's Furniture Store, he considered whether he should make the headboard with elaborate carvings all over, or with a plain finish and a simple but attractive carved design in the middle of it.



He knows that the customers who buy furniture from Mr. Hinds' store don't have very much money to spend. If he doesn't keep the prices of the headboards reasonable, they might not be sold and he might not get many more orders from the store. He therefore decided to make the headboards simple, but attractive, so that the selling price can remain at a level he knows customers will want to pay.

#### Step 4 - Making samples

Once you have decided on the different features that your product will have, you should make a set of samples which can be shown to buyers, in order to get their responses.

Developing samples takes time and money, but you should never be afraid to drop the product at this stage if it should prove to be too costly or too difficult to make.

## \* Do a Market Study

A market study is going out and getting information from possible buyers on how acceptable and appealing your product is to them, as well as how well it will compete with similar products, how much it should be sold for, where it should be sold, and whether you can sell enough for it to be a worthwhile venture. While doing the study you also get a chance to 'test' your product with consumers and this is a good way of finding out whether or not your product will do well on the market.

Doing a market study is hard work but if you want to be successful at marketing your product, it is a very important activity. Here are sets of questions which you can use when you are putting together your market study. They are divided into two parts: investigating the market and testing the market.

### INVESTIGATING THE MARKET:

#### The product

1. What product do I want to sell, or sell more of?

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2. How much of this product do I now sell?

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3. Are there similar products available on the market?

Yes \_\_\_\_\_ No \_\_\_\_\_

4. Who sells them?

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5. Who are the people (consumers, higglers, retailers, wholesalers) buying this type of product?
- 
- 
6. Where are they to be found?
- 
7. Why do they buy the product? Do they buy for their own use or to resell?
- 
- 
8. At what times do they buy it? Do they buy seasonally (at Christmas, Easter, etc.) or will they buy every week, every month, every day?
- 
- 
9. Where do they buy it? From whom?
- 
- 
10. How much of it do they buy (approximately)?
- 
11. Are sales of similar products increasing, decreasing, or remaining the same?
-



12. Why can I expect people to buy from me and not from another another producer?

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Customers

1. Who are my present customers?

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2. Where are they to be found?

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3. What are the possibilities that my present customers will buy more?

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4. Who are possible customers? (not now buying from me)

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5. Where are they to be found?

---

6. What will customers look for? Tick one or more.

- |                       |                              |
|-----------------------|------------------------------|
| - the cheapest price? | - several colours?           |
| - good quality?       | - guarantees on the product? |
| - the best quality?   | - easy payment terms?        |
| - several sizes?      | - punctual delivery?         |

Any others which are not listed here? \_\_\_\_\_

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Channels of Distribution

1. What is the best way to get my product to the users?

Sell to them directly?

Sell through retail shops and they sell to them?

Sell through wholesalers, who sell to retailers,  
who sell to them?

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2. What mark-up will

wholesalers put on? \$\_\_\_\_.\_\_\_\_ or \_\_\_\_%

retailers put on? \$\_\_\_\_.\_\_\_\_ or \_\_\_\_%

3. What can the wholesaler or retailer do for me that I cannot?
- 
- 

Competitors

1. How many competitors are selling products similar to mine?  
Who are these competitors?
- 
- 

2. Does the quality of my product match up to theirs?
- 

3. What quantities are they able to produce (approximately)?
-

4. What prices are they charging?

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5. How do they get their products to the users?

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6. How do they promote their products?

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7. How long have they been in business?

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8. Have they been successful or not? Why?

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9. How will they react to a new product or increased competition?

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10. What can I learn from them?

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TESTING THE MARKET

1. What do present or possible customers say they like about my product?

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2. What do they say they don't like about it?

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3. What suggestions have they made about it?

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4. Have I got firm orders or promises to buy my product?

Yes \_\_\_\_\_ No \_\_\_\_\_

How many? \_\_\_\_\_ What is the total value of these? \$ \_\_\_\_\_.

5. Should I consider selling different kinds of products so that I offer a greater variety or should I consider selling fewer products and specialize in the ones which will sell the most?

---

After doing the market study and testing the product, you should find out whether or not it is feasible to make it. You should do a Feasibility Study which will help you to decide if making and selling the product is likely to be a successful venture. If the venture turns out to be feasible, then you must identify where the money will come from to begin production. (For information on how to do a Feasibility Study refer to the manual, 'Starting and Financing a Small Business in Jamaica'.)

If you plan to go ahead and market your product there are three important things which must be done:

- You must identify the customers to whom you will sell, that is, you must 'target' the 'segment' of the market in which you will operate.
- You must determine the volume of your product which you will sell.
- You must decide what costs you will have to meet and how much profit you will aim for.



IDENTIFY CUSTOMERS TO WHOM YOU WILL SELL

Before you can begin to plan your market strategy, you must be clear about who are the people who will buy your product, so that you can put all your efforts into satisfying those customers. This will help you to avoid spending a lot of time selling to people who are not interested in buying your product, or selling to those who will not buy enough for it to be worth your while.

Marcel Grant thought that he could sell more of his clay pots in Upper St. Andrew where many "well off" people live. So he set up a display on a street corner in the residential area and spent two weeks there trying to sell his pots, without success. After that, he decided that his 'target market' was clearly not the people who lived in that area at all, so he decided to go back to Spanish Town where he had always sold his pots. There he would make a renewed effort to find ways in which he could increase his sales to customers there.

Do YOU know who are the people who make up your 'target market'?

Yes \_\_\_\_\_ No \_\_\_\_\_

Who are they?

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## MAKE A SALES FORECAST

Deciding how much of your product you will sell over a particular period, (called making a sales forecast) is an essential part of making a marketing plan. Because sales of your product represents perhaps the only source of income to your business, making this prediction is vital if your business is to operate smoothly.

The sales forecast allows you to think about:

- a) how much of your product you can expect customers to buy from you.
- b) how you will plan and organize your production to be able to produce the number of items you expect to sell.
- c) how you will budget for the income you expect from sales and the expenses your business will have to meet in order to produce and sell your product. The sales forecast also helps you to plan for the flow of cash in your business, so you can meet your expenses when they become due.

## DECIDE HOW MUCH PROFIT TO AIM FOR

In making your marketing plan, another important task is deciding what level of profits you will aim for after costs have been covered. When looking at the ways in which you can market your product, the most important consideration should be, which way will result in your business making the greatest amount of profits. After all, profits keep your business alive and help it to grow.

When preparing your marketing plans, you will also have to consider the ways in which you can influence your customers to buy more of your product than that of your competitors'. This will involve looking at:

- a) Product strategies - what you can do with your product to influence more people to buy it.
- b) Distribution strategies - how you can make sure that your product is easily obtained by consumers.
- c) Promotion strategies - how you can promote your product to achieve maximum sales and minimum cost.
- d) Pricing strategies - how you can price your product to get the most profit for your business.

The quantity of a product which can be sold depends on how well a seller can combine the things which go together to make for successful marketing of the product.

Customers buy not only because the price of a product is favourable, but they also take into consideration the features which the product might have, the ease with which they can obtain it, and whether or not it has been promoted. So in order to get customers to buy more of your product, you must first make sure that you are offering the "right" kind of product, selling it at the "right" price, promoting it and getting it to customers in the most effective way.

Let us look first at how using different product strategies can help you to gain an "edge" over your competitors.



## \* Look At Product Strategies

If your existing products are not selling well, or your market study has shown that the product you plan to sell will not do well on the market, consider doing one of the following:

- a) drop the product(s) not selling well and develop new ones.
- b) alter your existing product(s).
- c) add new products to your line.

### a) Dropping products

Products which are unprofitable or outdated should be dropped from your line and new products should take their place.

If you already have a product on the market, you should be able to foresee the time when this decision should be made, as this could mean the survival or death of your business.

On the following page is an illustration of the product life cycle. It shows the different stages which a product passes through during its life span. Look carefully at this illustration as an understanding of the product life cycle will help you to make decisions on whether or not you should drop a product which is not selling well.

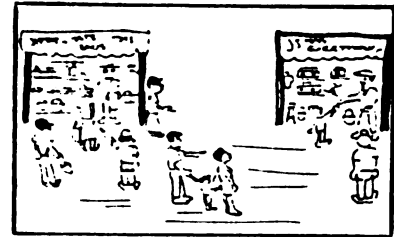


1. Pioneering stage

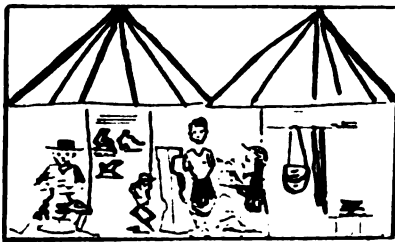


2. Growth stage

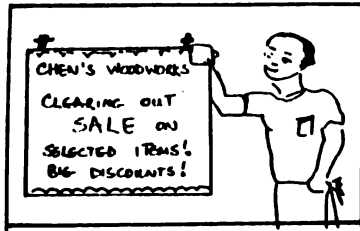
3. Maturity stage



4. Decline stage



5. Abandonment stage



1. Pioneering stage This is when a product is new on the market and people are trying it out for the first time.
2. Growth stage This is when the market accepts a product and it is selling fast. If profits are attractive, competitors will join the race and, after a time the price will begin to fall because of the increased supply on the market.
3. Maturity stage As prices fall, profits decline and some competitors begin to drop out of the race. Competition is usually stiff during this period.
4. Decline stage This is when the product begins to get out-dated and sales start to slow down. The normal practice is to cut down on costs at the stage, in order for the business to stay alive.
5. Abandonment stage At this stage the product is dropped because it is no longer a good seller and it has become unprofitable to produce.

What product do YOU make for sale?

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What stage in the product life cycle do you think it has reached?

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What stage in the cycle would you say that the following products have reached in Jamaica? Tick one.

	<u>Pioneering</u>	<u>Growth</u>	<u>Maturity</u>	<u>Decline</u>	<u>Abandonment</u>
Hoola-Hoops	_____	_____	_____	_____	_____
Jerk chicken	_____	_____	_____	_____	_____
Clay pipes	_____	_____	_____	_____	_____
Ladies' hats	_____	_____	_____	_____	_____
Plaster of Paris Figurines	_____	_____	_____	_____	_____
Bottled soft drinks	_____	_____	_____	_____	_____
Wicker furniture	_____	_____	_____	_____	_____

How do you think knowing about the product life cycle can help you to make decisions about your product?

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b) Altering products

You should try to keep up with changes in trends and fashions, so that the product you offer does not lose its appeal because it is "behind the times".

Also, if sales are declining and indications are that customers do not like a particular feature of your product, it may be worth making the changes which customers would like to see. If this will mean increased costs, it should only be done if you are sure that you will be able to sell a sufficient number of units at the higher price.

c) Adding products

Adding a new product to your line can often help to boost sales in your business, especially if the product will be a good seller.

What are some of the advantages of adding a new product to your line? Here are a few possibilities:

- you are able to offer a wider selection for customers to buy
- it helps you to use up idle tools and machines
- it helps you to use of idle time
- it allows you to use up waste materials which would otherwise be thrown away.

Can you think of other advantages? \_\_\_\_\_

\_\_\_\_\_

What product strategies could you use to increase sales of YOUR products?

\_\_\_\_\_

\_\_\_\_\_

## \* **Look At Distribution Strategies**

In thinking about the most efficient ways to get your products to the users, you must consider:

- 1) whether you will sell to consumers directly, sell through a wholesaler and/or retailer or do a combination of these.
- 2) which markets you will sell in - national, regional, local, tourist, export, or a combination of these.
- 3) whether or not you will keep stock of products and if you will, how much stocks should be on hand at any one time.

Cecile Lowe has recently expanded her line of wooden products to include wooden tableware. She has for years been selling toys made out of local woods through craft shops, but recently, sales have been falling. She hopes the new line will mean increased sales for her business. Cecile needs to decide how best to get her new line to the people who want to buy wooden tableware.

Here's what Cecile considered:

"Market them myself or sell through middlemen?"

This is the question Cecile asked herself. In order to make the decision, she make a chart so she could look at the advantages and disadvantages of each choice.

	ADVANTAGES	DISADVANTAGES
Market them to consumers myself	<ul style="list-style-type: none"><li>- I'll be able to put on a higher markup, so profits could be greater.</li><li>- I will have control over pricing and sales.</li></ul>	<ul style="list-style-type: none"><li>- I have little selling experience.</li><li>- I can't reach the total market.</li><li>- I don't have the time.</li><li>- I don't have the resources.</li></ul>
Market them through middlemen	<ul style="list-style-type: none"><li>- They have more local and overseas contacts.</li><li>- They have more experience in marketing than I have.</li><li>- They have the resources to promote and export.</li><li>- They are located all over the island.</li></ul>	<ul style="list-style-type: none"><li>- They buy cheaply and sometimes put on high markups.</li><li>- I will have less control over pricing and sales.</li></ul>

There were more disadvantages than advantages to marketing her products herself so Cecile decided that the best way to get her products to consumers would be to sell through middlemen.

Cecile discussed this with a few of the larger craft shops and they all agreed to take a set amount of plates and bowls each month. She also recommended to them the prices at which items should be sold and agreed that these would be reviewed constantly.

"Which markets to sell in?"

Cecile decided to aim for the national and tourist markets as these had the greatest potential. There was already a network of stores which could carry her products, but she would have to start supplying in a limited way.

"Do I need to keep stocks on hand?"

Cecile figured that keeping stocks on everything she produced would allow for quick delivery when stores ordered her products. She would work out what minimum levels to keep of each item, and if some proved to be poor sellers, she would cut down on production of these items.

Have you considered what strategies you could use to get more of your products to consumers? What have you considered?

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## \* Look At Promotion Strategies

If you plan to market a new product or want to increase the sales of existing ones, it is a good idea to use one or more of the many promotional activities discussed in the exercise "Promoting what you sell".

Remember that the promotional activities you use must reach your "audience" - the people who will buy your products. Also, you should be sure that sales will increase as a result of the activities and that your net income or profit will also increase.



When she was considering the promotional strategies which could be used to launch her new line of products, Cecile looked at the chart in the exercise on "promoting what you sell."

This is how the chart looked when she considered possibilities for promoting her product line:

TYPE OF PROMOTION	WOULD IT REACH MY CUSTOMERS?		WILL THE BENEFITS BE MORE THAN THE COST?	
	YES	NO	YES	NO
Leaflets, posters	✓	-----	✓	-----
Business Cards	✓	-----	-----	✓
Billboards	✓	-----	-----	✓
Display signs	✓	-----	-----	✓
Advertisements on radio	✓	-----	-----	✓
on television	✓	-----	-----	✓
in newspapers	✓	-----	-----	✓
in magazines	✓	-----	-----	✓
at the cinema	✓	-----	-----	✓
Fairs & Exhibitions	✓	-----	✓	-----
Samples	-----	✓	-----	✓
Middlemen	✓	-----	✓	-----
Satisfied customers	✓	-----	✓	-----

Although there were several types of promotion which could be used to reach her customers, Cecile decided that there were only four for which the benefits to the business could outweigh their costs. These were using posters, attending fairs and exhibitions, promotion by middlemen and recommendations from satisfied customers.

The craft shop at the airport had made an order for several products in the line, so Cecile checked with a printery and found that the cost for making colour posters was quite reasonable. The posters would show her complete new line, attractively displayed. She figured that sales of her products in the craft shop could easily double if she put up the posters in key areas of the airport. She also asked the store manager to display her line of products in a special area so that when customers came into the shop they would see the display and he agreed.

What promotional strategies will you use to increase sales of YOUR product?

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## **\* Look At Pricing Strategies**

In thinking about ways in which she could price her products to encourage customers to buy them, Cecile remembers that there are three important things to consider:

- 1) her selling price should cover costs of production and marketing and also include some profit.
- 2) she should look at the prices at which competitors are selling their products, before deciding on what prices to charge.
- 3) prices to wholesalers and retailers should be low enough to encourage them to buy her line of products. She must consider that her products must be able to compete with similar products even after the wholesalers and retailers add their markup.

First, for each product in her line, she carefully did a price calculation, adding what she considered to be a reasonable markup of 25%.

Next, she checked to see what prices her competitors were selling their products for, so she could compare her prices with theirs.

Here's a chart she drew up, when she looked at prices.

Type of product	My cost + 25%	Avg. Retail price of competitors' products	Suggested retail selling price my product
8" round plate	11.00	15.00	14.85
10" round plate	12.00	-	16.20
8" x 6" plate	10.60	-	14.30
10" x 6" plate	11.85	-	16.00
Salad bowl 5"	8.15	13.55	11.00
Salad bowl 12"	33.75	40.00	45.50
Nut bowl 6"	9.10	-	12.30
Round bowl 8"	28.25	40.00	38.15

When she worked out the prices retail shops would sell her products for, based on their markup, she realised that her prices would be generally below those of her major competitor. Although she considered her products superior in quality, she decided to suggest to the shops that they start off selling her products at these lower prices. She hoped to use that 'edge' to her advantage.

She also decided to prepare a detailed price list which would show the prices she charges to wholesalers, retailers or to people buying from her directly, in lots of three. That way she would have all her prices "at her fingertips" when people came to buy.

Have you thought about strategies you can use when pricing your products, to gain an 'edge' over your competitors? What have you considered?

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## **\* Prepare Your Marketing Plan**

Having considered product, distribution, promotion and pricing strategies, you can now make a plan for marketing your products.

Here's how Cecile's marketing plan looked.

"In marketing my new line of wooden plates and bowls, I will be aiming at those consumers who want wooden tableware which are long-lasting, yet attractive in design. I will begin to market these through a number of outlets in Kingston, Ocho Rios and Montego Bay. My products will be bought by both locals and visitors to the island and will be priced moderately and in line with what competitors are charging. Special discount prices will be available if customers buy in bulk. Colour posters showing the complete line will be placed at points where large numbers of people gather, such as at the two major airports. In addition, I will display my products at craft fairs and other exhibitions in order to promote the line. I will also rely on consumers who appreciate the high quality and reasonable prices of my products to spread the word".

What did you think of Cecile's marketing plan?

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A well thought-out plan is really important if you want to market your products successfully. It is therefore a good idea to take some time to think about the best ways for you to use to get your products to the users and also how you will promote and price them. You should also remember that "the quality remains long after the price is forgotten".

What about YOUR marketing plan? What will it be like?

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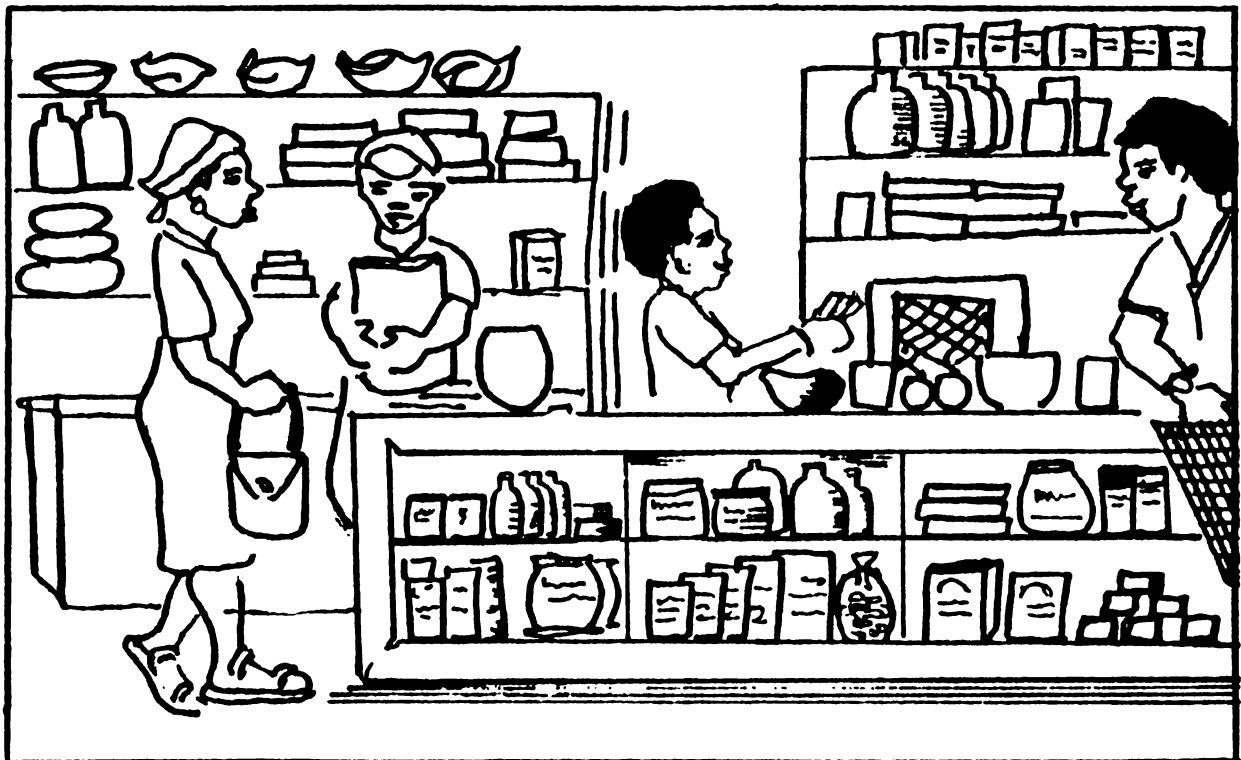
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**PART III**

**MARKETING IN**

**RETAILING BUSINESSES**



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**5.           √ Checklist**  
**for making a marketing plan**  
**for a retailing business**

THINGS TO DO	Tick when done
1. Do a market study	
2. Decide what to sell	
3. Consider market opportunities	
4. Look at product strategies	
5. Look at pricing strategies	
6. Look at promotion strategies	
7. Decide on a marketing plan	

## WHAT IS A RETAIL BUSINESS?

It is a business which buys goods from manufacturers or wholesalers and sells them to the people who use them, the consumers. One big difference between a retail business and some of the other types of businesses, is that its customers can almost always buy the same goods from other, competing retail businesses.



A retail business also differs from other types, such as manufacturing or farming businesses, because all its costs except goods bought for resale, are indirect or fixed costs. This means that it needs a certain level of sales to cover all costs, before it makes a profit. Because the volume of sales is so critical to the profit or loss of a retail business, marketing is especially important.

What examples of retail businesses can you think of in your neighbourhood? \_\_\_\_\_

Among the people recently completing a course in "Marketing Small Business Products" were:

- . Desmond McKenzie, who wants to open a shoe store in Old Harbour, St. Catherine.
- . Carlton Brown, who has a stall selling soft drinks and beer in Jackson Town.
- . Oriel Owen, who sells fresh fruit and coconut water on Main Street.

They have been advised to complete the checklist to make sure they consider all of the important points of marketing in retail businesses, in order to make their own marketing plans.

## \* Do a market study

The following steps should be taken when doing a market study for a retail business.

- \* Identify the area that your business will serve, that is, the area that most of your customers will come from.
- \* Estimate the number of potential customers in the area so that you can judge how much your business can grow.

Population

No. of families

\_\_\_\_\_

\_\_\_\_\_

- \* Count the number of businesses offering the same or similar products to your customers in this area. The answer will give you the number of local competitors: \_\_\_\_\_
- \* Count the number of businesses offering the same or similar products to your customers in nearby areas. The answer will give you the number of regional competitors: \_\_\_\_\_
- \* Count the number of businesses offering the same or similar products to your customers in this country. The answer will give you the number of national competitors: \_\_\_\_\_
- \* Write down questions you will ask people in your market area (the area you plan to sell in), to find out what their buying habits are. You will need to find out:

Where are they now buying the product(s) you plan to sell?

From your local competitors? \_\_\_\_\_

From your regional competitors? \_\_\_\_\_

From your national competitors? \_\_\_\_\_

How often do they buy these products and in what quantities?

From your local competitors \_\_\_\_\_

From your regional competitors \_\_\_\_\_

From your national competitors \_\_\_\_\_

To identify why some leave your market area to buy these products, ask these questions (the answers will help you to make a market plan to attract these customers to your business).

Do they leave your market area to buy these products because:

the quality of the products available in the market area is not good enough? Yes \_\_\_\_\_ No \_\_\_\_\_

the selection is not good enough? Yes \_\_\_\_\_ No \_\_\_\_\_

the shopping is not convenient enough? Yes \_\_\_\_\_ No \_\_\_\_\_

the service is not good enough? Yes \_\_\_\_\_ No \_\_\_\_\_

the prices are too high? Yes \_\_\_\_\_ No \_\_\_\_\_

the people selling them are not friendly enough? Yes \_\_\_\_\_ No \_\_\_\_\_

Credit from stores is not available? Yes \_\_\_\_\_ No \_\_\_\_\_

When you are finished doing your market study, ask yourself the questions which follow. Do you:

1. Know what market area you want to reach?  
Yes \_\_\_\_\_ No \_\_\_\_\_

2. Know the number of potential customers in your market area?  
Yes \_\_\_\_\_ No \_\_\_\_\_
3. Know where the people in your market area are now buying the product(s) you plan to sell?  
Yes \_\_\_\_\_ No \_\_\_\_\_
4. Know how you can best attract these customers to your store?  
Yes \_\_\_\_\_ No \_\_\_\_\_
5. Know who your competitors are and their strengths and weaknesses?  
Yes \_\_\_\_\_ No \_\_\_\_\_

Here's how Desmond McKenzie went about doing HIS market study.

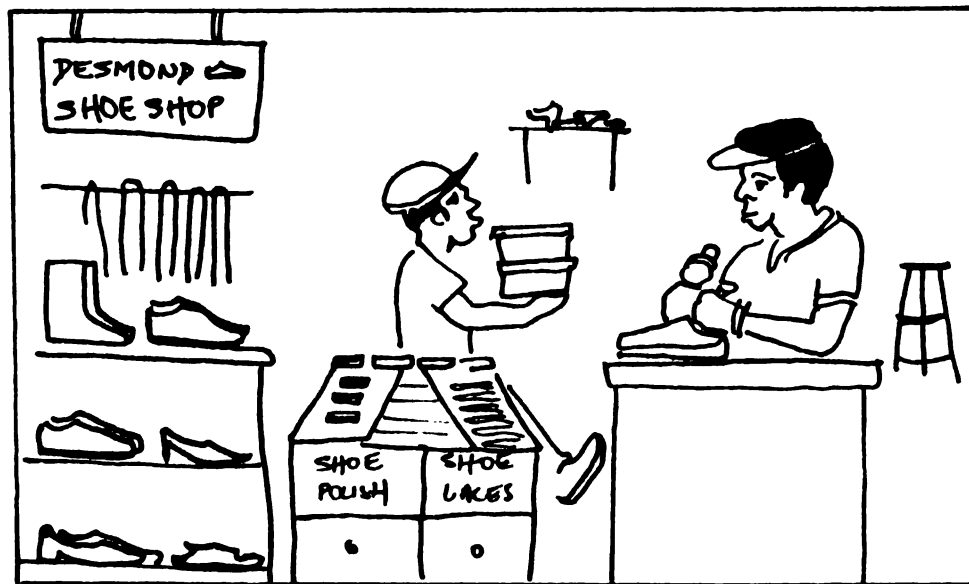
Desmond wants to open a new shoe store in Old Harbour. While conducting his market study, he spoke to as many people as he could including possible customers and competitors.

Here's what he found out:

1. There are already three stores in Old Harbour selling shoes, although they sell other things as well. These stores are his local competitors.
2. There are many stores selling shoes in Kingston, about 30 miles away. These stores are his regional competitors.
3. There are about 20,000 potential customers in his market area, a ten-mile radius around Old Harbour.



4. Many of his potential customers indicated that they would buy their shoes from him instead of buying them in Kingston or from his competitors in his market area, if his prices were lower, his selection better, his sales people were more friendly, or his service was better than that provided by the stores now selling shoes in Old Harbour.



Desmond decides that if he can stock a good selection of shoes for all his customers, sell them at competitive prices and give good, friendly service at a convenient location, he can attract a great deal of business to his shoe store. He also decides to add other products such as shoe polishes, shoe laces and inner soles to his inventory of shoes. He thinks that by working hard and keeping costs down, he can earn enough to pay his living expenses, plus keep some of the profits in the business so that it can grow.

If the market study had shown that there was not a good chance for his business to succeed, Desmond would have done market studies in other locations until he found a site which looked promising.

## \* **Decide what to sell**

Decisions on what to sell must be re-considered frequently because:

1. The type of customer in a market area can change because of people moving in and out of the area. These are the characteristics which can change:
  - . The size of families
  - . The ages of family members
  - . Their interests and needs
  - . Their incomes
  
2. The products which can be bought for resale can change because of:
  - . Advances in technology
  - . Changes in fashion
  - . Changes in the tastes of individuals
  
3. Customers often prefer stores which stock a large selection of products. You may even have to stock some products that make you little or no money in order to get customers into your store to buy your "money makers".

For example, generally, people prefer to buy their groceries at a store where they can obtain all the grocery items needed for their household, including many items which are under government control that return little, if any, profit to store owners.

After finding out what customers want to buy and deciding what you will sell, you must regularly look at your stocks so that unprofitable items can be dropped and new products added. Do you:

Look at new products coming on the market?

Yes \_\_\_\_\_ No \_\_\_\_\_

Check your sales records to see what products are not selling?

Yes \_\_\_\_\_ No \_\_\_\_\_

Check your customers to see if their average ages, needs or incomes are changing?

Yes \_\_\_\_\_ No \_\_\_\_\_



## **\* Consider market opportunities**

In business, sometimes opportunities arise which can be used to improve the performance of a business. For instance, a competitor could go out of business, or new employment opportunities could be made available, bringing new customers to an area. When these opportunities arise, it is usually wise for business people to consider taking advantage of them.

Here's what one business person did to take advantage of a market opportunity in her area.

Oriel Owen had been selling fresh fruit and coconut water on a busy intersection along Main Street, but gradually, a number of new vendors had started selling near her location. Because of the increased competition, her business had not been doing well. One day, a good customer told her about a new "gym" which had recently opened about a mile away from her usual location. She investigated and noted that the "gym" seemed to have customers coming and going from 10:00 a.m. until late afternoon and that there were no vendors in the area. She moved to this location and now does a brisk business selling coconut water to the thirsty people leaving the "gym" and returning to their jobs.

Soon Oriel became very successful selling the refreshing coconut water to her new customers. However, she soon realised that even at the new level of sales of coconut water, she wasn't able to take home as much money as she needed to support

her family. To solve her problem she decided that she needed to increase her sales of fresh fruit so that her business could provide her with the money needed to support her family.

What opportunities can you see for your business?

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What volume of sales do you think they could provide?

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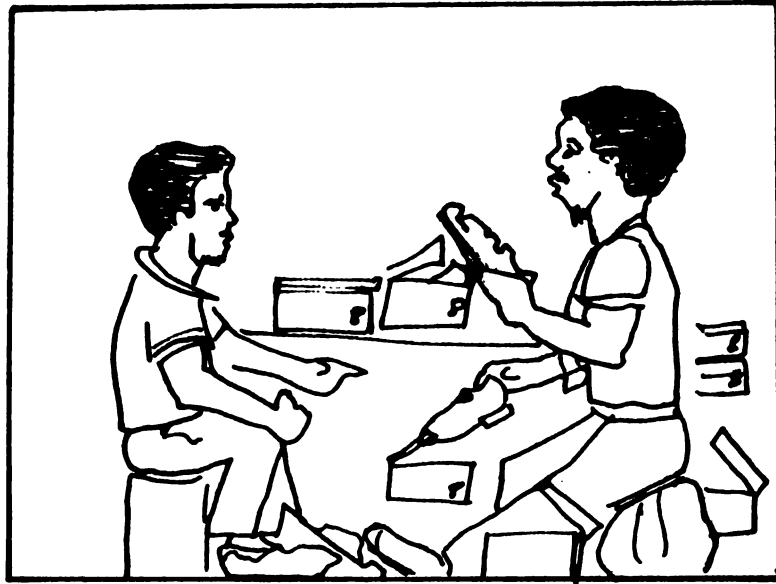
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## \* Look at product strategies

The strategy that makes sure that the products that you buy for resale are the products your customers want to buy, is the one to include in your marketing plan.

This could be:

- \* Changing to a higher quality of your existing line and pointing out to the customer its advantages.
- \* Changing to a lower quality of your existing line and pointing out to the customer the savings which are possible.
- \* Adding the higher and lower qualities to the existing line and pointing out to the customer that you can now fill all needs for the product.



**For example,**

- . Desmond could add an expensive brand of shoes to his line and point out to his customers how much longer they will last and how much more comfortable they are.
  - . Desmond could add a line of low-cost plastic shoes and point out to his customers how much money they could save on each pair.
  - . Desmond could add both lines to his existing stock and point out to his customers that he can now fill all their needs.
- \* If you find that customers have more interest in a completely different line, consideration should be given to changing to what the customers prefer.

What product strategies would work in your business?

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## \* Look at pricing strategies

The pricing strategy that will give you the greatest profit over the longest period of time is the one to include in your marketing plan.

Establishing prices involves three primary considerations.

### 1. Minimum Prices

Under normal conditions, costs can be considered a minimum price. Only when closing out a product line or reducing supplies of outdated stock should you sell at or below cost, and then only if it is necessary. Pricing below cost should not be a continuous policy; you cannot make a profit continually selling at or below your cost.

### 2. Maximum Prices

Your competition will influence how far above cost you can sell. If you price your product higher than your competitors, you will lose sales, and if you price your product lower, you may decrease profits even with the additional sales you may get.

### 3. Customer Reaction (Demand)

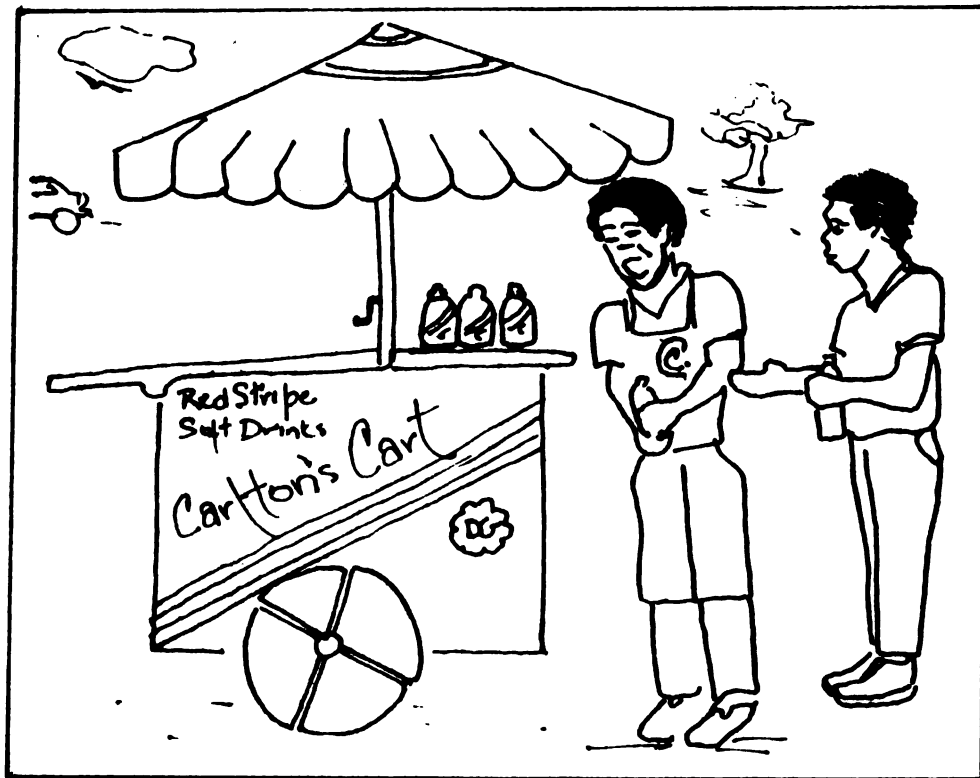
You must always be looking for customer reaction to your prices. Will they recognize advantages such as free delivery, or better credit terms, and purchase your products even when priced higher than others? Will they think your product inferior if you price it lower than others?

#### SETTING MARGINS

A margin is an amount added to your cost price and is largely determined by what customers are willing to pay. To determine margins, you should consider the following:

- a) The first step is to establish your product costs.  
This is the purchase price of your products, including transportation costs to get them to your place of business. These can be called your direct costs.
  
- b) Next we consider your indirect costs or overheads.  
These are the costs of doing business which include rent, utilities, supplies, labour, depreciation of assets, and so on. Your business has these costs regardless of the volume of sales. The difference between direct cost and selling price is the margin, and can be called Unit Contribution. A break even point (no loss or no profit) can be established by dividing indirect costs by unit contribution.





Carlton Brown buys beers and soft drinks which he re-sells from a mobile cart. The beer he buys costs him \$2.00 per bottle, including the delivery charge.

Direct cost \$2.00 per bottle.

He sells a bottle of beer for \$2.40, so his margin, or unit contribution, is the selling price less the direct cost or  $\$2.40 - \$2.00 = 40\text{¢}$ .

Margin 40¢ per bottle.

Carlton pays himself \$100.00 per week; he pays no rent or utilities and he has no assets to depreciate, so his labour is his only indirect cost.

Indirect cost = \$100.00 per week.

If he sells 250 bottles of beer in a week, his unit contribution will equal his indirect cost and he will reach the break even point, that is, no profit or no loss. Any further sales of beer or similarly priced items will produce a profit for him.

$$250 \times 40\text{¢} = \$100.00$$

The greater the margin, the smaller the volume of sales needed to get to the breakeven point and the quicker you become 'profitable'. Here is an illustration:

- 1 - Selling 250 bottles at \$2.40 (unit contribution 40¢)

Indirect Costs \$100.00  
250 x 40¢ = \$100.00

Break even point  
(no loss, no profit)

Higher volume

- 2 - Selling 300 bottles at \$2.40 (unit contribution 40¢)

Indirect Costs \$100.00  
300 x 40¢ = \$120.00

\$20.00 profit

Lower volume

- 3 - Selling 200 bottles at \$2.40 (unit contribution 40¢)

Indirect Costs \$100.00  
200 x 40¢ = \$80.00

\$20.00 loss

Higher price

- 4 - Selling 250 bottles at \$2.50 (unit contribution 50¢)

Indirect Costs \$100.00  
250 x 50¢ = \$125.00

\$25.00 profit

PRICE VARIATIONS (DISCOUNTS)

Let's see will what happen to Carlton's business if sales lag and he decides to reduce the price of his beers by 20¢. His unit contribution is therefore reduced to 20¢ and he will have to increase his sales to 500 bottles of beer to reach the break even point before he begins to make any profit.

Lower price

1 - Selling 250 bottles at \$2.20 (unit contribution 20¢)

Indirect Costs \$100.00

250 x 20¢ = \$ 50.00 \$50.00 loss

2 - Selling 500 bottles at \$2.20 (unit contribution 20¢)

Indirect Costs \$100.00

500 x 20¢ = \$100.00 Break even point  
(no loss, no profit)

GOVERNMENT CONTROLLED PRICES

In a situation in which government controls prices of some of our products we cannot change them. If the controlling price does not bring the revenue we need, we will have to raise the price on some of our other related products to compensate.

What pricing strategy would be best for YOUR business?

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## **\* Look at promotion strategies**

Promotion strategies are intended to encourage customers to purchase more of your product. Advertising, merchandising and sales promotions, are part of any promotion strategy.

### **ADVERTISING**

Advertising is used to inform the public of your products and the uses they can make of these products, while convincing customers to buy them at your store or stall.

- The amount of money you spend on advertising should be recovered from increased sales. You can use a percentage of projected sales or a fixed amount for each extra unit to be sold.
- Some of the types of advertising media available would be newspapers, radio, television, telephone yellow pages, out-door signs, store signs, and hand carried leaflets.
- The message should describe your products so that the customer will understand the benefits of buying from you. It should also be aimed at satisfying customers' needs.
- It is important to measure the short term and long term results of advertising by comparing sales increases, and the resulting profit, compared to the money spent on the advertising.

For example,

Oriel Owen needs to encourage her customers who normally buy coconut water to buy fresh fruit. She decides to put up two signs beside her stall. A large sign that she will keep permanently beside her stall costs her \$100.00. It reads:

"Keep Healthy! Stay Trim!  
Eat Fresh Fruit! Drink Coconut Water!"

The second sign costs her \$40.00 and she will display it for one week only . It reads:

"BANANAS!  
Regularly 35¢ each. This week only ...25¢ with  
purchase of 1 water coconut!"

She sells 200 bananas in this way during the week and makes \$30.00 profit on the extra sales of bananas. Since she spent \$40.00 on the sign, the short term result was a loss of \$10.00. However, since her sales of bananas keeps increasing she concludes that the long term results of the \$140.00 will be bigger profits and that the money spent on signs was indeed a good investment.

Long term results of advertising are more difficult to measure. In Oriel's case it changed the buying habits of other customers and once the increased profit from bananas exceeded the \$140.00 spent, it was successful.

Another successful long term effect advertising can have is through the association of a product with your business, so that when customers need products they think of your business as the place to purchase them.

## MERCHANDISING

Merchandising is the promotional effort made for a product, especially at the point of purchase. Merchandising includes:

- . Window displays
- . Store banners
- . Packaging and labelling the product
- . Product demonstration
- . Samples
- . Selling efforts by store employees including good product knowledge and by being polite and helpful to customers.

## SALES PROMOTIONS

Sales promotions are used to make advertising and merchandising more effective. It gives your store a specific event to advertise and attracts customers to the store so that the merchandising effort can be effective. It usually consists of one or more of the following:

- . Special prices
- . Anniversary of going into business
- . Store remodelling or expansion

- . Special purchases
- . Fashion shows (for clothing retailers)
- . Discontinuing one or more products



You should determine whether the sales promotions are really effective or are reducing profits. Sometimes their costs may exceed the benefits.

Carlton Brown has an opportunity to buy an orange-flavoured soft drink at 90¢ per bottle if he buys 10 cases at one time. He normally pays \$1.05 per bottle. Because of this special purchase price, he lowers his selling price from \$1.60 to \$1.30 per bottle. His sales increased from 1 case per day to 2 cases per day. His unit contribution therefore increased from  $24 \times 55¢ = \$13.20$ , to  $48 \times 40¢ = \$19.20$ . He decides that it was a good promotion.

What promotion strategies would work for your business?

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## **\* Decide on a marketing plan**

Your marketing plan should be directed at your market area to influence customers to buy from your business. Your marketing plan should be built around:

- . The location of your store or stall
- . The products you will offer for sale
- . Your competition
- . The market opportunities which you can tap
- . Your product strategies
- . Your pricing strategies
- . Your promotion strategies

Here are two market strategies to consider:

### **\* Market Strategy #1**

Since the same or similar products may be available at several locations in an area, one strategy is to create in the minds



of the customers, some differences between your retail operation and the other locations selling the same or similar products. Some of these can be:

- . Offering more comfort and convenience for the customer
- . Giving better service
- . Lowering prices
- . Creating a friendly atmosphere
- . Stocking a greater variety of goods on the shelves

These can be brought to the attention of the customers by:

- . Historical reputation - a high level of performance over many years, carried by the words of satisfied customers.
- . Advertising - after making a market study to locate your potential customers, they can be reached by newspaper, radio, television or any combination of these.
- . Promotions - to attract new customers to see your store and merchandise so they can compare your store with the stores they have been buying the products from.

By studying the competition and looking at their strengths and weaknesses, attention can be directed so that your strengths match up to their weaknesses.

Desmond McKenzie has opened a shoe store in Old Harbour. He has several competitors, each with a small inventory of shoes, one with mostly men's shoes, one with mostly ladies' shoes and another with mostly children's shoes. All have good locations and their prices are similar to those in Desmond's store. Desmond decides that the greater selection of shoes for men, women and children available in his store is his advantage over his competitors. He will call attention to this in his promotions. He will call his store "Desmond's Family Shoe Store". Some slogans around which he could use to build his advertisements might be:

- 'Shoes for all occasions'
- 'The most complete shoe store in town'
- 'Footwear for all'
- 'Shoes for the entire family'
- 'Direct your feet to Desmond's Family Shoe Store'
- 'For all the best in footwear, shop at Desmond's Family Shoe Store'

On the anniversary of the start of his business, he will have an open house promotion featuring a special price on all shoes and give away pot holders to the ladies, shoe polish to the men and sweets to the children.

\* Marketing Strategy #2

If you keep in stock products that are normally advertised by the manufacturer, you should plan your promotions to take advantage of the manufacturer's advertisements.

Here is an example:

Carlton Brown sells beer from his mobile cart. The beer manufacturer is advertising "Big Bucks Bingo". Large cash prizes are awarded for completing bingo cards, published in the newspaper, with numbers printed on the inside of the bottle caps of the beer. Carlton decides to take advantage of this promotion by displaying a metal sign furnished to him by the manufacturer's representative, plus making a sign of his own stating:

"Your Big Bucks Bingo winner may be right here!"

Have you thought about market strategies which could be used in your business? What marketing strategies have you come up with?

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The reason you are in business is to sell your products. They must be the products that your customers want to buy; they must be offered at a fair price and you must promote your product in a way that relates to your customers. Marketing is the most important ingredient to making your retail business successful. The best products at the lowest prices are not going to be sold unless your customers know that you have them!

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# PART 1V

## MARKETING IN FARMING BUSINESSES





# 6. ✓ Checklist

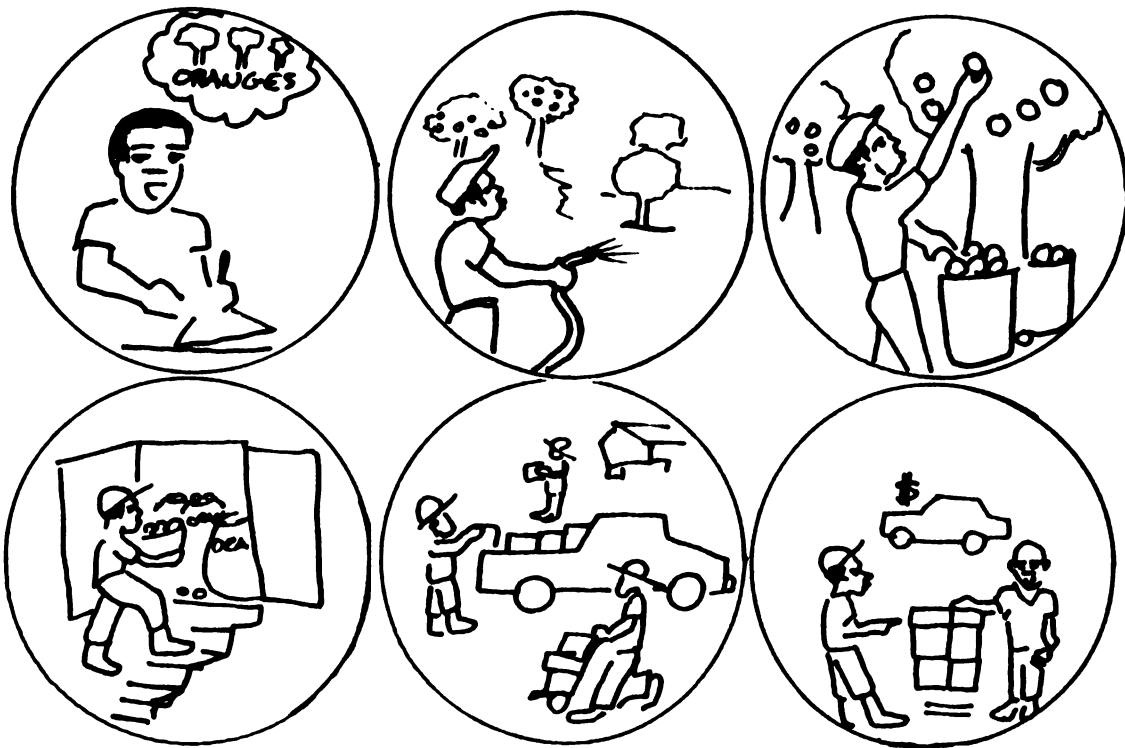
## for making a marketing plan for a farming business

THINGS TO DO	Tick when done
1. Do a market study (know your market!)	
2. Plan your production (to suit the market)	
3. Consider marketing costs	
4. Decide which market channels to use	
5. Prepare your marketing plan	

Farmers who produce items for sale will become involved in marketing. They should therefore understand the importance of marketing to their farm business, no matter how small it is.

Everything farmers do, from making decisions about what to plant or raise, all the way to how to sell and to whom to sell, affect the success or failure of their marketing efforts and therefore their profit or loss.

What does 'marketing' mean to farmers?



For farmers, marketing is usually a combination of:

- deciding what to produce
- producing the items
- harvesting, collecting, finishing
- storing
- transporting and delivering
- selling (transfer to the buyer for a set and agreed price).



Every farmer may not have to perform all of these activities, but no matter which ones are done it is important to consider how these activities will affect on the final consumer, since this will decide how much profit will be realized from the sale of the farmer's products.

## **\* Do a market study**

Farmers can improve their earnings by getting to know well the kinds of markets that exist for their products and how they operate. They need to know:

- who wants to buy their produce
- what quantities people want to buy
- where is the best place to offer the produce for sale
- what quality people prefer
- what time of the year sales are best
- how prices change over time, and by how much.

What is the "MARKET"?

The 'market' the farmer or any producer must think about is not just the produce market or the supermarket. It is the sum total of all the people - no matter where they are - who need and want to buy a particular product, plus all of the people who have and want to sell that particular product.

The most important features of this 'market' for a particular product are:

- the total amount being offered for sale, that is the "SUPPLY"
- the total amount of people who want to buy, that is the "DEMAND"

Usually it is the interaction between the supply (amount to be sold) and the demand (amount to be bought) which establishes a certain price being decided on in the market.

As you know, when you go to buy in a supermarket, the price is fixed and you cannot bargain - but the price does vary for certain produce, depending on how plentiful it is and how popular it is at a particular time. The same is true for, say, peas or yams in the produce market. Usually there is very little difference between one vendor's price and another at a particular time, although the prices will change, sometimes a great deal, from one time to another.

Can you give examples from your experience of a farm product having very different levels of price at different times of the year?

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What do you think were the main reasons for these price differences?

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Can you name some farm products which have very different prices in the city compared with their prices in the country, even when we allow for the cost of transportation?

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What reasons can you suggest for this?

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So we may agree that, even if we do not see or hear people actually bargaining for price in the grocery or in the produce market, supply and demand are always interacting to influence price.

If SUPPLY is much greater than DEMAND, prices tend to go lower

If DEMAND is much greater than SUPPLY, prices tend to go higher.

Farmers need to recognise that their "market" and the way it operates will determine the price at which a particular farm product will sell at a particular time.

Farmers must also recognise that there are usually many other farmers producing the same product at the same time so that none of them individually can control the quantity offered for sale. This is especially true of farm products because of the seasonality of most farm production.

Can farmers do anything at all to make sure that they make the best income possible?

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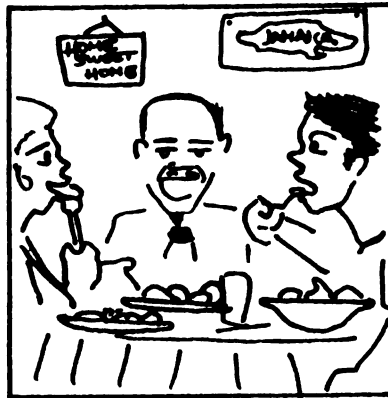
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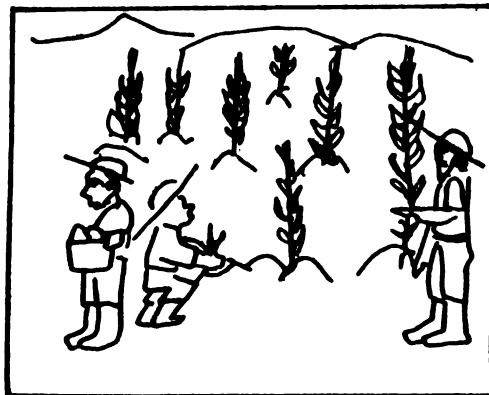
# \* · Plan your production

In planning production, farmers should consider:

- planting the kind of crops or raising the kind of livestock that many consumers want and will pay a good price to get;



- producing the best possible quality and handling it carefully after harvest so that it retains that quality when it goes for sale;



- staggering the production (not planting all of a crop or raising all of the livestock at the same time) so that all the produce does not require marketing at the same time (this also affects quality).

## **\* Consider marketing costs**

It is important to plan your marketing strategy early, so you can reduce costs or match extra marketing costs to extra profits. This can be done by:

- possibly joining with other farmers who have the same kind of product to sell, to reduce transportation and other marketing costs;
- arranging supply contracts so that the eventual quantity, quality and price is agreed and it is certain that extra marketing costs are covered.

The difference between the price received and the cost of production gives the farmer's income. As we said before, the price in the market moves, so any up and down movement in prices can affect the profits of a farmer. Farmers would like to see high, profit-making prices for their produce everytime they are sold. However, this does not always happen.

Edwin James has for years grown red peas. Edwin sells his peas right after harvest. He finds them to be a popular food item in the local market and his peas are of good quality. The market he sells his peas in usually buys all his production. Edwin notices that the price he receives for his red peas tends to be different each time he sells his crop. Sometimes he can get a good price for his peas, and he usually sells them all. Other times his peas sell slowly and he may not make much profit, nor sell them all. As a family man, Edwin finds it difficult to rely on his income from red peas because of the changing situation in the market.

What is the problem Edwin is having?

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Do you see any way Edwin might improve his situation?

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The situation Edwin James finds himself in, is a market that is always changing its price for his produce. Remember that as demand and supply change, prices change. In Edwin's case, he is producing the same amount and quality of red peas each time. However, when he goes to sell them in the market the demand may be the same, but more farmers in the area have grown red peas this growing season. Thus, supply has gone up in relation to market demand and the result is a lower price than before.

There are many things that Edwin can do. In the future, he can ask around his farming district, prior to planting red peas, to see what his fellow farmers are planting, so he can get an idea of what supply is likely to be when harvest time comes. He can also rely on his past experience with growing red peas, and ask his consumers for their ideas of what the demand for red peas might be like at harvest. He might also consider planting earlier or later to try and market in the high demand periods, or when there is less supply.

Let us now discuss the importance of calculating marketing costs. Below is a chart showing examples of costs and returns on one unit of a farm product sold through various marketing channels.

Marketing Channel	Cost of Production per unit	Marketing costs	Price Received	Net Return
1. None (product sold on farm)	1.00	0.10	1.20	0.10
2. Hotel/Restaurants	1.00	0.30	1.50	0.20
3. Processor	1.00	0.40	1.50	0.10
4. Export Market	1.00	0.50	1.80	0.30

As may be seen above, a higher price is not necessarily the best price when one has added the cost of marketing. Furthermore, farmers must recognise that marketing costs are not always cash costs, but are real costs just the same. Examples of non-cash costs that should be estimated are:

- a) the farmer or farm family's time used in selling (even if only a token amount, it is a real cost)
- b) the loss of a certain amount of the produce in the marketing operation due to spoilage or damage or discards due to grading. This cost could be calculated by using the price received at the farm gate per pound. If, for example, a farmer loses 16 lbs. of potatoes in marketing 400 lbs. which could bring a price of \$1.20 per lb., he then stands to lose:
 
$$16 \times \$1.20 = \$19.20$$
- c) the cost of using transport which is not already charged to cost of production, for example, a personal or a relative's motor car.

## \* **Decide which market channels to use**

In farm marketing, the farmers want to get their products to the people who eat or use them, for a profit. The people who eat or use the farmer's products are the consumers. If farmers can sell their farm products directly to consumers they get all the income from the price consumers pay. They can also personally get to know consumers' wants so they can grow what the consumers want. However, this is not always the case. Farmers usually grow more than their families, neighbours and local market can buy from them.



Their other markets may be far away from their farms and may consist of people they do not know. Since this is often the case, farmers must find ways to get their farm products to these markets. When selling directly to the consumer, farmers are acting as retailers. When selling their farm products to others, who in turn will sell them to consumers, farmers are engaged in selling to wholesalers. These are their channels of distribution.



When deciding between acting as retailers or as wholesalers, farmers must be aware of the marketing costs of each one.

In the following example we will show farmers with different crops and livestock and how they use the various channels of distribution.

Henry Gordon raises goats for sale in his community. He sells his goats to his neighbours, in the town's market and to restaurants in bigger towns in his parish. Henry Gordon looks on each of these kinds of buyers as a "market" to which he is selling his goats. Over the years, he has got slightly different prices for his goats. In selling to everyone, he finds he has additional costs besides just raising his goats. These additional costs are his marketing costs.

In Diagram 1 we see Henry Gordon selling directly to his neighbours, who will eat the goats. He finds it does not cost him any additional money to have a goat ready when a neighbour comes by to purchase it. In some cases, Henry may deliver a goat or even slaughter it for his neighbour. In that case he will add a little more to his price, so as to cover his marketing costs for delivery or slaughter.

DIAGRAM I

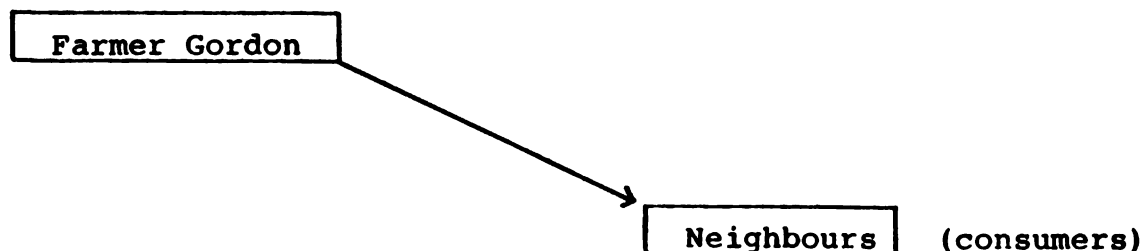
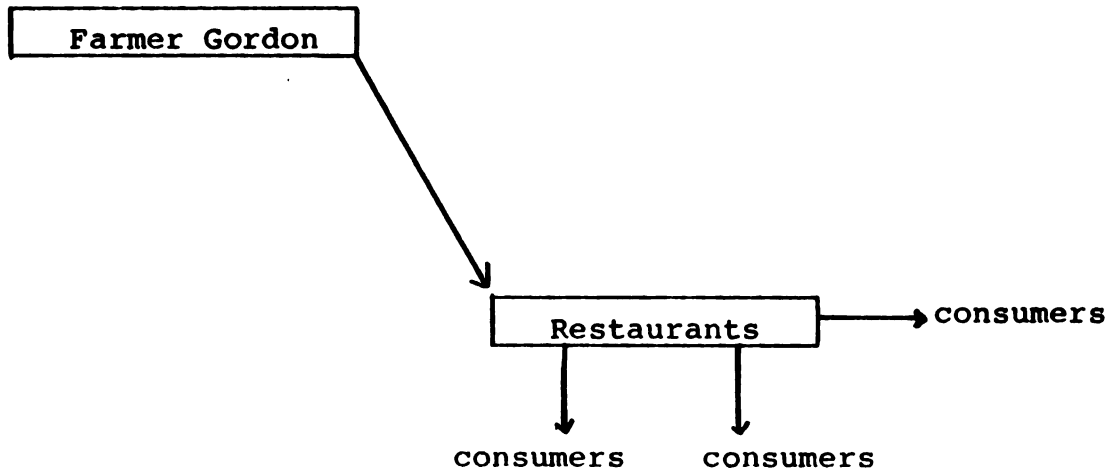


Diagram II shows the other market Henry Gordon has found for his goats, the restaurants in the big towns of his parish. Curried goat is served in almost all of them. He gets a better price from these restaurants because he sells a quality goat and he is a reliable source of goat for the restaurants. Henry finds that the price he gets more than covers the costs to transport the slaughtered animals to the restaurants. This market has allowed him to expand his goat rearing even further over the past year.

DIAGRAM II



Who are Henry Gordon's markets?

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What are some of Henry Gordon's marketing costs?

Marketing channel

Marketing costs

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Here's another example:

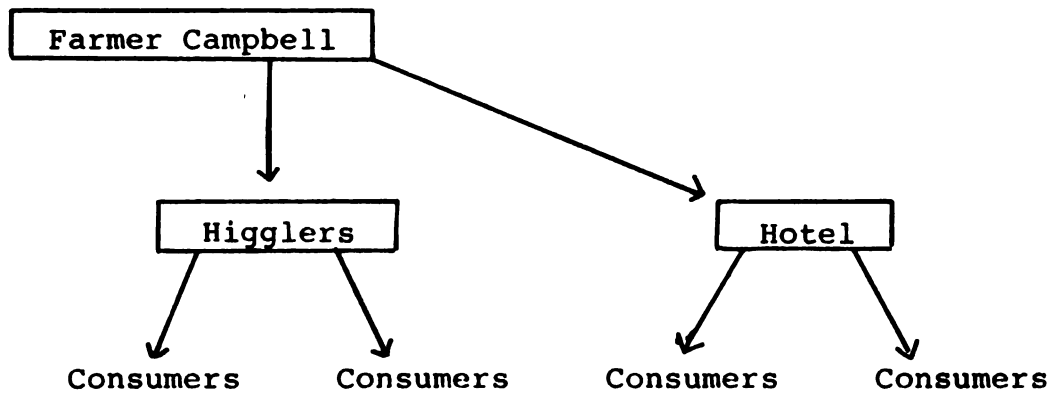
Victor Campbell enjoys growing tomatoes and has land in a parish where they grow well. He has established himself as a competent farmer who grows quality tomatoes. He realizes that a quality product is important to his customers, and that they are willing to pay a little extra to get it.

Victor sells some of his tomatoes to the higglers who come by his farm. The higglers come to buy from him so they can then sell them in the markets to retailers or to consumers. Victor sells his tomatoes at a price which allows him to make a reasonable profit. By keeping good communication with his higglers and going to the market himself once in a while, he knows the higglers make some profit too. As higglers come by, he keeps them informed when his harvest is due so that he can sell his tomatoes at the prime moment of ripening and avoid the cost and time of taking them to market himself.

Over the last year Victor has also been looking for other markets for his tomatoes. He has found his produce to be of good quality. He knows this by talking to higglers and consumers in the market. Recently, he started selling to a new market - hotels. He transports his tomatoes in large quantity to hotels on the North Coast and in Kingston. Victor is careful that his tomatoes are top grade, handled well and transported properly. He finds that all this care costs him time and money, but the price paid by the hotels more than covers the cost.

He thinks this is a good way for him to sell his products.

DIAGRAM III



Another market Victor opened up for himself was that of exporting his tomatoes. He happened to meet a man who is exporting vegetables to North America in the winter time. Victor gave the exporter samples of his produce to exhibit their high quality. He transports his tomatoes to the exporter. Victor finds the price the exporter pays him for his tomatoes is the best he receives from any of his other markets. The cost to market the tomatoes involves careful handling and transporting and prompt delivery. However, all this added marketing cost does not outweigh the high price he receives for exporting. Diagram IV on the next page shows how Victor only has to be sure he gets his tomatoes to the exporter. The exporter does all the wholesale work from there on.

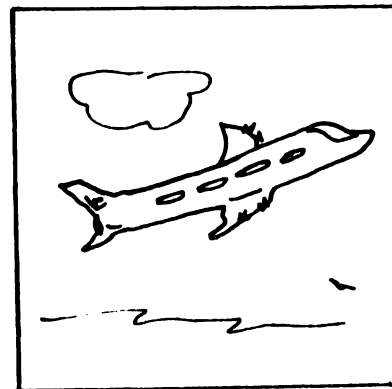
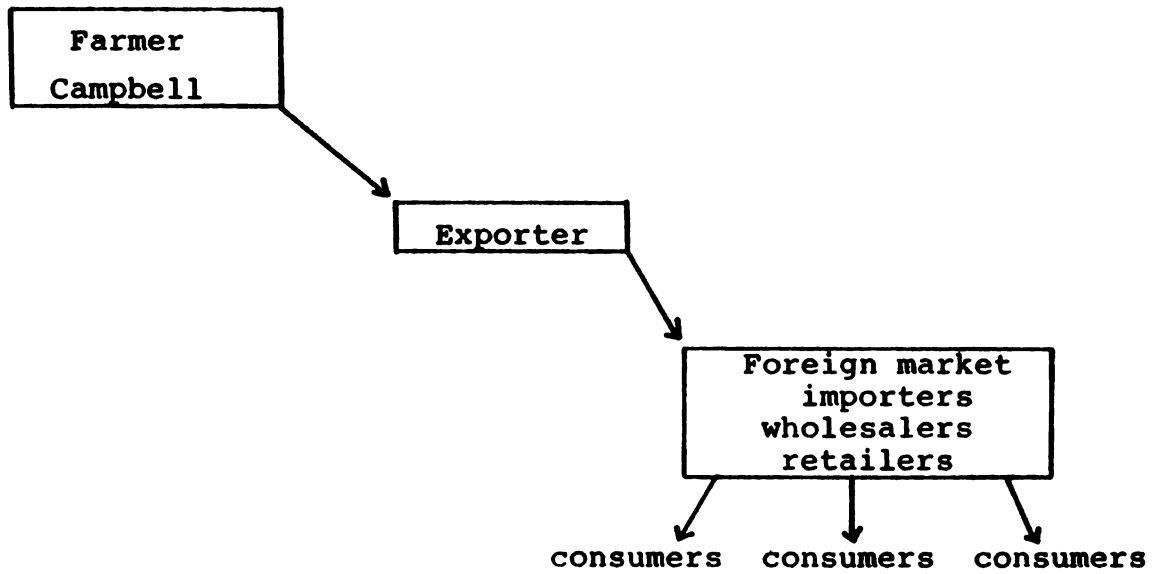


DIAGRAM IV



In Victor Campbell's situation what are the marketing channels, buyers and consumers?

Marketing Channel	Buyer	Consumer
_____	_____	_____
_____	_____	_____
_____	_____	_____

How are farmer Campbell's markets different from farmer Gordon's?

\_\_\_\_\_

\_\_\_\_\_

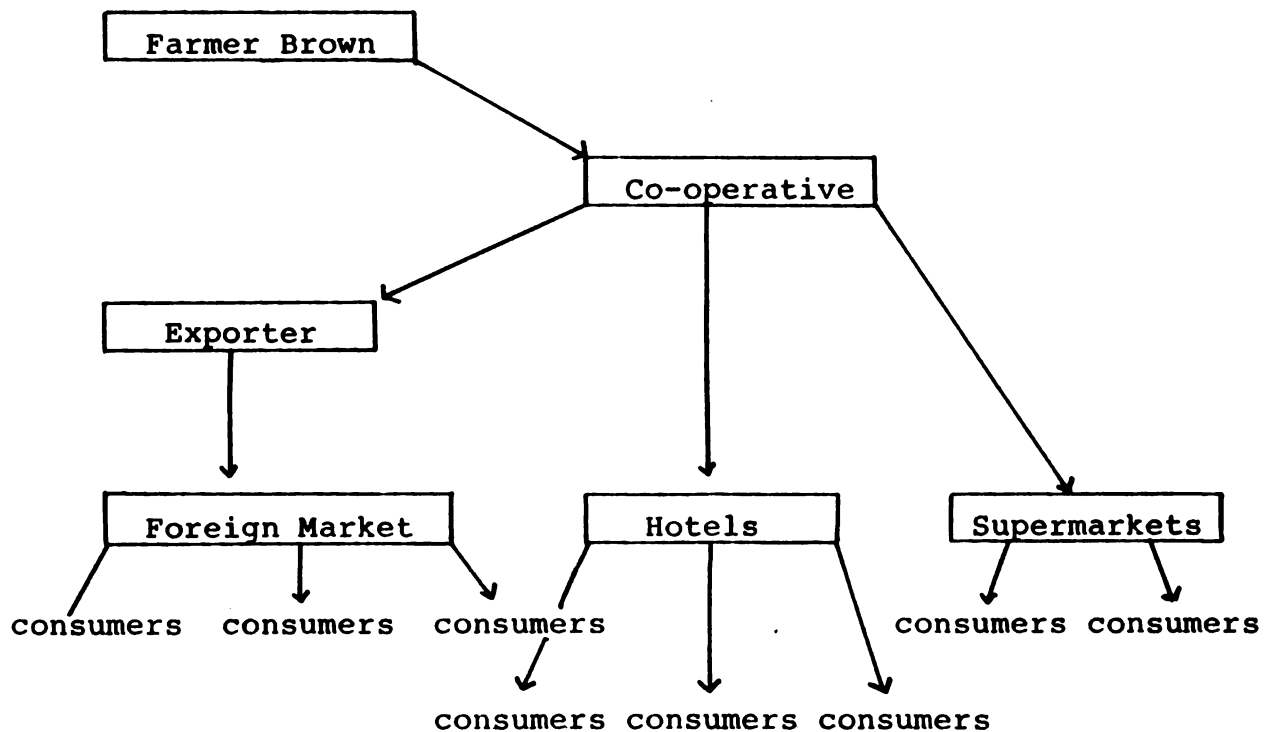
What are farmer Campbell's marketing costs?

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We see in Diagram V that Neville Brown sells his potatoes to the co-operative in his parish. He has been a member of the co-operative for a long time and was even involved with other farmers in setting it up. Neville finds the co-operative beneficial because it is a place he can always go to sell his potatoes for a price that is profitable. The co-operative picks up the potatoes at each member's farm. As the Diagram shows, the co-operative's job is to market the potatoes to large bulk buyers. As an active member of the co-operative's board, Neville has learnt what marketing is and what it costs to do marketing. He makes contact with various buyers; from them he can get valuable information as to what it is the buyers want. Being a member of the co-op gives Neville a chance to work with his fellow farmers. They discuss different ideas, problems and possible solutions, and they all gain a better understanding of marketing and how to do it successfully.

DIAGRAM V

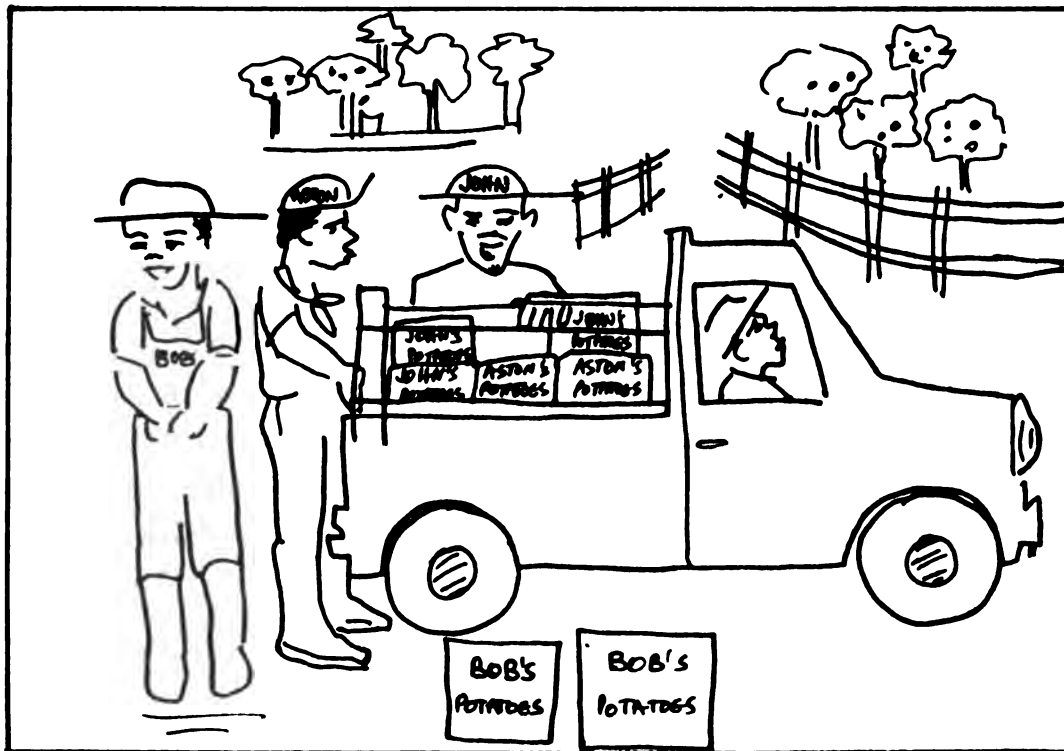


Marketing costs are lower since the co-operative pools the needs of the group into a single effort instead of each individual trying to do his own markets.

What marketing activities could the co-operative perform for its membership?

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Who are the wholesalers in Diagram V?

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Who are the retailers in Diagram V?

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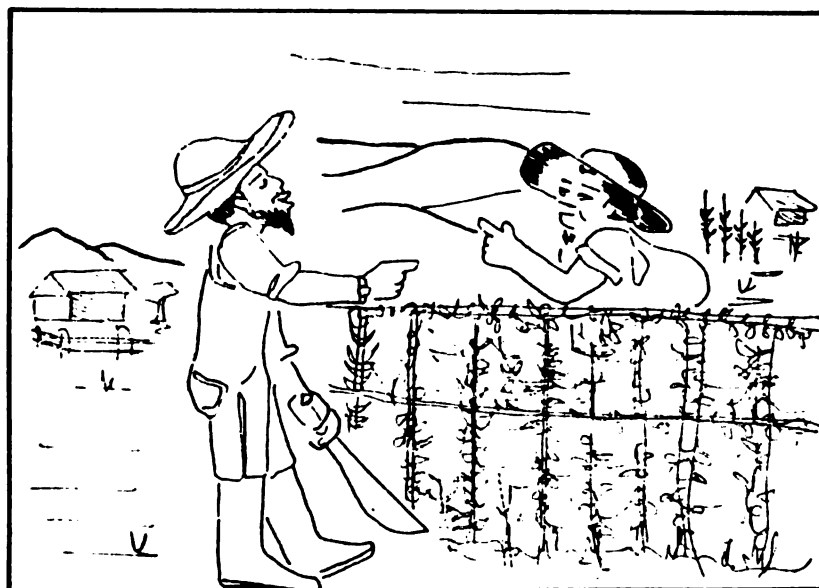
## \* Prepare your marketing plan

Before farmers plant or raise anything for sale, they need to be sure that what they plant or raise will be profitable.

After deciding what you are going to grow or raise there are some things you may want to remember, as you prepare your marketing plan.

### 1. Know your buyers; know your market

The best way to plan your production to increase profits is to become informed about your market. Not only what is being or will be demanded but also to get an idea of just what the supply is or will be like. Some information on marketing is available from the Ministry of Agriculture, Co-operatives, newspapers and other sources. Often times the most important marketing information can be obtained from one's own observations and experiences.





By getting to know what prices can be obtained for a crop or for livestock, farmers are better able to determine if they stand to make profits. This knowledge of prices can help them estimate their incomes and then compare these to their estimated costs.

2. Keep costs down, but quality up

Quality is a standard you set for your farm products. Your reputation is determined by the standard of quality you keep. Consistently good quality can generate long term income which can benefit you and your family's future. Better quality makes selling just a little bit easier. However, don't pour too much into producing super quality because then the added production costs will eat away at your profits.

3. Carefully consider available marketing channels

The amount of marketing done by the farmers on their own brings in more but also involves extra time or costs or both. Just as in any other business, time is money, and this is also true of farming. That is why using one's own time efficiently can make more profits.

Have you thought about a marketing plan for your farm business? What will it be like?

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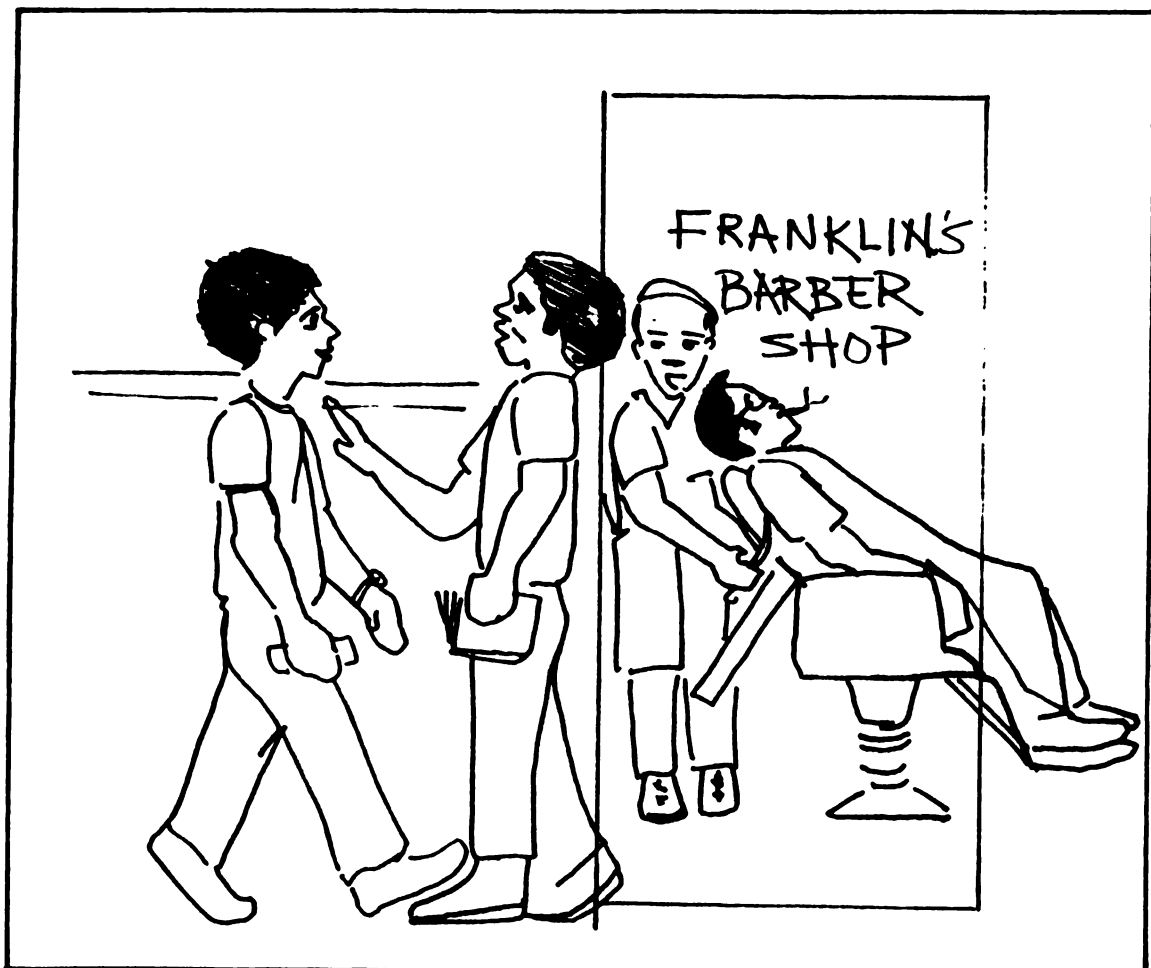
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# PART V

## MARKETING IN SERVICE BUSINESSES





# 7. ✓ Checklist

## for making a marketing plan for a service business

THINGS TO DO	Tick when done
1. Do a Market study	
2. Look at Pricing Strategies	
3. Look at Promotion Strategies	
4. Prepare your marketing plan	

## WHAT IS A SERVICE BUSINESS?

A service business is very different from manufacturing, farming or retail businesses in that, whereas manufacturing or retail businesses depend on specific products that are sold to consumers, a service business depends on tasks that are done, by people, for others who are willing to pay for these efforts. For example, a barber, an electrician, a carpenter or a hairdresser are all involved in selling services.



Can you give other examples of service businesses in your community?

1. \_\_\_\_\_

4. \_\_\_\_\_

2. \_\_\_\_\_

5. \_\_\_\_\_

3. \_\_\_\_\_

6. \_\_\_\_\_

People who make their living providing services are selling their know-how or skills. They can only make their living this way if others have a need for their skill, or service.

# 7. ✓ Checklist for making a marketing plan for a service business

THINGS TO DO	Tick when done
1. Do a Market study	
2. Look at Pricing Strategies	
3. Look at Promotion Strategies	
4. Prepare your marketing plan	

2. Mr. Shelley already has a steady supply of customers so Franklin would only have to do promotion for additional customers.

Franklin, however, was not satisfied with accepting Mr. Shelley's offer just because it was a good arrangement. He first needed to be sure that there would be enough additional customers coming to Mr. Shelley's shop so that he, Franklin, could make a good living.



Franklin asked himself these questions:

What service will I sell?

Who will I sell to?

How much will I sell my service for?

If I do this on my own, who would be my competitors?

How will my service reach the customers?

What could I do to increase sales?



When he thought about these questions, he realised that he did not have any specific answers to them. He had some general answers, but these did not satisfy him. For example, he knew that he would be selling haircuts and shaves. He knew that he would be selling to the men in Linstead. But he had no idea of how many men would need this service, nor who these men would be. He had not calculated his costs to decide what prices would be reasonable. He then realised that he had to do more thinking and searching before arriving at his final decision.

What should Franklin do? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## **\* Do a market study**

Doing a marketing study for a service business is a bit different than doing one for other types of businesses. Nevertheless, it is still important for you to get information about potential customers.

If you are considering starting or expanding a service business, here are a set of questions for which you must get satisfactory answers in order to make decisions about going into the business. These questions are:

1. How many services am I capable of providing in one day?
- \_\_\_\_\_

2. Are others providing the same kind of service?

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, who are they, where are they located, and what do they charge?

Name:	Where located:	What they charge:
_____	_____	_____
_____	_____	_____
_____	_____	_____

3. How many people require this type of service?

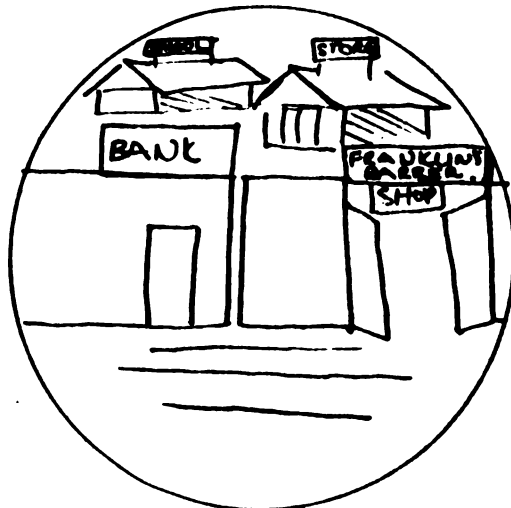
\_\_\_\_\_

4. How often would these people use this service? \_\_\_\_\_

\_\_\_\_\_

5. Where are these people located? \_\_\_\_\_

\_\_\_\_\_



6. How much are these people presently paying for the service(s) I plan to provide?

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7. Are sales of this service  
increasing? \_\_\_\_\_  
decreasing? \_\_\_\_\_  
remaining the same? \_\_\_\_\_

Why? \_\_\_\_\_

8. What do most customers look for? (rank 1,2,3, and so on, in order of importance)

_____ low prices	_____ speedy service
_____ good quality service	_____ easy payment terms
_____ best quality service	_____ service performed at home
_____ consistent service	



9. How do competitors promote their services?

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10. How long have they been in business? \_\_\_\_\_

11. Have they been successful or not?

Why? \_\_\_\_\_

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#### TESTING THE MARKET

Test marketing a service involves offering that service to customers for a particular length of time, in order to get an idea of whether or not people will buy it, before you have to make a major financial investment.

When test marketing a new service, you should decide whether you expect the service to increase sales to present customers or to attract new customers.

Whichever you decide, customers should be informed that you are carrying out the market test. This can be done in several ways, by putting up signs, displays or using various kinds of advertisements. You may even decide to offer discounts along with the service, or some other type of "give away".

How would YOU test market a barber shop?

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How would you test market YOUR service?

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After test marketing your service, you can proceed to answer some of these questions for yourself:

1. What have customers generally said they like about my service? \_\_\_\_\_

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2. What have they said they don't like about it?

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3. How have they compared my service with those of my competitors?

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4. What suggestions have been made about my service?

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5. Do I have any firm promises from customers to buy my service? Yes \_\_\_\_\_ No \_\_\_\_\_

6. How do these promises compare with the number of services I can provide each day?

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7. Based on the promises and other customers I think I can get, do I think I can make enough money for this to be a worthwhile venture? Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, what are my plans for the next five years?

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If no, what can I change in my service to be able to make a living from it?

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## \* Look at pricing strategies

Arriving at the correct price to charge for services will require getting some basic information about those things which are important to calculating the price. These are:

- a. How long it takes you to perform each service and how many services you can perform in a particular time period.
- b. What it costs you to produce your service, such as costs for:  
Rent, utilities, wages, tools, materials, equipment, shop renovation and maintenance, advertising.
- c. What the competition is:  
What they charge; how many competitors there are; whether they are working full-time in providing the service; whether they make a good living at it.
- d. What the customer demand is:  
Is demand for this type of service increasing, decreasing or remaining the same?

Franklin Hope is considering whether or not to move to Linstead.

Let us see how he answers these questions and arrives at a price to charge for haircuts.

How long does it take me to provide each service? How many services can I provide each week?

Franklin finds out that the shop is open 8 hours a day, 5 days a week. He estimates that it will take him around 30 minutes to give each haircut. If he were busy all week, he could give 80 haircuts. He knows there will be idle time during the week (which he can use to update the record books). He estimates that the idle time will be 20% or a fifth of the total time. Therefore, Franklin calculates that he will be providing an average of 64 haircuts a week.



What does it cost me to provide this service each week?

Franklin finds out that in one week Mr. Shelley spends \$10.00 each for telephone, gas and water. He also spends \$10.00 each per month for advertising and insurance. The rent is \$400.00 per month and the electricity is estimated at \$200.00 per month. He calculates that the depreciation on the large items he must buy will come to \$20.00 a week and shampoos, creams, powder and so on, will cost about \$6.00 a week.

Franklin will use his savings to buy a new barber chair and Mr. Shelley has promised to put in some wood paneling to make the barber shop more attractive.



This is what his calculation looked like for two possibilities:  
if he should work alone, or if he should work with Mr. Shelley  
working half-time.

EXPENSES (per month)

Rent	\$400.00
Electricity	200.00
Telephone, gas, water	120.00
Advertising and insurance	20.00
Shampoo, etc.	24.00
Depreciation	<u>80.00</u>
TOTAL	\$844.00

WORKING ALONE:

64 HAIRCUTS PER WEEK x 4 = 256 per month  
\$844.00 divided by 256 = \$3.30 (cost per haircut)

WORKING WITH MR. SHELLEY:

96 HAIRCUTS PER WEEK x 4 = 384 per month  
\$856.00 divided by 384 = \$2.22 (cost per haircut)

Why was \$12.00 added to the expenses in the second alternative?

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If you were Franklin Hope, how much would YOU charge for a haircut? \_\_\_\_\_

If you were Franklin Hope, would you work alone or with Mr. Shelley? \_\_\_\_\_

## \* Look at promotion strategies

When Franklin decided to move to Linstead, he knew that promoting his skills in barbering was very important to the continued success and expansion of the business. He considered the different types of promotion listed on the chart below and asked himself the two questions about affording it and reaching customers.

Here is how the chart looked when he finished filling it out:

TYPE OF PROMOTION	WOULD IT REACH MY CUSTOMERS?		WILL THE BENEFITS BE MORE THAN THE COST?	
	YES	NO	YES	NO
Leaflets, Posters	✓	-----	✓	-----
Business Cards	✓	-----	-----	✓
Billboards	✓	-----	-----	✓
Display signs	✓	-----	<i>already have</i>	-----
Advertisments				
on radio	✓	-----	-----	✓
on television	✓	-----	-----	✓
in newspapers	✓	-----	-----	✓
in magazines	✓	-----	-----	✓
at the cinema	✓	-----	-----	✓
Fairs & Exhibitions	✓	-----	-----	✓
Samples	✓	-----	✓	-----
Middlemen	-----	✓	-----	-----
Satisfied customers	✓	-----	✓	-----

After studying the chart, Franklin is clear on the types of promotion upon which he should concentrate. These are handmade posters, the recommendations of satisfied customers and giving away samples.

Let us discuss how another business person promotes her service business.

Leonie Simmonds is a hard-working lady who has been operating a catering service in Brown's Town for the past 10 years. She has built her reputation on the fine foods she is able to provide for large numbers of people. She is also known because she is reliable and delivers and serves her food anywhere in Brown's Town. Leonie has two types of customers. Her regular customer is the Brown's Town Lion's Club which has a weekly meeting of its members at which a meal is served. Her occasional customers are the local school, businesses and wealthier townspeople who sometimes have festivities which call for a specially cooked meal.

Leonie has developed three price ranges for her catered meals: a half lunch, a full lunch and a special. The local school and some businesses usually request the half lunch. Other businesses and some townspeople request the full lunch, and a few businesses and the wealthier townspeople often request the special. Leonie also varies her price depending on how many people she will be cooking for. If she caters for 50 or more persons, it costs a bit less per person than when she caters for fewer than 50 persons.

Recently Leonie has noticed that another lady is trying to start a similar catering business. Leonie realizes that up to now she has been the only person with a catering business in Brown's Town, and now she must promote her business a bit more. Leonie decides to use some of her savings for this promotion, but first she completes the chart to find out how best she can reach her customers.

## **\* Prepare your marketing plan**

When preparing your marketing plan, you should remember that if you want your service business to succeed, it is important to perform the service you offer well. Here are some things which can help you in performing a service well:

1. Be conveniently located
2. Be available at convenient times
3. Be concerned with customers' needs and wants

Can you think of others?

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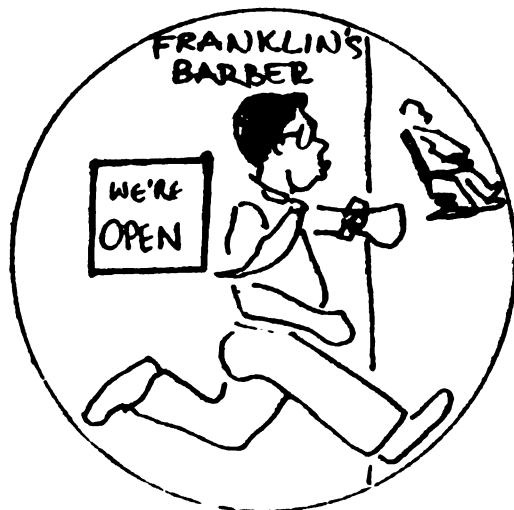
Let us discuss these further:

1. Be conveniently located.

Sharon Smith, the printer, had an opportunity to set up her printery in her uncle's garage at no rental cost. This would have been most useful to her in financial terms, but she was concerned about the location, which was far from the business area of town. Before making her decision, she spoke with a number of businesses which might become her customers. She decided that it would be worthwhile paying a rental fee to put her printery within easy reach of the local businesses. Now she enjoys a good relationship with her customers and a healthy profit at the end of each month!

2. Be available at convenient times.

Franklin Hope is now a partner with Mr. Shelley. They were making an adequate income until Franklin came up with an idea last Christmas. He noticed that many people did not like to be kept waiting. So Franklin suggested to Mr. Shelley that they try the appointment system. Now busy people know that when they have an appointment at the Shelley-Hope Barber Shop, they can be in and out in 15 minutes. Many people now have a standing appointment, for example, 2 o'clock every other Tuesday, and are very pleased with this arrangement. Franklin Hope and Mr. Shelley are also very pleased, because their profits have increased and their business is still growing as the word gets around!



3. Be concerned with customers' needs and wants.

Mr. Creary is an electrician working mostly with businesses in Montego Bay. His primary service is putting in new lighting fixtures and making electrical repairs. When he first became an electrician, Mr. Creary realized that if he wanted to work with businesses, he would have to be willing to work in the evenings and on weekends, so as not to disturb the smooth functioning of the businesses. This willingness to adjust his working schedule is one reason why Mr. Creary is so successful.



Lately, Mr. Creary has noticed that many of his customers are asking him if he knows of a carpenter to do odd jobs in their businesses. Mr. Creary decides that he can be of more use to his customers if he hires a carpenter to work with him so that they can offer both services. This is a great relief to his customers, for now they can solve two types of problems with one person whom they trust, Mr. Creary.

These are three successful service businesses.

The operators know that the best way to promote their business is through satisfied customers.

And they know that the best way to have satisfied customers is to perform the service well!

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Things Jamaican, Ltd.  
Brown's Town Community College

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The members presently serving on this committee are:

Patricia Sinclair	- Bureau of Womens' Affairs
Harold Folkes & Yvette Mason	- 4-H Clubs of Jamaica
Michael Gordon & Lennox Picart	- Jamaica National Investment Promotions Limited
Lorna Gooden & Bernice Lawrence	- Ministry of Agriculture
Roderick Riley	- Ministry of Construction (Housing)
Joan Browne	- National Development Foundation
Errol Dunkley	- Small Business Association
Winston Martin & Leroy Aldred	- Self-Start Fund

Individuals who have previously served on this committee are:

June Wilson & Eileen Orr	- Bureau of Women's Affairs
Novlet Jones, Daphne Bennett	- Ministry of Agriculture
Edie Gidden	- Ministry of Agriculture
Chester Burgess	- Self-Start Fund
Shannon Ricketts, Velma Sharpe	- Small Business Association
Althea Mossop, Angela Hamilton	- Small Business Association
Deanna McFarlane	- Small Business Association
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# GLOSSARY

- ACCUMULATE. To collect over a period of time.
- ACCURATE. Correct.
- ADEQUATELY. Barely enough or sufficient.
- ALTER. To change, so as to look new.
- ANALYSE. To examine.
- ANTICIPATE. To expect.
- APPEALING. Attractive or interesting.
- BARGAINING. Selling something at a price favourable to the buyer.
- BAZAAR. A sale of various kinds of goods.
- BEHIND THE TIMES. Old fashioned, out of style.
- BOOST. To increase sale of goods.
- "BRAWTA". A little extra.
- BROWSING. Looking through.
- CALCULATE. To figure out.
- CATER. Provide, make a special effort to please.
- CLIENT. A regular customer.
- COMMITMENT. A promise to do something, a pledge.
- COMPETITORS. Persons who compete as business rivals.
- CONSISTENT. The same at all times.
- CONVINCE. To assure someone, to overcome a doubt.
- DECLINING. Falling behind in sales, not making progress.
- DEMONSTRATED. Showed, explained.
- DETERMINE. To decide.
- DISCOURTEOUS. Impolite or rude to someone.
- EFFICIENT. Doing something well.
- ELIGIBLE. Suitable.
- ESSENTIAL. Absolutely necessary.
- ESTIMATE. To figure out an amount as near as one can to an actual figure.

EXHIBITION. A display of goods.  
EXORBITANT. Very high in cost. Expensive.  
EXPAND. To increase one's business.  
FEASIBLE. Possible, workable, achievable.  
FEATURE. A distinct or outstanding part of something.  
"FEED BACK" A response.  
FIGURING. Thinking, working out.  
GLAZE. A substance applied to pottery to make it shine.  
HAVE AN "EDGE". Have an advantage over someone.  
HINTS. Suggestions.  
IDENTICAL. Looking exactly like another.  
INCOME. Money from earnings.  
INCREASE. To multiply in amount or size.  
INFLUENCE. To have an effect on someone.  
INPUTS. The amount of money or material needed.  
INSCRIBE. To mark or write on something.  
INTERACTION. Having the same effect on each other.  
INTERSECTION. A point where two streets meet.  
LABELLING. To mark or to describe goods.  
LIMITED AMOUNT. A restricted amount.  
LINK. A connection between two things or persons.  
LOCATED. The place in which a store or shop is.  
MERCHANDISE. Goods for sale.  
"NICKSNACKS". Small trinkets, ornaments.  
OBTAIN. Get.  
OCCASIONAL. Happening every now and then, not frequent.  
OCCURRING. Happening, taking place.  
ON NO ACCOUNT. At no time.  
OPINION. Someone's thought or feeling on a matter.  
OUTSKIRTS. A district, remote from the centre of the city.  
OVERHEADS. Indirect costs of running a business.  
PERSUASION. Convincing a customer easily.  
PREDICTION. Foretelling what will happen.  
PROCESS. A particular method of doing something.  
PROFITABLE. Gainful, producing profit.

PROLONGED. A long length of time.

PROMOTING. Publicizing a product which is for sale.

QUALITY CONTROL. To maintain the desired standard of a product.

REACTION. A response or expression shown.

REARING. To raise, grow or breed.

RENOVATION. Repairs done to make something look new.

REPUTATION. What is said about the character of a person.

RETAIL. To sell goods bought for resale to the customer.

RUINED. Spoilt.

SATISFACTORY. Fair enough in quality, not of the best.

SHORTCOMINGS. Defects or deficiency.

SKILLS. "Know-how"; art or craft involving the use of the hands or body.

SOURCE OF INFORMATION. Someone who gives help or assistance to another, informant.

STURDY. Strong, firm, strongly built.

TASK. Job assigned to a person.

THRIVING. Prospering, flourishing.

TOKEN AMOUNT. A very small amount.

TRENDY. Fashionable, fancy

ULTIMATELY. Finally, in the end, in the long run.

UNIQUE. Different from another, one of a kind.

VALUE. Worth.

VARIETY. A range of different types.

VOLUME. Quantity, bulk.

WEAR AND TEAR. Damage resulting from use.

WHOLESALE. Selling goods in relatively large quantities at a lower price.





