

Ethiopian Business Development Services Network (EBDSN)

Marketing Strategies

**For Micro and Small
Enterprises in Ethiopia**

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German Technical Cooperation



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Table of contents

Marketing Problems faced by MSEs in Ethiopia	1
Product, price.....	1
Sales	2
Promotion	3
Competition	4
Lack of market related knowledge	6
Retailing	7
Finance.....	7
Raw material.....	8
Appropriate Marketing Strategies for MSEs	9
The "5 P Approach".....	9
Strategies in relation to quality and training	11
Strategies in relation to competition.....	12
Pricing and sales strategies.....	13
Strategic location of sales shop	16
Distribution strategies.....	17
Packaging strategies.....	17
Participation on tenders	19
- Bid announcements from marketing perspectives.....	19
- Contents of bid notice	20
- Citing an example of a domestic bid announcement	20
- Characteristics of an international bid.....	22
- Rejection or extension of bids	23
- Micro and small enterprises' role in tender issues	24
- A winning bidding document (tender response)	25
- Bid formats and payment of bidding documents	26
Strategies in relation to finance	28
Managing Prices	29
Competitive strategy towards profitability.....	29
Dealing with pricing in MSEs.....	31
Price testing.....	32
Price comparison	33
Pricing unique and quality products.....	34
Location focused pricing.....	35
Time based pricing.....	36
Bulk purchase and payment based pricing	36
Captive pricing	37
Pricing to reduce high stocks.....	37
Bundle pricing.....	38

Market penetration pricing	38
Pricing for quick delivery	39
Pricing for products with high availability	39
Discount pricing	39
Pricing tactic by decreasing packaging size.....	41
Customary pricing	41
Pricing for increased rate of return	42
Pricing for products with minor defects	42
Checklist for managing prices	43
Product Development	44
Product strategies	44
Market research	45
Data sources.....	47
Connection between quality and market.....	47
Specific product strategies	48
- Product standardization strategy	50
- Brand based product strategy	50
- Offering multiple choices.....	51
- New product development approach	52
- Customized product strategy.....	52
- High quality products.....	53
- Modifying existing products	53
Checklist for product development	54
Promotion	55
Approaching potential buyers	55
Promotion through demonstration	56
Demonstration pack/kit.....	57
Telephone handling	58
Promotion through Internet.....	58
Promotion through flyer and brochure	59
Buyers visiting exporter's firm.....	60
Office setting.....	60
Checklist for promotional measures.....	61

Marketing Problems faced by MSEs in Ethiopia

Micro and Small Enterprises (MSEs) in Ethiopia face various marketing problems as discussed in detail below.

Product

The business line of MSE activities in Ethiopia is relatively similar. A lack of product diversity, however, is prevalent and as a result similar products are over-crowding the market. Some micro enterprises shift from one product to another, and in doing so, capture better market opportunities. Nevertheless, as soon as the market has established itself, a multitude of further micro enterprises start off in the same business and this causes the selling price to fall immediately.

Furthermore, certain MSEs lack the skill to modify their products, such as handicraft products, pottery, furniture, metal products, kitchenware etc. There is also lack of sufficient range of product designs.

Most products that are made available by MSEs can also be obtained from medium-sized enterprises that mostly have market advantages in terms of their size alone.

Price

The following are the most important problems in relation to price. Some MSEs sell at break-even or even below cost. Some of the reasons for selling at such a lower price can be attributed mainly to:

- lack of basic costing knowledge;
- overhead costs are mostly not calculated as expenses;
- the fact that salaries or wages of family members involved in production or sales are overlooked as cost product;
- not knowing the exact earnings from sales separately;
- during and at the end of the day all family members spend the money earned from sales without recording;
- manufacturers do not correctly know how much raw material and accessories are required to make one unit of a product.

Most MSEs do not know whether they actually make profit or not. They express their success only by accentuating the changes they make. Examples:

- installation of new electric and water line;
- buying radio, cupboard, or other furniture;
- buying a goat for milking;
- sending children to school;
- improving their small house;
- children eating relatively more food compared to what they used to eat.

In general, MSEs tend to overprice their products, with some under-pricing due to lack of costing skills as well as competition.

In some instances MSEs are forced to sell at any lower price, due to the existence of larger enterprises, which sell similar products with reduced prices. For instance, during peak seasons farmers from the vicinity take products such as vegetables, pepper, seeds, charcoal, or wood to the towns and sell them on common market days. During such periods the MSEs are forced to sell at a lower price unless the demand is higher compared to the supply.

Sales

The micro enterprises that work in 'gulit' areas do their business on the sidewalk or by the roadside. The majority of them sell products such as tomatoes, onions, seeds, 'enjera', 'teff', and pottery products. Traders in this category face problems such as:

- textile products being exposed to too much dust;
- pottery products are exposed to high risk of breakage;
- as the result of poor environmental hygiene, food items get spoiled;
- there are limited market outlets for some products.

Some products such as bread, 'enjera', milk and others are sold on a door-to-door basis. In areas where such services are of frequent practice the relatively bigger enterprises must follow the same offering not to loose market share. This makes the competition stiff.

In addition, family members with limited business management and salesmanship (mostly children) are involved in the operation of their respective family businesses. In such cases owners fail to control the daily sales transactions of the business. Most of the MSEs lack marketing skills. There are cases where they buy a product, which is momentarily not of constant demand.

In most cases, MSEs have limited means in obtaining effective and relevant data as well as information on market availability that can be obtained from Chambers of Commerce, MSE Development Agencies, associations as well as Trade, Industry and Tourism Bureaux. Nevertheless, MSEs have difficulties in getting their hands on adequate data and information. One of the reasons for this deficit is that many of the centres are not within the reach of most MSEs.

MSEs who plan without adequate information or with redundant data can find themselves in a situation of danger that cannot be easily remedied!

MSEs which usually intend to sell in an area far from their location are curbed in their selling activities due to the limited quality of infrastructure and high transportation costs.

Shortage and lack of infrastructure such as adequate roads as well as, telecommunication and electricity facilities are all that prevent effective operation of MSE businesses.

This fact results in MSEs being unlikely to sell to distant areas located far from their territory.

Even though most MSEs have a good reputation in a certain community they can easily sell to tri-areas, however, if the infrastructure does not cater for their needs then this will represent an enormous hindrance to selling!

Promotion

Problems related to the promotion of products are listed below:

- Many MSEs plan on promoting their products, however, their budget is mostly tight.
- Even though some enterprises understand that issuing flyers, posters and business cards have promotional values, they

refrain from undertaking such promotional activities to use the money for other urgent matters.

- Many MSEs are not correctly informed on how to join their respective Chambers of Commerce, or trade association of their industry. They seem not to be aware of the services that they could obtain from chambers and associations such as:
 - issuing journals;
 - organizing promotional events;
 - organizing trade fairs;
 - advertising MSEs' products;
 - upgrading skills;
 - assisting MSEs in finding market outlets;
 - solving general market outlet problems.

Certain MSEs that have previously participated in trade fairs fail to follow up, simply due to lack of awareness and skill. Most MSEs are of the opinion that a mere participation in trade fairs is enough to promote their products.

Competition

As is mostly the case and common recognition, "Competition is Cruel", which implies that some larger companies in relation to MSEs have advantages due to:

- selling at reduced price without reducing product quality using economies of scale;
- customer targeting capacity;
- proper and intensified product/service advertising capacity;
- good personal contacts and networks;
- sound Industry reputation;
- sufficient information regarding existing market and capacity to exploit more market opportunities.

Competition is not only between the MSEs and the relatively bigger companies. There is also competition among operators within the MSE sector itself and between MSEs that are engaged in the same line of business. The latter is what concerns MSEs more than competition from the big companies, because they serve different market segments and target clients. The target clients for the MSE sector, in most cases, are people with lower level of income and with the need to invest rather on consumption goods/services than making long-term capital investments.

Competition among the MSEs is based on:

- capacity to keep quality of product/service to acceptable standards or as per the needs of the customers. Product quality can be achieved through various means such as using raw material with good quality, using improved and efficient production process/technology, proper finishing, and good storage facilities - both for raw material and finished products and use of skilled labour;
- charging a competitive price, i.e., setting product/service price at a reasonable amount compared to that of similar suppliers. Price reduction makes sense whenever it is possible for the operator to reduce his/her production cost through any possible means, but without sacrificing product quality. Efficient control over resources such as raw material, labour, tools/equipment, money, time, information, etc. are vital to control costs. The more costs are minimised the more the entrepreneur can reduce the selling price and attract a larger number of clients;
- selection of strategic location where customers can easily be obtained as well as easy accessibility of the enterprise to them;
- promoting product/service through possible cheap means, without incurring a high level of costs;
- selection of specific target markets or clients that the business can efficiently respond to their needs and purchasing power;
- level of salesmanship and customer relation.

Example for competition in terms of quality:

Some bakeries use 'white flour', while others use 'dark wheat powder ' to bake bread. Consumer preferences are more for white bread presently and, as a consequence, sellers of dark bread loose market shares. What makes this really a bad situation is that they do not even know the reason for the sales decline.

Example for competition in terms of price:

In the 'gulit' areas the spacing between the selling stands are at a minimum, which invites some smart sellers to adjust their selling prices after hearing

the offered prices of their neighbouring seller. This enables them ultimately to grasp more clients.

Lack of Market related Knowledge

Due to this aspect being very vital to overcome marketing problems, the crucial points that MSEs are unable to meet are manifested by:

- lack of information where the best market areas are located;
- inability to analyse their respective market;
- lack of skills to set competitive prices;
- inability to effectively promote products.

The fact is that, in most cases, market studies are not carried out before a venture is undertaken within the market. This is also the case with regard to research, where during the life span of the enterprise no market research takes place.

Even though some organizations are helping MSEs to build their marketing knowledge, there is resistance on the part of many MSEs, mainly due to the low level of entrepreneurial awareness. On top of that, the experience of MSEs is confined only to local conditions and they are not well aware of what is going on in other parts of the country. In many cases people responsible for selling MSEs' products are family members, lacking general knowledge of marketing. Furthermore, business and family affairs are intertwined.

Experience has shown that many MSEs refuse or resist attending training programs that would help them enhance their marketing skills. They consider attending training programs as a waste of time. They rather give more emphasis on not missing a single daily sales opportunity. Many justifications can be given as to why MSEs do not like participating in training programs. Maybe the training is too much offer-oriented (supply-led) and does not meet the priorities of the MSEs, maybe its time schedule is not appropriate or MSEs are not well informed of the benefits the training can bring them.

The experience obtained from a local NGO known as Progynist has shown that the majority of its target MSEs prefer to attend training programs during mornings and evenings as well as on non-busy market days to spare their productive time to conduct business activities. Once the MSEs taste the benefits of the training, they opt to taking further training. It is therefore necessary to make training to MSEs need-based, scheduled to take place without interrupting normal business operations as much as possible and

make additional efforts to raise MSEs' awareness on the importance of training.

Retailing

Some MSEs may have the need for retail stores, in order to sell their products, but do not have the necessary retail outlets. In this case they are obliged to sell products on market days only. In some areas, where soft drinks and beer are sold, the area may be 'dull and ragged'. In addition, consumers prefer going to a better and active area. In such situations, food and local drinks/beverage sellers lose access to the market, with household consumers remaining their only customers.

Several MSEs engaged in activities such as shoemaking, furniture production, metal works, photography, hairdressing and catering might have relatively substantial number of customers provided that they are strategically located and have good salesmanship. However, accessing premises in good locations may not be easy for MSEs. There may be the problem of infrastructure as well as high rent for the premises. In one way or another, it is necessary for the MSEs to find out retail outlets to reach their customers.

Finance

In discussing marketing problems the subject of finance should not be overlooked. Shortage of funds discourages the smooth operation and development of MSEs. Even if there are credit facilities, some of the MSEs do not use the money for the intended purpose. They rather divert it for other unintended and non-productive expenditures. Consequently, the enterprises fail to return the money back to the lender on time. This can result in a loss of credibility to get repeated loans when needed most. In order to minimize the impact of shortage of working capital MSEs should be able to:

- have a budget/plan on how to use credit funds most effectively and for the intended purpose;
- have to be able to save money on their own for future investment in their business.

Raw Material and Source of Energy

During the months of July to September farmers are mainly engaged in farming activities. Due to this fact there will be a shortage of fuel wood and charcoal that are needed by MSEs producing local food items such as 'ambasha', 'dabo', 'enjera' and local drinks like 'areki'. In such cases they are forced to use wood shaving and oil cake for fire. The smoke from these materials results in environmental pollution affecting their health.

Availability of raw material on credit from some suppliers would be seen as an opportunity for MSEs to overcome working capital problem. For instance, there are cases where cereals like 'teff' and wheat, which are required for production of 'enjera' and 'ambasha/bread' respectively are supplied to the operator on credit terms. Some plywood sellers also give lump of wood on credit to the furniture manufacturers. Yet, the receivables take longer time than expected, mostly after the MSEs suffer a lot from shortage of cash. There are also cases where suppliers consider credit sales only for raw materials with inferior quality. In such cases MSEs should take care of using such poor quality raw materials, which directly reflect on the quality of finished products.

Appropriate Marketing Strategies for MSEs

The "5 P Approach" in Marketing

Marketing Strategy

A marketing strategy is about developing a good marketing mix. The elements of the mix are: Product, Price, Place/channel of distribution, Promotion and Person/process. The mix also involves selecting the target client/market: Studying the client with respect to his/her buying motive and behaviour, segmentation of the market using relevant bases, evaluating each of the segments, selecting the appropriate segment as target market.

1. Product Development

Product development involves decisions with respect to:

- what product to produce?
- what should the design, model, appearance and style of the product be?
- what should the brand name of the product be? Comparison of the product with its competitors should also be considered. Thus, one should ask questions like: "Can I produce a product with better quality than others do? Can I provide warranty for my products? Can the design of my product be better than others? Can I use quality raw material? Can I label my product?"

2. Selling Price

Price is a ratio reflecting the exchange value of a good or a service, measured in terms of money. The following questions may clarify the idea of pricing:

- My pricing strategy: Should I go for profit maximisation in the short-term? Profit optimisation in the long-term? A minimum return on investment? Keeping parity with competition? Fast turnaround and early cash recovery?

- My pricing methods: should I follow cost-based pricing? Demand-based pricing? Competition-oriented pricing? Affordability-based pricing? Or differentiated pricing?

The answers to the above questions will help setting the selling price for each product/service.

3. Place of Business and Channel of Distribution

The place refers to the MSEs' location of the business and the channel of distribution chosen to reach potential customers. One should ask questions like: "Can I get a proper business location not far from my customers and not too near to my competitors? Can I get proper premises with reasonable price/rent? What should be the channel of distribution?" Distribution is the physical movement of goods through a system called the value chain. Distribution channels include wholesaling, retailing, mail order, catalogue sales, telemarketing, contracting, or working through brokers.

4. Promotion

The role of promotion is to facilitate exchange between product/service providers and customers. Commercial enterprises are concerned with attracting customers. Different types of enterprises will have distinct promotional mixes utilising a variety of promotional methods. The major promotional mixes are as follows:

Advertising: is a form of impersonal broadcasting through commercial mass media. Advertising is the pervasive form of promotion because it is one form that captures our attention.

Sales promotion: is a term used to imply an activity that is specifically designed to induce sales by enhancing the value for the consumer. This value may be created through volume discounts.

Publicity: is the result of public service announcements or news generated through media. Newspaper articles, recognition in public affairs, magazine stories and talk-show interviews.

5. Person:

The person (i.e. the entrepreneur) should be competitive enough in terms of:

- practical abilities needed to produce the product/service;
- business management skills;
- personal characteristics and situation, commitment, motivation;
- taking risk.

Strategies in Relation to Quality

The objective of a business organization is to create goods to satisfy customer needs at a profit; and these needs can be satisfied if consumers get the right quality products. With more consumer satisfaction there could be higher demand for a product and consequently, more efficient utilisation of resources. If the quality of a product is not good, then it may be rejected. Quality is related to the success of an entrepreneur because, a product with quality can:

- create satisfied customers;
- facilitate volume purchase;
- easily bring repeat purchase.

In the past changes in market preference were not frequent. Nowadays, however, market changes very rapidly reflecting the changing needs of consumers.

Research works by the American Productivity and Quality Centre note that, happy customers spread good news to about five people while, unsatisfied buyers spread the bad news to about nine to twenty people. There is a saying that, "bad news travels fast."

Strategies with regard to Training

MSEs need to receive regular training on how to:

- develop business ideas;
- carry out simple research;
- attain a better reputation;
- attract and satisfy customers;
- get known in the market;
- fight competition;

- use credit facilities and any other funds;
- costing for finished products and set sales prices.

If the budget allows, during the training period covering about 60-80 % of the expected sales value could be used as an incentive for participation. Nevertheless, this strategy should be employed only for a given period of time and with a purpose of encouraging MSEs to attending the session and benefiting from the training.

A comprehensive and continuous training can be provided on how to use money efficiently and on how to correctly invoice the money earned from sales. Besides getting knowledge, training sessions have the advantage of facilitating MSEs into sharing ideas and discussing how to overcome problems.

In the event that some MSE owners cannot understand the training to be provided, teaching their adult children can be an alternative, since it may be much easier to change the attitude of young children.

Strategies in Relation to Competition

Almost all micro and small enterprises have competitors. Therefore, the enterprises have to strategically stress their strengths over competitor offers. For instance, if one enterprise has lower costs in comparison to its competitor, then its pricing strategy can be based on selling at lower price.

If the MSE has a broader selection of goods as compared to its competitors, then he/she should emphasize this issue and take advantage of more sales.

If the competitor's store area is unattractive, a strategy can be set to make one's own store more attractive for potential customers. In this way competition can be beaten.

Joining chambers and trade associations is one way of interacting with competitors and learning how successful enterprises do business.

If the enterprise suffers from different rivals, it could use a strategy that provides it with a competitive advantage over others as part of the sales deal.

A wiser strategy would be to try to be good in some competitive areas. MSEs need to select a few areas, in which they can excel in the competition, since it is difficult to be good in all areas.

If competitors sell on a door-to-door basis then those who have no buyers at home can develop delivery to "x" buyer's premise. The strategy has to look into aspects that the buyer cares about.

The best strategy would be a strategy that separates micro and small sized enterprises from its competitors.

The issue of getting data and information is relevant, not only to competition, but to all other marketing mixes. Besides, information is a knowledge source of what is going on or what competitors are doing. In relation to the shortage of data and information already mentioned earlier, the service providers can play a role in establishing centres for data and information that the MSEs can effectively use in their proximity. It obviously requires a good budget, but with the assistance of some financiers the topic can be considered.

For micro and small enterprises, the more the stock of data and information the better they can do business.

Pricing Strategies

The strategy of considering price decreases for market entry can be carefully applied and based on study. However, under-pricing without studying the market can be a dangerous risk. Since a small decrease in cost structure leads to high improvement in profit, the best tactic would be to minimize costs.

With due consideration to the profit margin, temporary price reduction can be used as a strategy to increase sales or to sell products in high stock.

Reduced offer announcements encourage customers of purchasing larger quantities. The tactics of decreasing cost would be the safest way to improve profit margins.

The pricing strategy has to regard the profit margin. In view of this fact, the volume of sales has an important meaning. Some enterprises focus on unit sales and not too much on profit margins, which can be risky.

The price being the most common strategic element of marketing, some related schemes will be outlined below. Offering reduced prices is a valuable

tool to attract customers as well as to try a product. However, this should only occur for a given period of time.

**Price reductions do not have
to be as low as throw-away prices.**

Micro and small enterprises that are engaged in selling their products to organizations or companies can send price reduction notices in attractive envelopes. This is the cheapest means.

A strategy to produce good quality products and charge an appropriate price is a practical approach to pricing. A more practical approach to the micro enterprises could be to produce a lower quality product and charge a lower price. Nonetheless, the market has to be segmented first, since this can be unsafe, if applied to the wrong market.

The best and most preferable pricing strategy is to lower costs and consequently to minimize profit margins, which will both benefit the manufacturer as well as the buyer. For instance, if a micro or small enterprise has a profit margin of 10 % and lowers its costs by that extent, it will automatically be able to increase its profits. In this case raising profits by increasing sales would require a 100 percent increase in sales.

Offering special store/retail shop discounts to loyal customers is a workable strategy that is also imaginable.

Sales Strategies

An analysis of the marketing segment could be carried out to identify the target customer and to get to know how best to appeal to the respective customer. Some strategic elements are recommended below.

Most MSEs may require retail stores to sell their products. Although, location means a lot in retailing, a viable location usually costs a lot. A small shop with an attractive set-up and front can be a good selling location. Establishing a retail shop is a necessary activity, but it is not easy. Joining chambers and trade association can help in doing so. The study notes that the attainment of retail areas can be enhanced in its processes by using chambers and associations, as compared to a single micro or small enterprise operator on his/her own. If the vicinity markets are not large enough to support daily sales, then the whole sales strategy can be an alternative.

If sales staff is not trained in handling customers, they are up to shift to other firms. Even window shoppers can be potential buyers. Therefore, sales forces need to cater also for them and show them that they are also interested in them as customers. However, this issue should be handled very carefully.

Building clientele is the best way of keeping customers loyal to micro and small enterprises.

Avoiding giving away the store to family and social visitors is crucial. Other wise, over a period of time, a good amount of profit will be realized with every visitor consuming part of the products that should have been for sales.

Selling in collaboration with highly visible and well-respected supermarkets or distributors is a further alternative. In such cases buyers do not ask whether the products are of good quality or not. They assume that the product is of good quality, which is connected to the high profile of the partner. This does not however imply that the MSE that uses this outlet should offer low quality products as this would have a negative repercussion on the supermarket which it uses as an outlet Therefore, this approach can boost the enterprises sales and attract more customers. An example of this would be, if we could take the 'Meskerem' supermarket or 'Fantu Gebeya' as well known supermarkets and allow micro and small enterprises, that sell things such as kitchenware, pottery products, handicraft, small furniture, shoes, or woven products, to place their products in the shop and indirectly introduce their products, need not compete with the supermarket products. If the market place is regional, then the products can be distributed or promoted by means of a compatible retailing shop that is also regional.

Assigning a sales person with good communication skills is good selling tactics. Socializers sell by means of building friendships. Although friendship is an integral part of selling, the product should be the right one, both in its performance and pricing.

It is important and basic for micro and small enterprises to attain superior performance in handling customers. It does not cost them much.

Quick and easier sales can be reached by selling on a gross or bulk basis. However, it has to be noted that the profit margin can be thin. In such cases, the selling strategy should include tactics on how to introduce efficient selling systems with a minimal number of staff. The scheme should consider:

- how to make collection control more efficient;
- how to make credit sales system tighter;
- how to maximize sales volumes so that overhead costs can be spread reasonably.

Strategic Location of Sales Shop

As a retail shop is an essential linkage within the marketing channel, the location has to be chosen strategically. Even if it is a micro or small enterprise the location is a deciding factor.

The premise can be chosen by making a comparison analysis between the costs and benefits to be gained. Before choosing a location for the retail shop carrying out simple research concerning the potential buyers and the nature of the product could be advantageous. The study should identify the following:

- the type of potential buyers (attitudes towards the product and habits);
- the product type (e.g. durable, perishable, for low income, for adults, for girls);
- whether the product or service is in high competition or not;
- the method with which the retailer intends to attract the purchaser;
- the period of time in which buyers prefer to do their shopping.

Based on the result of the above research, the shop location can be selected by putting some criteria such as the ones cited below:

- if the product is consumable, such as food and beverages the shop can be located in residential neighbourhoods;
- if the product is meant for student consumption, then the shop can be located near schools and universities;
- if the product or service is aimed at tourists, it can be any busy location of interest to them;
- if the service is for young girls, such as hair dressing, the shop can be located in areas that can be reached easily and comfortably;
- if shoppers are from the upper class, the best location for the shop may be in a clean and safe area;
- if many competitors are situated in the same area, then this may be an advantage or disadvantage, all depending on your products and buyers – so please analyse this!

Distribution Strategies

If the number of handled steps is much more than a product should be handled, the product could be easily damaged. Accordingly, the strategy should be to handle only one merchandize at a time and to treat it delicately. This can be applied especially for perishable and restaurant products.

Product storage has to be appropriate. Due to the nature of the micro enterprise's market area, rats, insects and other rodents can be expected, in which case the products have to be protected from damage related to this problem.

Establishing an appropriate distribution network is necessary; besides it is also tactical to give the enterprises' product literature to the distributors, if any is available.

Distributing in gross deliveries to other outlets is a tactical alternative. As is the case with bread merchants and glue factories, it is preferable to sell bread to breakfast serving houses respectively glue to shoe and wood companies. This approach can bring forth advantages, such as:

- getting cash money;
- selling in larger quantities;
- saving time.

The system related to the receiving of orders has to be designed in such a manner that the order can be processed as soon as the customer places one. Customers having to wait for an order to be processed with staff doing something else leads to a bad customer relationship

The bread, 'dabo' and milk business enterprises can distribute door-to-door instead of selling in-house. There could be some consumers who prefer these products to be delivered to their houses.

MSE operators are not in the position to directly improve the situation with regard to their poor infrastructure. The relevant government offices can effectively handle this issue. Since this topic is important, the service providers should play a role to that effect.

Packaging Strategies

Packaging is a competitive tool and an important factor in strategic marketing. The use of appropriate packaging can improve sales and transporting aspects related to the product. Therefore, setting packaging

strategies is of importance. The packaging strategies for MSEs have to be very much cost oriented due to the limited access to finance they have. Some strategies will be discussed below.

A strategic packaging container would be one that can communicate a message of quality, convenience and reliability.

In the event of the enterprise considering a new packaging, a strategic container will be the one that can be used over a longer period of time. This is due to the fact that constructing a new one can be an expensive venture for MSEs. A package, which has a relevant design on the container, is an expressive receptacle. The design does not have to be an expensive one. The packaging should have a relevant graphic design on its outside. With respect to the MSEs the design need not be expensive, but should be one that can convey the 'Quality Message'.

Branding Aspect

As mentioned earlier some buyers are impulsive and make their shelf-choices quickly. Hence, the brand mark has to be clearly written. Most buyers in developed countries are brand-oriented. Manufacturers have to give much consideration to the quality of the product and equally good consideration to the branding. In most cases it is difficult to try or taste the quality and standard of a product at the point of sale. Therefore, buyers concentrate on brands of packaging or label design.

Transport and Protection Aspect

A product intended for export markets has to travel a long distance and changes in atmosphere. It passes rigorous climate, various rail, sea and air conditions. Hence, the protection function of the package requires serious attention. An exporter has to study the transportation means and condition of the expected voyage.

It is necessary to introduce an appropriate packaging to reduce damage, theft and material handling during physical transportation. For example milk, butter and oil are more exposed to damage and theft compared to other products. If the target market appreciates reusable containers then developing a suitable, portable and reusable package will likewise be appropriate. In the case of competition being stronger in his packaging, then before a new container is developed it is necessary to analyse the competitor's packaging situation.

Packaging Legislation

Nowadays, there are several issues on solid waste and they are becoming important agenda in international trade because of their implication in global competition and also because it can be a trade barrier, especially in the case of food and beverage products.

Lack of important target market knowledge can lead to serious consequences. Some of the end results can be the rejection of products and the formation of a bad image.

Certain packing materials could be totally banned or restricted because of certain ingredients in the material. Presently, importers and even some final consumers are conscious of the various different types and quality of retail packaging. Certain countries give great attention to the rules and regulations concerning consumption products such as food and drinks. This is because poor packaging can directly affect the health and safety of the final consumers. Some countries require the weight (both net and gross), the specification listing of ingredients, colour, method of usage and size to be written on the label clearly.

For more information, please contact the Chamber of Commerce of the importing country and have a look at specimen products from competitors who are already in the foreign market.

Participation in Tenders

Bid Announcements from a Marketing Perspective

From a marketing point of view, tendering is an efficient method to minimize the purchasing price and to create higher competition. Preparing tender documents for competitive government bids as well as every day non-competitive, non-government pitches take time. Some may be frustrated by the time it takes to prepare a tender document.

Bidding is never a simple or a straightforward task. The technique of the tender process has to be a vehicle to buy at a good price and with a high quality product or service in a fixed period of time. The formula for conducting successful tendering requires planning. When preparing a tender announcement document, the following issues have to be considered from the market point of view:

- the type of product/service required;
- the quantity needed; time schedule;

- the stock level and the purpose of buying;
- the situation of potential suppliers and the state of competition.

Contents of a Bid Notice

Bid notice contains various issues on the following main topics:

- authority in charge of tender (name and address);
- scope of tender, short description of tender subject (product or service type, specification, quality and standard level);
- bases for delivery (where to deliver, how to deliver);
- bid documentation compulsory contents (form of bid bond, bank guarantee, evidence as to the conditions' fulfilment);
- conditions to be fulfilled by the bidder in order to be inserted into the potential suppliers or service providers list (registration with the concerned authority, all taxes or other enforced government taxation levied in accordance with legal requirements of the country, no measures implemented against the bidder);
- date and hour of cut-off to submit the bid (the bid's arrival at the latest time, address to submit the bid);
- department and person responsible from whom to get tender documentation (time extent, day and time to get it, observance of the charge payment);
- amount and manner of payment for tender documentation (bidder's fee within the locality, bidder's fee outside the locality);
- dealing and marking of bidding documents;
- bid opening date and manner of opening;
- restrictions on the side of the tender authority;
- criteria for bid evaluation (monetary investment, professional references, character and extension of participation).

Citing an Example of a Domestic Bid Announcement

In case the source of funding for procuring the supply is from Ethiopia and the invitation is mainly for potential domestic bidders, bids are normally published in government newspapers. Hence, an example of a tender

invitation, which was issued in the Ethiopian Herald, is demonstrated below. If the looms requested in the example below would be at a smaller scale so micro and small enterprises (MSEs) would be potential suppliers, it would be important to note the announcement carefully.

Example

Tender Invitation

No. KTSC-05/2003

Kombolcha Textile S.C. would like to invite eligible suppliers for the supply of 4 pcs. of weaving looms on tender basis.

The objective of purchasing 4 pcs. of looms is a pilot project to change the existing old versamat looms by better low cost weaving looms to produce both local and export products.

Bidders can obtain bid documents against non-refundable payment Birr 30 from the office of the Commercial Department of the Company, located near the Ministry of Defense, or from the head office of the Company (Kombolcha-Wollo). Bidders should submit their offer and technical specification sealed and separately within 30 days of the first announcement of this tender to the address of the company as indicated in the bid documents along with 1% bid bond in cash, C.P.O. or bank guarantee (insurance guarantee will not be considered).

The bid will be opened at the 5th day of the closing date of the bid at 7:0am in the presence of the bidders at Kombolcha, Wollo. The company has the right to reject partially or the whole of the tender.

Address:

Tel. 251-1-51-3797/511805, 251-3-510215/510103

Fax 251-1-511771, 251-3-510266

Kombolcha Textile Share Company

Source: The Ethiopian Herald, Wednesday 31 December 2003

Characteristic of an International Bid

The nature of international bidding varies from domestic bidding. International bids require that a notice be placed in well-known magazines or daily newspapers and trade publications of wider international circulation. The time allowed for bidding on an international level is therefore much longer than that for domestic bidding.

An example of an invitation to bid where the fund was partially or totally from the African Development Bank will be cited below:

Example

Invitation to Bid

Date 31 December 2003

Loan No. ADF/ETH/EDU-3/98/40

IFB No. ADF/NCB/BEN/01/2003

1. The Federal Democratic Republic of Ethiopia has received a loan from the African Development Fund in various currencies towards the cost of Education III project. It is intended that part of the proceeds of this loan will be applied to eligible payments under the loan agreement for the construction of two new primary schools in Metekel Zone for Eyaja and Albasa Village Primary Schools. Bidding is open to all bidders from eligible member countries as defined in the ADB's rules of procedures for the procurement of goods and works.
2. The Benishangul Gumuz Regional State Education Bureau now invites bids from eligible bidders for any or all of the lots described below. Bidders shall be in the category of GC/BC 7 and above, and who have renewed their license for the years 2003/2004.
3. Complete set of bidding document may be purchased at the Regional Works and Urban Development Bureau Engineering Department, P.O. Box 53. Tel. 07 - 75 03 98 / 75 03 95 upon submission of written request and non-refundable fee of Birr 150 or its equivalence in a freely convertible currency, for each lot. Interested eligible bidders may obtain further information and inspect the bidding documentation at the same address.

4. The provisions in the instructions to bidders and in the general condition of the contract are the provisions of the African Development Bank standard bidding documents: Procurements of small works.
5. Bids shall be valid for a period of 120 days opening and must be accompanied by a bid security, in the form of C.P.O. of at least 2% of the bid amount or its equivalent in a freely convertible currency, from a reputable bank and shall be delivered to the above office on or before Friday, Feb.13, 2004, 10:00am local time. They will be opened in the presence of the bidders or their respective representatives who wish to attend at Monday, Feb. 16, 2004, 4:00pm local time at the same address above.
6. The employer reserves the right to reject any or all bids.

Benishangul Gumuz Works
and Urban Development Bureau
P.O. Box 53, Assosa
Tel. 07-75 03 98, Assosa

Source: The Ethiopian Herald, Wednesday 31 December 2003

Rejection of Bids and Bid Extensions

There can be various reasons for bid invitations to be cancelled or rejected after the announcement. Bid-inviting organizations put the statement that they have the right to reject part or all bids. Even after responses are delivered, rejections of some documents presented by suppliers are inevitable. Not all bidders can be winners.

Tender participants need to handle any potential buying objections in advance and try to turn those disapprovals and complaints into buying triggers. Some of the main reasons for rejecting are the following:

- the bid did not meet the circumstances mentioned in the tender;
- the license was not renewed or not valid any more;
- the tax clearance certificate was not presented;
- the renewal registration certificate on the specific products/services invited for bidding was not presented;
- the technical data required were altered;

- the budget allotted for the purchase was not compatible with the offer;
- the document was not signed and sealed;
- the bid received enclosed critical irregularities.

If the bid is rejected, the bidders are not allowed to compensation.

For various reasons bid announcements are sometimes extended by the newscasters or announcers. The extensions are in relation to submission dead lines, and opening dates. In the issue of time addition some bidders are seen to complain but it is appropriate and can be done for various reasons. One example of bid extension will be shown below.

Example

Bid extension

As time extension for the bid submission date for furniture and fitting is required, the submission date, which was scheduled to be January 08, 2004 announced in The Ethiopian Herald Vol. LX-No. 076 on 9th December, 2003 and Vol. LX-No. 078 on 11th December 2003, is extended to January 15, 2004 on or before 9:00am local time. All other instructions and conditions remain enforcing.

Commercial Bank of Ethiopia

Source: Ethiopian Herald, January 4, 2004

Micro and Small Enterprises' (MSEs) Role in Tender Issues/Subjects

When micro and small enterprises (MSEs) are issuing tenders to buy raw materials, unique products, or expensive services, it is important to follow the bid procedure as well as all legal procedures. If MSEs are looking for suppliers of unique and upscale or high standard products, their buying announcements need to be strategic and be based on an intense bid program.

Like in any other business, participating in a tender requires planning. If invitations to tender do not contain all relevant information that enable the potential bidders to make a competitive offer at the first time, they may need to repeat the bidding exercise taking more time and cost resources.

In contrast, if micro and small enterprises are ready to participate as suppliers or service providers in a tender, they need to take the opportunity to clearly reply to the potential buyers' requirements and supply professional bidding documents.

In the event where competition is severe bidders need to be tactical in their presentation and responses. In general, they need to quote prices so as to convince prospective buyers that they will receive a good return on their investment.

A winning Bidding Document (bid responding)

If a tender participant wants to succeed in a tender, following the below listed tips could help:

- plan for a serious participation and not for a half-hearted parttaking;
- understanding the priorities of buyers is an important factor to consider before writing the proposal;
- study the demand level of the item/service required to be procured;
- the structure and words of the document to be presented has to be sellable and persuasive to prospective buyers;
- set pricing strategies that will impress potential clients for getting exceptional value for the money they pay;
- the delivery time of services is an important aspect; express it in a very appealing manner;
- find out about prospective buyers' vital requirements;
- learn competitors' way of participation (if beneficial) and make use of it;
- in the event where technical involvement is required during and after supplying, impress your prospective buyers by highly-skilled professionals;
- clearly emphasize your strengths;
- safely underplay any inadequacies of your business;
- look into how to outline your document and make it persuasive, readable and comprehensive in order to establish a good thought and feeling;

- make your outline as persuasive as possible in order that the offer is perceived feasible and valuable by the decision makers;
- plan in advance how to adjust your offer according to the request and requirements of the tender provider if asked at any time;
- find out what your competitors are doing and use the information and records to stand out against them;
- find out about the prospective buyers' techniques for comparing different offers;
- in the event you have to justify your outline and demonstrate your products, set strategies on how to present yourself.

Bid Formats

There are various bid forms that are important in a tender procedure. Some of the main forms are the following:

- **Invitation to tender:** Invitations to bid are published for a minimum duration. They should be published at least twice in one consecutive week in The Ethiopian Herald and/or Addis Zeman or other public media.
- **Instruction to bidders:** every instruction should include:
 - the methodology of evaluating the bids including the evaluation criteria;
 - an indication of what the bidders should include in their offer: type of item, name of the producer, country of origin, model number and year of manufacture;
 - the information that a Certificate of Registration in the supplier's list is required;
 - the information that bidders must indicate their name, signatures and addresses;
 - an indication that the bidders shall not alter or amend and that they shall not withdraw their tender after the opening ceremony;
 - an indication that bidders, who attempt to influence the tender shall be disqualified from that contract, future Government contracts and shall forfeit its bid security;

- the place and the time where bidding documents will be presented to the public and an indication that the samples shall be returned to unsuccessful bidders;
 - the time and place of delivery of proposals;
 - the validity date of the tender;
 - an indication of bid and performance securities required;
 - the date and time of the closing deadline for bids and the opening of the bids;
 - the indication that bidders must observe the country's laws against fraud and corruption (including bribery) during the procurement process.
- **Contract forms:** With this form the purchaser and the supplier agree on specific conditions. The points for agreement include for example the product type and technical specification, price tables, general circumstances for pertaining the agreement, delivery schedules or governing law.
 - **Bid form:** The points that are included in such form are total price, guarantee of money for x % of the contract value for the due performance of the contract, agreement on not accepting any other bid after the signing of this contract.
 - **Price schedule:** This form takes care of issues concerning the description of the item, its quantity, country of origin, unit price, and total price.
 - **Performance security form:** This document is usually used as a guarantee by institutions like banks and insurance companies on behalf of the supplier. It fixes payments in case of default by the suppliers or service providers.
 - **Bid security form:** This form is used to guarantee payment in order to enable a bidder to participate in a tender invitation. It refers to situations where the bidder fails to comply with the tender requirements except in the case of *force majeure*. It specifies clearly the guarantee validity date.
 - **Manufacturer's authorization form:** This document is meant to contain issues like authorization of manufacturers to their agents and warranting for the supply of goods. This manufacturer's form is mostly required to be stated on the letterhead of the manufacturers and be signed and sealed by them.

Payment for Bidding Documents

Bidding documents may be sold to any interested bidder upon the submission of a written application and a non-refundable fee.

**For more details on Tenders refer
to the Tender Guide on the web page
www.bds-ethiopia.net/tenders.html**

Strategies in Relation to Finance

Although this issue may not be directly related to the subject of marketing, it cannot be seen separately when setting strategies for micro and small enterprises. Some recommendations are cited below:

Because of the scarcity of MSEs' cash reserves, they need to carry out simple cash flow calculations and monitoring at a fair degree of accuracy.

MSEs have to be very careful in spending their cash.

MSEs have to learn how to document expenses and sales. They need to be disciplined in controlling their cash.

**For more details on the
Cash Flow Statement refer to the publication
on "Accounting and Cost Calculation"**

Managing Prices

Competitive Strategy towards Profitability

It is only after studying competition that a firm can plan the pricing strategy effectively. The subject of competition is a key point in pricing.

In a competitive situation, an enterprise needs to capture any changing demand. During market entry competition may or may not be severe. But after succeeding in entering the market and the business starts to grow, it can face high competition from new marketers. When there is a large market challenge, the firm has to be strategic and has to carry out research, in order to overpower competition.

One unfortunate fact that can be observed in certain Ethiopian companies is that they have no time and sufficient budgets to conduct research connected to competition. But the least they can do is to involve sales people to get competition-related information. Sales men are in constant contact with different buyers and certainly hear much about competition. This can save time and provide many advantages. The other option, particularly for enterprises with sufficient resources, is to hire a consultant who has specific business know-how and experiences. Qualified consultants can update a firm with the necessary information on competition in a short period of time. In addition, the firm can contact certain people who know the industry well, as every market place has external experts.

Competitive Advantage

Competitiveness at a domestic level is seen in terms of opportunities a firm can have, which other enterprises may find difficult to attain. Planning and implementing appropriate strategies can improve the competitiveness of an enterprise in various ways. A firm needs to examine and evaluate its strengths, weaknesses and its present market share, in order to visualize the factors that give it an edge over its competitors.

Competitive advantages can be gained and conceived by different means and different sources. The following may provide valid bases and tools for achieving a competitive edge:

- offering broad and different product ranges, as compared to the products of opponents;
- fixing attractive prices that could be best achieved by producing at lower costs;
- having a retail shop in the busiest sites with an empowered sales staff;
- having chain stores can build a competitive advantage by creating convenience to buyers. However, this approach needs to consider how to employ low overhead costs;
- maintaining entertainment facilities is a means of obtaining more advantages over competitors. Such facilities offer convenience and ease during shopping and nowadays it is greatly valued by customers as a recreational activity;
- presenting a more superior and improved quality of products is an important source of beating the competition;
- using a well-known brand could be a means of creating a competitive advantage. However, the brand has to be valued by customers in order to build up a worthy image;
- presenting high-tech and fashionable products can give competitive benefits. Although technological innovation and fashionable products can give advantage, customers who do not find such things of value could resist the high prices that result from this;
- providing unique products (buyers can accept the cost-plus for the added advantage they get from the product.) Buyers who are not sensitive to prices that are worth compared to other products may give this issue more weight. In fact such buyers take costs into consideration, meaning that they want to get the best for their money and as a result become loyal to those products that are the most cost effective;
- availing various sales facilities such as return and guarantee facilities. This may require good budgeting and planning, but if applied it can result in good advantages related to gaining a larger share of the market;
- efficient and fast selling services provide an important competitive advantage over rivals because speed by itself is of value to buyers. Nowadays, customers seek quick services. They get frustrated with delayed orders, and insufficient sales

handling. Regardless of whether products are bought via ground logistics or telephone, speed is a very important issue in attaining a competitive edge;

- having unique and convenient packages can give an advantage over the other competitors who give less attention to the packaging aspect of the product;
- exhibiting better management and suggesting fine-tuned judgements;
- focusing on a given market niche is one factor that can be an essential factor in competition. In this case, buyers achieve an advantage, simply due to the fact that the companies can respond faster to consumers in the niche market.

Companies with a competitive edge can out-strategize their opponents and win the 'battle' within an industry effectively.

Dealing with Pricing in Micro and Small Enterprises (MSEs)

Many entrepreneurs managing small enterprises express their view that it is easier for them to develop new products and focus on product strategies rather than to look into pricing aspects of market. As is obvious, focusing on product development and modification is important, but that does not replace the need for looking at price aspects of the market. It is true that the issue of pricing is felt as a painful venture, but we need to look into certain laborious and troublesome issues, in order to reach a higher level. By avoiding some difficult jobs, a firm may lose a large profit opportunities.

- Price is understood as the value customers pay to acquire a product. It is an important factor in selling. A basic principle is that the relationship between the price of a product and the value it gives to customers has to be fair and proper. Customers know how much they have to pay for their commodities and, therefore, are interested in comparing the value they attained by the product to what they paid for it.

In order to carry out a sound pricing strategy, some facts on marketing and simple accounting have to be prepared. The firm needs to:

- calculate costs of operation separately from family expenses;
- refer to the enterprise's profit objective ;

- study if the product is unique or is available in the vicinity;
- find out if the plan is to satisfy a certain niche of market or if a plan is still to be defined.

A micro firm needs to have basic accounting practice. Keeping the enterprise's financial records separate from family accounts creates a good basis for planning the pricing strategy. Even if it is a home business, keeping records accurately is important in setting prices.

If the firm believes that keeping records is a waste of time and space, in addition to having difficulty in setting the price, this can result in chaos and bad relationships, especially with regard to the following organizations and individuals:

- the insurance;
- share holders;
- the bank;
- creditors.

Price testing

Setting price without prior testing of its impact on sales is risky. It is therefore much safer to test the effect of the price on:

- demand;
- competition;
- movement of market shares;
- acceptability of the product;
- quantity of sales.

The method therefore needs to be tested at a modest level before spending time and resources. Such trials can give the company an opportunity to:

- understand potential reactions of customers;
- evaluate if the pricing approach will pay off;
- learn how the domestic market works;
- discover competitors' reaction.

It is much better not to launch a new product before testing and considering a good price choice for the buyers.

Market testing for price setting can consider different steps as illustrated in the following table:

- setting prices;
- performing promotional programs;
- interviewing relevant buyers;
- collecting data and information;
- seeing competitive reactions;
- analysing results;
- revising prices.

When testing different products for price setting aims, some products can be more price sensitive compared to others. In most cases commodities such as medicinal products could be low or non-price sensitive. In contrast some lavish consumable products can be more price sensitive.

Price Comparison

Buyers are likely to compare prices of similar products. Some intense buyers even compare product prices of one and the same firm in different locations. Selected buyers base their purchasing decision on prices only.

Some of the common blunders that are made by some enterprises are that they fail to differentiate the true relationship between the so-called 'existing product' and 'substitute product'.

A firm can positively stress its product's advantages over that of competitors, but if it belittles competitors, especially over the media, these may back fire on the firm, buyers can discredit the firm and confidence is lost. In addition, during price comparisons and explanations to the buyer it is inappropriate to:

- bad mouth the competitor's product quality versus its price;
- disparage the competitor's costing structure;
- underestimate the competitor's pricing system.

When a firm compares prices of competitors, checking the unit price only is insufficient because all terms and conditions of sale have an impact on the price. A quotation with a reduced unit price does not necessarily make a seller stronger. In many instances a competitor's high price quotation can be justified for reasons such as:

- promising quick delivery;
- providing assistance in transporting or moving matters;
- including maintenance service for a period of time;
- supplying additional spare parts and auxiliary goods.

Pricing unique Products

The definition of uniqueness should be based on the customer's needs. Some buyers expect and look for distinct products with unique colours, designs and features. There are certain categories of consumers who want to purchase unique products.

Customers accept a higher price for unique products, but only if they value and accept the uniqueness. The increase of price to be made has to be equivalent to the difference it provides customers with, as compared to that of competitors. Product uniqueness could confuse some enterprises because it does not take the features of the product into account, but rather the buyer's requirements and recognition of its exceptionality as well as the potential of the product to satisfy this group of people. If buyers do not perceive the product as being unique, then a higher price cannot be considered because buyers will not recognize the reason for the additional charge.

However, such distinct products, which are not in market, are mostly manufactured on order at a considerably higher price. This type of pricing strategy may lead to only a small percentage of buyers.

In some instances the high price in itself may be one factor to classify the product as being unique. It may seem contradictory, but there are buyers who perceive high priced products as being unique. They prefer to buy products with higher prices, with the assumption that the product will be bought and owned by very few high-income groups only. To this type of buyers the high price is a sign of pride and it gives them a sense of worth.

From the sales point of view, this approach needs to consider the fundamental importance of appropriate promotion. It is necessary to publicize the uniqueness of the product to different potential consumers.

Pricing for Quality Products

For the price to be acceptable to buyers the product has to prove its quality in appearance and precision. Based on the awareness and vision of

customers, if quality is upgraded, then the seller has the opportunity of increasing the price.

In most cases the product's quality is only tested by the customer when it is tried out at home or elsewhere. This is because most products cannot be tested at the point of purchase. Therefore, the high price should prove to the buyer that the product's quality is consistent throughout its entire life cycle and not only during the purchase time.

If the price for the quality of the product is appropriate, then there is a good chance of the product achieving repeated purchases.

Considering all the advantages of producing quality products, investment in quality improvement is always useful.

If an enterprise has confidence in the quality of the product it sells, then it can give a 'Quality Guarantee' to its buyers. Customers value guarantees towards quality assurance because they aim at obtaining products that are equivalent to the value they pay.

Location focused Pricing Mode

The prices of products sold in places where there is a high frequency of people can be higher because the situation of moving buyers is different compared to stationary buyers. Examples include:

- tourist products sold in tourist areas and churches can be more expensive compared to the same product sold in other shops;
- food products and beverages in airports can be more expensive compared to other places. People in airports are on the move and consumption cannot be postponed, therefore, the seller can use this advantage to sell at a higher price;
- higher prices may be charged for products with no alternatives in a given area and within a pressured time. Whereas lower prices may be paid for the same product which is available in other areas and where there is no need for immediate consumption.

Time based Pricing Strategy

The demand for seasonal products is time-based. During the high season, the price of a product becomes elevated, and as soon as the season ends the price is discounted.

For instance during the rainy season, it is obvious that raincoats, umbrellas and winter shoes will be in greater demand and as a result of that the price rises. When the season comes to an end the price will drop. In some retail shops products are even removed from the shop at the end of the season until suitable weather conditions return. This situation is also common in small shops around Merkato (market place) in Addis Ababa as well as other localities, where they only have a small area to display the products.

In conclusion, when the demand for a product peaks, prices rise higher; however, buyers will certainly still buy them at that price.

Bulk Purchase Pricing Methodology

The strategy of undercutting the ruling price aims at achieving a higher volume of sales, but with lower profits from each product unit. Pricing that considers volume purchasing is a policy matter to consider. This strategy is mostly applied in large supermarkets and chain stores.

Payment based Pricing Scheme

Most enterprises prefer to charge a lower price for cash payments as compared to sales on credit. Such a pricing strategy may be more effective to those business organizations that enter the market at a late stage.

In some cases when the products are of high value, a market study may reveal that the quantity to be sold will be lower, if the sale is carried out on a cash basis. In such events, the alternative of selling on credit can be considered, in which case a higher price can be charged.

The objective of credit sales is obviously to stimulate sales and simultaneously to make profit. The marketing and finance fellow managers have to consider this issue together with the company goals and objectives. The issue of allocating higher prices for credit sales requires a solid financial decision.

Captive Pricing

This strategy considers the price of the major product with a view to future sales and in relation with the complementary product. It predetermines the role of the complementary product throughout the entire life cycle of the main product. This option is not easy. It requires considerable planning and experience. Since pricing is dependent on many factors, enterprises need to make a comprehensive study of consumers' response on this choice of price.

An enterprise can stretch out its profit objectives on the price of the main and complementary products. The price of the main product is minimized with the assumption that the sales turnover of the complementary product will be fast because of its consumption nature. For instance, the purchase of a computer ink-printer may be repeated only after a long period, while purchase of the ink refill may be bought more frequently. A similar case is evident when purchasing toothbrushes and toothpaste. A buyer purchases a toothbrush only once in a while, whereas he buys toothpaste more frequently. Similar cases are the purchase of razor and the respective blades, computer and software, camera and films. Therefore, this theme considers a secondary revenue outcome.

In the event that the enterprise also sells complementary products separately at high prices, the sales turnover of the complementary products could be slow. Consequently, the potential sales of the key products may well be depressed. Therefore, the enterprise has to be aware of its customer's reaction to the prices of the corresponding product.

Pricing Method to reduce high Stock

A price decrease can be suggested for products available in high stock. In the event that demand does not match the supply, short-term time customized reduced prices can be used to clear inventory. If appropriately applied, the decision can merely avoid an 'over-stocked warehouse syndrome.' Before proceeding to allocate reduced prices for products available in high stock, the following points have to be considered and analysed:

- market situation and competition;
- characteristics of products;
- cost of maintaining high stock as compared to the benefit gained by selling at a reduced price;
- advantages that can be obtained by clearing the store area.

Although stock holding is important in domestic sales (depending on the type of product), products stocked for longer periods can incur the following problems:

- high carrying cost;
- high insurance charge;
- danger of damage;
- risk for obsolescence.

Bundle Pricing as a popular Method

Some customers call for and are enthusiastic to buy products as a package. This choice allocates a reduced price for every increase in the quantity of a bundle. The enterprise should calculate and set the maximum price reduction that it can afford.

Selling in bundle can bring positive price elasticity provided the decreased price is valued by customers versus the advantages they can profit from by buying in bulk. It can also be organized by selling the first product at full price and the second one then at a discounted price. It is an indirect price incentive to customers.

The primary focus of this strategy lies in sales maximization by selling in large quantities, with the objective of attaining higher profits in the long-term. If the market reveals that selling in a bundle decreases the sales quantity, then this strategy is no option.

Market Penetration Pricing

Before announcing the actual market penetration price, intending to enter the market on a large basis, some market factors have to be examined.

After setting market penetration price and once started selling, continuous market survey should be done to assess market movement and consumers reaction. In the event the survey result justifies an increase of price, the addition has to be equivalent to the product's value to consumer versus competitive products.

This approach requires careful assessment and analysis because if low prices are allocated, then the profit margin of the enterprise can suffer. In addition, many micro and small enterprises may lack cash to sustain their businesses for some time.

Pricing for Products requiring quick Delivery

The price for shorter delivery time could be higher due to extra cost. Therefore in most cases higher price for urgent delivery is justified and buyers are willing to pay more money to get the product on time.

When quoting higher price for delivering faster, there are many costs that will be involved. It is advisable for firms not to assume that the buyer understands the extra costs that will be incurred with quick delivery. It is better to explain to the customer why the costs are higher compared to the regular delivery.

Pricing for Products with high Availability

The method focuses on selling fewer products at a higher price. It focuses on the fast selling products by displaying them in the front shelf. This provides easy access to buyers who purchase for emergency purposes. Besides it gives preference to purchase from which the buyer has personal relation such as friendship. The high price that this choice poses is paid for:

- availability whenever needed;
- handiness of quick service;
- accessibility in a near by locality;
- preference to purchase from which the buyer has propinquity relation.

This type of pricing strategy is more appropriate for products such as:

- first aid effects;
- food products;
- medicinal products;
- baby need;
- cigarettes;
- beverages especially alcoholic drinks.

Discount Pricing

Price discounting is one approach that can be a means of encouraging people into purchasing, especially those on board of buying. Using a reduced price as an incentive can work better when applied after completion of buyers' requirements. Besides, this approach can be applicable when there are newly developed products or when a rapid technology change exists.

Discounted allowances can be carried out in various different ways. One choice would be to allow reduced prices for specific products for a longer period of time. The other option would be to discount prices of all products, but only for a very short time.

Some people only buy because products are on 'sale'. But some people do not only want to see prices cut, they also attach importance to the realisation of delivery promptness and quality prerequisites. Therefore, in such instances the price strategist has to simultaneously consider the buyer's requirements.

The wider the price gap between the regular and the reduced, the more buyers are attracted into purchasing. In fact, sometimes there are buyers who search for low prices even with bizarre standards.

It is sometimes hard to make new claims about existing products. But, a price reduction program provides an excuse and opportunity to say something new about a product and to bring products once again back to the display site.

The responsibility of offering a reduced price can be divided among the various sales authorities within the retail or wholesale shop, whereas a larger percentage discount can be limited to the authorities at a higher level. Allowing discounted prices requires more vigorous handling, honesty and integrity. Delegating the sales force to offer reduced prices has advantages and disadvantages. The advantages include:

- the sales person has direct contact with the buyer, and he sees buyer's situation in accepting or rejecting price therefore his decision can be more correct;
- some buyers are large quantity purchasers, in which case they usually ask for a discount directly at the sales transaction;
- the sales person can be more aware of temporary competition in which case his decision on prices can be valid;
- in some instances, giving certain discount authority to the sales person is an incentive by itself;
- customers feel confident to see that the sales person has some level of authority on pricing rather than saying, "I have to consult my manager/supervisor."

The disadvantages of delegating sales people in a shop to give discounted prices are:

- if the incentive is based on the sales quantity, then the sales people will be tempted towards making more discounts than necessary;
- in some instances, such delegations could lead to dishonesty and a lack of integrity;
- some purchasers who know that the sales person has the authority to make discounts, may continue to pressurise the person to further reduce the price;
- some sales people lacking negotiating skills may end up giving too low prices that yield too little profits.

Pricing Tactic by decreasing Package Size

Whenever there is a need to decrease the packaging size of the product, customers need to be informed. If consumers feel cheated, it may result in an unfavourable reputation with negative consequences on sales. Public outcry is the most dangerous and worse case scenario in marketing.

However, the strategy of decreasing packaging size can also be appreciated by buyers, since they will trust the relation between what they consume and what they paid for. The strength of this strategy lies in its capacity to convince consumers that no waste of material was used for the money they paid for.

Customary Pricing

Some enterprises manufacture products that are already introduced into the market, yet that might be new to that particular firm. Such companies find it difficult to introduce a price profitable enough for their companies and also acceptable to potential buyers, due to them being familiar with equivalent products.

Besides, the fact that these companies have new investment costs makes it difficult to sell at lower price. The cost of introducing new products is relatively high. For products that have already entered the market the firm might be obliged to set the same price as competitors because consumers have been paying that price for a longer period of time. If the firm aims at selling the product at higher price, then it could be difficult to find buyers easily, although there could be buyers who enjoy trying out new products.

On the other hand, if it starts at lower price it could face problems with competitors.

Pricing for increased Rate of Return

The system focuses on a minimal profit and covering the costs of the investment with less risk. This approach may have some pros and cons in relation to price wars. Enterprises that are cost-oriented can apply satisfactory rate of return method of pricing strategy. However, cost pricing is not a measure of market value, since it may not consider the product's value to the customer. In setting a price that provides satisfactory margins the following costs and market factors should be considered:

- competitor's price;
- breakeven level;
- commission to agents;
- expected profit at satisfactory rates of return.

Pricing for Products with minor Defects

Before outlining the pricing approach that should be followed in relation to products with small defects it should be mentioned that sellers have to know beforehand what the country's law states with respect to the sale of such products. Please note that this issue does not by any means refer or relate to dangerous or unsafe products or to imported second-hand or defective products.

The topic implies to products with small defects such as a missing button on a dress, defects in packaging material, slight colour changes of the thread, petite defect in the zip etc.

Since the main subject of this section is how to price products with minor defects, some points that should be considered in pricing decisions will be considered in the following. An enterprise needs to:

- study if the law permits the sale of such a category of products in its defective condition;
- check the fairness and safety of the products with minor defects in connection to consumers rights when selling;
- investigate the possible reaction of potential buyers;

- examine the possible liabilities the company has to shoulder in the event of the defective products causing material damage.

However, if the price is not low and attractive, the buyer's preference could shift towards buying a new product at a higher price, unless a shortage of supply exists and purchasing power is low. The only advantage customers get from buying such products is the low price. Why should they otherwise prefer to purchase goods with deficiencies?

Checklist for Managing Prices

Market/Business Analysis

- Who are the competitors?
- At what price level do competitors sell the products?

Pricing

- Is there a viable accounting system, which gives information on your costs?
- What are the costs per product unit?
- Did you consider all pricing methodologies for different products?
- Which pricing strategies are the adopted ones?
- Is there any need to set alternative pricing strategies for products and services?
- Discuss the advantages and disadvantages of setting increased and as well decreased prices.
- Did you test the new pricing strategy?

Product Development

Product Strategies

An existing product can be modified by improving its features, without altering the benefits to be gained, in order to attract new users or to increase its usage.

If the product's lifetime of the product is on the downturn, then MSEs can look for new target markets and introduce the product appropriately.

Upgrading quality continuously is the best strategy to follow, however, only if the micro and small enterprises can afford it. Moreover, with the different constraints the companies have it may be difficult to set such strategy.

It is obvious that quality plays an important role to play on getting repeat purchase

If upgrading quality is too expensive, then maintaining the current level is an important strategy. In the event, that the enterprise's products are for sale to customers that are quality oriented then the characteristic has to be satisfying.

Some MSEs can develop a strategy of manufacturing broader product lines. This strategy allows to profit from economies of scale, which in turn will benefit customers in getting inexpensive prices due to reduced overhead costs and so forces. In addition, manufacturing a wide or full range of products in different designs allows customers to do all their shopping in one location. This could be applicable for products, such as raw food products, handicraft products, or kitchenware.

When planning to develop a new product the decision of which product and design to manufacture needs to be based on research and not just on a temporary demand for a certain product by a handful of people.

When the demand for existing products is on the downturn the possibility of changing the design, size, features, or colour. becomes necessary in order to maintain sales. Moreover, such strategies require expertise in idea development and technical skills.

Establishing brand names can create more acceptability and a brand name can command higher prices. This strategy may work for small enterprises, but not for micro enterprises since it requires some expense and market campaigning. Nevertheless, branding can be applied to products, such as glue, milk and so forth.

A narrow product line with more depth to quality is a liable alternative. This can be more appropriate in furniture, photography, hairdressing, weaving, and garment businesses.

Creating linkages between manufacturers of raw material and those who process products is a worthwhile approach. For instance weavers can be connected with spinners.

Creating linkages between manufacturers and suppliers is a good way for MSEs to attain a continuous supply. For instance, manufacturers of chairs, tables, low bed chairs (duka) etc. can be linked with plywood suppliers. This applies also to those who manufacture cooking pans and caps who can be in touch with the metal sheet suppliers etc. Cutting product lines and focusing on fast selling products by marketing them effectively can be a good approach to reduce inventory on a much more rapid basis.

Market Research

Market research as a whole is integrated with the total business planning because it deals with the identification of present and future market situation in general. Therefore, trading has the task of going into detail of research work. Nevertheless, an export enterprise has to first acquire knowledge of the respective market potential. It is very difficult to plan world market entry without conducting market research priory. Research also provides the advantage of eliminating the dangers of intuition:

- who are the current competitors in the market?
- what products are sold and at which prices?
- how do their packages appeal and how are they advertised?

The following issues can be addressed by research:

- what product is needed?
- the needed quality and standard of the product;
- how to penetrate markets and increase market shares;
- demand pattern of actual and potential consumers, competition;
- raw material supply;
- detailed sales information;

- price level;
- effectiveness of promotion programs;
- business trends;
- attitude and behaviour of consumers;
- existing opportunities;
- potential risks;
- identifying target markets;
- economic environment factors;
- distribution method;
- trade policies of importing countries.

The strategy of planning to expand foreign market can be accomplished through effective market research. Before planning to expand foreign market, a study of the issues listed below will help:

- the potential for the product in the market;
- what share of the market does the company currently hold?
- how many shares can be increased within a given period of time?
- who are the buyers of the product?
- why do they prefer the company's product vis-à-vis other competitive products;
- who are the company's competitors?
- what threats lie ahead for the company?

By means of an internal survey the following issues can be investigated.

- market share at hand;
- if production is expected to increase or decrease;
- advantages and disadvantages of selling one's own products at lower prices compared to those of competitors;
- company's strength versus competitors';
- the cost of slow sales;
- past export sales trend both in quantity and value;
- in the case of high stock of products existing, would price averaging help to sell out the balance, if so at what cost?
- impending regulations, which may affect trade.

By means of an external survey the subsequent issues can be examined:

- how and for what purpose do consumers use the product?
- how is their buying decision influenced?
- would promotional activities help sell the products;
- rough estimate of potential buyers;
- general economic and political situation;
- consumer's type and attitude;
- speculation of production capacity and emergence of giant producers:
- world consumption situation;
- emerging substitute products;
- existing competitor's prices and the reasons for price fluctuations;
- whether movement of price increase is in favour or against the firm;
- threats from competition and their effect on the market;
- if the product is best sold through agents, representatives or others;
- how plausible opening a foreign branch is and the cost.

Data Sources

The following data sources are suggested for exporters

- foreign embassies in Ethiopia;
- chambers of commerce;
- trade associations;
- government offices;
- banks;
- UN and other institutions;
- local journals;
- technical research papers;
- international journals;
- foreign directories;
- Internet information sources.

Connection between Quality and Market

Marketing has to look into the strategic quality improvement because presently consumers are highly concerned and aware about their needs. An exporting firm can gain better market shares, if it follows consumer

requirements and measurements. Support and dedication from the management in quality programs is critical.

- what kind of products are already in the market of the importing country and how is their quality level?

Quality is not an isolated field. It is a recognized guiding principle related also to other marketing mixes. It encompasses different elements of theories. All depending on the product type some define quality as:

- performance, effectiveness, elegance, fitness, reliability, durability, safety, taste, conforming to standards, uniformity.

However, according to the definition provided by the Oxford business dictionary, quality is:

- degree of goodness or worth;
- general excellence;
- unbreakable;
- high social standard.

Some Ethiopian enterprises define quality as:

- maintaining requisite standards;
- defect free production;
- systematic inspection of products.

Specific Product Strategies

With an effective product strategy a firm is enabled to work fewer hours and make money much easier. Enterprises in developing countries require decisive product strategies that can lead their business to success. Classifying products in terms of different aspects of the market, such as stated below, provides a good basis for setting product strategies.

- benefit to consumer;
- raw material usage/requirement;
- life span;
- quality level;
- brand;
- packaging design;
- competition.

Whatever the product strategy is that is to be formulated, it has to be in line with the buyer's requirements as well as the changing needs of society.

In setting alternatives, conducting market research is a valuable tool. Research can look into major issues such as:

- uniqueness of the product;
- buyer types and requirements;
- consumption patterns;
- frequency of purchasing;
- availability of substitutes.

Setting product strategies can help enterprises to reduce any disappearing Birr and minimize the time that will be lost.

Enterprises should be keen enough to keep customers satisfied through their product strategy because the most important assets for a business organization are the buyers themselves. However, the strategy should focus on keeping customers happy with the products and with the way they are sold to them.

Product strategy that can build clientele and keep loyal customers happy can be termed the best.

If an enterprise realizes that its strategies are effective, it should reinforce them. In contrast, if it is required to change or modify the strategy to a certain extent after a given time, then adjustments in product approaches should be made without hesitating.

The pay off to revised product tactics based on market research is tremendous.

Although there are many successful product strategies, the ones that fulfil buyers' requirements have to be taken into consideration. Some product strategies fail for various reasons. The main causes for failure are:

- when a well formulated product program is poorly implemented;
- when important steps are forgotten or neglected during planning; for instance if the product approach forgets to take into consideration consumers' requirement;
- strategizing by giving more concern to the approaches of another companies compared to own intents and goals.

Product Standardization Strategy

Standardizing product has the advantage of minimizing production and marketing costs, which in turn provides a better price option to the buyer.

Products with the same standard can be introduced to different sectors of the domestic market. The strategy can give advantages of minimizing production and marketing costs. Despite that, the approach may not be applied to all product lines.

This approach relates to products to be sold to different markets that have the same product needs. In most cases, the product is of the same design, taste, size and specifications, except in few cases where it is slightly produced to account for local differences.

Standardization systems can have drawbacks in that the product's specification or design may not be compatible to all different areas. In such cases, to enhance the product's usage in many different locations, the application of an effective promotional program becomes mandatory.

Brand based Product Strategy

An enterprise can develop credibility and create confidence on customers through branding.

An appropriate brand name is decisive for consumer bondage or the identification of products. The trade name of the product can be used to create a perceptible notion of the product. In addition, it creates a visual impression of the product. Product branding facilitates one firm to be chosen

over another by just creating a branding image. The name by itself can act as the firm's spokesman and can keep 'brand loyal customers' motivated.

However, setting branding-tactics requires detailed study with respect to the following questions:

- which brand name to set?
- which brand strategy is more effective?
- which brand type is less costly in terms of promotion, packaging and selling?
- what are the advantages and disadvantages of one brand over the other?

This approach has the advantage of charging premium prices and helping products to sell more effectively. In addition, it helps companies segment their markets easily for further consideration.

Offering multiple Choices

This strategy provides the privilege of buying from one enterprise, and thereby saving time and other costs.

Some companies could have lengthy ranges of products, which are grouped based on raw material type, manufacturing process or product benefit. Manufacturing a full range of products in various designs and types provides good advantages to buyers, in the sense that they can make their selection from among many product lines, and besides, they can save time in doing so.

The approach of manufacturing a broader product line allows benefiting of economies of scale and creating high traffic sales.

This strategy focuses on keeping a large selection of products to facilitate a vast assortment to buyers and consequently, to sell big quantities of products and therefore bring success to the business.

New Product Development Approach

New product development strategy has to consider the potential buyer's needs. There could be instances where the temporary demand of a certain product is considered.

New product development approaches can be successful when and if based on market research. Some consumers prefer to purchase products just because they are newly developed. For instance, some young shoppers prefer to try out new product rather than sticking to existing ones. They believe that new products are more powerful compared to existing similar products. If the target market is a "yes" type to newly developed products, then the strategy of producing new products will work. These propose can also be applied in the event that the lifetime of the products decline.

The product to be developed may not be the best and most sophisticated, but has to be one that appears on the market freshly.

New product development has to refer to the original marketing plan and also it needs to examine the following issues:

- size of demand;
- continuity of demand;
- price issues;
- implication of future competition;
- availability of resources;
- skills required;
- investment rates of return.

Customized Product Strategy

This strategy provides an enhanced and more personalized buying option to customers whose product preferences are different to standard products. This approach has to look into aspects to which the buyer attaches more importance.

Producing customized products can provide the benefit of offering personalized products, which may not be available in other competing companies. This system provides the option of producing goods that fit a

particular buyer. Certain segments of market that do not appreciate buying standard products have the alternative of going to such companies to buy according to their requirements.

The promotional program for selling customized products can emphasize the advantages and benefits the buyer can receive from the system. The selling assertion should focus on things, such as 'made to fit you', 'fits your purpose', 'exact fit'.

High Quality Products

Buyers who are quality-oriented prefer to buy from companies who are known in the market as quality leaders or who have 'quality' as their motto.

A quality specialization approach provides the benefit of being known in market as a special enterprise, which consequently enables the firm to charge higher prices. Quality-oriented enterprises need to refine and add continuous value to their products, in order to keep buyers at bay.

Quality upgrading is the best approach and it distinguishes a company apart from competitors. The tactic has to create a good fit between the product and buyers needs.

Modifying existing Products

When the demand for an existing product declines, the possibility of changing the design, the size, the features or its colour is necessary. Moreover, the modification of tactics requires expertise in idea development and technical skills.

To attract new buyers and to increase product usage an existing product can be modified. This system needs to be considered in conjunction with both the features and benefits of the respective product. Another alternative is to modify the benefits only. However, modifying only the features may not be in the interest of the buyer because in most cases buyer's interests are the benefits he gets from the product itself. The buyer may be ready to pay for an increased price, provided the modification is in line with his needs.

Modification assumes prior market survey and it should answer inquiries such into:

- could the product be modified technically?
- how will the product be valued by buyers?
- what will be the costs of modification be?
- will the product have a competitive edge?
- would prices increase or decrease after modification?
- will new increased prices be accepted by existing and new buyers?

Checklist for Product Development

Research

- Plan some field research aspects for markets.
- What are the main sources for research?
- Who are the competitors?
- What products are sold and at which prices?
- Are there similar products?

Quality and Training

- Ensure the setting of quality programs.
- Is your product's quality based on customer requirements?
- Consider ongoing quality improvements.
- Has staff been trained for quality awareness?
- How is the quality of the competitor's products?

Product

- Understand competition before setting product strategies.
- Analyse product planning from different market aspects.
- Why do you plan to set different product approaches?
- Does your production program consider cost minimization?

Price

- Check your competitor's prices.
- Price level: Did you consider the issues that can affect prices?
- Take various pricing approaches into consideration.

Promotion

The very definition of promotion in a dictionary is 'to further progress', 'to rise to a higher grade', 'to take steps for the passage or formation of'. Likewise, the very definition of promotion in marketing is 'marketing activities designed to stimulate the customer's purchasing needs. It is one of instruments in the marketing mix that is designed to remind and persuade customers into buying a product or service.

Exporting requires more than the traditionally used promotional schemes. Planning for personal involvement that can keep the firm in touch with quality customers is an important tool. The promotional mix encompasses advertisement, public relations, personal selling and sales promotion.

Approaching potential Buyers

In promotion, "Trade mission" has an important role to play. After undertaking market research and potential buyers are identified, a visit to the market area is an effective strategy. During the visit, make sure you are equipped with all-important promotional tools such as:

- business cards;
- brochures;
- samples;
- video tapes;
- order slips;
- export and investment policies.

When necessary prepare "product kits" for demonstration purposes. Buyers could be more convinced when product demonstration is done. When visiting the potential buyer's manufacturing location, please dress appropriately.

Personal participation is important, at least until the business stands on its own feet.

Promotion through Demonstration

Customers want to try and test some products before making purchasing decisions. Importers prefer that a demonstration program be set to see the quality features and benefits of the product they plan to buy. In such cases, demonstrations can be effectively implemented to convince buyers. Consumers prefer to test that the product they intend to buy is in line with their expectations in terms of quality, precision and functionality.

Product demonstration as a promotional tool will be seen from different aspects; and to this effect a few points will be discussed below.

Some people are more sensitive to what they see and feel in comparison to what they only hear and demonstrations allow clients to assess the product using all senses. Distribute samples and brochures during the demonstration.

Try to make the presentation short and precise. Avoid making it complicated and difficult to understand and use the buyer's effectively. During the presentation it is not all about talking, it is also about listening as well. Listening to buyer is an asset. Allow the audience to whom you are demonstrating to ask questions to clear doubts and to express their expectations and needs.

- Discussions during demonstrations allow the sales person to understand the potential customer's special needs and expectations, which leaves the customer additionally feeling respected. Besides, your appearance during demonstration is also important. An appropriately dressed and groomed presenter grasps the attention of the audience.

Try to make the presentation personal. Refer to the buyer by his name or that the company was able to achieve a positive result. The customer should be given the feeling that you are there to inform him, show him the product, answer his questions and listen to his opinions.

Video or web page promotion in marketing is becoming popular nowadays and it is becoming more convincing too. Buyers like to be able to see how manufacturing methods and arrangements of products work.

This type of demonstration is very effective when it is done for an association, a large company or a group of organized customers. If the company can afford to provide a videotape that demonstrates product operations appropriately, then it will undoubtedly make the presentation effective. People analyse what they see in the videotape or on the web page.

Demonstrating is common during trade fairs particularly for manufactured goods. Trade fairs have a large influence in motivating buyers. It is an important promotional tool and is a means of exposing MSE products to potential buyers. Organizing trade fairs is expensive and can therefore only be accomplished with the assistance of MSE business development organizations. Through trade fair product sampling the product can be actually seen and operators can meet customers face to face, since, as is said, "seeing is believing." There could be products of MSEs whose customers have not yet been ascertained, due to the micro enterprises being mostly located in squint and distant areas. A trade fair creates a platform for distributing flyers, brochures and other forms of literature.

Event participation is also an effective tool and could be a relatively cheaper scheme. In some cases, sending staff of enterprises to assist in the event could suffice, if the firm does not have a budget for this.

Demonstration Pack/Kit

A demonstration pack is a kit that that contains few tools to illustrate or present the product. Depending on the product intended for presentation, the demonstration kit can contain:

- product sample;
- catalogues/flyers which explain the product's quality, price, customer service and means of distribution;
- business card;
- testing tools such as scales, tensometers, solutions, dolls and anything relevant to testing the product;
- coloured product photos;
- product information with video tapes or slides;
- client testimonial letters as a means of reference;
- promotional literature with usage and competitive advantage tips;
- any motivational materials such as gift products.

Telephone Handling

Telephone handling is part of personal selling. When a customer calls and he is confronted with difficulties in contacting the firm he becomes discontented very rapidly. Some even conceive the firm as being negligent and unskilled in handling business.

The telephone has to be handled efficiently. A telephone that rings for a long time is frustrating to the customer. More so, if the call is received and the customer is made to hold online for an extended period it is equally bad. Staff assigned to answering calls should clearly understand that they are there to assist callers who are key factors for the company's existence.

Promotion through the Internet

Although some organizations may not want to use Internet promotion, there are instances where they will be forced to use them. Once the target audiences are set, the program can be focused on the target market in a manner that will interest and attract them. Through Internet usage business organizations can easily achieve the following:

- create communication between the company, potential buyers, distributors and agents;
- feed buyers with all relevant sales information;
- encourage buyers to order through the network system.

Promotion through the Internet is easy and fast. However, it is equally, easy to give a bad impression and to damage the reputation of a selling company. Nowadays, business based on the Internet is growing faster than ever. In relation to telecommunications development the Internet and its mobility will dominate. By means of the Internet issues such as those mentioned-below can be discussed and transmitted:

- company product ranges;
- how to get products;
- contact details of agents and distributors;
- price and payment facilities;
- stock availability;
- delivery options;
- time required for delivery;
- product specifications, designs and levels of grade;

- shipping costs;
- opinion of customers;
- alteration of sales conditions;
- order placing.

Some surveys indicate that access of African countries to the Internet have risen over the past five years. The figure of 1998 indicates that presently many African countries have access, among which 44 African countries have full access in the capital cities.

Promotion through Flyer or Brochure

Developing a flyer is also an important promotional approach. Although a flyer can be smaller in comparison to a brochure, it should contain all the important facts that will help market the product. A flyer has to:

- communicate values;
- pass the required message on;
- be attractive.

Whatever statement is in the content it has to be substantiated. The flyer has to illustrate the product and its packaging design. Sometimes customers are good sources of evaluating the flyer before it is printed and distributed.

The need for having a brochure is higher in international markets in comparison to domestic markets. The brochure has to entail some sort of creativity, so that it will attract readers. A brochure has to match international standards, although issuing a good brochure is expensive. Consumers assume that, if the brochure has first class resemblance, then product is it too.

A brochure should exude confidence to buyers and pass a message that the product is qualitative and that the company is honest in serving its customers. One of the objectives of offering a catalogue to a customer is to help him look into points that can guide him into deciding to buy the product. The brochure has to:

- communicate values;
- convey positive messages;
- be attractive, informative and easy to read;
- assist customers in seeing what the business looks like.

The brochure has to be in the language of the target market and the usage of jargon words that cannot be understood should be avoided. Adding concrete manufacturing data that may interest customers are helpful.

A catalogue that does not explain functional features and benefits of the product is ineffective. Avoid using laudatory expressions and statements.

Customers that are short of time refer to brochure. Brochures are one of the best means of promotion, however, it has to be the right brochure. When considering the high costs of the “first-rate” catalogue, also consider the issue of saving because it encourages and motivates the audience into closing sales. The brochure has to consider the following compelling and important marketing issues:

- attractive cover page, company’s name and logo, including testimonials, using photos and including effective slogans.

Buyers visiting the Exporter’s Firm

In many instances, buyers prefer to visit manufacturing locations before placing an order because in some cases samples do not tell the truth about mass production. During the visit, international buyers like to clarify the following issues for themselves.

- the product mixes, sizes and colours; the quality standards; the operational efficiencies; the manufacturing capacities; the skills of the staff; the organizational capacities; the shipping efficiency.

During the discussion with the buyer, the firm should not 'bad mouth' any competitor. Stressing one’s own capability and superiority is the best strategy to take. All questions should be answered and they should only leave the enterprise with a trial sample and a brochure to take reference to.

Office Setting

Promotion through an appealing office is a connection of memory between the seller and the buyer. In addition, office decorations have to be relevant to the business. Avoiding impertinent office adornments is wise.

Office personality is a selling strategy. The image of a company's product is advertised by doing business in a presentable office. A business organization with a satisfactory working place will be accepted more. The appearance of the office entrance is critical because foreign customers always get a first impression as they arrive.

Designing an office is part of personal selling. The way an office is designed or decorated has an impact in sales. However, the firm does not need to use expensive furniture, but presentable ones. It is undesirable to have an office with:

- display panel full of dust;
- torn curtains;
- broken taps in the washroom;
- dark and dusty offices;
- no fresh air.

The above-mentioned conditions send a message that gives the impression that management is not at all concerned. In addition, it provides an impression that staff members have a careless stance towards the business organization. The consequence is that buyers lose confidence and refrain from doing business with a management who is not serious towards the total concerns of the business.

Checklist for Promotion

- What are your promotional measures to approach potential buyers?
- Do you dispose of demonstration kits?
- Do you participate on trade fairs and expositions?
- Consider the advantages of having a trade name and trademark.
- Consider packaging aspect?
- What kind of promotion do your competitors conduct?
- How do you choose a certain promotional approach?
- Considering different promotional methods and partners.
- Did you compare the costs of different promotional programs?
- How is your office and factory presentation?

Ethiopian Business Development Services Network (EBDSN)

List of Publications for Business Development

Start and Improve your Business (this volume will be published in 6/2004)

Identify viable business ideas, market and supply analysis, write a business plan, organise business management, evaluate sales, improve products.

Marketing Strategies for Micro, Small and Medium Enterprises

Marketing problems faced by Ethiopian businesses, marketing strategies, managing prices, product development and promotion.

Trade Fair Participation and Export Guide

Trade Fair participation, export procedures, export business registration and licensing, Ethiopian trade statistics, quality export products information.

Business Planning

Business planning for micro, small and medium enterprises: personal data, equipment owned and to be purchased, work premises at the disposal of the operator, production/service plan, raw material requirement, yearly sales plan, operating expenses, profit and loss statement.

Accounting and Cost Calculation Manual

Manual and electronic cash book formats, records on maintenance services, receipt, sales on credit, raw material inventory, cash flow statement, accounting software and software providers in Ethiopia, cost calculation, identify cost components, calculate variable and fixed costs, calculate total cost per unit, how cost calculating improves your business.

Loan Conditions of Commercial Banks and Micro-Finance Institutions

Loan conditions in Ethiopia: loan types, loan term, lending rate, re-payment schedule, type of collateral, loan criteria, eligibility.

Improve your Business Association

Needs assessment of your members, situation analysis, action planning, services, fundraising, membership fees and accounting.

Standards and Quality in Ethiopia

How are Ethiopian standards developed, conformity assessment, testing, product certification, metrology.

Investment Guide

Business environment, investment opportunities and conditions, taxation and incentives, investment protection.

On sale by Mega Book Store and Chambers of Commerce