

Marketing





**IMPROVE
YOUR BUSINESS**

MARKETING

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About the Start and Improve Your Business (SIYB) Programme

The Start and Improve Your Business (SIYB) programme is a management-training programme developed by the International Labour Organization (ILO) with a focus on starting and improving small businesses as a strategy for creating more and better employment for women and men, particularly in emerging economies. With an estimated outreach in over 100 countries, it is one of the world's largest programmes in this field.

The programme has four inter-related packages - Generate Your Business Idea (GYB), Start Your Business (SYB), Improve Your Business (IYB) and Expand Your Business (EYB).

The ILO implements the programme using a three-tier structure comprising Master Trainers, Trainers and the end beneficiaries – potential and existing entrepreneurs. The Master Trainers licensed by the ILO are responsible for developing the capacity of the Trainers to effectively conduct SIYB training. Thereafter, the Trainers train entrepreneurs in SIYB packages. The ILO plays a critical role in identifying and disseminating best practices, carrying out trainings, monitoring activities, performing quality control and providing technical advice on the implementation of the SIYB programme.

About Improve Your Business (IYB)

Improve Your Business (IYB) is a management training programme for owners and managers of small enterprises who want to sustain their businesses, increase sales and reduce costs. It addresses the core question of how to improve the performance of your business.

IYB originates from a programme developed by the Swedish Employer's Confederation for local small and medium entrepreneurs. Later, the methods and materials were adapted by the ILO to meet the needs of people running small businesses in developing countries.

The IYB training programme is supported by a set of six manuals (marketing, costing, buying and stock control, record keeping, planning for your business, and people and productivity). These manuals can be taught individually or all combined in a full course. If the full course using all the manuals is delivered, the duration is approximately seven days. The IYB training uses an active, problem-centred learning approach to small business management through, for example, short cases and graphic illustrations.

The IYB Marketing manual explains how entrepreneurs can increase sales by attracting and retaining customers and increasing business profits in the long term.

Authors and acknowledgements

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This manual is based on the materials originally developed in 1994 by the ILO SIYB Regional Project Office in Harare, Zimbabwe, where it was written and edited by Mats Borgenvall, Cecilia Palmer and Barbara Murray.

The author team of the 2015 version, which revised the existing text and wrote new chapters to include recent thinking in enterprise development and related fields comprises Mai Thi Lan Huong and Pranati Mehtha. Stylistic and language editing were carried out by Steve Raymond.

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Contents

INTRODUCTION	i
1. What is this manual about?	i
2. Who should read this manual?	i
3. Objectives of this manual	i
4. How to use this manual?	i
PART I - MARKETING AND YOUR BUSINESS	1
1. The power of customer	1
2. What is marketing?	2
3. How does marketing creates customer loyalty?	5
Summary	6
Assessment 1	7
PART II – POSITIONING YOUR PRODUCT	9
1. Learn about your customers and competitors	10
1.1 What kind of information should you find out about potential customers and the competition?	10
1.2 How do you get the information?	10
2. Segment the market and select your target customers	14
2.1 Market segmentation	14
2.2 Identify a segment with unmet needs	16
2.3 Assess whether the segment is big enough for your business.	16
3. Identify the Position of your product	17
Summary	19
Assessment 2	21

PART III - PRODUCT	23
1. Offer what customers really need	23
2. Look for new ideas	26
2.1 Improve the product itself	26
2.2 Improve the packaging	27
2.3 Improve the service that goes with the good/item	27
3. Make sure your product is in line with your Position	28
Summary	29
Assessment 3	30
Answer to Activities	30
 PART IV - PRICE	 31
1. Price – Cost – Profit	31
2. How to set your price?	33
2.1 Know how much customers are willing to pay	33
2.2 Know what your competitors charge	34
2.3 Know your costs	36
2.4 Know how to make your prices more attractive	37
Summary	39
Assessment 4	40
 PART V - PLACE	 41
1. Location - Where your business is	41
2. Distribution – Getting your products to your customers	43
2.1 Direct distribution	43
2.2 Retail distribution	45
2.3 Wholesale distribution	46
2.4 Online distribution	48
Summary	49
Assessment 5	50
Answers to Activities	50

PART VI - PROMOTION	51
1. Who to inform and what to tell them about your business?	52
2. Different ways of doing promotions	53
2.1 Advertising	53
2.2 Sales promotion	56
2.3 Publicity	61
2.4 Digital marketing	61
Summary	63
Assessment 6	64
 PART VII - PEOPLE	 65
1. How important are people in marketing?	65
2. How to identify the key people that make your business different?	67
3. Improving your skills as a salesperson	69
3.1 Which type of salesperson are you?	69
3.2 How to be a successful salesperson?	73
Summary	75
Assessment 7	76
Answers to Activities	76
 PART VIII – PROCESS	 79
1. Why is Process important?	79
2. How to improve your processes?	80
Summary	83
Assessment 8	83
 PART IX - PHYSICAL EVIDENCE	 85
1. What is physical evidence?	85
2. How to create your physical evidence?	86
Summary	88
Assessment 9	88

WHAT DID YOU LEARN IN THIS MANUAL?	89
1. Can You Help?	90
2. Action Plan	92
Answers	94

USEFUL BUSINESS WORDS	99
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INTRODUCTION

1. What is this manual about?

As a business owner, you should keep asking yourself how to sustain and grow your business in the long run. The answer lies in satisfying your customers and making them loyal to your goods and services.

This manual explains what marketing is and how it helps you create customer loyalty.

2. Who should read this manual?

Marketing is one of the manuals in the Improve Your Business (IYB) series. It is useful for entrepreneurs who are running small enterprises and who wish to increase sales by attracting and retaining customers, hence developing their businesses in the long term.

3. Objectives of this manual

When you have completed this manual, you should be able to:

- Explain the power of customers to your business
- Identify how marketing helps you create customer loyalty
- Project a good image of your good or service in the minds of the customers
- Use the Marketing Mix to consistently build a positive image for your business

4. How to use this manual?

In this manual you will find:

- **Stories of businesses:** Compare these examples with your own business and use them to improve the performance and profitability of your business.
- **Activities:** Practical exercises in the middle of each part that help you to proactively think about the concepts and how to apply them to your own business.
- **Summary:** This is provided at the end of each part. Use it to review the key points.
- **Assessment:** This is provided at the end of each part. Answering the questions will help you to assess how well you understand the content presented in that part.

- **“Can You Help?”:** These are exercises at the end of the manual. These exercises will give you an opportunity to try to apply your new knowledge and skills in specific situations. By doing these exercises, you will find out how much you have learned from the whole manual.
- **Action Plan:** Fill in and use the Action Plan near the end of the manual. This will help you to put your new knowledge into practice.
- **Answers:** Answers to Assessments and “Can You Help?” exercises are given at the end of the manual. Finish each exercise before you look at the answer.
- **Useful Business Words:** You can look up the meaning of business words that you do not understand. This part is at the end of the manual.
- **Important notes:** Each of these notes has important information. Use this information to the best of your ability. You can find these notes in the middle of different parts of the manual.

Several icons are used within the manual to help guide your study. Examples of the icons and their meanings are listed below:



When you see this icon, you have activities to do or questions to answer.



When you see this icon, you find an answer for your activities and assessments here.



When you see this icon, it signifies that the information in this part is extremely important.



When you see this icon, you have to complete assessments that help you measure what you have learned.



When you see this icon, you will know you have just completed one part and the important ideas that were presented are being summarized here.



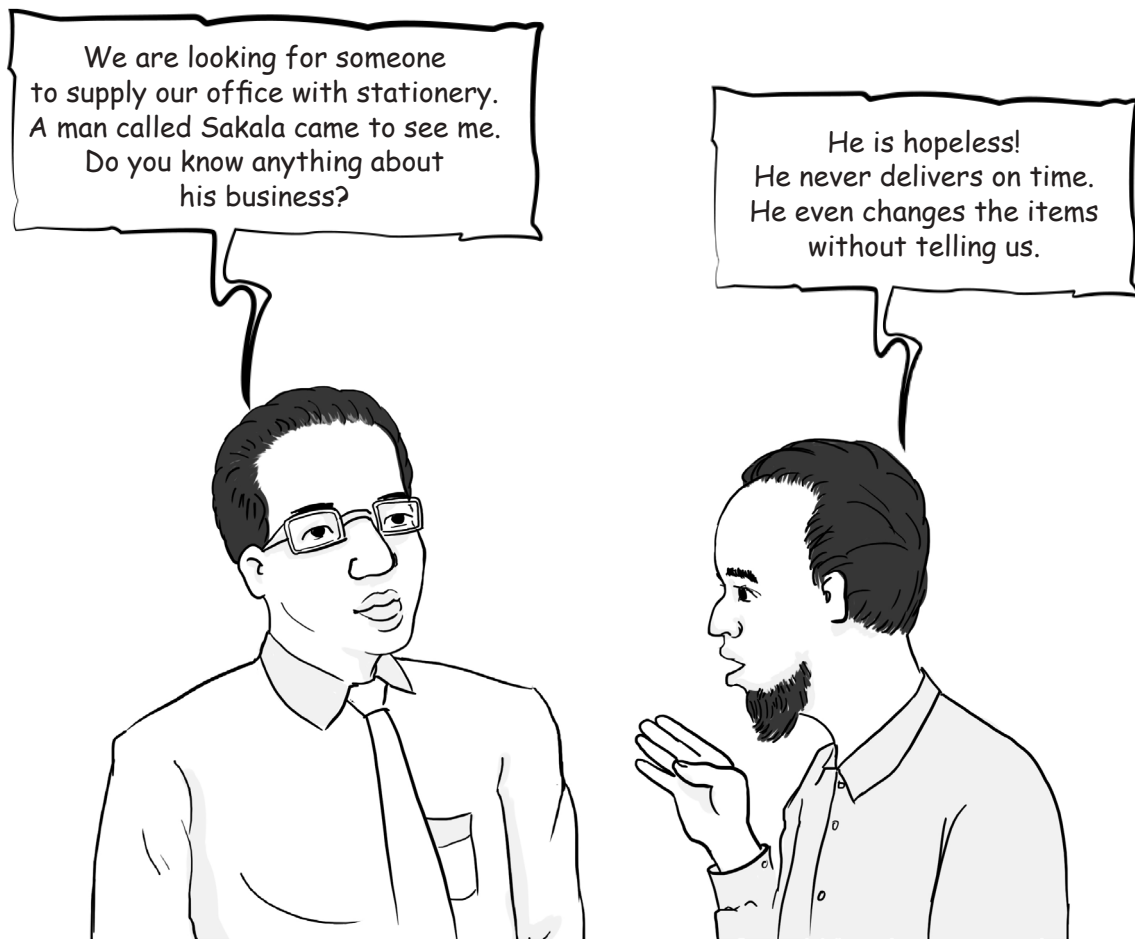
When you see this icon, it tells you where to find more information or what to do.

MARKETING AND YOUR BUSINESS

1. The power of customers

Look at the following two scenarios:





Would these conversations affect the business of *Roadway Shoe Repairs* and Sakala? Why?

.....

.....

.....

You will agree that *Roadway Shoe Repairs* will probably get more customers in the future, while Sakala will lose a potential customer. If everyone has the same experience with these two businesses and then tells his or her friends and relatives, *Roadway Shoe Repairs* will be successful and profitable, whereas Sakala will make losses. Therefore, a customer's opinion plays a powerful role in the success of your business. The following sections will explore the relationship between customers and business and will explain the effects of marketing on both.

2. What is marketing?

Based on your observations and your own experience in marketing your business, please explain what marketing means to you.

Many people think that marketing is about introducing goods or services to customers and offering them attractive promotions in order to increase sales. This is correct, but marketing is much more than that. If customers try your goods or services and are not satisfied, they will not come back. But it may be devastating for your business in the long run if they also tell others not to buy from you.

The ultimate purpose of marketing is to create **customer loyalty** in order to keep the customers coming back and to make them happy enough to recommend your business and to introduce your goods or services to others. If all of your customers like your product and tell others about it, chances are that your business will grow and be profitable in the long run. Marketing, therefore, must start by understanding and fulfilling the needs of the customers. However, if there are many suppliers who are fulfilling customers' needs, they will become more selective and will support businesses that offer different goods or services which fulfil their needs better.

Therefore: **Marketing is to identify customers' needs and to satisfy them better than your competitors in order to make a profit.**

Use the Marketing Mix that includes the seven "P"s to help you respond to the needs of your customers in a way that will set your business apart from the others:

- **Product** refers to the item(s) or service(s) that you offer your customers. This is the core element of fulfilling their needs.
- **Price** is the process of setting the price for your product that allows a profit, yet is affordable enough that your customers are willing to pay the amount.
- **Promotion** means informing customers about your product and attracting them to buy it.
- **Place** denotes how the good or service will get to the customers.
- **People** are the key staff you recruit and train to make your business different and stand out from the competition.
- **Process** is the way the work is organized so that you are able to offer your product to customers. Clear and well organized processes ensure that your goods and services meet certain quality standards and are conveniently delivered to the customers.
- **Physical evidence** defines the perception of your business in the minds of customers by providing as many tangibles in interactions with them as possible.

All seven "P"s are inter-related, so it is important that they are unified in order to create a positive image for your business. Let's take a look at the following example.

Ann has a small restaurant in her home town. She knows that people who live here sometimes dine out to experience different international cuisines. Her town is in a popular tourist area, so there are also many visitors who come to the town on holiday. Ann has decided that her restaurant will specialize in Thai food because there is no Thai restaurant in the area and she thinks that Thai food is popular with both the local residents and the tourists. To build a distinctive position for her restaurant, Ann will work with the seven "P"s as follows:

- **Product:** The restaurant will offer Thai food only. It will also serve Thai sweets and beverages.

- Price: Ann will offer the menu items at moderate and competitive price levels. This will attract middle class patrons. If the quality of the food is consistently high, upper class customers will also visit the restaurant.
- Promotion: Ann will pay for advertorials in free tourist maps and on the internet. Plus, she will set up a stand with a photo menu at the front door.
- Place: Ann will open the restaurant in a downtown location, which is close to hotels and tourist attractions.
- People: Ann will try to recruit a Thai chef, but if no Thai chef is available, she will hire someone who has sufficient experience cooking Thai food.
- Process: The restaurant will feature a show kitchen, so that guests will be able to see the chef cooking the food when they enter. This should make their dining experience more interesting and will also make it easier for them to decide which dishes to order.
- Physical evidence: The restaurant will be named “Sawadee” (greeting in Thai language). All the waiters and waitresses will wear traditional Thai clothing as uniforms and welcome the guests with a “wai” (two hands placed together as in prayer) and say: “Sawadee” The restaurant will be decorated in Thai style and will play Thai music.

If customers visit this restaurant, it is very likely that they will remember its dominant Thai styling that has been consistently embedded into the seven “P”s. They would probably return whenever they want to have Thai food and would recommend it to their friends.



ACTIVITY 1

Now, think about your business and answer the following questions:

1. What is unique about your product that would satisfy your customers and make them loyal?

.....

.....

2. What have you done to be consistently unique?

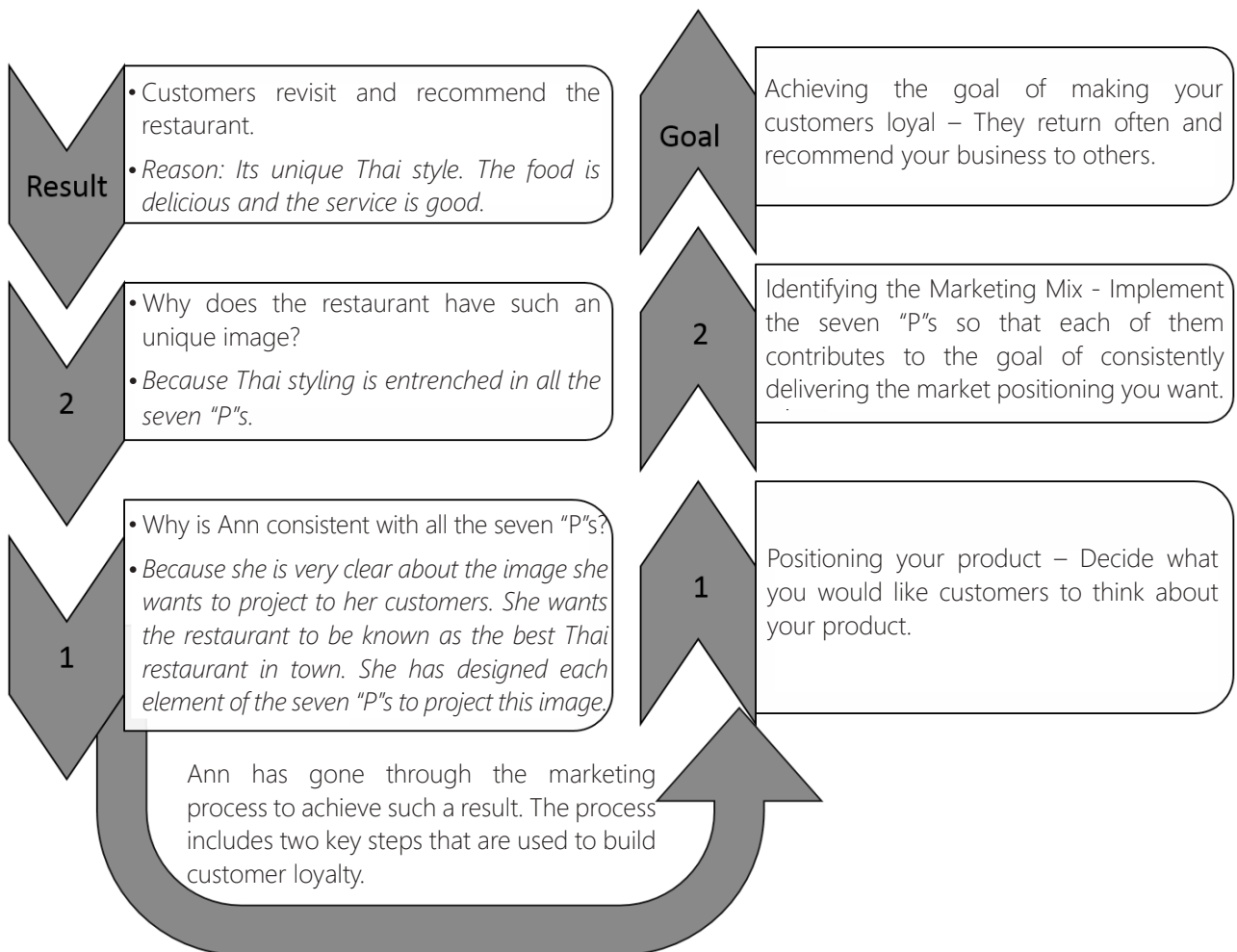
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If you have no clear answers to these questions, read the next section to find out how the marketing process would help you to create a product that is unique in the minds of your customers and would ultimately help you to obtain the loyalty of those customers.

3. How does marketing create customer loyalty?

Let's analyse the example of Ann's restaurant above. By going backwards from the result we will see how Ann creates customer loyalty through marketing:



The rest of this manual will discuss these steps in detail. Step 1 is covered in Part II. Step 2 includes the seven "P"s and each one of the seven "P"s is covered from Part III to Part IX.



SUMMARY

Customer opinions play a powerful role in the success of your business. Word of mouth can either help your business grow or destroy it.

The ultimate purpose of marketing is to create customer loyalty.

Marketing is to identify customers' needs and to satisfy them better than your competitors in order to make a profit.

Use the Marketing Mix that includes the seven "P" to help you respond to the needs of your customers in a way that will set your business apart from the others:

- **Product** refers to the item(s) or service(s) that you offer your customers. This is the core element of fulfilling their needs.
- **Price** is the process of setting the price for your product that allows a profit yet is affordable enough that your customers are willing to pay the amount.
- **Promotion** means informing customers about your product and attracting them to buy it.
- **Place** denotes how the good or service will get to the customers.
- **People** are the key staff you recruit and train to make your business different and to stand out from the competition.
- **Process** is the way the work is organized so that you are able to offer your product to customers.
- **Physical evidence** defines the perception of your business in the minds of your customers by providing as many tangibles in interactions with them as possible.

The marketing process includes two key steps:

1. Positioning your good or service
2. Identifying the Marketing Mix (the seven "P"s)



You have just completed Part I of this manual. Do the exercise below to check your understanding. Finish the exercise before comparing your answers with those on page 94.

Practise your business language

Complete each sentence by choosing the right word or words from the list below:

Product(s)	Position(s)	Price(s)	People	Word of mouth
Place(s)	Promotion	Process(es)	Physical evidence(s)	

Second Chance is a very successful business selling second hand items. *Second Chance* (1) itself as a smart shopping option for stylish and environmentally friendly people. *Second Chance* offers various types of (2) from clothes and fashion accessories to home furniture and kitchen utensils. Its (3) are much lower than for new items. The only type of (4) that *Second Chance* does to attract customers is to give away leaflets at the intersection near the (5) that the shop is located. They rely more on (6) by the customers. Their staff is very well trained, as the owners of *Second Chance* believe that it is the (7) that make a difference for their business. They also set up a very clear (8) which makes shopping at *Second Chance* quite convenient. The only improvement that *Second Chance* should make is to create more (9) to emphasize its environmentally friendly image.



POSITIONING YOUR PRODUCT

Positioning refers to the image you would like the customers to have about your product. For example, there may be many restaurants in town, but Ann would want customers to remember and choose her *Sawadee Restaurant* whenever they want Thai food.

Without a clear Position, you would not know what to do with the Marketing Mix (the seven “P”s). This is similar to identifying a destination before choosing the way to get there.

A good Position should give customers a strong reason to buy your product. Therefore, it should:

- Respond to a need that customers value highly
- Differentiate your product from your competitors
- Make sure that you can deliver what you promise

Three criteria of a good Position



You should follow three steps to position your product:

- Learn about both your potential customers and the competition
- Segment the market and select your target customers
- Identify the Position of your good or service

1. Learn about your customers and competitors

You can learn more about your customers and competitors through **market research**. The purpose of this step is to find out which need has been fulfilled by products similar to yours and which has not; plus how well or how poorly the competition has been taking care of the customers. By doing the research, you can possibly find an unmet need that you can fulfil and thereby differentiate yourself from your competitors.

Your market research should focus on the following aspects:

1.1. What kind of information should you find out about potential customers and the competition?

The customers:

- To which different kinds of customers am I trying to sell?
- What are the different kinds of customers who will buy my product?
- What product do they want? Why do they want it?
- What price are they willing to pay?
- Where are the customers and where do they usually purchase products from? When do they buy them?
- How often do they buy my type of product and in what quantity?
- Are they satisfied with the product they are currently buying and are they happy about the manner in which they are treated when they make the purchases?
- Are they looking for any specific function or additional service?

The competitors:

- Who are the competitors that are selling a product similar to mine? How good are they?
- How do customers perceive the products of my competitors?
- How is their product delivered to the customers?
- How do they inform customers about their businesses and attract them to make a purchase?
- What makes one competitor stand out from the others?

1.2. How do you get the information?

Market research can be done by you, a market research firm, your friends and your employees. Here are some suggestions about how you can find out more about your customers and competitors:

Observe the customers when they are buying or using a product. See if the process is easy and convenient for them and make a note of things that are inconvenient or service that is incomplete.

Listen to what customers say about your business and your competitors. Ask your friends or relatives to help you get this information. Join some online forums or online social communities to read reviews of your business and product by customers.



By observing this laundry service, you may find out that it lacks of home delivery.

Talk to customers as often as possible. Tell your employees to talk to customers when they are buying your product and ask your friends to get customer feedback when they meet your customers socially or on the street. Invite customers for a social event so that you can talk to them. Ask customers to complete comment sheets or send them surveys to fill out, etc.

Study your competitors' business. You can also buy their good or use their service and study its functions. Observe how they promote and sell their product. Act like a customer so that you can experience their service.

Ask suppliers, other businesses and business friends about the competitors. These people interact with the market and deal with your competitors, so they are a good source of information.

Check your order books, your sales records and your stock records to learn which type of product you provide that sell well.

Go online and check the websites that post reviews of businesses in your market area.

Read newspapers, catalogues, trade journals and magazines to get information and ideas about various products in the marketplace.

MARKET RESEARCH AT KATHIRA ENTERPRISES

Kathira established her mobile phone retail business two years ago. She has just done market research to learn more about her customers and competitors. She went into the shops run by her competitors and went on the internet to search for information about them. She spoke to her customers to learn more about their preferences. She also put a suggestion box in her shop and asked customers to share their views of how she could improve her products.

On the next page is a chart showing how Kathira categorized the information.

Our product (1)	Our customers (2)	When and how often do customers buy our product? (3)	Our price (4)	Comments from customers describing what they like and do not like about my business (5)	Facts about competition (6)
High end smart phones	Business owners and managers Young people (children from middle class and upper class families)	Generally every year or whenever there is a new version that comes into the market	Often 5% higher than the market price	They like that my shop is the first in town to get the newest models from famous brands. They like that the staff is helpful and clearly explains the new functions. They like that we only have brand new products, so they do not have to worry about being sold an older model or second hand phone by mistake. They do not like that my phones are more expensive. They complain that we do not buy back their old phones.	Prices in other shops are generally 5% lower than ours. Other shops buy back old phones and then sell them as second hand phones. Other shops have a wider range of smart phones and many brands. Other shops do not update newest models as fast as we do.
Low end smart phones and normal mobile phones	Anyone who needs a new mobile phone	When they start using mobile phones or when their old one is out of order (approximately every three years)	At the market price	They like that the staff is helpful and clearly explains the new functions. They do not like that I do not offer a wide range of brands and models. They do not like that we do not sell second hand phones because that would be cheaper to buy.	Other shops have wider range of brands, models and prices. Other shops offer second hand phones at affordable prices. Their staff is not always helpful. Some customers are concerned whether their phones are brand new.

ACTIVITY 2



You can use a notebook to write down the information about your customers and competitors. The more information you have, the easier it will be to make decisions about how to improve your business.

Use a table similar to Kathira's in the example above to fill in the information.

1. In column 1, write the products you sell.
2. In column 2, describe the customers for each product. Who are the people who want that product and are willing to pay for it?
 - Are they mostly men, women or children?
 - Are they young or old? What type of work do they do?
 - Are their incomes low or high?
 - Where do they live and where do they go to buy the product? (In rural areas, in towns, nearby your business, far away, etc.)

Write down anything else you think is important about your customers.

3. In column 3, write down when and how often your customers buy each product (every day, every week, every month, every year, in winter, in summer, on pay day, after the harvest, etc.).
4. In column 4, write down what price you charge for each product in comparison to the average market price.
5. In column 5, write down what your customers like and do not like about your product. For example:
 - Do they like the design, the colours and the sizes available? Why?
 - Do they think your prices are low, just right or too high?
 - Do your customers want products that you do not provide?
6. In column 6, write down other businesses that are your competitors who sell the same or similar products as you do. Do you think they sell more than you do? Why? What is special about their business, their products, their employees, their premises, etc.?

For your market research, it is also a good idea to write down information such as:

- What do customers complain about?
- What products do your customers ask for but which you do not have?
- What ideas do they have or suggestions they make about new products?

2. Segment the market and select your target customers

Using Kathira's mobile phone shop as an example, note that many customers like her shop because she is always the first to sell the latest models of the top brands. On the other hand, other customers complain that her price is often higher than the others. Some customers like her shop because they can be assured that they are buying a brand new phone and are not cheated into buying a second hand phone. Others do not like the fact that she does not buy back their old phones and sell used phones at affordable prices.

How can she satisfy **all** the customers?

.....

.....

Kathira should **not** try to satisfy everyone, because it is almost impossible. For example, if Kathira buys back and then sells second hand phones, some low income customers will like it. However, other customers who shop at Kathira's because they trust her to sell only brand new products may then be concerned that they might not be buying a brand new phone in the latest model. She needs to choose the type of customers that she can completely satisfy and sell the product that differentiates her shop from the competition.

This group of customers is called the **target customers** or the **target market**.

There are three steps needed to identify your target customers:

2.1. Market segmentation

When you look closely at your market you'll find that your consumers fall into different groups or **segments**. Although all of your customers use your product, different customers value different aspects of the product. Some go for price, others for design and still others may like the fact that the product is easily accessible. You can segment your market by customers that have shared values.

One simple way to segment your market is to answer three questions:

- Who are they?
- What benefits are they looking for?
- How do they buy or use the products you offer? Be as specific as possible!

For example, the mobile phone market in Kathira's town may be segmented as on the table next page.

Market segment #	Who are they?	What benefits are they looking for?	How do they buy and use the product?
1	Business people who are owners and managers Income is over \$1,500 per month	High end product that confirms their social status New applications, good camera, wifi possibility to enable access to internet etc.	Buy a phone when a new model is introduced and give away the old one Not worried about the price and appreciate service staff explaining new functions
2	Young people from 16 to 25 years old who come from wealthy families Most of their income is provided by the family and is usually over \$500 per month	Appreciate new technology and innovative products Products that confirm their social status Look for new entertainment functions on their smart phones	Want to be the first to have the new model Choose famous brands only Not too concerned about the price Able to learn the new features without help from the store employees Sell their old phone to partly finance the new one
3	Young office workers, students Incomes around \$100 - \$400 per month	Look for both basic functions and entertainment functions with acceptable quality Products that would help them elevate their social status - look for good appearance (fake, brandless/unknown products are ok if they look like the branded ones)	Care about prices Accept unknown/ fake/ brandless product as long as the products have functions they need, look similar to the famous brands and are cheap Buy a new one when their phone stops functioning or when there is an attractive promotion
4	Office workers, small retailers, ... Incomes around \$400 - \$600 per month	Look for durable mobile phone with good basic functions and some additional entertainment features	Do not change phones until they are out of order and cannot be fixed Prefer good quality products and popular brands
5	Construction workers, farmers, housewives... Low incomes of \$100 - \$300 per month	Look for cheap mobile phones, with basic functions and some entertainment function, without concern about the brand	Do not change a phone until it is out of order and cannot be fixed Accept any brand or even counterfeit phone as long as the phone works and is cheap

2.2. Identify a segment with unmet needs

In this step you should explore whether any segment has any unmet need and pick the segment(s) that you think you can match (ideally, other suppliers should not be able to serve them as well as you do).

Kathira thinks that she can meet the needs of the first and second segments. They require the highest quality and the newest model of mobile phones. She has a good network of suppliers who are able to provide her with the new models within two weeks of the date that they are first launched abroad. None of the other shops in her town can get the new models that quickly.

Kathira can also meet the need of segment four. However it seems that she has no advantage over other competitors. Most of the mobile shops sell durable mobile phones with good functions that this segment is looking for.

On the other hand, she cannot meet the needs of segments three and five as she does not sell cheap or counterfeit brands. She only works with official distributors of prestigious brands.

2.3. Assess whether the segment is big enough for your business

In this step you should assess whether the number of potential customers is large enough to sustain your business and make it profitable; and predict if your customer base will increase in the future. Figures related to average income, income growth, gender, age, employment levels, type of societal needs etc. will help you to estimate the potential of each segment. You should be able to find this data from the results of your market research, the local business associations, government websites, economic and business articles, etc.

Kathira estimates that there are not many people in the first and second segments. They make up a maximum 10% of the town's population. Although this segment will increase in the future as the economy develops, she believes that the two segments will not be sufficient enough for her business to make a profit. Kathira, therefore, needs to review the segmentation and choose another segment to target.

After considering other segments, she has decided that she will target segment one and segment four. These two segments have stable incomes and share the same needs for quality mobile phones from well known, reliable brands. They usually will not purchase second hand or fake products. The two segments account for around 30% of the total market, which is sufficient for Kathira's business to be profitable. In addition, Kathira may gain an advantage from targeting both segments, which is to leverage the image of segment one on segment four. While segment four can buy their phone at any shop, they would prefer buying it from Kathira shop, where the successful people (segment one) buy their phone too.

Although segment two seems similar to segment one, as they both want high end new model phones, their needs and characteristics are quite different. As a result, it may require different approaches to get this segment, such as hiring young, trendy sales staff. Therefore Kathira chooses not to target it.

Kathira describes her target market as follows:

"All the mobile phone users who are between 30 and 50 years old, have either their own businesses or stable jobs, have monthly incomes not lower than \$400 and shop for good quality mobile phones".



Think about your business. Describe your target customers. Please be as specific as possible, for example: What is their work status, age, income, social status, marital status, gender, etc.? What benefits are they looking for? How do they buy and use your product?

.....

.....

.....

.....

Assess whether your target market is big enough and whether your product has the advantage of meeting their needs better than that of the competition.

.....

.....

.....

If you are not quite sure who your target customers are, we suggest you review the entire market and try to define your target customers using the three steps explained above.

3. Identify the Position of your product

In this step you write down your Position, which is the image that you would like your target customers to perceive about your product.

Then you should check whether it matches the three criteria of a good Position which was explained above:



Kathira decides that the Position for her mobile phone shop is: **“Brand new mobile phones from prestigious brands only”**. She checks this Position against the criteria of a good Position:

- With regard to the target customers, this Position assures them that they will get the right product that meets their need of confirming their social status and is of the highest quality.
- With regard to the competitors, Kathira differentiates her shop by not selling any cheap, unknown brand or counterfeit mobile phones.
- With regard to her internal capability, Kathira has very good relationships with the distributors of prestigious brands because she does not sell cheap or counterfeit mobile phones. Therefore, they support her by always launching new models at her shop first.

From the analysis, Kathira also finds a business opportunity, which is to trade second hand phones of well-known brands. However she does not want to mix this idea with her current business, as it may dilute her Position. She intends to discuss this opportunity with her brother and let him open a separate second hand phone shop.



ACTIVITY 4

Write down the Position for your business (what would you like your target customers to think about business and your product?):

Check your Position against the three criteria:

- ☐ Respond to a need that customers highly value
- ☐ Differentiate your product from your competitors
- ☐ Make sure that you can deliver what you promise

If you are not certain about any of the criteria, you may want to either revise your target market or improve your internal capability.



“

If you have a good Position that sets your business apart from other competitors and appeals to customers, would you keep it forever?

A good Position should meet all three criteria related to target customers, competitors and your own capacity. Once one of the elements changes, the Position you have chosen may no longer be viable. A clear Position helps you to effectively determine and coordinate all of your marketing activities. But you also need to constantly update the market information and adjust your Position accordingly.

”



SUMMARY

Positioning is the image that you would like the customers to have about your product.

There are three steps that you need to take to create a good Position for your product.

- Learn about your customers and competitors:
This step is called market research. The more information you get, the better decisions you can make about marketing.
- Segment the market and select your target customers:
You cannot satisfy ALL customers. Therefore you should choose a group of customers that you can best serve. This group of customers is called the **target market** or **target customers**.
- Identify the Position of your product:
Write down how you would like your target customers to perceive your product.

There are three steps that you need to take in order to define your target customers.

- **Market segmentation:** In this step you divide the market into groups of customers that have shared values. One simple way to segment your market is to answer three questions:
 - Who are they?
 - What benefits are they looking for?
 - How do they buy or use the product?

-
- **Identify a segment with unmet needs:** In this step you should explore whether each segment has any unmet need and choose those whose needs you think your product can meet. Ideally, other suppliers should not be able to meet their needs as well as you.
 - **Check whether the segment can produce enough customers for your business to make a profit:** In addition to assessing whether the amount of potential customers in the segment is sufficient, you should also predict whether the number of customers will increase in the future.

When you have created a Position for your product. Check whether it matches the three criteria of a good Position:

- Respond to a need that customers highly value
- Differentiate your product from your competitors
- Make sure that you can deliver what you promise



You have just completed Part II of this manual. Do the exercise below to check your understanding. Finish the exercise before comparing your answers with those on page 94.

Which one is correct?

Choose the correct or best ending for each sentence.

1. The first thing to do in marketing is to...
 - a. put all your skills into making your products the way you like them.
 - b. find out as much as possible about your customers' needs and what other suppliers can offer.
 - c. try to make the same goods or services other businesses make.
2. The process of identifying a target market is done in...
 - a. two steps.
 - b. three steps.
 - c. four steps.
3. A good Position should...
 - a. exist forever.
 - b. respond to a need that customers highly value.
 - c. be reviewed and updated regularly.
4. To segment the market, you should identify...
 - a. groups of customers who share similar values.
 - b. groups of customers who are the same age.
 - c. groups of customers who like your business.
5. You should assess whether the segments you choose for your target market...
 - a. have enough potential customers for your business to make a profit.
 - b. are not yet served by any competitors.
 - c. are growing.



PRODUCT

Product is the first “P” of marketing. To be successful in business you must have the good(s) or service(s); i.e. the product that your customers need.

1. Offer what customers really need

Customers buy goods and services to satisfy their basic needs and their specific needs. Meeting their basic needs is only the first step in business. Meeting their specific, unmet needs will make your business more competitive and sustainable. For example:

Product	Basic needs	Specific needs
Cold drinks	Satisfy a need to feel cool in hot weather	Your cold drinks are made from local herbs, which satisfy a need of living healthier by consuming only natural ingredients.
Auto repairs	Satisfy a need for transport	Your auto repair service fixes vehicles quickly and does the work at the customers’ homes or offices, which satisfies a need for convenient and speedy service.
Fresh vegetables	Satisfy a need for daily sustenance	Your vegetables are washed, cut and readied for cooking, which satisfies the need of busy people to save on preparation time.

If your sales are not good, you should ask yourself if there is a problem with your product. At the minimum, your product must satisfy the customers’ basic needs. The needs of the customers are constantly evolving and sometimes increasing.

For example, a few years ago, a customer at a hair salon might be satisfied with the service, whether the salon had hot water or not. These days, customers would not patronize a shop without hot water.

Meeting the basic needs is just the starting point. Remember that the concept of marketing is to generate loyal customers. If your business offers nothing special why should customers continue to patronize it?

If you pay attention to your customers, listen to what they like and do not like, observe how they buy and use your product, you will have a better understanding of their needs and will be able to modify the product to suit their needs.

This is how Tembo, the owner of *Sunshine Bakery* diversified her business to meet the basic and specific needs of her customers:



As a result of the requests from her customers, Tembo now sells hot dogs and sandwiches. She also makes them in front of the customers with the seasoning and ingredients to suit their different tastes.



ACTIVITY 5



Think about your product and answer the following questions.

1. What are the basic needs of your customers?

.....

.....

2. What are the basic needs that your product has not fulfilled?

.....

.....

3. What is special about your product that customers appreciate?

.....

.....

4. How should you improve your product to satisfy your customers better?

.....

.....

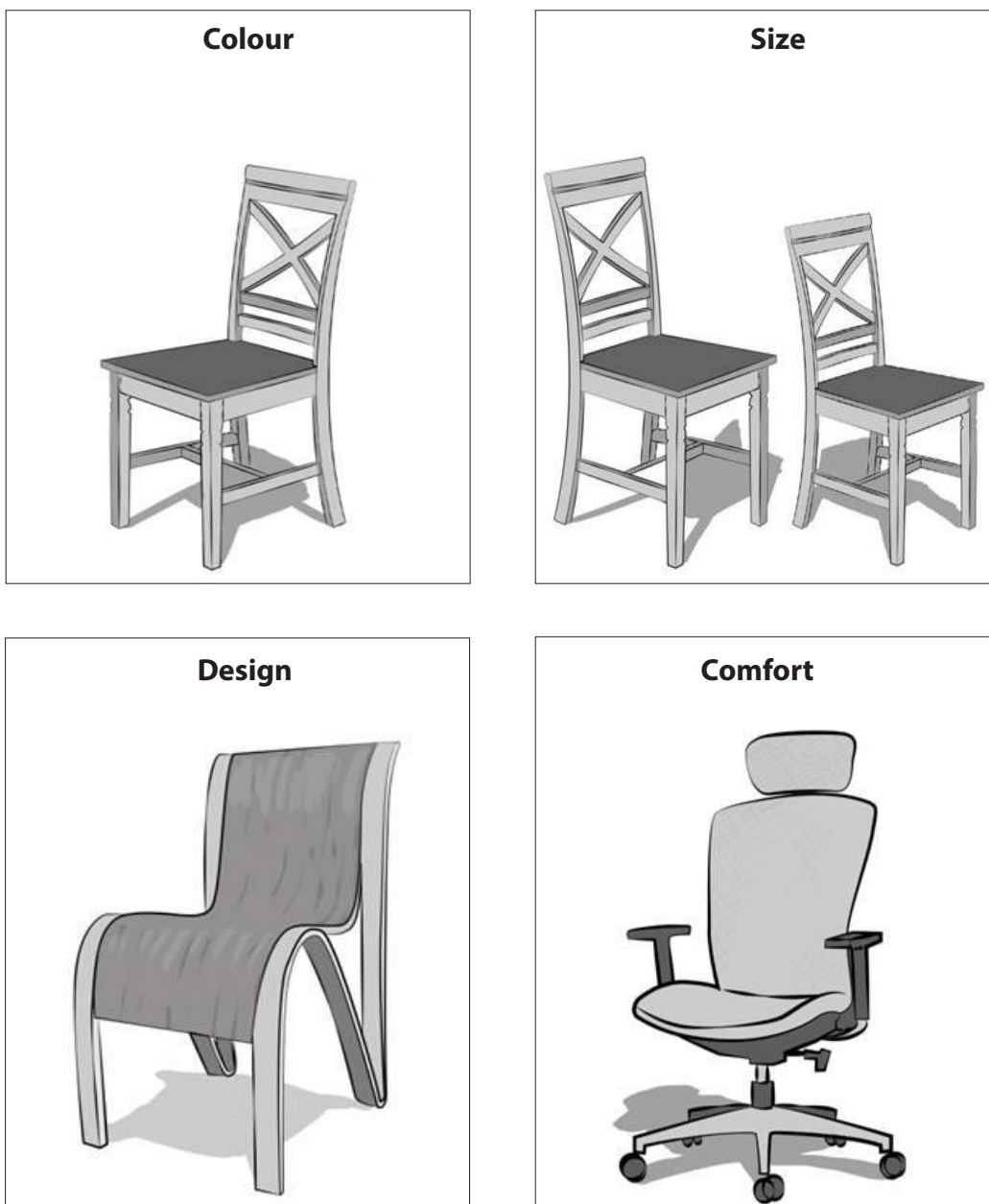
2. Look for new ideas

Not only can you diversify your business and include new products, but you can experiment with your current product, improve it and present it as a new one. The things that made your business different and were previously unique may have been copied by your competitors. If you are not continually innovative and diligent, your business will fall behind. So, the best way to remain competitive is to continue looking for new ideas and to improve the way you fulfil the needs of the customers.

2.1. Improve the product itself

Customers often look around for a wide range of products before they choose the ones they like best.

Using furniture as an example, customers may look for the following:



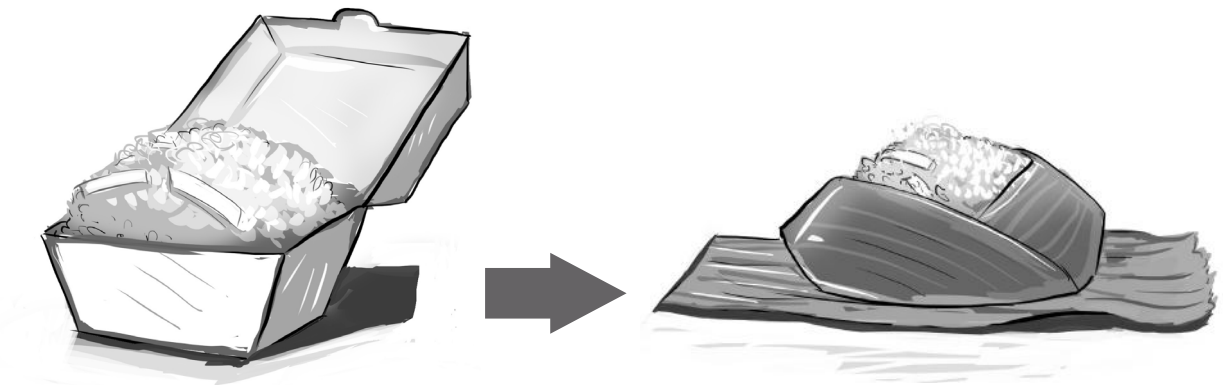
There are many aspects of a product that you might keep improving to give customers more options.

2.2. Improve the packaging

If you sell a good which needs packaging, you can also change the packaging. Packaging protects your good and makes it easier to handle. It also may add to your cost, but distinctive or innovative packaging can make your good more attractive and help increase sales.

In many cases, customers choose a good because of its distinctive packaging. Sometimes a packaging can be both distinctive and less costly.

For example, take-away sticky rice is often packed in a styrofoam container. A street food vendor replaces the styrofoam containers with banana leaves which make the product more attractive and the packaging less costly. Customers also think that a natural wrapper like banana leaves is healthier and more environmentally friendly.



2.3. Improve the service that goes with the good/item

If you are selling a service, your service is your product and there are a lot of elements in the service that you could improve. These will be discussed further in the other “P”s: People, Process and Physical evidence.

If you are selling goods, you can also improve the service that goes with your good.

For example if you sell furniture, you may offer additional services, such as delivery and maintenance after the sale.



The good is the tangible part and may be easily copied. The service around the good is the intangible part and is more difficult to copy. You may consider offering more services or improving the quality of the services you offer to add a competitive edge to your product.



ACTIVITY 6

Think about your product and answer the following questions:

1. How could your good be improved (size, colour, style, taste, etc....)?

.....

.....

2. How could your packaging be improved?

.....

.....

3. How could the service around your good be improved?

.....

.....

3. Make sure your product is in line with your Position

When you identify the customers' needs and you are searching for new ideas, you may come up with many different ways to improve your product, to add more to your product range or to provide a completely new one. How will you decide what changes or improvements you should implement and what you should not do?

Remember, Product is one of the seven "P"s that help you to get customer loyalty. Refer to the Position you have set for your business. It will be a guide and help you to do the right thing so that you have more loyal customers.



ACTIVITY 7

Green Choice is a vegetable supplier. The company buys vegetables from farmers and either sells to supermarkets or delivers directly to homes. *Green Choice* positions itself as a supplier of “organic and fresh vegetables for a healthy life”. They guarantee their customers that the vegetables are organic, so they only buy their vegetables from farms where they control the planting and harvesting process. As a result, they sell only a dozen types of vegetables. Customers like the *Green Choice* concept, but some of them are concerned whether the products are really organic. On the other hand, some customers expect *Green Choice* to offer a greater variety of vegetables. *Green Choice* has found a prestigious government organization to certify their vegetables as organic to satisfy the first group of customers. However, they have not yet decided whether they should sell another line of products from other farms. While these products are not certified they would satisfy those customers who want more variety.

In your opinion, should *Green Choice* sell the products that are not certified? Explain why you think they should or should not sell the additional vegetables.

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See the answer on page 30.



SUMMARY

Product is the first P of marketing. It denotes the goods or services your customers need.

If your sales are not good, you should ask yourself if there is a problem with your product. At the minimum, your product must satisfy customers’ **basic needs**. To identify customers’ basic needs, you should look at similar products offered in the market. The basic needs may change over time.

Meeting the basic needs is just the starting point. To create customer loyalty your product should meet some **specific needs**. To respond to customers’ specific needs, you should pay attention to their comments and continue to improve your products.

Even when your product satisfies your customers, it does not mean that you are safe. The best way to remain competitive is to continue **looking for new ideas** to better meet customer needs. You can improve the good itself, the packaging or the service that goes with the good.

Product is one of the seven “P”s, so it should be consistent with your Position and the other six “P”s.



ASSESSMENT 3

You have just completed Part III of this manual. Do the exercise below to check your understanding. Finish the exercise before comparing your answers with those on page 96.

Practise your business language

Complete the paragraph by choosing the right word or words from the list below:

Basic need(s) Product(s) Specific need(s) Look(ing) for new ideas

Dan has a shop which makes and sells kitchen cupboards. His (1).....is made from wood, board and inox. Customers often look for cupboards that fit a certain space in their kitchens. To meet this (2) Dan must go to customers' homes and measure the actual space. Customers often recommend Dan's service to others because they appreciate his advice about the materials, colours and styles. By fulfilling this (3) Dan is always busy filling orders. However, whenever he has free time he keeps (4) to improve his products.



ANSWERS TO ACTIVITIES

Activity 7

Green Choice should not extend their product line to cover the uncertified items. If they do, they will lose the Position that they have created in their customers' minds that they only have "organic and fresh vegetables". Then they would be no different than the other vegetable suppliers. Instead, *Green Choice* should work to increase the number of farms that grow certified organic vegetables in order to give them a greater variety of organic vegetables to sell.

PRICE

Price is the second “P” of marketing. Setting prices can be difficult but it is very important. Your business may have very good product, but if your prices are too high, you will not sell much, and therefore, not make a profit. If your prices are too low, you may sell a lot, but still not make a profit.

1. Price – Cost – Profit

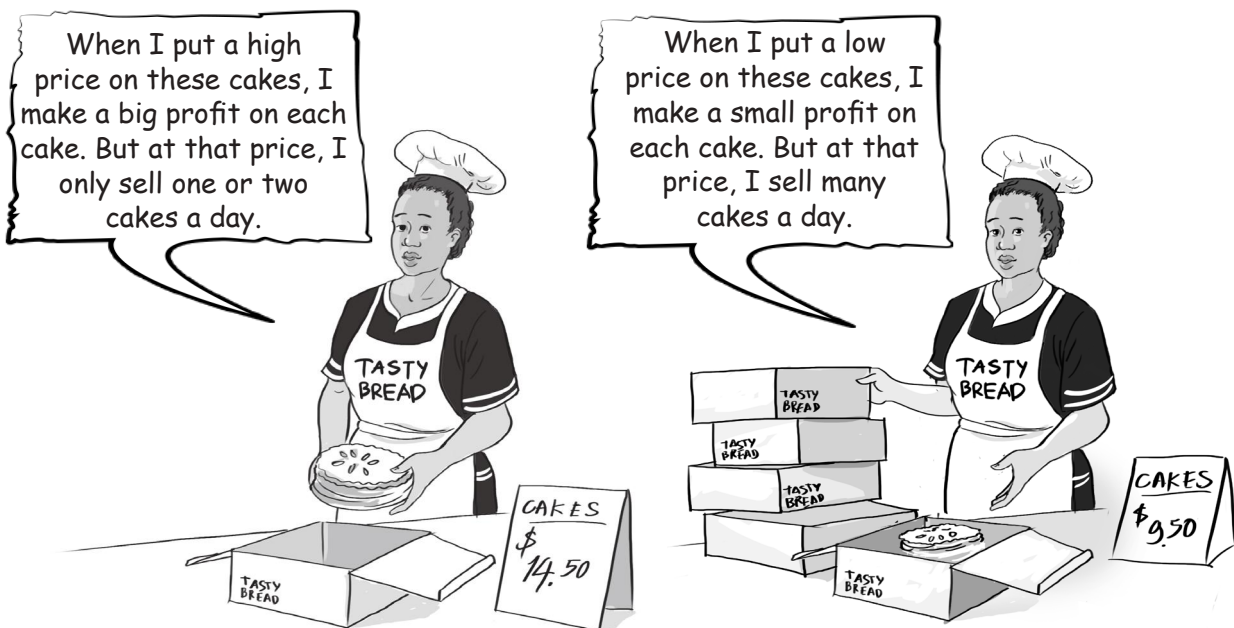
When you price your product, you need to know how the cost, price and profit work together:

Cost	+	Profit	=	Price	or	Price	-	Cost	=	Profit
\$7	+	\$3	=	\$10		\$10	-	\$7	=	\$3

Your total profit from sales depends on:

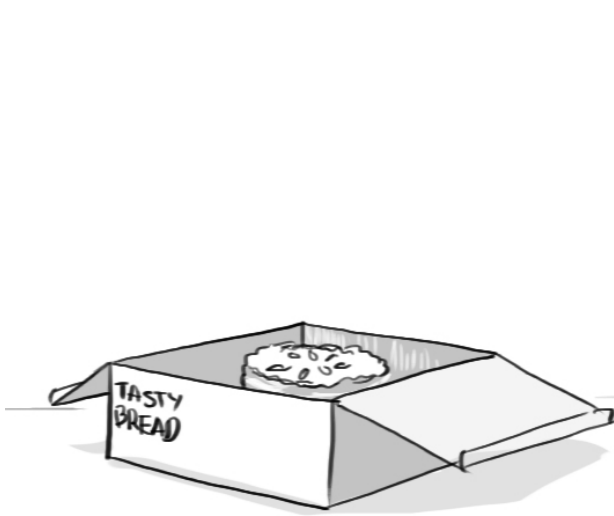
- How much profit you make on each item of your product
- How many items are sold

Tasty Bread has tried both low and high prices:

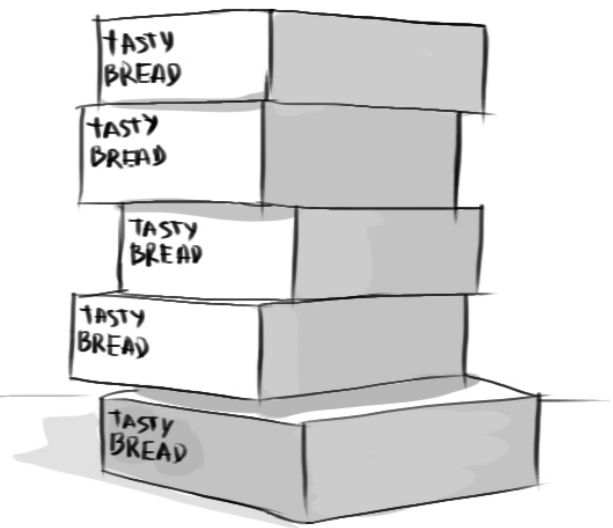


In the case of *Tasty Bread*, selling at a lower price makes a bigger total profit:

Number of products sold x profit per product = total profit



1 cake x \$5 profit per cake = \$5 total
profit for cakes per day



5 cakes x \$2 profit per cake = \$10 total
profit for cakes per day

This often happens when there are many competitors offering similar products. Customers will choose the one with the lower price.

In other cases, a low price does not help to increase the number of items sold, so you'd better sell at a high price. This often happens when you offer something unique that customers could not find from a competing business, but the demand for it is quite limited.

For example, Ann owns *Sawadee* - the only authentic Thai restaurant in town. Anyone who likes Thai food would have no other choice but to go there. If Ann reduces her prices, there may be a few more customers who dine at the restaurant, but not many. The business may not be as profitable as when she sells her menu items at a higher price.



ACTIVITY 8

Think about your business. Will setting a high price for your product give you more profit than setting a low price? How do you know that the profit will be greater?

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.....

.....

2. How to set your price?

Your prices must be low enough to attract customers to buy and high enough to give your business a profit.

You must have certain information before you decide what price to charge your customers. To set your prices you need to:

- Know how much customers are willing to pay for a similar product and how much extra they would pay for the specific unmet need fulfilled by your product.
- Know what your competitors charge for the same or similar product. By being aware of the highest and lowest prices for that product on the market, you will get an idea of what price you should charge.
- Know your costs. In order to make a profit you need to know your own costs and set prices that are higher than your costs.
- Know how to make your prices more attractive.

Each of these elements will be discussed in the following sections.

2.1. Know how much customers are willing to pay

Customers must be willing to pay your price. If you set a price which is too high, you will sell little or no product.





Most customers said that they were willing to pay a maximum of \$3.25 for a hamburger. However, a few regular customers said they might pay \$3.50 if the hamburger is exceptional. Tembo is still confused about how much to charge. She decides to look at other factors.

2.2. Know what your competitors charge

Find out how much your competitors charge for the same or similar product. The general rule is that:

- If your prices are **lower** than those of your competitors, you will attract more customers.
- If your prices are **higher** than those of your competitors, your customers may not buy your product.

There may be specific reasons to charge higher or lower prices than the other businesses.

You may want to charge a **lower** price, for example:

- If your product is new and people do not yet know about it.
- If you want to attract new customers.



“

Be careful! If you try to sell more than your competitors by cutting prices too much, it can be dangerous for the long term profitability of your business. To make a profit, your prices must be higher than the total of your costs.

”

You may want to charge a **higher** price, for example:

- If your product is better than that of the competitors.
- If you offer extra services that the competition does not provide, such as free delivery, better after-sales service or a better guarantee.



“

Review the Position that you have set. If you offer something special or unique to your customers, your price should be consistently higher than the competition to be in line with your Position. Customers will be confused if you sell a special product at a lower price.

”



The owner of *Sunshine Bakery* found out that most competitors charge \$3.15 for hamburgers, so her price should at least equal the price of the competition. Before deciding on this particular price, Tembo checks the cost of making the hamburger.

2.3. Know your costs

You must know the total cost of making and selling each product. The total cost includes materials, labour, rent, electricity, transport and all other costs in your business. To make a profit, your price must be higher than your total cost for the product.

Let's look at how Tembo sets her prices at *Sunshine Bakery*.

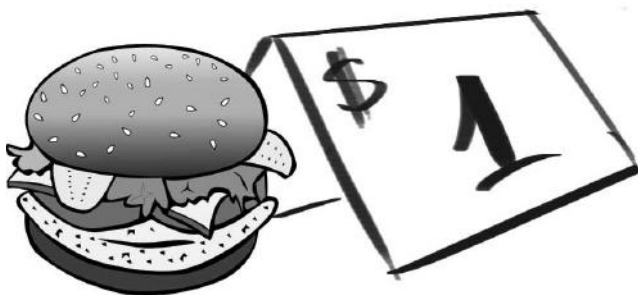
She calculates all the costs to make a hamburger and discovers that the total cost for a hamburger is \$2.



Tembo now has the following information:

- Most customers are not willing to pay more than \$3.25
- The competitors charge \$3.15
- The total cost of a hamburger is \$2.00

She considers several price options:



LOSS

Price - Cost = Profit

$$\$1 - \$2 = -\$1$$

"-\$1" means a loss of \$1.00.

Charging a price that is lower than the total cost will cause your business to lose money.



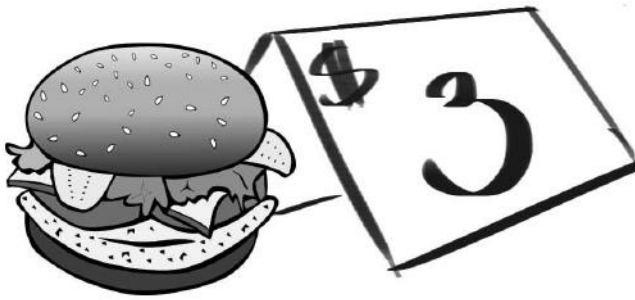
NO PROFIT

Price - Cost = Profit

$$\$2 - \$2 = \$0$$

"\$0" means no profit.

Charging a price that is the same as the total cost is not profitable.



PROFIT

Price - Cost = Profit

$$\$3 - \$2 = \$1$$

"\$1" means a \$1.00 profit.

Charging a price that is higher than the total cost gives you a profit.

She then decides to charge \$3.25, which is a bit higher than the competition, but most of her customers agree to pay the price.



The IYB COSTING MANUAL tells you how to calculate the cost of a good or a service.

2.4. Know how to make your prices more attractive

There are many ways to make your prices sound more attractive to your customers. This is what the owner of *Sunshine Bakery* did:



Tembo has decided on the price of \$3.25, but she makes a special offer for the launch of her new product by charging the same price as her competitors (\$3.15). Her plan is to attract customers to try her hamburger. She thinks that, after they try it and notice the difference, they will be more willing to pay the higher price.

When you begin to sell a new product, you want to attract customers to buy it. So you can set a low **introductory price** for the first few weeks, even if the lower price does not give you much of a profit.

To attract customers to come to your business, you can sometimes use **special offers** - even though the profit is minimal. When your customers come for the special offers, they often buy other products as well.

A simple way to attract customers is to price the item slightly under the psychological level of a certain monetary figure to make it sound lower, for example:

- \$0.99 instead of \$1.00
- \$49.99 instead of \$50
- \$99.99 instead of 100.00

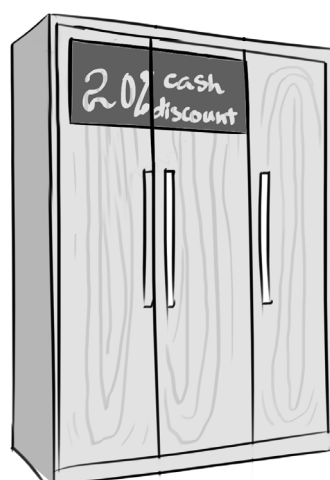
Customers do not like to find the same special offers each time they visit your business, so change your special offers from time to time.



A **discount** also means a lower price. You can get a discount from a supplier. You can give a discount to a customer. Here are some examples:



If a customer buys a large quantity, you can offer a **quantity discount**.



If a customer pays cash, you can offer a **cash discount**.



At certain times of the year, you can offer a **seasonal discount**.

ACTIVITY 9



1. How is your price in comparison with that of your competitors? Is it lower, higher or equal? Why did you set that price?

2. Is your price just right or do you need to increase or decrease it?

3. What have you done to make your price more attractive?

4. What else can you do to make your price more attractive?

SUMMARY



The second “P” of marketing is **Price**. In marketing, price means:

- Setting a price that your customers are willing to pay
- Making sure the price is attractive and still allows you to make a profit

When you calculate the price for a good or a service, you need to know how “price”, “cost” and “profit” work together: $\text{Cost} + \text{Profit} = \text{Price}$ or $\text{Price} - \text{Cost} = \text{Profit}$.

In some cases, you can sell more items at a lower price and make a substantial profit. In other cases, a low price does not help to increase the number of items sold, so you had better sell them at a higher price.

The total profit depends on how many items you sell and how much profit you make on each item.

In general, your prices must be:

- Low enough to attract customers to buy
- High enough to give your business a profit

Before you set a price, you need to:

- Know how much customers are willing to pay for a similar product and how much extra they would pay for the specific unmet need fulfilled by your product
- Know your competitors' prices
- Know your total cost
- Know how to make your prices more attractive

To make a profit, your price must be higher than your total cost for the product.



ASSESSMENT 4

You have just completed Part IV of this manual. Do the exercise below to check your understanding. Finish the exercise before comparing your answers with those on page 94.

Which one is correct?

Choose the correct or most appropriate answers:

1. What does your total profit depend on?
 - a. Price per item and cost per item
 - b. Number of items sold and profit per item
 - c. Number of items sold and price per item
2. What should you do before setting your price?
 - a. Know your cost, know how much customers are willing to pay, know your competitors' prices
 - b. Know your competitors' cost, know your cost, know how to make your price attractive
 - c. Know your cost, know how much customers will pay, know your competitors' prices and know how to make your price attractive
3. When should a quantity discount be offered?
 - a. When customers pay in cash
 - b. When customers buy in large quantity
 - c. When it is low season for your business
4. When should an introductory price be offered?
 - a. When a new product is launched
 - b. When a new customer buys your product
 - c. When there is a special event

PLACE

Your business may have good products at prices that customers are willing to pay, but sales may still be low. The reason may be that customers do not know where to buy your product.

The third “P” in marketing is called **Place**.

Place refers to the **location** of your business. The location is especially important for retailers and service operators who need to be near their customers. Place also refers to the way that you get your product to your customers. This is called **distribution**. Distribution is especially important for manufacturers.

1. Location - Where your business is

ACTIVITY 10



1. Where is a good place for a cyber cafe? Why?

.....

.....

2. Where is a good place for a grocery store? Why?

.....

.....

3. Where is a good place for a baby clothing manufacturer? Why?

.....

.....

See the answer on page 50.

To sell a large quantity of a product, most retailers and service operators need to be near their customers. Good places for retailers and service operators to locate their businesses are near where their target customers live, work, stay or frequent.

For example, taxis often queue at office buildings, tourist attractions, near train stations and airports.



ACTIVITY 11

What is the reason behind choosing the location of your business? Is it a good place? Why?

.....

.....

Is there a better place for your business? Where is it? Why?

.....

.....

Ideally, you should choose the right location from the beginning, as any change of location will be costly and time consuming. If your current location is not good for the business, you might consider the following solutions:

- Change your target customers: Research the area to find out what type of people live, work or frequent your location and offer a product that meets the needs of those customers.
- Improve your product: Make it either unique or less expensive than the product offered by competitors in the area, so that customers prefer doing business with you.

- Improve your communication: If you communicate the unique benefits of your product properly, customers will not only come from the nearby community, but also from far away.
- Change your method of distribution. For example, instead of waiting for customers to come to your location, you might consider taking orders by phone or over the internet and delivering directly to the customers at their homes or businesses.

“

Any of these solutions will affect the way you do business and may change the Position you had set earlier.



”

2. Distribution – Getting your products to your customers

For many manufacturers it is not always important to be near their customers. It is often more important to have:

- An inexpensive rental or land cost
- A location that allows easy access to the supply of raw materials and for the distribution of the product, as well as a nearby labour market

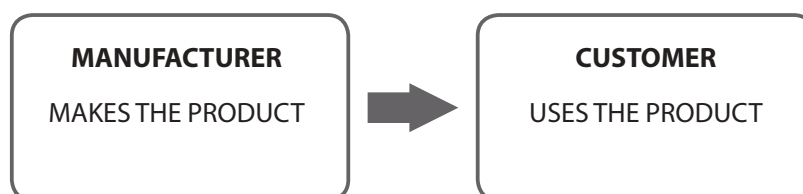
If your business is not near your customers, you must find ways to get your product to where it is easy for customers to buy. This is called **distribution**. Distribution is particularly important for manufacturers.

There are different ways to distribute your products to your customers:

- You can sell directly to the customers who use your products. This is called **direct distribution**.
- You can contract with other businesses to sell your goods for you. Those businesses are generally retailers or wholesalers. This is called **retail distribution** and **wholesale distribution**.
- You can also sell your products via the internet. This is called **online distribution**.

2.1. Direct distribution

Direct distribution means selling your product directly to customers who use it.





When you sell your product directly to the customers, you can talk to them and find out what they want and can afford. So, direct distribution is primarily useful for those manufacturers who design and make their product for the specific needs of each customer.



“

Direct distribution is most useful for your business if you:

- Make specialized products for individual customers. For example, clothing or furniture made to order
- Have only a few customers with whom you are in contact regularly, for example a printing company that prints advertising materials for a few large companies
- Design and make fairly expensive products for individual customers, jewellery for example
- Provide a service with the product you make; for example, accounting software which requires that you train the customers how to use it and then update it every year

”

2.2. Retail distribution

Retail distribution means selling your product to shops and stores who then sell to the customers that use the product.

Retail distribution is useful for businesses that make products in large quantities. Retailers often reach more customers in a larger area than your business can on its own. So, when you sell your product to retailers, it is made available to more customers, your sales will then increase and your business can grow.



Kalima Metal sells buckets to Smith's Hardware and other retailers in nearby towns.



Retailers can do a lot of the things that your business would have to do if you were to sell directly to the customers.

For example, retailers:

- Keep in contact with customers: This gives you more time for production and other important activities.
- Stock your product: This helps your business to have less money tied up in stock.
- Help promote your product by advertising.

Owing to the fact that retailers buy your product in larger quantities to resell, you have to charge them a lower price than you would charge the customers who use your product. In some cases, you have to offer retailers deferred payment terms. Selling to retailers also means that:

- You will not have direct contact with the customers who use your product. You may not always know exactly what they like and what they want from the product. You have to depend on your retailer to give you this information.
- Your product may not be promoted as well as you would like by the retailers as they might also sell products from your competitors.



“

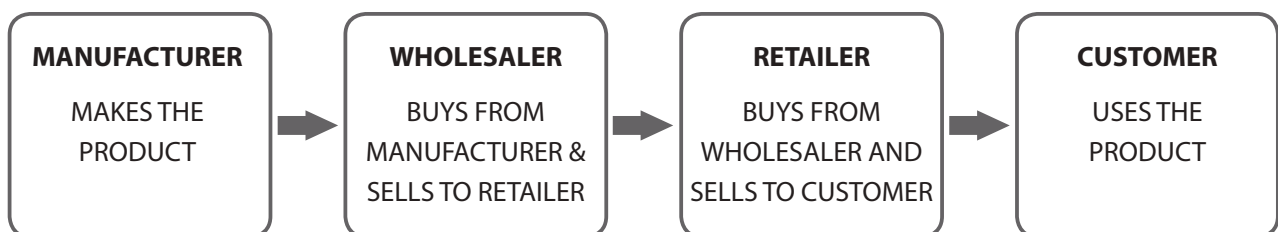
Retail distribution is most useful for your business if you make goods in large quantities and you:

- Standardize the product for all the customers, so that you do not need a lot of contact with customers to discuss design, colour, size, etc. Examples of standardized products that require retail distribution are toiletries, houseware items, office supplies, etc.
- Make low priced products that customers buy often. Examples of this type of product are stationery food products, normal clothing, etc.
- Have many customers who buy your product
- Have customers that are spread over a large geographic area, so that it would be almost impossible to reach all of them. Products that fall under this category are things like farm equipment, construction materials, etc.

”

2.3. Wholesale distribution

Wholesale distribution means selling your products in very large quantities to wholesalers who sell them in smaller quantities to retailers.



Like retailers, wholesalers do a lot of work that your business otherwise would have to do on its own. For example, wholesalers:

- Keep in contact with retailers who buy your products
- Stock and transport your products
- Promote your products



Owing to the fact that wholesalers buy products in very large quantities and can help you to reach many more customers in a very large area, you normally charge them an even lower price than you would charge a retailer.

As with retailers, selling to wholesalers also means that:

- You will not have direct contact with the customers who use your products. You may not directly come to know what they like about your product and what they want.
- Your product may not be promoted as well as you would like, as wholesalers often sell the products from your competitors too.

“

Wholesale distribution is most useful for your business if you:

- Make low priced, standardized products in very large quantities
- Have many customers spread over a large geographic area

”



2.4. Online distribution

The development of technology has opened up more distribution options.

Online distribution means selling your product via the internet. Customers go online and search for the goods or services they need. They then pay online and have the product delivered to any place in the world that they choose.

If most of your customers have access to the internet, you may consider this option. This method of distribution is often less expensive and more flexible than the traditional distribution methods.

There are several online distribution options for you to consider:

- Selling through your own website: Create a website, display your product and offer delivery to any place that the customer chooses. When customers buy a product from your website, you can arrange payment by credit card, bank transfer or cash on delivery.
- Selling through a social network: Register your business on a popular social network website in your region and post your product and contact information. Any customer who wants to buy a product can contact you and then agree on delivery and payment terms.

For these options, you must know how to promote your product on the internet so that people will go to your website or the social website page.

- Selling through online shopping centres: These shopping centres are “virtual” retailers. They source products from many suppliers and display the products on their websites.
- Another method of selling product directly to consumers is through television home shopping channels. Have your product introduced in these channels and customers will be told how to contact your company to arrange delivery and payment terms.



ACTIVITY 12

Which distribution method have you been using?

Is it productive for your business? Do you have any issue with your distribution?

How could you improve your distribution?



“

Remember you can choose several distribution methods that complement each other and make it convenient for your target customers to buy your product.

”



SUMMARY

The third “P” of marketing is **Place**. Place refers to how the product gets to the customers. It means:

- Location - Where is your business located?
- Distribution - How to get your product to your customers?

Most retailers and service operators need to be near their target customers. If your location is not convenient enough for you to attract sufficient customers to be profitable and you cannot move, think about other elements of marketing. You might consider changing the target customers, improving the product, improving your communication with customers or changing your method of distribution.

Manufacturers do not need to locate near the consumers or end users, but they need to have good distribution of their product so that the consumers can conveniently buy it.

- **Direct distribution** is most useful for your business if you make fairly expensive, specialized products and have only a few customers who may want those products.
- **Retail distribution** and **wholesale distribution** are most useful if you make a large quantity of standardized, low priced goods or you have many customers spread over a large geographic area.
- **Online distribution** is most useful if your target customers have access to the internet. You can display your product online and offer delivery service. There are several online distribution options. Online distribution is often cheaper and more flexible than other distribution methods.

Before you decide that you want to change your distribution, think about your product, your customers, your business, your sales and the costs associated with different distribution methods.



ASSESSMENT 5

You have just completed Part V of this manual. Do the exercise below to check your understanding. Finish the exercise before comparing your answers with those on page 94.

Practise your business language

Complete each sentence by choosing the right word or words from the list below:

Retailers	Location	Wholesalers
Distribution	Online distribution	Direct distribution

1. *Friends Of Farmers* is a fertilizer manufacturer. The company sells its product to many farmers across the country. They must use
2. *Rose Guest House* is near the train station, so many travellers pass by. It has a good
3. Ken takes pictures of all his art frames and posts them on his personal page of a social network. Anyone who wants to buy a frame just needs to choose a design among the photos and let him know the size. Ken will make frames to order and deliver the product. It is called.....
4. Marta makes and sells hand-made knotted bags. Her customers come into her shop and describe the bags they want. This method of distribution is called She also sells some bags to at *Bonjour shopping centre* where there are a lot of tourists looking for hand-made products.



ANSWERS TO ACTIVITIES

Activity 10

1. A good place for a cyber cafe would be where people who often use new technologies gather, such as near a university or college, an office building, a shopping mall or at tourist attractions.
2. A good place for a grocery store is inside or near a residential area. Customers can then easily get to the store and carry their groceries home. Alternatively, a good location would be near an office complex, where working people go shopping for food at lunch time or after work, before going home.
3. A good place for a baby clothing manufacturer is where the company can rent or buy inexpensive land, where there is sufficient access to transportation for both receiving supplies and delivering the product and a location close to a population centre where they can easily find a workforce to make the product.

PROMOTION

Your business may be in a good location and you may have a good product at prices that customers are willing to pay, but your sales may still be low. What is the reason? Maybe customers do not even know that your business exists. You need to communicate to them about your business and what it can offer. This is called **Promotion** and is the fourth “P” of marketing. Promotion means informing and attracting the customers to buy your product.



1. Who to inform and what to tell them about your business?

Before doing a promotion, you should answer these two questions:

- Who would you like to attract to buy your product?
- What is it about your product that you would like to tell them?

If you do not have clear answers to these questions, your promotional efforts may be wasted.

“

Go back to the Position that you have set. Who are your target customers? What would make your business different? This information will help you decide to whom you want to promote your product and what you want to tell them.

”



Green Choice sells organic vegetables. Their customer base is not made up of every household, but only those which have a good income and are well educated. These are often working professionals who go shopping for food in supermarkets, read information on the internet every day, join online social networks and are tremendously health conscious.

Green Choice, therefore, never promotes its product by distributing leaflets on street corners, but rather creates attractive displays of the product in the supermarkets, advertises on websites that these professionals often read and establishes a fan page on a commonly used social network page to educate potential customers about food and health.

Your Position has already identified what is unique about your product. To attract your target customers, you must consistently tell them how unique you are and what you can do for them that is special. Your message should be consistent throughout all communication channels. Otherwise customers will be confused and will not get your message.

If *Green Choice* tells customers that the company is selling various types of vegetables, the message does not differentiate the business from other vegetable suppliers. Instead, *Green Choice* should consistently tell customers that their vegetables are fresh and organic, and therefore healthy, because they use no chemical pesticides and they control the planting and harvesting process.

Apart from the key message, you can provide other important information, such as:

- What product(s) you sell
- What price and terms you apply
- Where customers can buy your product
- When your business is open

ACTIVITY 13



Are you clear who your target customers are and what message you should send to them?

.....

.....

If not, please review the Position you had set in Part II.

2. Different ways of doing promotions

2.1. Advertising

Advertising is giving information to your customers that makes them more interested in buying your goods or services.

ACTIVITY 14



1. Do you do any advertising for your business? What kind of advertising do you do?

.....

.....

.....

2. Do you know other ways to advertise? What are they? Why do you not use them?

.....

.....

.....

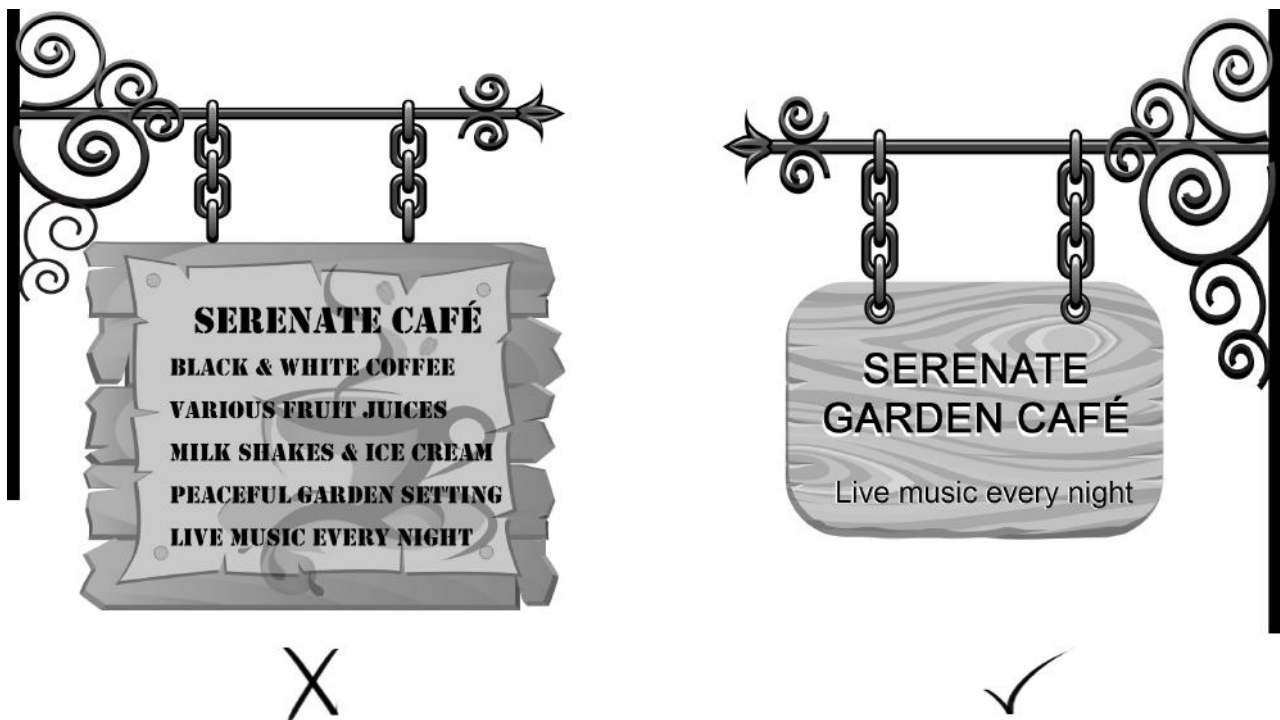
There are many ways to do mass advertising that everyone sees every day, such as TV commercials, radio advertisements, print ads in newspapers and magazines, outdoor billboards, etc. Most of them are quite expensive but they reach a large number of people.

Let's look at some ways that you can advertise your product without spending a lot of money.

- **Basic tools for advertising your business**

- Boards, posters, brochures, leaflets and handouts all tell customers about special offers, discounts, new products, etc.
- A price list tells people about all the products you sell and how much they cost.
- Photo albums are used to show customers products that you can make but that you do not have in stock.
- Business cards tell people about your business - its name, location and the products you sell.

These are the basic tools that most businesses use to advertise their products. In order to leave a good impression, you must make sure that your promotion materials are neat and that the information is clear. It is also important that all of them are consistent in terms of name, logo, colours, design, style, etc. When customers see something repeatedly, there is a greater chance that they will remember it.



The one on the left has too much information to make any impact. People will not read it. The one on the right is very neat and tidy, with concise information. It will attract more people. There is more chance that people will read and remember it.

It may cost a lot to print your advertising materials, so you need to carefully consider where you put your posters, who to hand your leaflets to, etc. so that your advertising is effective.



Giving leaflets away on the street is not an effective way of advertising your business. Most people will immediately throw away the leaflets, which leaves the impression that your business is responsible for littering the streets .

- **Branded promotional items**

Branded promotional items, such as cups, hats and t-shirts are often used to trigger sales and to advertise your business. Consider the following:

- Choose something that your customers would like to have. If your target customers are young children, toys or balloons would be good, but teens or adults would prefer hats or t-shirts.
- Advertise wisely. If the t-shirt looks nice, they will wear it. If the t-shirt is ugly and has a huge logo on it, they will probably throw it away.
- Pick an item that complements your product or that might be used with the product. For example, *Green Choice* supports a green lifestyle, so they should give away cloth bags with their logo on them, instead of plastic bags.

- **Mass media: television, radio, newspapers**

Advertising in a local newspaper is sometimes good but it is usually quite expensive.

Advertising on the radio can be useful in some places, especially if there are many people in the area who do not read and write.

Advertising on television is expensive and is often used by large businesses that want to reach many customers in a large area.

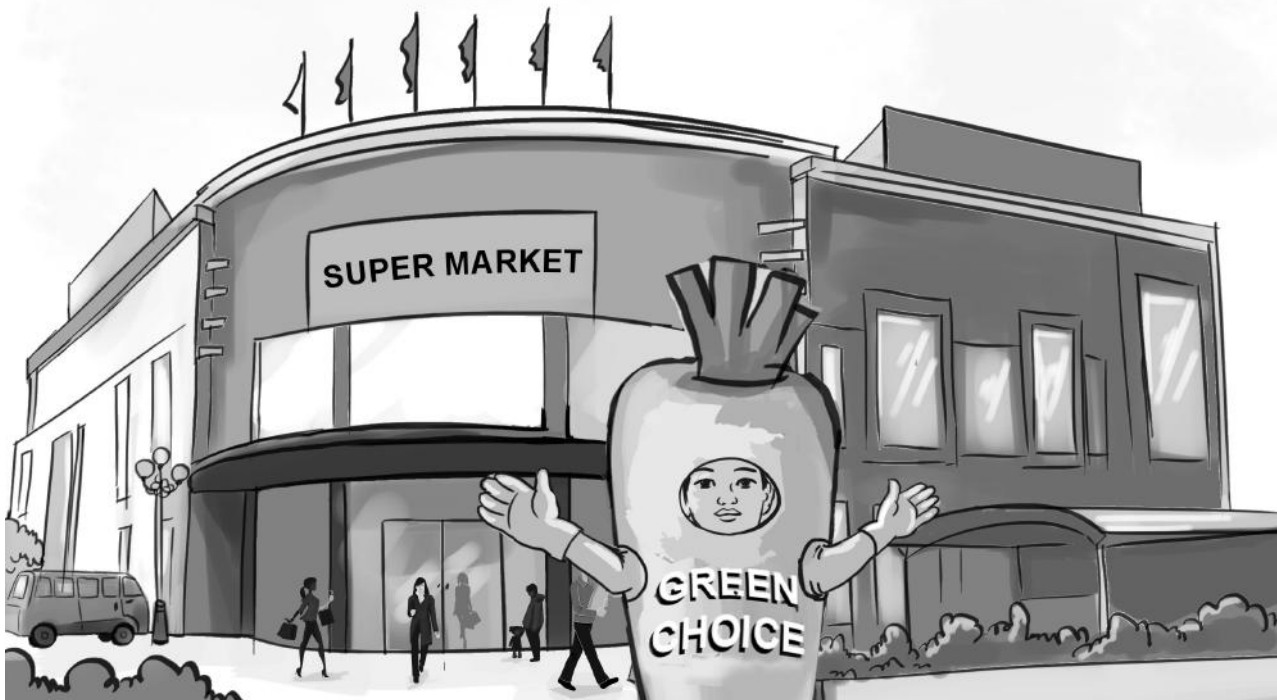




“

Advertising is not always expensive. Be creative! There are many innovative ways of advertising that are not expensive. The more creative your advertising, the more it will attract attention.

”



Green Choice has a very limited budget for advertising. They cannot afford to advertise on the radio or television. However, they could make customers aware of their product by advertising on moving objects. For example, they could create a costume of a stuffed carrot with a *Green Choice* logo on it and hire someone to wear the costume and stand in front of supermarkets.

2.2. Sales promotion

A **sales promotion** is everything that you do to make customers buy more products when they are already at your business. You can do sales promotions in many different ways.

- **Displays**

A **display** is the way you arrange your goods in the shop. A good display is one that makes it easier for customers to see your products so that they can choose which ones they want to buy.

Here are some ideas of ways to display your goods to increase your sales:

1. Group similar goods together

Put similar products next to each other. This makes it easier and quicker for customers to find what they are looking for.

For example:

- Put hot drinks like tea, coffee and cocoa together.
- Put all cleaning materials together.

2. Make your shelves look full

Do not keep a lot of goods in your store room. Keep most of your goods where customers can see them and buy them. Do not let your shelves get empty before you fill them again. Empty shelves make your business look badly stocked.

3. Show the front of the packages

The fronts of packages usually look bright and attractive. This makes it easier for customers to see their favourite goods and to be attracted to try new goods.



4. Show the prices clearly

You can show the price on the edge of the shelf, below each different product. Write big enough for the customers to clearly see the price.

5. Put goods where they can easily be seen

Put small items such as sweets in glass jars so customers can see them. Goods are seen more easily at eye level, so put the items you would like to promote on shelves at eye level. Use the shelves near the floor or the ceiling for regular, well known goods.

- **Special displays**

Use special displays to sell more of your regular goods, seasonal goods or new goods. You can also use special displays for goods which have been selling slowly and goods which are slightly old or damaged.

Your special displays must be easy for people to see. Make a poster to tell your customers about your special offers. Put the poster next to the display. It is also a good idea to put a poster outside your business to interest customers so that they come in. A good special display will increase your sales.



If you sell online via your website, you should also use the same principle.



Display is also about arranging your products or your stock, in a safe and practical way. Read more about this in the IYB BUYING AND STOCK CONTROL MANUAL.

- **More ideas for sales promotions:**

- 1. Let customers try new products**



Tasty Bread lets customers taste new bakery products so that they will want to buy them.

- 2. Have lucky draws**



This convenience store gets people to spend more money by having a lucky draw and offering a prize.

- 3. Give demonstrations**



The shop assistant demonstrates how to use the solar stove. Show customers how to use products that are technical or difficult to understand. When customers can see how something works and how well it works, they become more interested in buying it.

4. Sell products that go together



A solar torch needs a charger. They are not useful on their own. To sell more, put products that go together next to each other. Remind customers to buy them.

“

There are no fixed rules for sales promotions, but remember:

- Be creative, use your own ideas and try something different.
- Keep customers interested. Change the sales promotion often and only use each one for a short time.
- Do not have too many sales promotions at the same time. Customers may feel you are forcing them to buy.

”



ACTIVITY 15

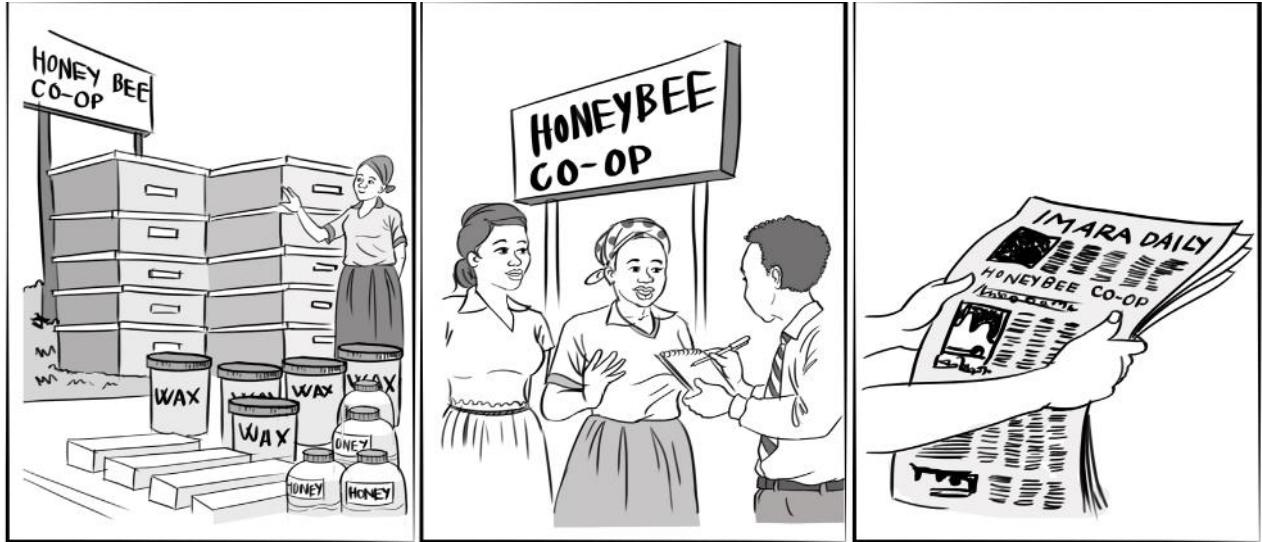
1. What types of sales promotions have you been doing? Are they effective?

.....

.....

2. What other kinds of sales promotions will you have at your business?

2.3. Publicity



Honey Bee Co-op is a successful bee keeping business. A journalist wrote a story about the business in the local newspaper. Owing to the publicity, many people found out about their products, so the sales for *Honey Bee Co-op* increased.

Publicity is free promotion through an article in a newspaper or magazine or a story on television which tells people about your business and its product. If positive things are written about your business, then it will help to increase your sales.

It is not easy to get publicity for your business. You can write an interesting letter to a local newspaper or magazine or to local radio and television stations and describe what your business does and how it serves the community. If they think the story is interesting, they might decide to write an article or create a story about it.

On the other hand, you cannot control what someone writes about your business as with advertising. Unfavourable publicity will have the opposite effect. Try to make sure that you do not get bad publicity. For example, *Honey Bee Co-op* would get bad publicity if a journalist visited the business and found everything at the factory was disorganized and dirty and consequently wrote about it.

2.4. Digital marketing

Digital marketing refers to the use of Internet to communicate information about your business. If many of your target customers have access to the Internet, this is a powerful, low cost way of promoting your product to them.

What are the digital marketing activities that you know about?

- **Websites**

Creating a **website** is what people often do first when they want to start digital marketing. Your website should contain a lot of information about your business that you would like customers to know about. Therefore, its design should be attractive and user-friendly. You can create a simple website yourself by finding some simple templates and getting instructions on the internet about website design. Otherwise you can ask a web designer or a company that designs websites to make it for you.

However, only creating a website will not help your business. Building a nice website and doing nothing else is like building a nice house without making a road to get there. After you have put your website online, there are several ways that you can get customers to visit it:

- **Online advertising:** On the internet, there are some very popular websites with a large number of viewers. These websites often sell space for businesses to put virtual banners on them. When viewers click on your banner, it links to your own website.
- **Email marketing:** If you have email addresses of potential customers, you can send emails to them to inform them about your product or about any special sales promotion you might be running. You can put a link in the email to your website.

- **Social media**

Social media refers to an interaction among people in which they create, share and/or exchange information and ideas on virtual communities and networks. You can join online forums or social networks to share your information, but the most important thing about social media is that people talk to each other online about your business. This is much more powerful than telling them about your business or product. You can also create links to your website on social media platforms.



ACTIVITY 16

1. What are the virtual social networks and community websites that you know?

.....

.....

.....

2. Which among them have a lot of your target customers as members?

.....

.....

.....



The fourth “P” of marketing is **promotion**. Promotion means informing and attracting the market to buy your products.

Do promotions, sell more of your product and increase your profit by:

- Advertising
- Doing sales promotions
- Getting publicity
- Doing digital marketing

Use **advertising** to make customers more interested in buying your product. Some useful ways to do advertising:

- Create your basic business identity with business cards, sign boards, menus, price lists, handouts, photo albums, etc.
- Use inexpensive tools, such as boards, posters, brochures, leaflets, handouts.
- Select branded promotional items wisely.

Other media such as television, newspapers and radio are often too expensive for small businesses.

Use **sales promotions** to get customers to buy more when they have come into your retail outlet by:

- Having good displays
- Letting customers try new products
- Doing lucky draws
- Giving demonstrations
- Grouping products that go together

Publicity is free promotion. For example, a good story about your business in a newspaper or on the radio gives you good publicity.

Digital marketing refers to the use of the internet to communicate to potential customers about your business. If many of your customers have access to the internet, this is a powerful, low cost way of promoting your product.

By creating your own **website**, you can provide a lot of information about your business. However, you need to also draw attention to your website by doing **online advertising** and **email marketing**.

Social media allows you interact with your target customers on virtual communities and networks. Good and bad news about your business can spread very fast in this channel.



ASSESSMENT 6

You have just completed Part VI of this manual. Do the exercise below to check your understanding. Finish the exercise before comparing your answers with those on page 94.

Practise your business language

Some words are missing from this story. Complete the sentences by choosing the correct or best word or words from the list below:

Promotion(s)	Leaflet(s)	Publicity	Quantity discount
Social network	Demonstration	Advertisement	

1. *The Pottery* is a new business run by a group of women in Simba. The business is located a little bit away from the business centre where the rent is cheaper. Therefore *The Pottery* must focus on doing to attract customers to their shop.
2. They put a small in the local newspaper to inform people about their business and make people interested in coming in to buy their product. They also employ some students from a nearby college to distribute to people who come to Simba business centre.
3. For the opening day ceremony, they invited important people in the community and a journalist from the local newspaper. They know that good is like free promotion. The women at *The Pottery* have also joined a popular to educate people about the art of making pottery and make them aware of *The Pottery*.
4. When customers go to *The Pottery*, they can see a of how a simple pot is handmade. *The Pottery* also offers a for any purchase of more than \$50. This helps to increase their sales.

PEOPLE

People are the fifth “P” of marketing.

Your business may be in a good place, have good products at prices that customers are willing to pay and your promotion strategy may be quite appealing. A lot of people visit your business but your sales may still be low. Why might this be?

Maybe you do not have the right people selling your products!

1. How important are people in marketing?





If the two guest houses offer similar facilities at a similar price, in which one you would like to stay? Why?

.....

.....

You would certainly prefer *Rose Guest House*, wouldn't you? Even though the receptionist of *Orchid Guest House* did nothing wrong, she has not been as helpful as the receptionist at *Rose Guest House*. As you can see, it is the receptionist who makes a big difference for *Rose Guest House*.



ACTIVITY 17

Recall your experiences. Do you know any business that is special because of its people?

.....

.....

.....

In many cases, competitors can quickly copy your products, your price list, your distribution channels and even your promotional activities. But when it comes to people, it is not that easy to copy.

People are very important in marketing because they often make a difference that your competitors can hardly copy.

2. How to identify the key people that make your business different?

In each business there are some key people who create the competitive edge for your business. You should be able to identify the key personnel in your business and their specific duties.

Use the Position you have set for your product as a guideline.

Ann positions *Sawadee Restaurant* as the authentic Thai food restaurant, so it is important that the executive chef is a proficient Thai food chef. If the chef is a Thai national, it is even easier for Ann to promote the Position of her restaurant. In addition to the chef, the waiters and waitresses add to the image by wearing traditional Thai clothing and greeting the newly arriving guests in a traditional Thai manner, even though they are not Thai.



Kathira's shop positions itself as always selling new prestigious brands of mobile phones. Apart from selling the right product, Kathira needs smart sales people who can quickly learn the new functions and explain them to the customers.



In general, you should look for:

- People with special technical skills that differentiate your product from others.
- People with good customer service skills. Even if the good/item that you provide is average but your service is excellent, customers often want to come back.
- People with good consultative selling skills. In other words, they are able to understand and be sensitive to their customers' needs and they know how to properly introduce a product that is appropriate for those customers. This is different from selling skills that are most often taught to store employees, which is to sell as many items as possible.



ACTIVITY 18

1. In your business, who are the important people that make a difference?

.....

.....

.....

2. Do you have the right people working for you? If not, what would you do to get those people to work for you?

In order to have the right people, you could:

- Recruit new staff with clearly defined requirements.
- Hire part-time experts to do certain jobs, especially in cases where the required skill is rare and hiring full time people with those skills is expensive.
- Train your current staff to be sensitive to customers and their needs.
- Use a combination of the points mentioned above. In other words, recruit staff with some of the necessary characteristics and then train them to develop the characteristics or skills that are needed for the business but lacking in the staff.



Read more about managing people in the IYB PEOPLE AND PRODUCTIVITY MANUAL.

3. Improving your skills as a salesperson

You have done many things to attract customers to come to your business. But your product is not yet sold. How well you will sell depends on your selling skills. Your skills as a salesperson can sometimes make a lot of difference between business success and failure.

3.1. Which type of a salesperson are you?

Let's look at Modise. He wants to buy a paraffin lamp:





ACTIVITY 19

1. What problems can you identify with the salesperson above?

.....

.....

2. How do you think the customer feels?

.....

.....

3. Do you think the customer will buy anything from this store in the future?

.....

.....

4. If other customers are treated the same way as Modise, what will probably happen to this business?

.....

.....

See answer on page 76.

Modise goes to another store:





ACTIVITY 20

1. Make a list of the good things that the salesperson in the second shop did.

.....

.....

2. How do you think the customer feels?

.....

.....

3. If other customers are treated the same way as Modise, what will probably happen to this business?

.....

.....

See answer on page 77.

3.2. How to be a successful salesperson?

To improve your skills as a salesperson so that you can increase your sales you need to:

- **Know your customers and their needs**

First find out what the customer really needs by listening and asking questions. Then satisfy the customer's need by giving advice and by offering suitable goods or services.

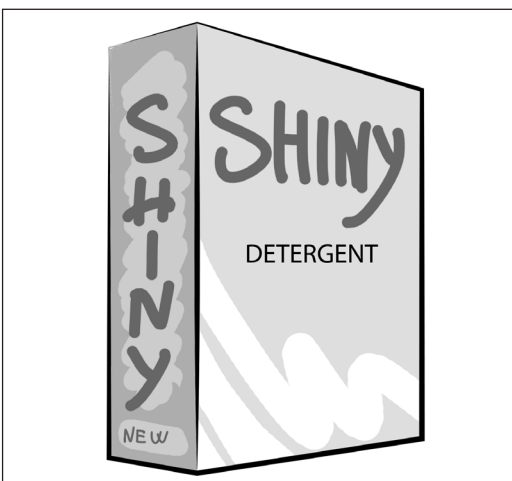
- **Know how to treat your customers**

Treat your customers the way you like to be treated when you are a customer:

- Be polite and friendly so that customers feel welcomed and enjoy visiting your business: Greet them, offer your help or tell them to wait a minute if you are serving others.
- Do not talk too much. Listen carefully to what your customers say and ask questions to find out what they need.
- Always be honest and trustworthy. For example, tell your customers both good and bad points about a product.
- Do not disagree with your customers if they decide they do not want a product. Never argue with a customer. Make your customers feel they are right.
- Thank your customers for coming to your business.

- **Know your products and how to sell them**

Your customers may ask many questions about your products. Be sure you know the answers.



- Do you use this detergent with cold or hot water?
- Is this detergent too harsh? Will it damage my hands?
- How much do you use for one wash?



- How do I keep the wooden furniture clean and shiny?
- If I spill a drink on this wood, will it create a mark?
- Will the sun damage this type of wood?



- Which material is this?
- Is the material durable?
- Will the material shrink?
- Will the colour fade?

Even if you know your product very well, you may still not be able to sell much of it. The reason might be that you do not know how to show and explain your product to your customers.

If you are a customer, which salesman below gives you a better explanation about his product?

Salesman A	Salesman B
<p>This camera has seven mega pixels.</p> <p>It can zoom up to ten times optically.</p>	<p>This camera will make very high quality photos as it has seven mega pixels.</p> <p>You can take pictures from a longer distance thanks to its tenfold optical zoom.</p>

You would probably be more convinced by salesman B, wouldn't you? Unlike salesman A who focuses on describing the features of the camera, salesman B explains the functions and benefits you will get from those features, hence drawing more of your attention.

Whatever you would like to say about your product, customers are always asking themselves: “What is in it for me?” Therefore a good salesman should:

- **First**, tell the customer what the product can do and how it can be useful.
- **Then**, give the technical information that is needed.

ACTIVITY 21



1. Are your salespeople good enough for your business?

2. What should they do to improve?

SUMMARY



The fifth “P” of marketing is **people**. People are very important to marketing because they often make a difference that your competitors have a hard time copying.

Use the Position you have set for your business to identify the key people needed in your company. In general, you should look for:

- People with special technical skills that differentiate your product from others
- People with good customer service skills
- People with good consultative selling skills, i.e. they are able to understand the customers’ needs and to introduce an appropriate product for them

Selling skills can make the difference between success and failure. To be a successful salesperson and to increase your sales you need to:

- Know your customers and understand their needs
- Know how to treat your customers
- Know your products and how to sell them



ASSESSMENT 7

You have just completed Part VII of this manual. Do the exercise below to check your understanding. Finish the exercise before comparing your answers with those on page 94.

Which one is correct?

Choose the correct or best ending for each sentence.

1. A good salesperson is one who...
 - a. does most of the talking to convince customers to buy their products.
 - b. listens and asks questions to find out what each customer wants.
 - c. makes sure that every customer always buys something from the business.
2. When introducing a product to customers, you should first...
 - a. tell them all the features of the product.
 - b. tell them all the functions and benefits of the product.
 - c. tell them how the product meets their need.
3. To identify the key people for your business, you should...
 - a. look at how your competitors choose key people.
 - b. use your business Position as a guideline.
 - c. ask customers who in your business is important to them.



ANSWERS TO ACTIVITIES

Activity 19

1. There are many problems with this salesperson:
 - He is rude and unfriendly.
 - He ignores the customer by reading a newspaper, talking to a friend who comes into the store and talking to another friend on the phone.
 - He is not helpful. The customer has to find the product himself.
 - He does not explain how the product works.

2. The customer feels that he is not respected. He perhaps is annoyed at not being properly attended by the salesperson and not receiving any help about his purchase.
3. No, the customer will most likely not buy anything from this store in the future.
4. Customers will talk about the bad service. The business will get a bad reputation and lose more customers. Sales and profits will go down and in the end, the business may have to close down.

Activity 20

1. The salesperson has good selling skills:
 - He greets the customer as soon as the customer enters.
 - He offers help and advice.
 - He is polite, friendly and makes the customer feel comfortable.
 - He tells the customer that there is a choice of lamp models.
 - He shows the products and explains the difference between the two models.
 - He tells the customer the good points of each model.
 - He listens and asks questions to find out what the customer needs.
 - He answers the phone politely and apologizes to the customer for the interruption.
 - He gives the customer all the information the customer needs.
 - He is patient and gives the customer time to ask questions to decide if he wants to buy.
 - He gives a good impression. He looks attractive and tidy.
2. The customer feels welcomed, respected and also feels that he is important to the business.
3. Satisfied customers will talk about the good, useful and friendly service they get in this business. The business will get a good reputation and more customers. More satisfied customers means larger sales and bigger profits.



PROCESS

Process is the sixth “P” of marketing. It refers to the procedures or processes that are developed to ensure that the customer has a positive and memorable experience when purchasing and/or using your product.

1. Why is Process important?

Look at the *Cuckoo Restaurant* example below to see how process may contribute to your business success or failure:



What happened at *Cuckoo Restaurant*? What should be done to avoid these problems?

.....

.....

.....

You have put a lot of effort into getting the customers to your business and you have friendly staff welcoming them, but you may still have problems similar to the ones at *Cuckoo Restaurant*. Customers may use your product once and never come back!

In the case of *Cuckoo Restaurant*, there may be several reasons that a customer is served later than someone who came in afterwards. For example:

- The waiter did not take the order from the earlier arrival until after he or she took an order from the other table.
- The waiter forgot to give the order to the kitchen.
- The food ordered by the customer who arrived first takes a longer time to prepare than what is ordered by the customers who came later. But the waiter forgot to communicate to the earlier customer that his order would take time.

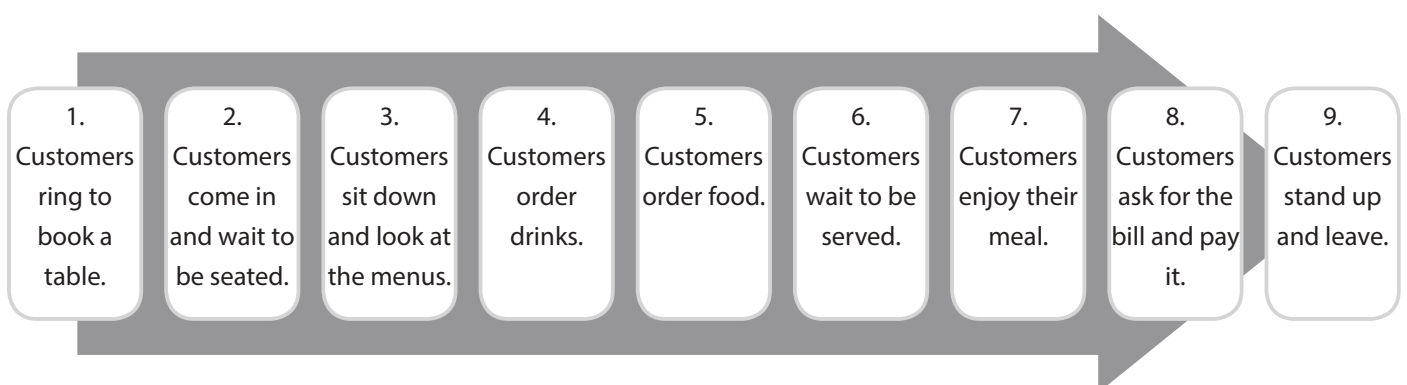
The *Cuckoo Restaurant* manager should train the waiters to take orders from customers as soon as they arrive. If an order takes longer than usual to prepare, the waiters should be trained to communicate this to the customers.

You should take a look at your process and see how to improve it to better satisfy your customers.

2. How to improve your processes?

There are several ways to look at a process. In this manual we look at process from a marketing point of view – which is to care about the customer experience during each step of the delivery process. Our aim is to create an enjoyable and memorable experience for the customers.

Let's look at the example of *Sawadee Restaurant* process:



Ann, the owner of *Sawadee Restaurant*, takes a look at the process. She tries to put herself in the shoes of her customers to answer the following questions:

- Which is the most important step in the enjoyment of my dinner experience?
- Which step annoys me and should be improved?
- Which step is difficult for me to take and requires some help from the staff?

By observing her customers and talking to them, Ann got answers to her questions:

- The customers enjoy step seven because they get to try Thai food and drinks and find it delicious.
- The customers hate step two - waiting to be seated and step six - waiting to be served.
- The customers say that they need help with steps four and five, as they find it difficult to understand some of the items listed on the menu.

Based on this information, Ann decides to improve steps two, four, five and six. She does the following:

- To improve step six, she checks the internal process, makes sure there is good coordination between the wait staff and kitchen staff and estimates the time required to prepare and serve each dish. She tells the wait staff to let the customers know the estimated wait time for certain dishes.
- To improve steps two, four and five, Ann moves one part of her kitchen to the front so that her customers can see the food being prepared. Ann then assigns one person to stand in front to take orders from the customers who are waiting to be seated, in case they wish to order immediately or they see something being prepared that they like. Customers enjoy watching the preparation of the meals, so they do not feel annoyed while waiting. Also, while waiting in line, their food can be prepared so that it is served immediately after they obtain a table.





ACTIVITY 22

1. What did you learn from the example above?

.....

.....

2. Describe your own process from your customers' point of view and see how you can improve it.

.....

.....

By looking at your delivery process from the viewpoint of your customers, you can better understand the customers' experience with your business and identify the things that you need to improve. There are a few ways to make changes:

- Shorten or extend your process
- Change the sequence of steps
- Improve the service in each step

These changes not only satisfy customers better but can also lower your cost and differentiate your business from competition.

SUMMARY



Process is the sixth “P” of marketing.

Process ensures that the customer has a positive and memorable experience when purchasing and/or using your product.

For a service provider, the production process and delivery process happens at the same time, so it becomes more difficult for you to control your processes. It also means that, if you do it well, you will have a big advantage over your competitors.

By looking at your delivery process from the point of view of your customers, you can better understand your customers’ experience with your business and can identify the things that need to be improved.

There are a few ways to improve your processes:

- Shorten or extend your process
- Change the sequence of steps
- Improve the service in each step

ASSESSMENT 8



You have just completed Part VIII of this manual. Do the exercise below to check your understanding. Finish the exercise before comparing your answers with those on page 94.

Look at the two pictures on page 84 and compare the difference of the customers’ purchasing processes at *Mimi Handmade Embroidery*. Which one would generate more sales for *Mimi Handmade Embroidery*? Why?



PHYSICAL EVIDENCE

1. What is physical evidence?

Physical evidence is the seventh “P” of marketing.

Let’s take a look at the following example:



Which salesman would you let in your house to collect your parcel?

.....

.....

The physical appearance of a person gives you either a negative or positive impression and determines whether you feel that you should trust that person or not. So does the appearance of a business. The appearance of your business is called physical evidence.

Physical evidence is the tangible appearance of your product and company. In any interaction between your business and your customers, physical evidence is what those customers can see, smell, touch, hear and taste.

2. How to create your physical evidence?

If you have a clear Position, you will know what physical evidence to create for your customers.

Let's take *Sunshine Bakery* as an example.

Sunshine Bakery targets the office workers who walk by the shop on their way to work .



The shop looks quite attractive with a *Sunshine Bakery* logo on the wall and a variety of items shown tidily through the glass display.



The notice board is made by wood, with a Sunshine logo on the top. The simple handwriting font makes it easy to read. Also the picture of the menu item looks appetizing.



The staff uniform includes a white cook hat and a brown apron with a *Sunshine Bakery* logo. It looks tidy and dynamic.



The packaging is a simple paper bag with a *Sunshine Bakery* logo printed on the front side. It looks clean and convenient.

Overall *Sunshine Bakery* sends a clean and dynamic image to appeal the office clientele.

There are many opportunities to create the physical evidence that you want to communicate:

- Through the appearance of your business, shops, offices, etc.
- Through the appearance of your staff uniforms or dress codes
- Through your product packaging
- Through your website
- On documents, such as letters, contracts, leaflets, business cards, signs, etc.
- On gifts or promotional items
- On your delivery vehicles
- With any of your events, trade show booths, etc.

ACTIVITY 23



1. What are the physical interfaces between your business and your customers?

.....

.....

2. What physical evidence can you provide to create a good image of your business?

.....

.....



SUMMARY

Physical evidence is the seventh “P” of marketing.

Physical evidence is both the tangible appearance of your good, service and company. In any interaction between your business and your customers, physical evidence is what those customers can see, smell, touch, hear or taste.

At the minimum the physical evidence should give customers an overall positive image of your business; that it is clean and tidy, there are no bad smells and it makes the customers comfortable.

You can develop your physical evidence further to support the other “P”s of marketing and contribute to the Position that you would like to build in the customers’ mind.



ASSESSMENT 9

You have just completed Part IX of this manual. Do the exercise below to check your understanding. Finish the exercise before comparing your answers with those on page 97.

What can customers see, hear, smell, touch and taste in Ann’s restaurant?



WHAT DID YOU LEARN IN THIS MANUAL?

Now that you have gone through this manual, try these practical exercises. The exercises will remind you of what you have learnt and help you to improve your business by implementing appropriate marketing activities.

The exercises will help you to:

- **Use** what you have learnt to solve practical problems (Can You Help?).
- **Take action** to improve your business by using what you have learned (Action Plan).

Compare your answers with the answers at the end of the exercises on pages 94 - 98. If it is difficult for you to answer a question, read that part of the manual again. The best way to learn is to finish each exercise before you look at the answers.

Check the list of Useful Business Words on pages 99 - 100 to quickly find the meaning of a terminology.

“

You have learnt about marketing in this manual. But what you have learned does not help you until you use the new knowledge in the daily operation of your business. Remember to do the Action Plan on page 93 to help you improve the marketing activities for your business.

”



1. Can You Help?

Marketing at *Beauty Hair Salon*

Phiri is the owner of *Beauty Hair Salon*, located in the middle of *Simba business centre*. *Beauty Hair Salon* has friendly, qualified employees and a good reputation. Customers come to *Beauty Hair Salon* for trimming, plaiting and curly perms. Phiri has noticed that some women in the business centre have straight perms, which is a new fashionable hairstyle. Her business does not do straight perms. Phiri wants to increase her sales, so she does market research to help her decide whether she should offer straight perms as a new product or not.

On the next page shows the information that Phiri got about the market for straight perms.

What advice can you give Phiri about the new product? Think about the customers' needs and decide on a Position for your new product. Brainstorm what you should do with each of the seven "P"s so that they work together and actually build the Position you have set. Use the information from *Beauty Hair Salon's* market research to answer these questions:

1. **Identify unmet needs:** What needs do customers have that *Beauty Hair Salon* and their competitors do not satisfy?
2. **Select target customers:** Who should be the target customers of *Beauty Hair Salon* for this new product?
3. **Set your position:** What Position should *Beauty Hair Salon* create in the customers' minds? (what should make them different from the others?)
4. **Product:** What is special about the new product that Phiri should pay attention to?
5. **Price:** What price should she offer?
6. **Place:** Is the location good enough?
7. **Promotion:** What type of promotion do you suggest that they can do to attract customers? Think of as many ideas as possible.
8. **People:** Are there any special staff that *Beauty Hair Salon* needs for this product?
9. **Process:** What should *Beauty Hair Salon* pay attention to in terms of process?
10. **Physical evidence:** What should *Beauty Hair Salon* do to positively influence the customers' five senses in order to make them feel positive and trust the new product?

Beauty Hair Salon

Our product	Our customers	How often and when do customers buy?	Our price	Customers' comments	Competitors
Straight perms	<ul style="list-style-type: none"> Young women who shop or work in the business centre Women in high society Employed women, e.g. business women, secretaries, office clerks, teachers Women with fairly high incomes Women who will work in a bank and the District Council offices that will soon be opening in Simba business centre Thirty customers who came to <i>Beauty Hair Salon</i> last week said they wanted and could afford straight perms 	<ul style="list-style-type: none"> Every three months, as a straight perm lasts for three months Restyle once a month - straight perms can be changed into different styles 	<p>To be decided</p> <p>The cost of doing a straight perm is \$11</p>	<p>Customers want:</p> <ul style="list-style-type: none"> To look attractive To look posh Would like reasonable prices Willing to spend for really fashionable hairdo Prefer hairdos that last a long time Prefer perms that can be changed into different styles 	<p><i>Simba Hair Care</i> does straight perms. They have:</p> <ul style="list-style-type: none"> A very good reputation High prices (\$23) Qualified employees Knowledge of the latest hairstyles Customers are happy with their straight perm product Five minute walk from the business centre <p><i>Top Hairstyles</i> does straight perms. They have :</p> <ul style="list-style-type: none"> A poor reputation Low prices (\$15) Quite crowded, long wait time The quality is not consistent. Some customers complain that the perms return to normal very quickly Two kilometres from the business centre (five minutes drive)

2. Action Plan

WHAT is the problem?	HOW can the problem be solved?	WHO will solve the problem?	WHEN will the problem be solved?
Many customers complain that my menu is boring. They want new types of food.	I will do market research to find out what food people want and what prices they are willing to pay.	I will do the market research regularly with two of my employees: Remi and Kent.	On 20 September, I will make a plan for the market research together with Remi and Kent. We will start the market research on 27 September. The results must be ready by 15 October.

How can your business get better at marketing? Start by making an action plan. In your plan, write down:

1. What problems does your business have in terms of marketing?
2. How will you solve each problem?
3. Who will solve each problem? Will you solve the problems or will you have someone else do it?
4. When do you plan to solve each problem?

Write down your action plan on the next page. Remember these suggestions:

- Make a plan for a three or six month period
- Be realistic. Only write down what you think is possible to do
- Try to solve the most urgent problem first
- Keep this manual at your business so that you and others can use it when you need it
- Check regularly that you follow your action plan. It is a good idea to check every week
- You can put your action plan on the wall so that it is easy to see and check

Plan to improve your marketing activities

Use this page to write down your own plan to improve the marketing activities of your business.

WHAT is the problem?	HOW can the problem be solved?	WHO will solve the problem?	WHEN will the problem be solved?



ANSWERS

Assessment 1

1. Positions; 2. Products; 3. Prices; 4. Promotion; 5. Place; 6. Word of mouth; 7. People; 8. Process; 9. Physical evidence

Assessment 2

1b; 2b; 3c; 4a; 5a

Assessment 3

1. Products; 2. Basic need; 3. Specific need; 4. Looking for new ideas

Assessment 4

1b; 2c; 3b; 4a

Assessment 5

1. Wholesalers; 2. Location; 3. Online distribution; 4. Direct distribution, retailers

Assessment 6

1. Promotion; 2. Advertisement, leaflets; 3. Publicity, social network; 4. Demonstration, quantity discount

Assessment 7

1b; 2c; 3b

Assessment 8

Mimi embroidery:

- In the first scenario, customers go to the shop, look at the pictures of embroidery and decide whether to buy or not.
- In the second scenario, customers go to the shop, observe embroiderers making the pictures before looking at all the displayed pictures and making the decision whether or not to purchase.
- There is one extra step in the process of the second scenario. This step makes customers stay longer in the shop, realizing how much effort has been put into embroidering a picture. As a result, customers have a higher appreciation for the product and may then perceive that the price is not too high. It makes their purchasing decision easier.

Customers can see:

- Overall Thai design style of the restaurant.
- Pictures of Thai dancers and famous temples.
- Thai costumes.

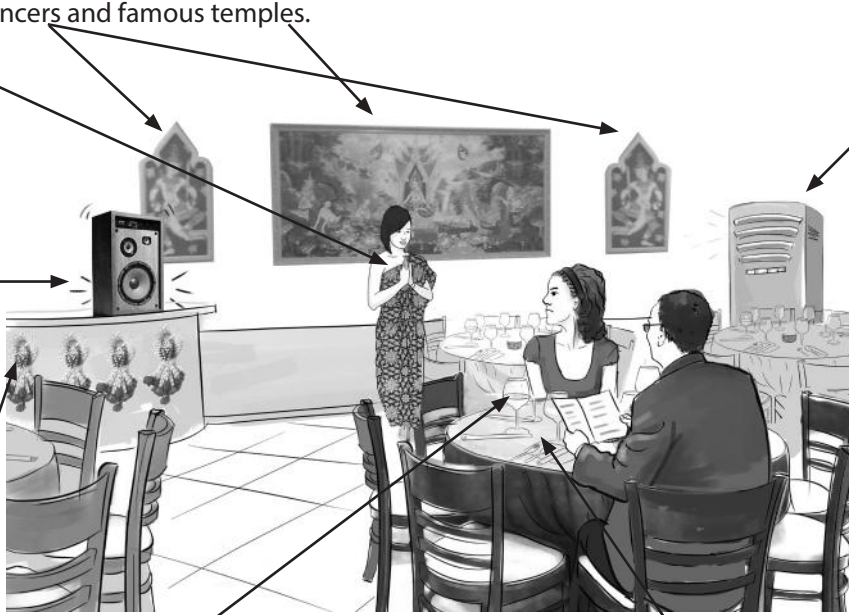
Customers can feel:

- The pleasant cool air from air conditioning.

Assessment 9

Customers can hear:

- Thai music.



Customers can smell:

- Jasmine flowers.
- The spicy aroma of Thai food and drink.

Customers can taste:

- The delicious taste of Thai food.

Can You Help?

Marketing at *Beauty Hair Salon*

1. Identify unmet needs

Customers have the following needs that *Beauty Hair Salon* has not satisfied:

- The need to spot the latest hairstyle fashion - *Beauty Hair Salon* does not offer straight perms, which is the latest trend in hairstyling
- The need to look wealthy enough to be able to afford the latest hairstyle
- The need to have a perm which you can change into different hairstyles

Customers have the following needs that other hair salons in the area have not satisfied:

- The need to be served faster without waiting in a long queue
- The need to pay a lower price than what they have to pay now for good quality service
- The need for convenience for those customers that work in the business centre

2. Select the target customers:

Beauty Hair Salon should target the following groups of customers:

- First priority: The current customers of *Beauty Hair Salon*. These customers know *Beauty Hair Salon* very well and they are ready to try the new product. It is also easy to reach these customers.
- Second priority: Fashionable women with fairly high incomes that work in *Simba business centre* and other women who come to the business centre for shopping.

3. Set your position:

Phiri would like customers to think: “Being fashionable has never been so easy for me” when they see the new product. With Phiri’s new offer, customers find no more barriers to have the most fashionable hair style – straight perms at reasonable rates.

4. Product:

- The new product is straight perms.
- *Beauty Hair Salon* should provide consistent quality, so that their perms will be straight for at least two months. They should offer a “Money back guarantee” if the perms do not last for two months.

5. Price:

- In order to set the price, Phiri must know the cost. The total cost of a straight perm is \$11.00; so to make a profit, *Beauty Hair Salon* must charge a price which is higher than \$11.00.
- Then, Phiri needs to think about the competitors’ prices and what price the customers are willing to pay:
 - *Top Hairstyles* charges \$15.00. They have a poor reputation, provide inconsistent quality and are quite far from the business centre. *Beauty Hair Salon* can charge more than *Top Hairstyles* because *Beauty Hair Salon* has a good reputation, a guaranteed product and it is closer to most of the customers.
 - *Simba Hair Care* charges \$23.00. They have a very good reputation and a high quality product. *Beauty Hair Salon* should charge less than *Simba Hair Care*. If *Beauty Hair Salon* charges less than \$23.00, some of the customers of *Simba Hair Care* may come to *Beauty Hair Salon* for their straight perms. Other customers who have not had straight perms done because of the high price at *Simba Hair Care* will also find the *Beauty Hair Salon* price more affordable.
- So, *Beauty Hair Salon* should charge a price that is:
 - Higher than \$15.00 - the price at *Top Hairstyles*
 - Lower than \$23.00 - the price at *Simba Hair Care*
- Phiri can also think of ways to make the price for straight perms more attractive. For example, she can offer a special introductory price or give some other type of discount.

6. Place:

- *Beauty Hair Salon* is in a good place. The location of the shop is in the middle of the business centre and is convenient for most of the target customers. Fashionable women with fairly high incomes work in *Simba Business Centre* and many other women come to the business centre for shopping.
- When the bank and District Council offices open, the market for straight perms will increase. Then, *Beauty Hair Salons* location will be even better.

7. Promotion:

Beauty Hair Salon can use many types of promotion. It can:

- Put a sign in the window or a board outside the salon, which says that they provide the latest, fashionable straight perms
- Make a leaflet with prices and pictures to give to customers, to put at the counter at other businesses or to hand out to women walking through the business centre
- Make a display in the salon with photos of women who have straight perms
- Have employees with different straight perm styles for customers to see
- Have demonstrations showing various straight perms being done
- Get publicity by inviting someone from the local newspaper for a free straight perm
- Train employees so that they know all about straight perms and can give advice and answer questions
- Have an attractive sales promotion; for example, a low introductory price or a special discount for loyal customers. (i.e., a 10% discount for two people, given to any customer who brings a friend into the salon or a free perm after the customer has paid for four perms)
- Post photos of straight perms and prices on *Beauty Hair Salons* social media websites page

8. People:

To offer a good product, *Beauty Hair Salon* needs employees who have experience doing straight perms:

- Phiri should recruit new employee(s) with good experience.
- Phiri or someone she appoints should go to *Simba Hair Care* or any good hair salon as a customer and try their straight perm product in order to learn from them.
- Phiri or one of her employees should take a training course. Companies who make hair styling products often offer free training.
- Phiri should then train a good number of staff in the technique of making straight perms.

9. Process:

- It takes time to make straight perms. If customers have to wait, it takes even longer, which is a big barrier for working women.
- *Beauty Hair Salon* should therefore create a process that reduces or eliminates waiting time. They may suggest that customers make appointments before they come for the service. Any customers with advance appointments will be served first.

10. Physical evidence:

- *Beauty Hair Salon* should provide a positive experience for all five senses, so that customers really feel that: "Being fashionable has never been so easy for me."
- The salon should:
 - Keep customers busy with fashion magazines, TV shows, nice music, books, etc. so that they enjoy the time that they sit to have their perms done
 - Have some employees with straight perms, so that customers can see the result of the service
 - Avoid the bad smell of styling chemicals by using high quality products and wash the customers' hair carefully
 - Offer customers a drink or some candies so that they enjoy the experience more
- For the physical evidence in leaflets or on the social media websites, there should be photos of straight perms as well as descriptions of promotions and discounts.

USEFUL BUSINESS WORDS

WORD	THE WORD MEANS	MORE ON PAGE
Advertising	Giving information to your customers to make them more interested in buying your goods and services	53-56
Digital marketing	Refers to the use of the internet to communicate about your business	61-62
Direct distribution	Selling your product directly to customers who use it.	43-44
Display	The way you arrange your goods in a store	57-58
Distribution	Part of "Place". Distribution means the different ways of getting your product to your customers. The methods of distribution are direct distribution, retail distribution, wholesale distribution and online distribution.	43-49
Market research	Getting information about your customers and competitors	10-12
Marketing	Identifying customers' needs and satisfying them better than your competitors do in order to make a profit	03-05
Online Distribution	Online distribution is to display your product online, together with a delivery service. Online distribution is often cheaper and more flexible than other distribution methods.	48
People	The fifth "P" of marketing. People are very important in marketing because they often make a difference that your competitors can't easily copy.	65-77
Physical evidence	The seventh "P" of marketing. Physical evidence refers to the tangibles of your product and company.	85-88
Place	The third "P" of marketing. Place means: <ul style="list-style-type: none">• Location - where your business is located; and• Distribution - how to get your product to your customers.	41-50

Price	The second “P” of marketing. Price means: <ul style="list-style-type: none">• Setting a price that customers are willing to pay• Making sure that the price affords a sufficient profit	31-40
Process	The sixth “P” of marketing. Process means creating a convenient and enjoyable purchasing experience for your customers.	79-83
Product	The first “P” of marketing. Product means the goods or services that the business provides to customers.	23-30
Promotion	The fourth “P” of marketing. Promotion means informing and attracting the customers to buy your product.	51-64
Publicity	Stories, articles or online conversations about your business. You do not pay for publicity. It is free promotion.	61
Retail distribution	Selling your product to shops and stores who then sell to customers who use the product	45-46
Sales promotion	Everything you do to encourage customers to buy more when they are already at your business.	56-60
Social media	Various ways of communication that allows you to interact with your target customers on virtual communities and networks	62
Wholesale distribution	Selling your products in very large quantities to wholesalers, who then sell them in smaller quantities to retailers	46-47
Word of mouth	What people tell others about you, your business and your product	07

IMPROVE YOUR BUSINESS

Marketing

Started your business already, but have troubles in some aspects of business management?

Improve Your Business (IYB) is the existing entrepreneurs' guide to good principles of business management. The **IYB Marketing** manual tells you how to create customer loyalty and increase business sales and profitability.

IYB is part of the 'Start and Improve Your Business' family of management training courses for start-ups and small entrepreneurs. The programme builds on 25 years of experience working in 100 countries, partnering with 2500 local institutions, 200 certified Master Trainers and a network of over 17,000 Trainers. It has reached 6 million clients to date and these numbers are only increasing!

The IYB training is supported by a set of six manuals:

IYB Costing

IYB Marketing

IYB Record Keeping

IYB Buying and Stock Control

IYB Planning For Your Business

IYB People and Productivity

