



 **Improve Your Business: Basics (ILO, 1999, 188 p.)**

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ACTION PLAN

PUTTING KNOWLEDGE INTO PRACTICE

WHAT IS AN ACTION PLAN?

An action plan is an organized way of analysing your business and deciding what to do to solve any problems.

How can you improve your business and increase your profit? By finding the main problems your business is facing and by solving those problems. Use the action plan on the next pages. It follows the six topics in IYB Basics and can be completed after reading each chapter or after reading the whole book.

When you have filled in the action plan, make sure that you follow the plan to solve your problems. Display a copy of the plan on the wall to remind yourself what you intend to do to improve your business.

How to do the action plan

Follow these steps to complete the action plan for each topic:

1. Identify the main problems the business faces

For example, a chocolate factory has for some time noticed that customers buy less and less of their chocolate bars and sales are falling. The owner of the factory writes down falling sales as the main problem in the action plan.



2. Identify the cause or causes of those problems

The factory owner contacts a number of retailers and interviews them to find out why their customers no longer buy the chocolate bars. She learns

that customers no longer want the plain chocolate bars the factory makes. They have started buying chocolate with nuts, raisins and so on. As the cause of the problem, she writes down that the factory does not make the kind of chocolate the customers want.

3. Decide how to solve the problems

The factory will start making the type of chocolate that the customers want. The owner lists what she needs to do. For example, the factory will need to buy new ingredients and new wrappings. And they need to promote their new chocolate bars.

MY MAIN PROBLEMS	CAUSES OF THE PROBLEMS	HOW I WILL SOLVE THE PROBLEMS
MARKETING		
		
BUYING		
		

STOCK CONTROL



COSTING



RECORD-KEEPING



FINANCIAL PLANNING



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USEFUL BUSINESS WORDS

On the following pages are explanations of some common business words as they are used in this book.

Words printed in bold in the explanations have their own entry.

WORDS	THE WORD MEANS
Advertising	Giving information to people to make them more interested in buying your goods and services.
Analyse	To study something carefully to find out if there was a change. For example, by analysing your records you can find out if your sales are falling.
Cash	Payment immediately, not on credit.
Cash flow	The movement of money into and out of a business during a period of time.
Cash Flow Plan	A business plan which shows how much money is likely to come in and go out of a business during a period of time in the future, for example, the next three months.
Cheque	A form in which you ask your bank to pay a certain amount of money to the person or business named on the cheque. You need a current account or a savings account to be able to use cheques.
Costing	The way you calculate the costs of making and selling a product, or providing a service.
Costs	All the money your business spends to make and sell your products or

Credit	services. Costs can be divided into direct costs and indirect costs . The seller's agreement to be paid later. You are given goods, materials or services by the seller but you do not have to pay immediately. For example, if you have 30 days' credit, you must pay within 30 days.
Customers' Accounts Record	A book where you write down, for each customer, all items or services your business sells to them on credit .
Delivery note	A document that the supplier sends with a delivery. It lists the type and quantity of goods delivered. The supplier wants you to sign the delivery note as proof that you have received the goods.
Depreciation	The loss in value of machinery, tools or other equipment which have a high value and last for a long time. Depreciation is a cost to your business.
Direct costs	All costs that can be directly related to the products or services you make or sell, or the production of those products or services. There are two different types of direct costs: direct material costs and direct labour costs .
Direct distribution	Selling your products directly to the customers who use them.
Direct labour costs	All the money your business spends on wages, salaries and benefits for the employees who work in the production of your products or services. Retailers and wholesalers do not have direct labour costs.
Direct material costs	All the money your business spends on the materials that become part of, or are directly related to, the products or services you make or sell. For a retailer or wholesaler, direct material costs are the costs of buying goods to resell.
Distribution	Part of Place . Distribution means different ways of getting your products or

	services to your customers: direct distribution, retail distribution, or wholesale distribution.
Enquiry	Questions to a supplier to find out the type of goods, prices, payment, delivery and other conditions they offer. The answer to an enquiry is a quotation.
Equipment	All the machinery, tools, workshop fittings, office furniture, etc., that a business needs. Equipment is normally expensive and expected to last for a long time.
Forecast	When you make a forecast for your business, you work out what you think is likely to happen in the future: how much you can expect to sell, how much materials are likely to cost you, how much cash you can plan on having.
Indirect costs	All other costs, except direct costs , that you have for running your business. Indirect costs are normally not directly related to one particular product or service your business makes or sells.
Indirect costs charge	A percentage (%) that retailers and wholesalers need to add to the direct material costs of each item to cover the total indirect costs. You use your indirect costs charge to calculate the indirect costs per item.
Indirect labour costs	The money that your business spends on wages, salaries and benefits for owners and employees who do not work directly in the production of goods or services. For retailers and wholesalers, all salaries and wages are indirect labour costs.
Invoice	A document that tells you to pay for the goods or materials you have received. An invoice lists details of what you have bought and tells you how much you must pay, when you must pay, who you must pay and how you

	must pay.
Labour Costs Form	A form manufacturers and service operators can use to calculate the working hours and pay per month for everyone working in the business. The Labour Costs Form gives you information to calculate the direct labour costs per item and indirect labour costs per item for any product or service in your business.
Loss	The amount of money a business loses. You make a loss when the amount of money that went out of the business for costs is higher than the amount of money that came into the business from income.
Market research	Getting information about your customers and competitors.
Marketing	<p>Everything you do to satisfy the needs of your customers and make a profit by:</p> <ul style="list-style-type: none"> • providing the product or service your customers need • setting the price your customers are willing to pay • locating your business at a place your customers can reach or getting your products or services to your customers • using promotion to inform your customers about your products or services and to attract your customers to buy from you. <p>These are the four Ps of marketing: Product, Price, Place and Promotion.</p>
Net profit	The amount of money left after you have subtracted all other costs from the value added .
Order	A request to a seller to supply certain goods. You can make your order by visiting, phoning, faxing or writing to the suppliers.

Place	<p>The third P of marketing. In marketing, place means:</p> <ul style="list-style-type: none"> • location - where your business is located, and • distribution - how to get your products to your customers.
Planning	Thinking about your business and working out what to do about something before it happens.
Price	<p>The second P of marketing. In marketing, price means:</p> <ul style="list-style-type: none"> • setting a price that customers are willing to pay • making sure the price gives a high enough profit.
Product	The first P of marketing . In marketing, product means providing the products or services customers want.
Product Costing Form	A form which you can use to calculate the total costs of any product or service in your business. There is one Product Costing Form for manufacturers and service operators and a different Product Costing Form for retailers and wholesalers.
Profit	The amount of money a business earns. You make a profit when the amount of money that comes into the business from sales is higher than the amount of money that goes out of the business for costs. Profit is often divided into value added and net profit .
Profit and Loss	A calculation of how much profit or loss your business made during a period, for example, a month, six months or a year.

Statement	
Promotion	The fourth P of marketing. In marketing , promotion means informing and attracting customers to buy your products or services.
Publicity	What newspapers and others say about your business. You do not pay for publicity. It is free promotion .
Quotation	An answer to an enquiry , in which a supplier makes an offer to sell certain goods. In a quotation, a supplier gives detailed information about the type of goods, prices, payment, delivery, and any other conditions.
Receipt	Written proof that you have paid for the goods or services you bought. The seller signs the receipt he or she gives you.
Record	Written information about business transactions. Examples are the Record Book and the Customers' Accounts Record .
Record Book	A book where you write down all the money that comes in and goes out of the business.
Re-order level	The number of items that you estimate you need until you get new stock . When the quantity of stock falls to the re-order level, it is time to order more.
Retail distribution	Selling your products to shops and stores who then sell to customers who use the products.
Sales and Costs Plan	A business plan which shows what sales, costs and profit a business is likely to have in a future period, for example, a year.
Sales promotion	Everything you do to make customers buy more when they have come to your business.
Stock	All products your business has for sale, and all raw materials or parts your

Stock card	business keeps and uses to make into products. A stock record where you use a separate card or page for each product or material that your business keeps in stock.
Stock record	Records where you write down all stock that comes into or goes out of your business. Make your own stock records, for example by using stock cards , a hard cover book or an exercise book.
Stock-taking	A system to count, measure or weigh all your stock , and write down the quantities on a stock-taking list .
Stock-taking list	Sheets, an exercise book or something else you use during stock-taking to write down the quantity of each product or material your business has.
Terms of delivery	Agreement between buyer and seller about paying for delivery. Either the buyer or the seller pays for transport costs.
Terms of payment	Agreement between buyer and seller about when and how goods must be paid for. For example, the seller may give credit or ask for cash on delivery.
Total costs	All the money that your business spends on direct costs and indirect costs in order to make and/or sell a product, or provide a service.
Transaction	An exchange of money for goods, services or other money
Value added	The amount of money left after you have subtracted your direct material costs from the money earned from sales.
Voucher	Receipt or other written proof of a transaction to be written down in the Record Book .
Wholesale distribution	Selling your products in very large quantities to a business which then sells them in smaller quantities to retailers.
Work-hours	The total amount of time needed to make a product or provide a service. The

WORK HOURS	The total amount of time needed to make a product or provide a service. The time taken by each person working on the product or service is added up to give the total time.
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by Kenneth Loucks. Management Development Series No. 26

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BACK COVER

IMPROVE YOUR BUSINESS BASICS

There are six topics in *Improve Your Business Basics*. Each topic helps you solve problems and improve the management of one important part of your business,

- **Marketing helps you provide what your customers want**
- **Buying helps you buy goods, materials and equipment**
- **Stock control helps you keep and control stock**
- **Costing helps you calculate the costs for your products or services**
- **Record-keeping helps you keep and use records**

- **Financial planning helps you make plans for cash, sales and costs**

Few publications are simple and clear enough to be easily understood by people who have not been exposed to business training, and yet still communicate the basic management skills required by entrepreneurs to run small businesses successfully. This book attempts to fill that gap.

This international edition is accompanied by a Trainer's Guide.

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ABOUT START AND IMPROVE YOUR BUSINESS

Improve Your Business (IYB) is an integral part of the ILO's Start and Improve Your Business (SIYB) package, which is part of the International Small Enterprise Programme (ISEP). ISEP strives to assist member countries of the ILO in their efforts to meet the global employment challenge by creating sustainable quality jobs in the small-scale private enterprise sector.

At a time when the employment capacities of the agricultural, public and large-scale enterprise sectors have reached their limit in many countries, it is clear that most future jobs will need to be created in the small-scale enterprise sector. The SIYB programme has been designed to provide a sustainable and cost-effective method to reach substantial numbers of small-scale entrepreneurs and provide them with the practical management skills needed in a competitive environment for profitability and growth.

SIYB is a system of interrelated training packages and support materials for small-

scale entrepreneurs with limited previous exposure to management training. The programme provides individuals and institutions with a comprehensive set of materials, aimed at a variety of target groups. It deals with various topics related to small-enterprise development, such as training, business counselling, monitoring and evaluation and networking. Small-enterprise development institutions in more than 70 countries worldwide have used the SIYB programme.

More information about how the ILO can assist with the adaptation and implementation of the SIYB training programme can be obtained from any local ILO office or from:

INTERNATIONAL LABOUR OFFICE

Entrepreneurship and Management Development Branch

CH-1211 Geneva 22

Switzerland

Fax No: +41 22 799 79 78

E-mail: entreprise@ilo.org

Website: <http://www.ilo.org/public/english/65entrep/siyb/index.htm>



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THE INTERNATIONAL LABOUR ORGANIZATION

The *International Labour Organization* was founded in 1919 to promote social justice and, thereby, to contribute to universal and lasting peace. Its tripartite structure is unique among agencies affiliated to the United Nations; the ILO's Governing Body includes representatives of government and of employers' and workers' organizations. These three constituencies are active participants in regional and other meetings sponsored by the ILO, as well as in the International Labour Conference - a world forum which meets annually to discuss social and labour questions.

Over the years, the ILO has issued for adoption by member States a widely respected code of international labour Conventions and Recommendations on freedom of association, employment, social policy, conditions of work, social security, industrial relations and labour administration, among others.

The ILO provides expert advice and technical assistance to member States through a network of offices and multidisciplinary teams in over 40 countries. This assistance takes the form of labour rights and industrial relations counselling, employment promotion, training in small business development, project management, advice on social security, workplace safety and working conditions, the compiling and dissemination of labour statistics, and workers' education.



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ILO PUBLICATIONS

The *International Labour Office* is the Organization's secretariat, research body and publishing house. The *Publications Bureau* produces and distributes material on major social and economic trends. It publishes policy statements on issues affecting labour around the world, reference works, technical guides, research-based books and monographs, codes of practice on safety and health prepared by experts, and training and workers' education manuals. It also produces the *International Labour Review* in English, French and Spanish, which publishes the results of original research, perspectives on emerging issues, and book reviews.

Catalogues and lists of new publications are available free of charge from ILO Publications, International Labour Office, CH-1211 Geneva 22, Switzerland.



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FOREWORD

At a time when the public and large-scale enterprise sectors' abilities to create new employment have reached their limit in many countries, it is clear that most future jobs will be created in small-scale enterprises.

Few business management publications are simple and clear enough to be understood easily by people who have not been exposed to business training but which can still communicate the basic management skills required by entrepreneurs if they are to run small businesses successfully and to be competitive. This book is an attempt to fill the gap.

The underlying idea of the book is that improvements can best come from active and creative thinking by entrepreneurs about their own businesses. The purpose of this material is therefore to encourage such creative thinking and motivate entrepreneurs to take action to improve their businesses.

The book is an integral part of the “Start and Improve Your Business” (SIYB) programme which in turn is part of the ILO’s International Small Enterprise Programme. The SIYB programme has been designed to provide a sustainable and cost-effective method to reach substantial numbers of small-scale entrepreneurs and provide them with the practical management skills needed in a competitive environment for profitability and growth. The SIYB programme is progressively including principles of social concern in its business management training, thereby contributing to the enhancement of quality in employment in line with core ILO values.

The SIYB programme provides individuals and institutions with a comprehensive and interrelated set of training materials, aimed at a variety of target groups, and dealing with various topics related to small enterprise development such as training, business counselling, monitoring and evaluation, and networking. Small enterprise development institutions in more than 70 countries worldwide have used the SIYB programme.

This book can be seen as the new generation in the series of SIYB publications, and will gradually replace the IYB Handbook and Workbook published in 1986. It is accompanied by a practical Trainer's Guide and the SIYB Game - an effective and dynamic learning tool that brings the learning points in the training programme to life. The Trainer's Guide is adapted from a guide prepared by the Swedish International Development Cooperation Agency (SIDA) for the territories under the Palestinian Authority and is reproduced by permission.

Credit is due to the authors of the book: Hkan Jarskog, Barbara Murray, Cecilia Karlstedt, and in particular to Mats Borgenvall, who had the creative vision. Hkan Jarskog adapted this edition from the original IYB Basics edition developed in Harare by a project financed by SIDA. Acknowledgement is also due to the many consultants who have contributed to the workings and to the innumerable trainers and entrepreneurs who have provided feedback and suggestions on how to present the learning elements. Martin Clemensson has managed the overall process of transforming an idea to a publication now being used throughout the ILO's global network.

For more information about the ILO's activities for enterprise development, you can either visit our Website <http://www.ilo.org/enterprise>, contact us at the International Labour Organization, Entrepreneurship and Management Development Branch, CH-1211 Geneva 22, Switzerland, or send us a fax on +41 22 799 7978.

**M. Ishida, Director
*Enterprise and Cooperative Development Department***



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INTRODUCTION

IN THIS CHAPTER YOU WILL LEARN

- **How this book is organized**
- **Who the book is intended for**
- **How this book will help you**
- **How to use this book**

There are six topics in *Improve Your Business Basics*. Each topic helps you solve problems and improve the management of one important part of your business.

- **Marketing helps you provide what your customers want**
- **Buying helps you buy goods, materials and equipment**
- **Stock control helps you keep and control stock**
- **Costing helps you calculate the costs for your products or services**
- **Record-keeping helps you keep and use records**
- **Financial planning helps you make plans for cash, sales and costs**

WHO IS THIS BOOK FOR?

***Improve Your Business (IYB) Basics* is written for managers of small- and medium- sized businesses. The idea underlying the book is that the most effective improvements come from the active and creative thinking of entrepreneurs themselves and the content therefore is designed to encourage such creative thinking and to motivate entrepreneurs to take action.**

The intended reader of *IYB Basics* is a single manager. This single manager may or may not be the owner of the business, but he or she is the person who makes

management decisions.

HOW THIS BOOK WILL HELP YOU

***IYB Basics* takes a practical approach to business management. Theory is kept to a minimum and the focus is on the day-to-day running of a business. Step-by-step guidelines are often suggested and the reader is encouraged to apply these to his or her own business.**

Management methods in six key areas are presented. The Marketing chapter assists you in making strategic decisions in the business, for example, deciding what to sell, to whom and in what way. The Costing and Financial Planning chapters help you to make plans to guide you in running the business and as a help in making management decisions, for example planning cash flow and setting prices. The Buying and Stock Control chapters introduce you to methods for designing and implementing procedures that will help you to run the business more efficiently and more profitably, for example, stock control systems and procedures for buying. The Record-keeping chapter shows you a basic record-keeping system and methods for analysing the records. It helps you to implement control systems to ensure that the business is profitable and to make decisions about the future, for example, to ensure that costs are not rising faster than sales.

In most cases, the best order to read the chapters in *IYB Basics* is to follow them as they are presented, from Marketing to Financial Planning. For specific purposes, the order can be changed. *IYB Basics* can be used equally well for self-study and in training, where trainers can benefit from the accompanying *IYB Basics Trainer's Guide*.

Since this book is intended for use in many different countries, we have used the term "NU" in the examples to represent an imaginary "National Unit of currency".

It has been assumed that at the time this material is adapted for any particular country, the country-specific details will also be adapted accordingly.

HOW TO USE IMPROVE YOUR BUSINESS BASICS

In this book you will find:

- **Explanations of business management methods. Learn these methods and use them to improve your business.**
- **Practical exercises. Do the exercises in each chapter to practise the business management methods you read about.**
- **An action plan. Fill in the action plan you will find at the end of the book. This will help you to put your new knowledge into practice.**
- **Useful business words. Look up the meaning of business words in this section.**
- **You will also find different types of boxes. Each type of box shows you one kind of information:**



In these boxes, you will find exercises or questions to answer about the content of the chapter.



In these boxes, you will find answers to the exercises and questions.



These boxes tell you where to find more information in the other chapters. For example: Read more about indirect costs in the COSTING chapter.



In these boxes, you will find questions about your own business. For example: Do you know your customers' needs? Does your business provide the right goods or services to satisfy your customers' needs?



These boxes tell you something extra important for you to remember. For example: The customer is the most important person for your business.

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MARKETING

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 **Understand your customers**

 **Satisfy your customers**

 **1. Product: What products or services to provide**

 **2. Price: What prices to charge**



- 3. Place: How to reach your customers
- 4. Promotion: How to attract customers to buy
- Review
- Summary
- What did you learn in this chapter?

Improve Your Business: Basics (ILO, 1999, 188 p.)

MARKETING

IN THIS CHAPTER YOU WILL LEARN HOW TO

- **Discover what kinds of products customers want**
- **Provide the products they want**
- **Decide what price to charge for these products**
- **Find the best location to sell the product**
- **Attract customers to your business**

NOTE Since this book is intended for use in many different countries, we have used the term “NU” in the examples to represent an imaginary “National Unit of currency”

Understand your customers

WHAT IS MARKETING?

Marketing is everything you do to satisfy the needs of your customers and make a profit by:

- **providing the products or services they need**
- **setting prices that they are willing to pay**
- **getting your products or services to them**
- **informing and attracting them to buy your products or services.**



THINK ABOUT WHAT HAPPENS IN THESE BUSINESSES:

• **A take-away restaurant:** *A customer asks for a pie but is told that only bread rolls are available. The customer does not buy anything.*

• **A general store:** *A customer asks for a lamp. He is told that the lamp costs 45 NU but he knows that the same type of lamp costs only 38 NU in another store nearby. The customer does not buy the lamp.*

1. *The customer does not buy anything to eat from the take-away restaurant. Why?*

2. *The customer does not buy a lamp from the general store. He buys the lamp from the other store instead. Why?*



1. *The customer does not buy anything at the take-away restaurant because it does not have the product the customer wants.*

2. *The customer buys the lamp from the other store because it is cheaper.*

IS MARKETING IMPORTANT?

Customers are the most important people for your business. If you do not provide what they want, at prices they are willing to pay, and treat them with respect, they will buy somewhere else. Without customers there will be no sales and your business will have to close down.

Satisfied customers will come back and buy more from your business. They will tell their friends and others about your products and your business. More satisfied customers mean larger sales and bigger profits.

Most businesses do not sell as much as they could and many do not understand

why. Business people need to know as much as possible about their customers and what they want so they can serve them better. This is the starting point for marketing.

WHO ARE YOUR CUSTOMERS?

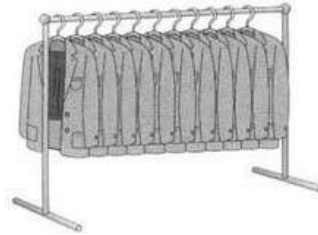
Your customers are the people or other businesses who want your products or services and are willing to pay for them.

Your customers are:

- **the people who buy from you now**
- **the people you hope will buy from you in the future**
- **the people who stopped buying from you but you hope to get back.**



Figure



Figure

Here are some examples:

- **In most areas, there is a demand for reliable and affordable transport. The customers are all the people who need transport and are willing to pay for it.**
- **In many areas, there is a demand for school uniforms. The school children use the school uniforms but they are not the customers. The parents buy the uniforms for their children. Therefore, the customers for the school uniforms are the parents, or other people who are willing to pay for the uniforms.**
- **A tailor's shop makes protective clothing like coats and overalls. They are used by shop assistants, carpenters, and other businesses. The tailor's shop sells their products directly to other businesses. So, owners and managers of those businesses are their customers.**



Think about the customers of your business. Which are the different kinds of people who want your products or services and are willing to pay for them?

LEARN ABOUT YOUR CUSTOMERS AND COMPETITORS

Customers buy goods or services to satisfy different kinds of needs and wants. For example, customers buy:

- **bicycles because they need transport**
- **nice clothes because they want to look attractive**
- **radios because they want information and entertainment**
- **coats and overalls because they need to protect their clothes.**

It is important to know as much as possible about your customers and what they need and want. When you understand your customers' needs you can decide what products or services to provide. Do market research to understand your customers, make better decisions and increase your sales.



Your customers are the most important people in your business. Make sure that you sell what your customers want to buy.

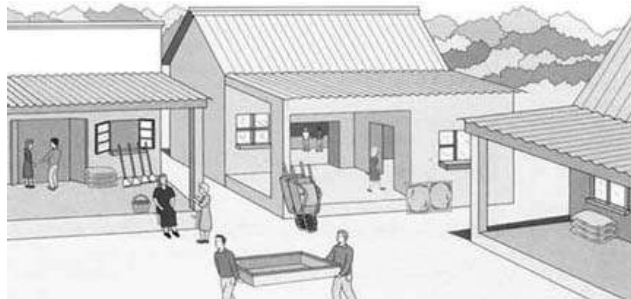
Do market research

To find out about your customers and competitors, ask yourself:

- **Which different kinds of customers am I trying to sell to?**
- **What products or services do they want? Why do they want them?**
- **What prices are they willing to pay?**
- **Where are the customers and where do they usually buy?**

- **When do they buy?**
- **How often and how much do they buy?**
- **Who are my competitors, the other businesses selling products and services similar to mine? How good are my competitors?**

The group of stores in this picture are all of the same type. They sell the same goods to the same customers. Only a few customers buy from each store so sales for each business are low. This happens in many areas. Does it happen in your area?



Figure

Finding answers to these kinds of questions is called market research. Market research is very important for your business. It means getting information about your customers and competitors.

But it is not enough to know who your customers are and what they want. You must also find out if there are enough customers. Not everybody will buy from

your business.

***Reliable Tailors* used to make school uniforms. The market for school uniforms is large. But by doing market research Reliable Tailors found out that there are too many businesses making school uniforms and that sales for each business are very low.**

Reliable Tailors decided to find out about the customers for other products, for example, overalls and protective coats. This is how they found out how many customers there are for protective coats. You can learn about your customers in the same way:

- 1. Reliable Tailors counted the number of shops in town. There were 80 shops altogether.**
- 2. Reliable Tailors asked 10 shops how often they buy new protective coats for their shop assistants. Most said they buy twice every year. Most shops have three people who need protective coats. This means each shop buys six protective coats each year.**
- 3. Some customers will not buy from Reliable Tailors. They will buy from other tailors. Out of the 80 shops in town, Reliable Tailors think they can sell to 40 shops.**
- 4. Reliable Tailors expect to sell 240 protective coats per year.**

All businesses need to understand their customers and know about their

competitors. Doing market research will help you to satisfy your customers by making decisions on:

- **what products or services to sell**
- **what prices to charge**
- **how to get your products to your customers**
- **how to inform customers and attract them to buy.**

Market research can be done in many practical ways by you and your employees. Here are some examples of how you can find out more about your customers and competitors:

Talk to your customers or ask them to fill in a questionnaire. Ask them, for example:

- **why they buy from you**
- **if they are satisfied with your goods or services and the way they are treated at your business**
- **if there are other goods or services they would like to buy.**

Listen to what your customers say to each other about your business and your goods and services.

Find out why some customers do not stop to buy from your business. Think of yourself. When you want to buy something, why do you go to one business and not to another? Is it because one business has a better product, a better price,

better services, or is nearer to you?

Study your competitors' businesses. Find out about:

- **their products or services, for example, quality and design**
- **what prices they charge**
- **how they attract customers to buy**
- **what customers say to each other about the goods and services in your competitors' businesses**
- **why customers buy from your competitors' businesses instead of from your business.**

Ask suppliers, other businesses and business friends:

- **which goods sell well in their businesses**
- **what they think about your products**
- **what they think about your competitors' products.**

Check your order books, your sales records and your stock records to find out which goods or services sell well.

Read newspapers, catalogues, trade journals and magazines to get information and ideas on new products or services.

Watch TV and listen to the radio to find out what is popular at the moment and to see what other businesses advertise and how they advertise.



Have you done market research to find out about your customers and competitors?

Market research helps a business to know more about their customers and competitors. On the next page you can see how a tailoring business put together the information from their market research.

1	2	3	4	5	6	7
Our products or services	Our customers	How often and when do customers buy	Our price	Customers' comments	Competitor	Competitor's price
- protective coats	- owners and managers of shops, mostly general stores	- twice every year - mostly in January and June	- regular price 65 NU	- good quality - good price- some customers want • more colours • more pockets • deliveries	Qualify Clothing Enterprises - large company - good reputation - good	- 70 NU and discounts for large orders

					quality	
					- more colours	
					- deliver large quantities	
					- sales people visit customers	

1. In column 1, write the products or services you sell.

2. In column 2, describe the customers for each product or service. Who are the people who want that product or service and are willing to pay for it? For example:

- **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 buy? In rural areas, in town, near your business or far away?**

3. In column 3, write down how often and when your customers buy each product or service. Is it every day, every week, every month, every year, in

winter, in summer, on pay day, or after the harvest?

4. In column 4, write down what price you charge for each product or service.

5. In column 5, write down what your customers think about your product or your service. For example:

- **Do they like the design, the colours, the sizes? Why?**
- **Do your customers want products or services that you do not have?**

6. In column 6, write down other businesses, your competitors, who sell the same or similar products or services as you do. What is special about their businesses, their products or their services?

7. In column 7, write down the prices your competitors charge for each product.



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

- *what customers complain about*
- *products or services your customers ask for but which you do not have*

- *ideas for new products or services*

Satisfy your customers

You have

- **found out about your customers and competitors**
- **found out if there are enough customers.**

Now, use the information about your customers to satisfy their needs. To satisfy the needs of your customers, improve your sales and make a profit, you need to find out:

- **what product or service your customers want**
- **what price your customers are willing to pay**
- **at what place your business should be so you can reach your customers**
- **what promotion you can use to inform your customers and attract them to buy your products or services.**

These are called the four Ps of marketing. They all start with a P: Product, Price, Place, and Promotion. So they are easy to remember.

**Right + Right + Right + Right = MORE CUSTOMERS
PRODUCT PRICE PLACE PROMOTION AND HIGHER SALES**

To satisfy your customers and increase your sales, you will need to learn about and use all four Ps of marketing. Satisfied customers will come back to buy more from your business and will tell other people to buy from your business.

All four Ps are very important and must be given strong emphasis. If your business is weak in one or more Ps, you may not be able to satisfy your customers. Your business is in danger and may fail.

Timing of the four Ps is important. The right product, for the right price, at the right place and supported by the right promotion, must be available at the right time. The right time is when the customers require the product.

We will look at each of the Ps one at a time.

1. Product: What products or services to provide

To be successful in business you must have the products or services your customers want. This is called Product and is the first P of marketing.

FIND OUT WHAT CUSTOMERS NEED

Customers buy goods and services to satisfy different needs. For example,

- **cold drinks satisfy a need to feel cool in hot weather**
- **bicycles satisfy a need for transport**
- **radios satisfy a need for news and entertainment**
- **clothes satisfy a need to wear something comfortable and a need to feel attractive.**



Figure

A successful business finds out what customers want and need. The business provides the products or services to satisfy those needs.



Do you know your customers' needs? Does your business provide the right goods or services to satisfy your customers' needs?

***Sunshine Restaurant* is a small restaurant in a good location, where customers can have a quick meal. This is how Sunshine Restaurant satisfies their customers' needs:**

- **When they first opened, Sunshine Restaurant only sold cakes and biscuits. But the customers asked for more to choose from, so Sunshine Restaurant started to offer different kinds of food, such as sandwiches and pies.**
- **Later on, customers began to ask for cooked food for lunch. Sunshine Restaurant bought a stove and started serving cooked meals.**
- **Sunshine Restaurant used to have small paper bags for all take-away foods. Customers started to complain. Now they also use boxes for some soft foods.**

Always listen to what your customers like and do not like. When their needs change, change your products and services to satisfy the new needs. Do more market research. When you know what your customers want, you can provide those products or services and increase your sales.

PROVIDE WHAT YOUR CUSTOMERS WANT

Customers want to look at different products so that they can choose what they like best. For example,

- **some customers want a different design**
- **some customers want high quality and are willing to pay extra for it.**

If you always provide products or services of the quality your customers want, they will trust you and your business.



Remember, customers are the most important people for your business. Always keep your eyes open and try to understand their needs, Make sure you provide the products or services the customers want, not what you want. You are not the customer.

Often ask yourself these kinds of questions:

- **What products or services do I sell?**
- **Why did I decide to sell these products?**
- **Do I have the products customers want?**
- **Do I keep products that do not sell well?**

If the answers to the questions tell you that customers want different products or services, you can:

- **make or sell completely new products, or**
- **improve what you already make and sell by changing something about your product:**

the design



Figure

the size

the comfort



Figure

the customer service

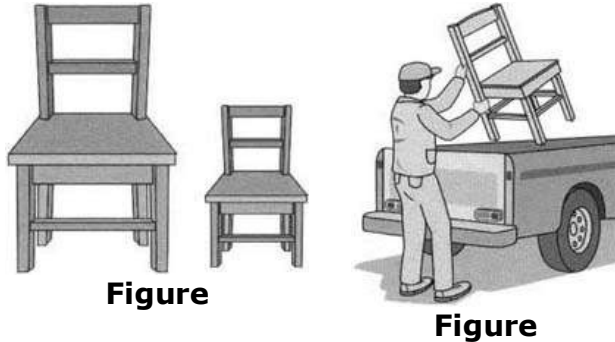
the colour



Figure



Figure

**Figure****Figure**

If you sell products which need packaging, you can also change the packaging. Packaging protects your products and makes them easier to handle. Packaging adds to your costs. But packaging can also make your products more attractive and help you increase your sales.

You may decide that products and services other businesses provide are much better than the products or services you can afford to make or sell. The changes you would need to make to your products are too big and would cost too much. When this happens, you decide to stop selling that product. By doing market research, you can decide on a better product or service for your business to sell.

LOOK FOR NEW IDEAS

Your products may not sell very well. Lots of other businesses may sell the same products. Customers may not want your products any more. If the products you sell do not make much profit, think of new ideas. Here are some examples:

If you only make and sell household furniture,

- **find new types of customers such as schools and offices by selling school desks, shelves or office furniture.**

If you are selling bread,

- **find more customers such as restaurants, hospitals and schools.**

If you are selling vegetables and fruit,

- **think about what new products you can make from vegetables and fruit. You can, for example, make juice and marmalade from oranges.**

Before you start making new products, make sure you do market research:

- **Think of ideas and ask others. Get as many ideas as possible.**
- **Find out which of those ideas can be made into products that customers would like and would be willing to pay for.**
- **Make sure there are enough customers who want your new products.**

2. Price: What prices to charge

Price is the second P of marketing. Setting prices can be difficult but is very important. Your business may have very good products or services, but if your prices are wrong, you will not sell much.

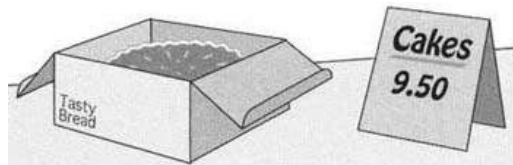
When you work out a price on a product or a service, you need to know how cost, price and profit work together:

Cost + Profit = **PRICE OR** Price - Cost = **PROFIT**
 7 NU 3 NU **10 NU** 10 NU 7 NU **3 NU**

Your total profit from sales depends on:

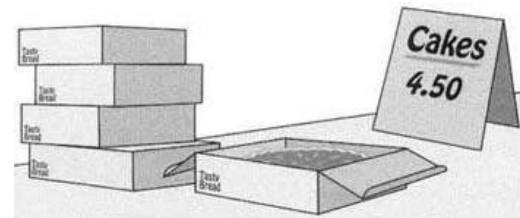
- **how much profit you make on each product or service**
- **how many of each product or service you sell.**

***Tasty Bread* is a bakery. One of the products they make are cakes which customers buy at the bakery. Tasty Bread have tried both low and high prices:**



Figure

When they put a high price on these cakes, they make a big profit on each cake. But at that price, they only sell one or two cakes a day.

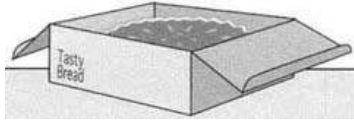


Figure

When they put a low price on these cakes, they make a small profit on each cake. But at that price, they sell many cakes a day.

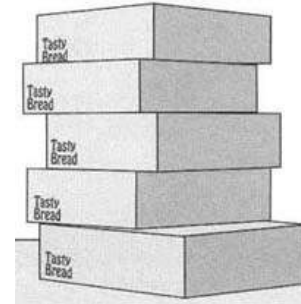
Number of products sold \times profit per product = total profit

number of products sold x profit per product = total profit



Figure

1 cake x 5 NU profit per cake = 5 NU
total profit for cakes per day



Figure

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

So, you can make a large total profit on a low price. It all depends on how many items of a product you sell and how much profit you make on each item.

HOW TO SET YOUR PRICES

In general, 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 prices to charge your customers. To set your prices you need to:

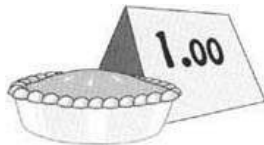
- **know your costs**

- know how much customers are willing to pay
- know your competitors' prices
- know how to make your prices more attractive.

Know your costs

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

Look at how *Sunshine Restaurant* set prices. First they must know their costs. The total costs of making one pie are 2 NU. To make a profit, they must sell each pie for more than 2 NU.

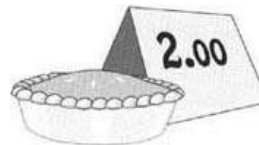


Figure

LOSS

$$\begin{array}{rcl} \text{Price} & - & \text{Cost} = \text{Profit} \\ 1 \text{ NU} & & 2 \text{ NU} \quad -1 \text{ NU} \end{array}$$

-1 NU means a 1 NU loss

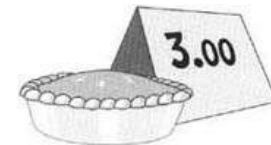


Figure

NO PROFIT

$$\begin{array}{rcl} \text{Price} & - & \text{Cost} = \text{Profit} \\ 2 \text{ NU} & & 2 \text{ NU} \quad 0 \text{ NU} \end{array}$$

0 NU means no profit



Figure

PROFIT

$$\begin{array}{rcl} \text{Price} & - & \text{Cost} = \text{Profit} \\ 3 \text{ NU} & & 2 \text{ NU} \quad 1 \text{ NU} \end{array}$$

1 NU means a 1 NU profit

A price lower than the total cost gives you a **loss**. A price at the same level as the total cost gives you **no profit**. A price higher than the total cost gives you a **profit**.



The COSTING chapter tells you how to calculate the costs of a product or a service.

Know how much customers are willing to pay

Customers must be willing to pay your prices. If you set a price which is too high, you will soon know because you will sell very little or nothing.

Sunshine Restaurant asked many customers how much they were willing to pay for a pie. Almost all of them said that 3.50 NU is too much money to pay for a pie. Many of them said they would buy a pie if it does not cost more than 3.25 NU. Sunshine Restaurant now knows that the price for pies should be somewhere between 2.00 NU and 3.25 NU:

- **2.00 NU is the total cost for a pie**
- **3.25 NU is the highest price the customers are willing to pay.**

If the price customers are willing to pay is lower than your costs, try to cut your costs. If you cannot cut your costs, maybe you need to find another product or service to sell.

Know your competitors' prices

Find out how much your competitors charge for products or services which are the

same or similar to yours.

In general,

- **if your prices are lower than your competitors', you may attract more customers to buy from your business**
- **if your prices are higher than your competitors', your customers may buy from your competitors.**

There may be a reason why you want to charge a higher or lower price than other businesses.

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

- **if your product or service is new and people do not yet know about it**
- **if you want to attract new customers.**

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

- **if customers feel that your product or service is better than the competitors'**
- **if you provide some extra service such as longer opening hours, free delivery or a good guarantee.**



Be careful: if you try to sell more by cutting prices too much, it can be dangerous for your business. To make a profit, your prices must always be higher than your costs, Therefore it is important to know your costs.

Sunshine Restaurant found out that most competitors charge 3.25 NU for pies. They now have a lot of information about prices for pies:

- **the cost for a pie..... 2.00 NU**
- **the price customers are willing to pay..... 3.25 NU**
- **competitors' prices for pies..... 3.25 NU**

Sunshine Restaurant has not yet decided what price to charge for pies. They are thinking of charging 3.00 NU. If customers buy from other places, they have to pay 3.25 NU.

Know how to make your prices more attractive

There are many ways to make your prices sound more attractive to your customers. Sunshine Restaurant decided on a price of 2.99 NU for the pies. 2.99 NU sounds much less than 3.00 NU, even though there is only one cent difference.

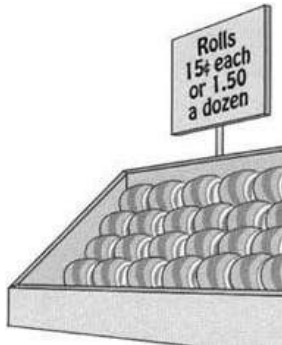
To attract customers to come to your business, you can sometimes use special offers - even with low profits. When your customers come for the special offers, they often buy other products as well.

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.



Figure



Figure



Figure



What do you do to make prices in your business more attractive?

3. Place: How to reach your customers

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 products or services.

The third P in marketing is called Place. Place means location - where your business is. Location is especially important for retailers and service operators, who need to be where it is convenient for their customers.-

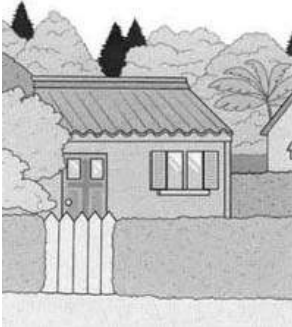
Place also means different ways of getting your products or services to your

customers. This is called distribution. Distribution is especially important for manufacturers.

LOCATION - WHERE YOUR BUSINESS IS

Before Sunshine Restaurant was started the owner thought about where to locate the business. She wanted to know which place would be best for her customers.

In the residential area? In the business centre? Where the small manufacturers are?



Figure



Figure



Figure



- *To sell well, most retailers and service operators need to be where their customers are.*

Good places for retailers and service operators are where many people pass by or where many people live.

• For example, a good place for a take-away restaurant is near a bus station at a business centre. A lot of people pass there. An area where many small manufacturers work is also a good place for a take-away restaurant. Workers want to buy something to eat for lunch.

• A residential area is not a good place because most people are away during the day or they cook their own food in their homes.

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

2. Where is a good place for a taxi business? Why?



1. A good place for a grocery store is near where customers live. Customers can then easily get to the store and carry their groceries home.

2. A good place for a taxi business is where there are lots of people who often need to; travel. For example:

- *where people look for transport to go to work or to come home from work*
- *at a business centre*

• *at shops and hotels.*



Why have you located your business where it is? Is it a good place? Why? Is there a better place for your business?



Make sure your business is not in a place where there are too many other businesses selling the same products or services you sell.

DISTRIBUTION - GETTING YOUR PRODUCTS TO YOUR CUSTOMERS

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

- **a cheap rent**
- **a reliable and convenient supply of raw materials.**

If your business is not where your customers are, you must find ways to get your products 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 sell to other businesses which then sell your goods to consumers or other businesses. Those businesses are mostly retailers or wholesalers. This is called retail distribution and wholesale distribution.**

Direct distribution

Direct distribution means selling your products directly to the customers who use them.

When you sell your products directly to the customers who use them, you can talk to them and find out what they like, want and can afford. So, direct distribution is most useful for those manufacturers who make products to each customer's order.

DIRECT DISTRIBUTION

Manufacturer → Customer

makes the product uses the product

Direct distribution is useful for some businesses. But it takes time and it can be expensive for your business. For example, think of the costs for transport, wages or your salary, for the time you or your employees spend selling or delivering goods to customers.

DIRECT DISTRIBUTION is most useful for your business if you

DIRECT DISTRIBUTION IS MOST USEFUL FOR YOUR BUSINESS IF YOU:

- make specialized products, where you need to discuss the product with the customer - for example, making clothes or furniture to each customer's order*
- have few customers so you can keep in contact with each of them - for example, making carriers for a large bicycle manufacturer*
- make fairly expensive products that customers do not buy very often - for example, making carts*
- provide a service with the product you make - for example, making burglar bars and putting them up for the customer.*

Retail distribution

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

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 do on its own. So, when you sell your products to retailers you reach more customers, your sales may increase and your business can grow.

RETAIL DISTRIBUTION

Manufacturer → Retailer → Customer

makes the product buys and sells the product uses the product

Retailers can do a lot of work that your business has to do on its own if you sell directly to the customers who use your products. For example, retailers:

- **keep in contact with customers. This gives you more time for production and other important activities.**
- **stock your products. This helps your business to have less money tied up in stock.**
- **help promote your products by advertising, etc.**

Retailers do a lot of work that your business would have to pay for otherwise. Because of that you charge them a lower price than you would charge the customers who use your products. On the other hand, retailers often pay you immediately when they get your products.

RETAIL DISTRIBUTION is most useful for your business if you make goods in large quantities, and you:

- *make standard products which normally do not need a lot of contact with customers about design, colour, size, etc. - for example, making hair oil or shampoo*
- *make low-priced products that customers buy often - for example, making soap*

- *have many customers and it takes a lot of time to stay in contact with each customer - for example, making standard cups and plates*
- *have customers in a large area so that it is difficult, takes time, and is expensive to reach all of them - for example, making farming equipment.*

Wholesale distribution

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

Wholesale distribution is useful for businesses that make products in very large quantities. Wholesalers can normally reach even more customers in a larger area than retailers can. So, when you sell your products to wholesalers, you reach even more customers, your sales may increase and your business can grow.

Wholesalers sell to retailers who then sell to the customers who use your products. 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.**

WHOLESALE DISTRIBUTION

Manufacturer → **Wholesaler** → **Retailer** → **Customer**

makes the
product

buys from manufacturer and
sells to retailer

buys from wholesaler and
sells to customer

uses the
product

Wholesalers do a lot of work that your business would have to pay for otherwise and can help you to reach many more customers in a very large area. Because of that you normally charge them an even lower price than you would charge a retailer.

WHOLESALE DISTRIBUTION is most useful for your business if you:

- *make low-priced, standard products in very large quantities, and*
- *have many customers in a large area.*

Which type of distribution is best for your business?

Each type of distribution is useful for different types of businesses. Before you decide if you want to change your distribution, think about:

Your products

- **Do you make standard products or products to each customer's order?**
- **Do you make low-priced products or high-priced products?**
- **Do you provide any special service with your products?**

Your customers

- **Do you have many or few customers?**
- **Where are your customers? Nearby or far away?**
- **How much do they usually buy?**

Your business

- **What does your business have difficulties with? Would your business improve if someone else does the selling, stocking, promoting, etc.?**
- **What can your business do best on its own? If you sell to retailers or wholesalers, will your business improve? How?**

Your sales, costs and profit

- **How much can you sell with each type of distribution?**
- **Can you make and sell enough to supply retailers or wholesalers with the quantities they want?**
- **Which type of distribution will give your business the highest sales and the highest profit?**

4. Promotion: How to attract customers to buy

Your business may be in a good place, have good products at prices that customers are willing to pay, but your sales may still be low. Why?

Maybe it is because you do not tell people about your business and what it can

offer. This is called Promotion and is the fourth P of marketing. Promotion means informing and attracting people to buy your products or services.

Decide how much you can spend on promotion and what types of promotion to use. Promotion sometimes costs a lot and it is important to use the best type of promotion for your business.

Do not sit and wait for customers to come to you. Do promotion, sell more and increase your profit by:

- **advertising - making customers interested**
- **sales promotion - getting customers to buy more**
- **publicity - getting free promotion**
- **improving your skills as a salesperson.**

ADVERTISING

Advertising is giving information to people to make them more interested in buying your goods or services. Let us look at some ways to do good advertising for your business.

Signs

Use signs so that people know and remember the name of your business, what it sells, where it is, when it is open, and so on. Bright colours, clear writing and a picture or symbol will make more people see your signs. Do not put too much information on your signs. It is difficult to read a sign with a lot of information. It

is a good idea to find a good, local sign-painter to help you.

Boards, posters and leaflets

Use boards, posters and leaflets to tell customers about special offers, discounts, new products, and so on. You can use paper or chalk and a chalkboard.

Write on the boards, posters and leaflets. Make your posters big enough so that people will notice them. Use the information from your market research and put the posters where many people can see them. Give leaflets to people who may be interested in buying your products or services.

Business cards, price lists, special letters and photos

Use business cards to tell people who you are, the name of your business, your location and what you sell. Use a price list to tell people about all the products you sell and how much they cost. Write special letters to promote your business to people you think will be interested in buying your products or services.

You can use a rubber stamp to make your own business cards and letterheads. To give a good impression make sure that your letters are neat and that the information is clear. Ask customers to give your price lists and business cards to their friends and other people who may be interested in your products or services.

Newspapers, radio and television

- **Advertising in the 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 who do not read and write but often listen to the radio.**
- **Advertising on television is expensive and is often used by large businesses who want to reach many customers in a large area.**



Figure

When you advertise, think about what customers would like to know. Customers want to know:

- **what products or services you sell**
- **your prices and terms**
- **where they can buy your products**
- **why they should buy from your business. What is special or different about your business, your products or services.**

SALES PROMOTION

Sales promotion is everything you do to make customers buy more when they have come to your business. You can do sales promotion in many different ways.

Displays

Display is the way you arrange your products. Display is important for all businesses, especially for shops and stores. Good display makes it easier for customers to see your products so they can choose and buy.

Keep your business:

- **well organized**
- **well lit, clean and fresh-looking**
- **attractive, with your products well displayed.**

On the opposite page are some ideas on how to display your goods to increase your sales:

1. Put your goods in groups

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

For example:

2. Make your shelves look full

Do not keep a lot of goods in your storeroom. 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

3. Show the front of the packages

The front of a package usually looks bright and attractive. This makes it easier for customers to see their favourite products and to be

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

stocked. Move goods towards the front of the shelves to make the shelves look full.

attracted to new products.



Figure

4. Put goods where they can be seen easily

If your business has a counter, do not have too much space between the shelves and the counter. If customers can see your products clearly, they may decide to buy. Put small items such as sweets in glass shelves, or buttons in glass jars, so customers can see them.

5. Put goods at the customer's eye level

Customers will see and buy goods which are at the same level as their eyes. It is more difficult to see goods near the floor or high up on a shelf. If you need to use those shelves, only use them for well-known products which customers often buy.

6. Show the prices clearly

Customers want to know the prices of your goods without having to ask you. You can show the price on the edge of the shelf, below each different product. Write large enough for the customers to see the price clearly.

More ideas for sales promotion***Let customers try new products***

Let customers try or taste new products, to interest them in buying the new products.

Make special offers

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

Give demonstrations

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.

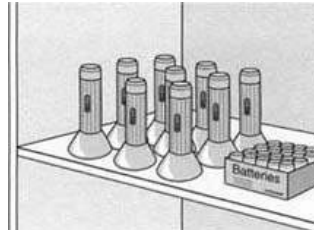
Sell products that go together

To sell more, put products that go together next to each other. Torches and batteries go together. They are not useful on their own. Remind customers to buy them.

There are no rules for sales promotion, but remember:

- **Be creative, use your own ideas and try something different.**
- **Keep customers interested. Change the type of sales promotion often and only use each for a short time.**

- **Do not use too many types of sales promotion at the same time. Customers may feel you are forcing them to buy.**



Figure

PUBLICITY

***Honey Bee* is a successful bee-keeping business. A journalist wrote a story about the business in the local newspaper. Because of the story many people found out about their products and sales increased for Honey Bee. They got publicity.**

Publicity is free promotion through an article in a newspaper or magazine which tells people about your products or services. The article promotes your business. Good publicity increases your sales.

Publicity works well because:

- **people who do not read advertisements may read the article about your business**
- **people believe what they read in an article more than they believe advertisements.**

It is not easy to get publicity for your business. You can write an interesting letter to a local newspaper, magazine or the radio and describe what your business does and how it serves the community. If they think they can make a good article about your business they might come and interview you.

Word of mouth - what people say about your business

There is another type of publicity which is free. It is probably the most common way new customers find out about your business. It is called word of mouth. Word of mouth means that people tell others what they think about you, your business and what you sell. The word travels from one person to another. Make sure it is a good word so it gives your business a good reputation.

Word of mouth can also be bad for your business. Bad words about your business travel very fast - almost like a fire. It takes a long time to build a good reputation again. So, always make sure that customers talk well about you, your employees and the products or services your business sells.

IMPROVING YOUR SKILLS AS A SALESPERSON

You have attracted customers to come to your business with good advertising and good sales promotion. But your product or service is not yet sold. How well you will sell now depends on you. Your skills as a salesperson can make the difference between success and failure.

How to be a successful salesperson

To improve your skills as a salesperson and increase your sales you need to:

- **know your customers and their needs**
- **know how to treat your customers**
- **know your products and how to sell them.**

Know your customers and their needs

Customers are different. For example:

- **some customers can never make up their minds**
- **some customers are always in a hurry**
- **some customers never have enough money.**

To be successful, try to understand and get to know every customer. First find out what the customer really needs by listening and asking questions. Then satisfy the customer's needs by:

- **giving advice**
- **offering suitable products or services.**

Know how to treat your customers

Successful salespeople try to see things through the customer's eyes. This means that you should try to think of yourself as a customer.

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

- **Greet your customers. Call them by their names.**
- **If you are already serving a customer, greet new customers and tell them that you will soon help them.**
- **Be polite and friendly so that customers feel welcome and enjoy visiting your business.**
- **Do not talk too much. Listen carefully to what your customers say and ask questions to find out what they need.**
- **Be patient. Give the customers time to ask questions and decide if they want to buy.**
- **Always be honest and trustworthy. For example, tell your customers the good and bad points about a product or a service.**
- **Do not disagree with your customers if they decide they do not want a product. Allow them to say no.**
- **Never argue with a customer. Make your customers feel they are right.**
- **Thank your customers for coming to your business.**



Customers are the most important people for your business. Treat customers the way you like to be treated when you are a customer.

Know your products and how to sell them

To get respect and trust from your customers and to sell well, you need to know your products. Your customers may ask many questions about your products, or services. Be sure you know the answers.



Figure

- Do I use it with cold water or hot water?
- Will it damage my hands?
- How much do I use for one wash?



Figure

- How do I keep it clean and shiny?
- If I spill a drink on it, will it make a mark?
- Will the sun damage it?



Figure

- Is the material strong?
- Does the colour fade?
- Will it shrink?


Even if you know your products very well, you may still not sell much. The reason can be that you do not know how to show and explain your products to your customers. For example, if you are selling a radio and tell the customer that the radio has short and medium wave bands, earphones and a manufacturer's guarantee, the customer might not understand these technical details.

To make it easier for customers, a skilled salesperson:

- **first tells the customer what the product can do and how it can be useful**
- **then gives the technical information that is needed.**

If you are selling a radio you can explain the details this way:

- **“You can listen to all local programmes very clearly. You can also listen to many programmes in other countries because this radio has both short and medium wave bands.”**
- **“You can listen without disturbing others because this radio has earphones. When you use the earphones, only you can hear.”**
- **“If you have any problems with this radio in the first six months, we will repair it free of charge because the manufacturer gives a six-month guarantee.”**

 *What type of salesperson are you? What do you think your customers say about you as a salesperson?*

Review

Summary

Marketing is everything you do to satisfy the needs of your customers and make a profit by:

- **providing the products or services they need**
- **setting prices that they are willing to pay**

- **getting your products or services to them**
- **informing and attracting them to buy your products or services.**

Your customers are the people or other businesses, who want your products or services and are willing to pay for them.

Do market research to learn about your customers and competitors.

The first P of marketing is Product. Product means having the products or services your customers want.

Customers buy goods and services to satisfy different needs and wants. A successful business finds out what customers need and then provides the products or services to satisfy those needs.

Keep your eyes and ears open for ideas about new products or services.

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 gives you a high enough profit.**

Before you set a price, you need to know:

- **your costs**
- **how much customers are willing to pay**
- **your competitors' prices**
- **how to make your prices more attractive to your customers, for example**

by using special offers and discounts.

The third P of marketing is Place. Place means:

- **location - where your business is located, and**
- **distribution - how to get your products or services to your customers.**

Most retailers and service operators need to be where it is convenient for their customers. Manufacturers need to have a good way of distributing their products to their customers.

Direct distribution is most useful for your business if you make fairly expensive, specialized products and have few customers who may want a service with the product you make.

Retail distribution and wholesale distribution are most useful if you make a large quantity of standard, low-priced goods and have many customers in a large area.

The fourth P of marketing is Promotion. Promotion means informing and attracting the customers to buy your products or services.

Do promotion, sell more and increase your profit by:

- **advertising**
- **sales promotion**
- **publicity**
- **improving your skills as a salesperson.**

Use advertising to make customers more interested in buying your products or services.

Use sales promotion to make customers buy more when they have come to your business.

Publicity is free promotion. For example, a good story about your business in a newspaper or on a radio gives you good publicity. Word of mouth means that people tell others what they think about you, your business and what you sell.

Improve your skills as a salesperson. To be a successful salesperson and increase your sales you need to:

- **know your customers and their needs**
- **know how to treat your customers**
- **know your products and how to sell them.**

What did you learn in this chapter?

Now that you have worked through this chapter, try these practical exercises. The exercises will remind you of what you have learned and help you to improve the marketing in your business.

Compare your answers with the Answers. If you find it difficult to work out an answer, read the relevant part of the manual again. The best way to learn is to finish an exercise before you look at the answers. Check the list of Useful Business Words.



*You have learned more about marketing in this chapter. But what you have learned does not help until you use the new knowledge in the day-to-day running of your business. Remember to do the **Action Plan** to improve the marketing in your business.*

Marketing at Beauty Hair Salon

Beauty Hair Salon is located in the middle of the business centre in a small town. Beauty Hair Salon have friendly, qualified employees and a good reputation. Customers come to Beauty Hair Salon for trimming, styling, washing, cutting and colouring.

Beauty Hair Salon have noticed that some women in the business centre have a perm which is a new fashionable hairstyle. They do not do perms. Beauty Hair Salon want to increase their sales. So they do market research to find out about offering a new product, perms.

The following is the information Beauty Hair Salon found about perms in their market research.

1	2	3	4	5	6	7
Our products or services	Our customers	How often and when do customers buy	Our price	Customers' comments	Competitors	Competitors' price
- Perms	- young women	- every	- to be	Customers	Fashionable	Fashionable

young women
who shop or work
in the business
centre

- women with
high status jobs,
e.g. business
women,
secretaries, office
clerks, teachers

- women with
fairly high
income

- a bank and a
large commercial
office will soon be
opening in the
business centre

- 30 customers
who came to
Beauty Hair
Salon last week
said they wanted
and could afford

every
three
months

- a perm
lasts for
three
months

- restyle
once a
month

- a perm
can be
changed
into
different
styles

decided

- the
cost of
a perm
is 70
NU

customers
want:

- to look
attractive

- to look
wealthy
enough to
afford a
fashionable
hairdo

- the most
fashionable
hairstyle

- low prices

- hairdos
that last a
long time

- perms that
can be
changed into
different
styles

Hair Care

offer perms.
They have:

- a very good
reputation

- high prices
but offer
discounts

- very
qualified
employees

- knowledge
about the
latest
hairstyles

- 0.5 km
from the
business
centre

**Top
Hairstyles**

Hair Care:

120 NU

**Top
Hairstyles:**
100 NU

	perms				offer perms. They have: <ul style="list-style-type: none">- a poor reputation- quite high prices- unqualified employees- 2 km from the business centre
--	-------	--	--	--	--



MARKETING AT BEAUTY HAIR SALON

What advice can you give Beauty Hair Salon about the new products? Think about the 4 Ps of marketing: Product, Price, Place and Promotion. Use the information from Beauty Hair Salon's market research to answer these questions:

1. Product: *What needs do customers have that Beauty Hair Salon do not satisfy?*

2. **Price:** Can you advise Beauty Hair Salon what price to charge for a perm? Explain how you set the price.

3. **Place:** Is Beauty Hair Salon in a good place? Why or why not?

4. **Promotion:** If Beauty Hair Salon decide to offer perms, what types of promotion do you suggest they can use to attract customers? Think of as many ideas as possible.

5. Is it a good idea for Beauty Hair Salon to offer perms? Why or why not?



Answers to *MARKETING AT BEAUTY HAIR SALON*

1. *Customers have the following needs that Beauty Hair Salon do not satisfy:*

- *The need to look fashionable - Beauty Hair Salon do not offer fashionable hairstyles such as perms.*
 - *The need to look wealthy enough to be able to afford the latest hairstyle. Beauty Hair Salon do not offer the latest hairstyles such as perms.*
 - *The need to have a perm which you can change into different hairstyles.*
-

2. *First, to set their price Beauty Hair Salon must know the costs. The costs of a perm are 70 NU. So, to make a profit, Beauty Hair Salon must charge a price which is higher than 70 NU.*

Then, Beauty Hair Salon need to think about competitors' prices and what price customers are willing to pay:

- *Top Hairstyles charge TOO NU. They have a poor reputation, unqualified employees and are 2 km from the business centre. Beauty Hair Salon have a good reputation, qualified employees and they are near their customers.*
- *Fashionable Hair Care charge 720 NU. They have a very good reputation, very qualified employees, and they offer discounts. Beauty Hair Salon should charge less than Fashionable Hair Care. If Beauty Hair Salon charge less than 720 NU, some of*

the customers at Fashionable Hair Care may come to Beauty Hair Salon for their perms because of the lower price.

So, Beauty Hair Salon should charge a price which is higher than 70 NU - the cost of a perm. The best price for Beauty Hair Salon to charge is probably:

- higher than 100 NU - the price at Top Hairstyles*
- lower than 120 NU - the price at Fashionable Hair Care.*

Beauty Hair Salon can also think of ways to make the price for perms more attractive. For example, they can offer a special introductory price or give some other types of discount.

3. Yes, Beauty Hair Salon is in a good place. Their location in the middle of the business centre is convenient for their customers. Fashionable women with fairly high incomes work in the business centre and many other women come to the business centre for shopping, or to find transport.

When the bank and the large commercial offices open, there will be even more customers. Then Beauty Hair Salon's location will be even better.

4. Beauty Hair Salon can use many types of promotion. They can:

- Put a sign in their window, or a board outside the salon, saying that they do the latest, fashionable 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 in the business centre, for example, at the bus stop.*
 - *Make a display in the salon of photos of women with perm styles.*
 - *Have employees with different perm styles for customers to see.*
 - *Have demonstrations showing various perm styles being done.*
 - *Advertise in the newspaper saying that they now offer perms.*
 - *Get publicity by inviting someone from the local newspaper for a free perm.*
 - *Train employees so that they know all about perms and can give advice and answer questions.*
 - *Have attractive prices, for example, a low introductory price or month-end specials or other discounts, such as having coupons for a free perm after four paid perms.*
-

5. *Yes, it is most likely a good idea for Beauty Hair Salon to offer perms because:*

- *The product will satisfy their customers' needs to look attractive, fashionable and wealthy.*

• *The market for perms is large. Thirty customers who came to Beauty Hair Salon said that they wanted and could afford perms. When the bank and the large commercial offices open, the market will increase.*

• *They can make a profit on perms. Beauty Hair Salon can charge between 100 NU and 120 NU, which is more than the cost of 70 NU.*



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 **Improve Your Business: Basics (ILO, 1999, 188 p.)**

  **BUYING**

 **(introduction...)**

 **Buying to sell**

 **Steps to follow when you buy**

 **Review**

 **Summary**

 **What did you learn in this chapter?**

Improve Your Business: Basics (ILO, 1999, 188 p.)

BUYING

IN THIS CHAPTER YOU WILL LEARN HOW TO

- **Discover what kinds of products you need to buy for your business**
- **Communicate with suppliers using appropriate documents and forms**
- **Buy to your best advantage**

NOTE Since this book is intended for use in many different countries, we have used the term “NU” in the examples to represent an imaginary “National Unit of currency”

Buying to sell

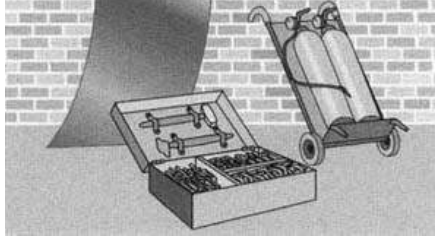
WHAT IS BUYING?

Businesses buy raw materials, goods and equipment to:

- **make products to sell**
- **provide services**
- **resell.**

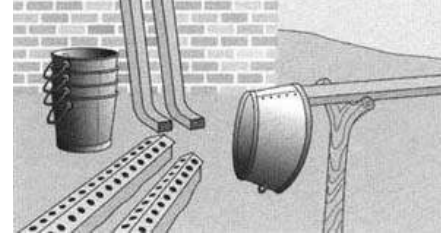
Here are some examples:

→



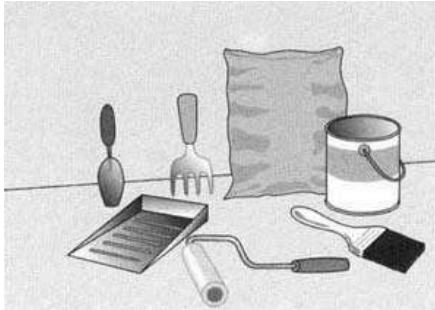
Figure

A metal workshop buys equipment and raw materials such as metal sheets, nuts, bolts, welding equipment and tools.



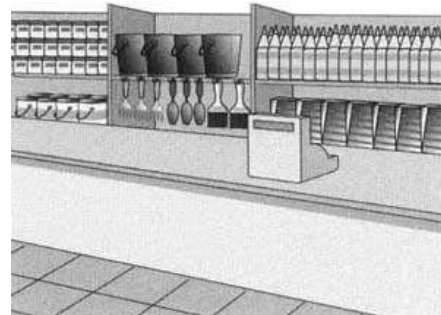
Figure

It uses the equipment and the raw materials to make and sell products such as gutters, buckets and feeders.



Figure

A hardware store buys goods such as paints, fertilizer and tools.



Figure

It resells the goods to customers.

IS BUYING IMPORTANT?



THINK ABOUT WHAT HAPPENS IN THESE THREE BUSINESSES:

• A tailoring business

Quality Tailors are convinced by a supplier's sales representative that a new thin silky material is very popular and that the customers will like it. The material is expensive but they buy 50 metres.

Unfortunately the demand for the material is low and one year later Quality Tailors still have 40 metres in stock.

• A bakery

Village Bakery run out of flour very often. Sometimes they have to go to town to buy flour three times a week.

• A general store

Star Store buy a lot of soap powder but do not manage to sell any of it because their customers want bars of soap.

1. What is the problem with the way Quality Tailors do their buying?

2. *What do Village Bakery do wrong in their buying?*

3. *What do Star Store do wrong in their buying?*



1. *The problem with Quality Tailors' buying is that they do not know what their customers want. They buy what the supplier tells them to buy.*

2. *Village Bakery do not buy enough flour and often run out. It takes a lot of time and costs a lot of money for transport for them to go to town to buy more.*

3. *Star Store bought too much soap powder. Their customers do not want soap powder. They want bars of soap.*



*Buy the goods, material or equipment that give your business the best profit. Before you buy, make sure you know what your customers want. Read about how to do market research in the **MARKETING** chapter.*

WHAT YOU BUY FOR YOUR BUSINESS

Businesses need to buy:

Equipment

Equipment is all the machinery, tools, workshop fittings, office furniture, etc., that your business needs. Equipment is expected to last for a long time and is often expensive. When you need to buy equipment, find out as much as you can about all the different types of equipment you could use. Your equipment will need repairs. Ask the supplier about spare parts and repairs before you buy any equipment.

Raw materials

Manufacturers need raw materials to make goods to sell. Raw materials are all the materials and parts that go into the products you make. Before you buy raw materials, find out what different materials you need and what quality of raw materials you need.

Finished goods

Wholesalers and retailers buy and sell finished goods made by manufacturers. Do market research and think carefully before you buy finished goods. Buy goods that your customers want.

BUY WELL TO IMPROVE YOUR BUSINESS

When you buy equipment, raw materials or finished goods:

Buy the right quality

Buy the quality of goods your customers want.

Buy the right quantity

Buy the quantities your business needs and your customers want - not too much or too little.

Buy at the right price

Buy at prices your business can afford and your customers are willing to pay. Make sure that the prices you pay give your business the profit it needs.

Buy at the right time

Buy when your customers and your business need the goods, materials or equipment - not too early or too late.



The MARKETING chapter tells you more about how to decide which finished goods to buy and sell. The STOCK CONTROL chapter tells you more about buying the right quantities of goods and materials at the right time.

Steps to follow when you buy

There are certain steps to follow when you buy goods, materials, equipment or anything else your business needs. You can follow the same steps for any kind of business.

STEP Find out what your business needs

1.

STEP 2. Get information about different suppliers

STEP 3. Contact the suppliers

USE THIS BUSINESS DOCUMENT →

ENQUIRY

STEP 4. Choose the best suppliers for your business

USE THIS BUSINESS DOCUMENT →

QUOTATION

STEP 5. Make the order

USE THIS BUSINESS DOCUMENT →

ORDER

STEP 6. Check the goods immediately

USE THIS BUSINESS DOCUMENT →

DELIVERY NOTE

STEP 7. Check the invoice

USE THIS BUSINESS DOCUMENT →

INVOICE

STEP 8. Pay

USE THIS BUSINESS DOCUMENT →

RECEIPT

All eight steps are important. When you choose new suppliers, it is especially important to follow steps 1, 2, 3 and 4.

STEP 1. FIND OUT WHAT YOUR BUSINESS NEEDS

Make sure you know as much as possible about your customers - who they are and what they need and want. Here are some important questions to ask yourself before you decide what your business needs:

- **Which different kinds of customers am I trying to sell to?**
- **What products or services do they want? Why do they want them?**
- **What prices are they willing to pay?**
- **How often and how much do they buy?**
- **Where and when do they usually buy?**
- **Who are my competitors and how good are they?**

When you know what your market wants, you as a buyer can make better decisions about:

- **what materials or equipment you need if you make goods to sell**
- **what goods you need if you resell finished goods**
- **what quantities you need**
- **what prices you are prepared to pay**
- **when you need the goods or materials.**



*The **MARKETING** chapter tells you more about how to understand and satisfy the needs of your customers with the goods or services they want.*

STEP 2. GET INFORMATION ABOUT DIFFERENT SUPPLIERS

Find out which suppliers sell the goods, materials or equipment you need. There are many ways to find out:

- **Ask the people who work with you, your business friends, your business trainer, or others. Also, find out from your competitors where they buy.**
- **Contact organizations that support small businesses, for example, the local Chamber of Commerce. They sometimes know about useful, reliable suppliers.**
- **Look in newspapers, magazines and trade journals. Sometimes there is a list of businesses at the back of the telephone book.**

For each supplier, find out as much as possible about what goods, materials or equipment they offer, prices and discounts, credit, deliveries and so on. Try to find out from others how reliable each supplier is. For example:

- **Does the supplier usually deliver on time?**
- **Does the supplier accept returned goods or materials?**
- **How responsible is the supplier for the quality of goods and materials?**

Speak to other businesses about buying together. If other businesses need the same goods or materials, you can save money for your business and your customers by:

- **getting discounts for bulk orders**
- **sharing transport costs.**

By buying together, you can sometimes buy directly from the manufacturers and get even lower prices than from wholesalers.



How did you find out about the suppliers you buy from? Do you sometimes order together with other businesses?

STEP 3. CONTACT THE SUPPLIERS

When you have a list of good suppliers, find out what each supplier can offer you. To compare the different suppliers, find out what each one can offer by:

- **visiting**
- **phoning**
- **writing to them.**

If your business is far away from suppliers, it is sometimes better to write or phone instead of visiting them. Visiting suppliers takes time and costs money. Think of transport costs. Also, your business will suffer when you are not there.

It is best to get a reply to your questions in writing. Ask for a written quotation. A written quotation makes it easier if there will be any disagreements between you and your suppliers. You will learn more about quotations in step 4.

A neat written enquiry makes a good impression. So, write neatly by hand or, even better, have it typed. You can write your letter in a duplicate book so that you have a copy.

ENQUIRY

Name and address of your business ▶ The Hardware Store
Box 531
SMALLTOWN

Date ▶ 5 March 2001

Name and address of supplier's business ▶ General Wholesalers
Box 811
BIG CITY

Price, terms of payment, terms of delivery and anything else you need to know ▶ Dear Sir/Madam
Please quote us your price, terms of payment and terms of delivery on the following goods:

Quantities you may want	Quantity	Description
	10	Hoes
Types of goods you may want	5	Batteries, PM 9
	10	Batteries, PM 10
	1 roll	Chicken wire, 50 cm
	2 rolls	Barbed wire, 100 m
	1 drum	Pexafin, 200 litres

Yours faithfully

Your signature ▶ *Mrs. F. Jones*
Mrs. F. Jones
Store owner

Figure

A written enquiry is useful for any kind of business, especially when you:

- deal with a new supplier
- buy expensive goods or services
- order seasonal goods such as seeds, umbrellas, blankets or jerseys.

Get as much information as possible about:**What different kinds of goods, materials or equipment each supplier can offer:**

- **Does the supplier have what you need, in the qualities and quantities you need?**
- **What is the smallest amount you can buy?**

Prices and terms of payment:

- **Do you need to pay cash or can you get credit?**
- **How much credit can you get?**
- **How soon do you need to pay?**
- **Can you get discounts if you buy large quantities or pay quickly?**
- **How much discount can you get?**

Terms of delivery:

- **Will the supplier deliver to your business?**
- **How soon after the order will they deliver?**
- **Do you pay for transport or is delivery free?**

STEP 4. CHOOSE THE BEST SUPPLIERS FOR YOUR BUSINESS

The cheapest supplier is not always the best. Compare the quotations to find out exactly what the different suppliers can offer. A quotation is an answer to your enquiry. In a quotation, the supplier gives you detailed information about the goods, materials or equipment, prices, payment, delivery and any other conditions.

Decide what is most important for your business. It can, for example, be:

- **credit**
- **regular and reliable deliveries**
- **low prices.**

When you have decided what is most important for your business:

- **carefully read the quotations you have received**
- **try to negotiate with the suppliers**
- **choose the best suppliers for your business.**

Hardware Supplies
24 Independence Way
BIG CITY


Number: 136
19 March 2001

QUOTATION

The Hardware Store
Box 531
SMALLTOWN

Dear Mrs Jones

Referring to your enquiry, we are happy to offer you the following goods and conditions.

Quantity	Description	Unit price	Total price
10	Hoes	17.00	170.00
5	Batteries, PM 9	9.00	45.00
10	Batteries, PM 10	16.50	165.00
1 roll	Chicken wire, 50 cm	770.00	770.00
2 rolls	Barbed wire, 100 m	225.00	450.00
1 drum	Paraffin, 200 litres	990.00	990.00
Delivery:	Within three weeks after order. Free deliveries on orders over 5000 NU.		
Payment:	Cash. Credit: 15 days, to approved customers only.		
<p>Thank you for your enquiry. We look forward to hearing from you. Please note that this quotation only applies for 30 days from the date above.</p> <p>Yours sincerely  Margaret Wilson Sales Manager</p>			

Supplier's reference number

Date

Number 58

Q U O T A T I O N

GENERAL WHOLESALERS
Box 911
BIG CITY

11 March 2001

The Hardware Store
Box 531
SMALLTOWN

Dear Mrs Jones

Thank you very much for your enquiry dated 5 March 2001. It is our pleasure to offer the following goods:

Quantities and type of goods asked for	Quantity	Description	Unit price	Total price
Prices per unit	10	Hoes	18.00	180.00
	5	Batteries, PM 9	9.00	45.00
	10	Batteries, PM 10	17.50	175.00
	1 roll	Chicken wire, 50 cm	815.00	815.00
	2 rolls	Barbed wire, 100 m	225.00	450.00
Total price per type of goods	1 drum	Paraffin, 200 litres	590.00	590.00


Terms of delivery --> Delivery: Within 2 weeks after order. Free deliveries on orders over 2500 NU.

Terms of payment --> Payment: Net 30 days

Extra information --> We regret that we do not offer cash discounts, but please contact us for details of discounts on bulk orders.

Time the quotation is valid for --> This quotation is valid for 30 days. We hope to receive your order.

Yours sincerely

Supplier's signature --> 

S. Peters
Sales Manager

Figure

These are the best two quotations *The Hardware Store* received after they sent out a number of enquiries. The Hardware Store is located in a small town far away from the suppliers, so free and fast delivery is most important. Good credit is also important.

The Hardware Store compared the quotations from Hardware Supplies and General Wholesalers:

Hardware Supplies

- free delivery for orders over 5000 NU
- delivery within 3 weeks from order
- 15 days' credit
- lowest prices

General Wholesalers

- free delivery for orders over 2500 NU
- delivery within 2 weeks from order
- 30 days' credit
- low prices

STEP 5. MAKE THE ORDER

When you have decided which supplier to buy from, make your order by visiting, phoning, faxing or writing to the suppliers. It is always best to make your order in writing. A written order helps you to remember what you ordered and is proof that you made the order.

If the supplier does not have order forms, write your own. You can use a standard order book which you can find in many shops, or make a simple order form yourself. Send the original to the supplier, but remember to keep your copy.

If you have received a quotation, mention it in your order. You do not have to

order everything on the quotation. Only order what you need. Think carefully about the quantities of the goods or materials you need:

- **What is the smallest quantity you can order?**
- **How much is in each bulk package?**
- **Can you order less than one bulk package?**

Order number / (for easier reference) **ORDER** **No. 31**

Date 22 March 2001

M General Wholesalers.
Box 531, Big City

Reference to quotation by date or number **PLEASE SUPPLY** the undermentioned goods per your quotation number 56 of 1 March 2001 to be accompanied by Invoice or Delivery Note bearing above Order No.

Quantities and type of goods **Price per unit**

Quantity	Description	Unit price	Total price
10	Hoes	18.00	180.00
5	Batteries, PM 9	9.00	45.00
10	Batteries, PM 10	17.50	175.00
1 roll	Chicken wire, 50 cm	815.00	815.00
2 rolls	Barbed wire, 100 m	225.00	450.00
1 drum	Paraffin, 200 litres	990.00	990.00

Total price per type of goods

Terms of delivery ▶ Delivery: Within 2 weeks after order. Free deliveries on orders over 2500 NUL

Terms of payment ▶ Payment: Net 30 days

Signature ▶ Signed: Mrs. F. Jones Store owner

The Hardware Store
Box 531
SMALLTOWN

Figure



Learn more about how much and when to order in the **STOCK CONTROL** chapter

STEP 6. CHECK THE GOODS IMMEDIATELY

If you collect the goods or materials yourself, immediately check the type and quantity before you take the goods or materials away. If the goods or materials are delivered, the supplier usually sends a delivery note with the goods or materials. The delivery note lists details of the goods. The supplier wants you to sign the delivery note as proof that you have received the goods. Always check that you have received the right type and quantity before you sign the delivery note.

Here is the delivery note The Hardware Store received:

DELIVERY NOTE Number: 184				
Delivery note number:	GENERAL WHOLESALERS			
	Box 311 BIG CITY			
Date of delivery or collection:	2 April 2001			
	The Hardware Store Box 521 SMALLTOWN			
Quantities and type of goods asked for	Quantity	Description	Unit price	Total price
	10	Hoes	16.00	160.00
	5	Batteries, PM 9	9.00	45.00
	10	Batteries, PM 10	17.50	175.00
	1 roll	Chicken wire, 50 cm	915.00	915.00
	2 rolls	Barbed wire, 100 m	225.00	450.00
	1 drum	Paraffin, 200 litres	990.00	990.00
Signature by person who checks goods at your business	Received in good order: F. Jones <i>Fred F. Jones</i>			

Figure

When you get your goods:**Immediately check the goods against the delivery note.****Before you sign the delivery note, make sure you have received:**

- the goods you ordered
- the quantity you ordered
- the goods in good condition.

**Figure****Some suppliers do not give you a delivery note. They give you an invoice. Then, check the goods against the invoice.****Then, check the delivery note or invoice against your order. Check that you received everything you ordered and you received your delivery on time.**

INVOICE Number 41
GENERAL WHOLESALERS
 Box 911
 BIG CITY
 5 April 2001

DELIVERY NOTE
GENERAL WHOLESALERS
 Box 911
 BIG CITY
 2 April 2001

ORDER No. 31
 23 March 2001

PLEASE SUPPLY the undermentioned goods per your quotation number 96 of 11 March 2001 to be accompanied by Invoice or Delivery Note bearing above Order No.

Quantity	Description	Unit price	Total price
10	Hoes	18.00	180.00
5	Batteries, PM 9	9.00	45.00
10	Batteries, PM 10	17.50	175.00
1 roll	Chicken wire, 50 cm	17.50	17.50
2 rolls	Barbed wire, 100 cm	815.00	1630.00
1 drum	Porcelain, 200 litres	225.00	225.00
		990.00	990.00

Received in good order: F. Jones

Delivery: Within 2 weeks after order. Free delivery on orders over 2000 R1.

Payment: Net 30 days

Signed: F. Jones Store owner

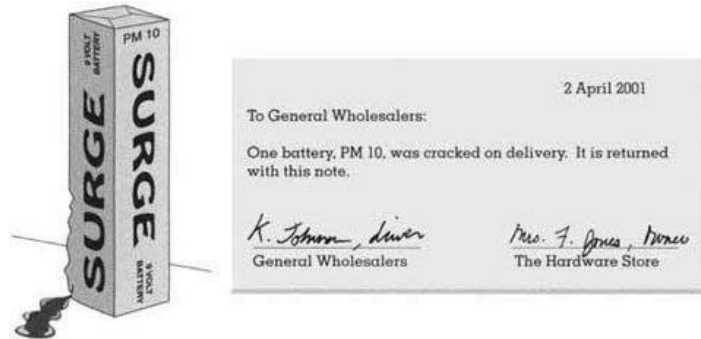
The Hardware Store
 Box 531
 SMALLTOWN

Figure

If something is wrong, complain immediately. Do not sign the delivery note until the problem has been corrected:

- **Contact the supplier or, even better, talk to the delivery person before he or she leaves.**
- **Write your complaint in a note to your supplier or write the complaint on the delivery note itself.**

- **Make sure the delivery person signs to agree that the complaint is correct. This makes it easier for you, and the supplier, to settle the matter.**



Figure

STEP 7. CHECK THE INVOICE

An invoice lists details of what you have bought and tells you to pay. It says:

- **how much you must pay**
- **when you must pay**
- **who you must pay**
- **how you must pay.**

Some suppliers do not send a delivery note and an invoice. They send one document for both. The supplier can send an invoice:

- **at the same time as you get the goods. This usually means that you have**

to pay immediately, in cash or by cheque

- after you get the goods. This means you do not have to pay straight away - you buy on credit.

Here is an invoice The Hardware Store received from General Wholesalers:

INVOICE		Number: 34		
Invoice number			
GENERAL WHOLESALERS				
Box 911 BIG CITY				
Date 5 April 2001			
The Hardware Store Box 531 SMALLTOWN				
Reference to your order number Your order number: 31			
Quantities and types of goods			
	Quantity	Description		
Price per unit		Unit price		
		Total price		
	10	Hoes	18.00	180.00
	5	Batteries, PM 9	9.00	45.00
	10	Batteries, PM 10	17.50	175.00
	1 roll	Chicken wire, 50 cm	815.00	815.00
	2 rolls	Barbed wire, 100 m	225.00	450.00
	1 drum	Paraffin, 200 litres	990.00	990.00
Total price per type of goods			
Total price to pay	Total		2855.00	
Terms of delivery Terms of delivery: Free			
Terms of payment Terms of payment: Net 30 days			

Figure

The invoice tells you when and how the supplier wants to be paid. This is often called terms of payment. For example:

- The invoice may be cash or COD which means Cash On Delivery. That means you must pay when the goods are handed over to you.
- If you get credit, the terms may say 30 days net. This means that you must pay not later than 30 days from the date written on the invoice.

Make sure that the invoice is correct. Compare the invoice with the delivery note. The list of goods must be the same on both. Make sure that:

- you have received everything you pay for
- the prices and totals are correct. For example, if the supplier promised you a discount, did you get the discount?



Figure

If you received a quotation, check the invoice against the quotation. Make sure that the supplier is charging the prices and terms they listed in the quotation.

If you think an invoice is not correct, find out what is wrong and contact the supplier immediately. Discuss the problem with the supplier and agree on the best way to solve it.



Compare the invoice with the delivery note and the note of complaint.

1. What is wrong with the invoice The Hardware Store received?

2. What do you think The Hardware Store did after they found the mistake?



- 1. The invoice includes the cracked battery PM 10 that The Hardware Store returned to the supplier with the note of complaint signed by the delivery person.*
- 2. After they found the mistake, The Hardware Store immediately contacted the supplier and explained the problem. They told the supplier about the note they sent with the delivery person and discussed with the supplier how to solve the problem.*

STEP 8. PAY

You pay for what you buy, whether you buy for cash or on credit. The terms of payment tell you when you must pay. There are different ways you can pay. You usually pay either in cash or by cheque.

Make sure you always get a receipt as proof that you have paid.

Keep all business documents, or copies of them, in good order. You can put them in one or more files where you can easily find them.

The Hardware Store

General Wholesalers

Buyer

Seller (Supplier)

ENQUIRY

Mr. J. Jones
Buyer
The Hardware Store
123 Main Street
London, W1A 0AA

Dear Sirs,
I am writing to enquire about the following goods:

Quantity	Description
100	Power Tools
50	Hand Tools
20	Paints
10	Lighting

Yours faithfully,
Mr. J. Jones

QUOTATION

GENERAL WHOLESALERS
123 Main Street
London, W1A 0AA

Dear Sirs,
I am pleased to quote for the goods listed below:

Quantity	Description	Unit Price	Total Price
100	Power Tools	1.00	100.00
50	Hand Tools	0.50	25.00
20	Paints	0.25	5.00
10	Lighting	0.20	2.00
Total			132.00

Yours faithfully,
Mr. Smith

ORDER

Mr. J. Jones
Buyer
The Hardware Store
123 Main Street
London, W1A 0AA

I hereby order the following goods:

Quantity	Description	Unit Price	Total Price
100	Power Tools	1.00	100.00
50	Hand Tools	0.50	25.00
20	Paints	0.25	5.00
10	Lighting	0.20	2.00
Total			132.00

Yours faithfully,
Mr. J. Jones

DELIVERY NOTE

GENERAL WHOLESALERS
123 Main Street
London, W1A 0AA

Dear Sirs,
We have delivered to you the following goods:

Quantity	Description	Unit Price	Total Price
100	Power Tools	1.00	100.00
50	Hand Tools	0.50	25.00
20	Paints	0.25	5.00
10	Lighting	0.20	2.00
Total			132.00

Yours faithfully,
Mr. Smith



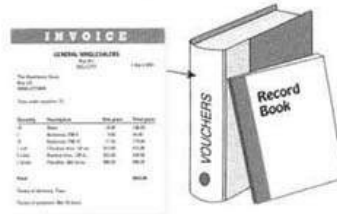
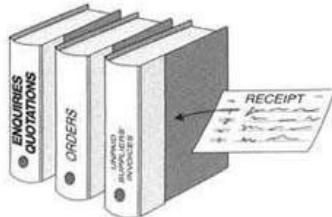
RECEIPT

Mr. J. Jones
Buyer
The Hardware Store
123 Main Street
London, W1A 0AA

I have received the following goods:

Quantity	Description	Unit Price	Total Price
100	Power Tools	1.00	100.00
50	Hand Tools	0.50	25.00
20	Paints	0.25	5.00
10	Lighting	0.20	2.00
Total			132.00

Yours faithfully,
Mr. J. Jones



Figure



You need your paid invoices and receipts for the record-keeping in your business. Read more about how to keep and use records in the RECORD-KEEPING chapter.

Review

Summary

Businesses buy raw materials, goods, and equipment to:

- **make products to sell**
- **provide services**
- **resell.**

To buy well, buy:

- **the right quality**
- **the right quantity**
- **at the right price**
- **at the right time.**

There are certain steps to follow when you buy goods, raw materials, equipment or other things your business needs:

- 1. Find out what your business needs**
- 2. Get information about different suppliers**
- 3. Contact the suppliers**

4. Choose the best suppliers for your business
5. Make the order
6. Check the goods immediately
7. Check the invoice
8. Pay.

What did you learn in this chapter?

Now that you have worked through this chapter, try these practical exercises. The exercises will remind you of what you have learned and help you to improve the buying in your business.

Compare your answers with the Answers. If you find it difficult to work out an answer, read the relevant part of the manual again. The best way to learn is to finish an exercise before you look at the answers. Check the list of Useful Business Words.



*You have learned more about buying in this chapter. But what you have learned does not help you until you use the new knowledge in the day-to-day running of your business. Remember to do the **Action Plan** to improve the buying in your business.*



EQUIPMENT PROBLEMS

A carpenter had been looking for a drill for a long time. A few months ago he bought a new,

powerful electric drill that a friend brought him from outside the country.

About a month later something in the machine broke. Then the carpenter found out that spare parts are not available in the country. No one knows how to repair the drill. The carpenter now has a machine he cannot use.

1. Was it a mistake for the carpenter to buy that drill? Why?

2. Who should the carpenter have talked to before he bought the drill?

3. Give examples of the kinds of questions the carpenter should have found answers to before he bought the drill.



1. Yes, it was a mistake to buy that drill. The carpenter should have found out about repairs and spare parts before he bought the drill.

2. The carpenter should have talked to businesses selling drills, his employees, business friends and other business people who use drills.

3. Before he bought the drill, the carpenter should have found answers to questions like these:

- Which different kinds of drills are available?
- Can I choose between new and second-hand drills?
- Which drills are easy to use?
- How reliable are the drills?
- Do the suppliers give written guarantees?
- Can the drills be serviced and repaired locally?
- Are good quality spare parts available locally?

- How expensive are the parts?



WRITE AN ORDER

The General Store were unhappy with one of their suppliers. They asked for, and compared, quotations from several suppliers and choose *Super Suppliers*.

The General Store want to order goods. Write the order to Super Suppliers on a separate sheet of paper. Remember what you learned about orders in this chapter. Here is the information you need to write the order.

The General Store need:

- 3 boxes Fine tea..... 1 box = 10 x 125 g..... 10.00 NU per box
- 1 box Sunrise coffee..... 1 box = 10 x 100 g..... 25.00 NU per box
- 2 boxes Lemon biscuits..... 1 box = 24 x 150 g..... 45.00 NU per box
- 2 boxes Pride flour.....1 box = 10 x 1 kg..... 22.00 NU per box
- 2 boxes Bright bar soap.....1 box = 25 bars..... 35.00 NU per box

You also need this information to write the order:

- The order number is 23 and the quotation number is 117.
- The date of the order is 5 March 2001.
- The address of the supplier is: Super Suppliers, 15 Main Street, Big City. Address the order to the Sales Department.
- The General Store want to pay on credit. The quotation gave 30 days' credit.
- The address of The General Store is: Box 221, Smalltown.
- The goods are needed not later than two weeks after the order.
- Delivery is free for orders worth more than 250.00 NU.

- The owner of The General Store is Tom Anders.



Your order for The General Store can look like this. It does not have to look exactly the same, but it should have all the information which is marked:

Order number ▶
ORDER Number 23

The General Store
 Box 221
 Smalltown

Date ▶ 5 March 2001

The Sales Department
 Super Suppliers
 5 Main Street
 BIG CITY
 Dear Sir/Madam,

Reference to quotation by date or number ▶ Thank you very much for your quotation number 117. Please supply and deliver the following goods:

Quantities and types of goods	Quantity	Description	Unit price	Total price
	3 boxes	Fine tea (10 x 125g per box)	10.00	30.00
Price per unit	1 box	Sunrise coffee (6 x 100g per box)	25.00	25.00
	2 boxes	Lemon biscuits (24 x 150g per box)	45.00	90.00
	2 boxes	Pride flour (10 x 1kg per box)	22.00	44.00
	2 boxes	Bright bar soap (25 per box)	35.00	70.00
Total price per type of goods				▶

Terms of delivery ▶ Terms of delivery: Free delivery to our store not later than two weeks after order.

Terms of payment ▶ Terms of payment: Net 30 days

Signature ▶ *T. Anders*
 T. Anders
 Store owner

Figure



Improve Your Business: Basics (ILO, 1999, 188 p.)

➔ **STOCK CONTROL**

 **(introduction...)**

 **Control your stock**

 **Stock records**

 **Stock-taking**

 **Review**

 **Summary**

 **What did you learn in this chapter?**

Improve Your Business: Basics (ILO, 1999, 188 p.)

STOCK CONTROL

IN THIS CHAPTER YOU WILL LEARN HOW TO

- **Control stock to improve your business**
- **Arrange and display your stock to its best advantage**
- **Decide whether stock records are important to your business**
- **Keep stock records in a manner that improves your business**

NOTE Since this book is intended for use in many different countries, we have used the term "NU" in the examples to represent an imaginary "National Unit of currency"

Control your stock



The stock of this general store includes bread, salt, sugar, soft drinks and flour.

The stock of this tailoring business includes fabric, thread, buttons, zippers and finished garments.

The stock of this shoe repairer includes soles, glue, nails, thread and leather.

WHAT IS STOCK CONTROL?

Stock control means organizing the way you:

Receive your stock

Count and check the condition of goods or materials you receive against the invoice or delivery note.

Record your stock

Write down all goods or materials coming into or going out of your business.

Store your stock

Keep the right amount of stock in a safe and practical way.

Arrange your stock

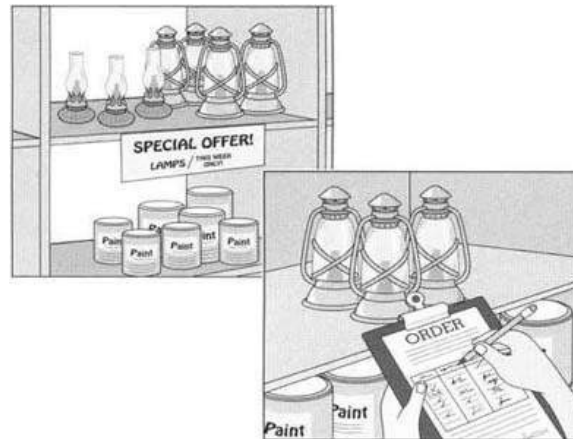
Arrange your stock so that it attracts customers to buy and also makes it easy for you to see and count.

Check your stock

Check and count your stock often to make sure that it is in good condition and that no stock is missing.

Re-order your stock

Re-order the right stock, in the right quantity at the right time.



Figure



The MARKETING chapter tells you how to find out what products or services your customers want. The BUYING chapter shows you how to improve the way you buy

goods or materials for your business.

HOW CAN STOCK CONTROL IMPROVE YOUR BUSINESS?

Good stock control helps you to:

- **keep the right goods and materials**
- **keep the right amount of stock - not too much or too little**
- **keep your stock in good condition**
- **prevent stock from being lost or stolen**
- **re-order stock at the right time.**

GUIDELINES FOR BETTER STOCK CONTROL

Keep the right amount of stock

TOO LITTLE STOCK

Tasty Bread do not control their stock.

They often buy stock too late.

This is what happens:

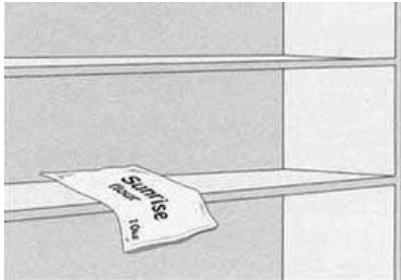


TOO MUCH STOCK

OB General Store do not control their stock. Sometimes they order too much.

This is what happens:



**Figure**

Tasty Bread have to stop production because they do not have any flour in stock. They will lose customers, and sales and profit will go down.

**Figure**

It is summer and OB General Store have more blankets than they need. The business money is tied up. There is not enough money to order other goods that customers want.

There can be many different reasons for running out of stock or keeping too much stock. For example:

- **You do not know which goods sell well, and which sell badly. As a result, you may keep ordering the wrong goods or materials.**
- **You do not check your stock regularly, so you do not know how much stock you have. As a result, you may order too late or too early.**
- **Your stock is badly arranged, so it is difficult to see and count. As a result,**

you may order the wrong quantities and you may order at the wrong time.

Always think of what your customers want. Make sure that you do not run out of stock. But keep as little stock as possible. Little stock means less money tied up in stock and more money for your business to:

- **spend on goods that customers want, or**
- **save and earn interest on.**



Does your business often run out of stock? Does it hold too much stock of any goods or materials? Do you know why?

Stock goods that sell quickly

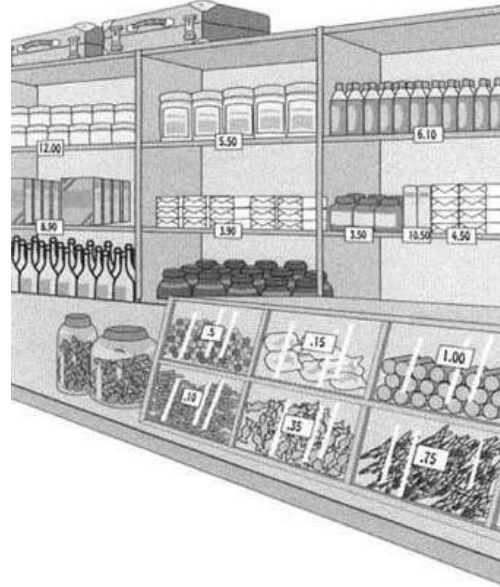
- **Buy or use stock that sells quickly.**
- **Stock that sells quickly means more sales and more money coming into your business.**
- **Avoid having stock that sells slowly. Stock that sells slowly ties up your business money.**
- **Offer stock that does not sell quickly at a discount if customers do not buy it at its regular price.**



Does your business have any stock that does not sell quickly? What do you do with such stock?

Arrange and display your stock well

- **Arrange and display your goods neatly, so it is easy for customers to see and easy for you to check and count.**
- **Keep similar goods or materials in groups near each other.**
- **Keep small items such as screws and nails in small boxes - one box for each type and size.**
- **Goods and materials that are attractive to steal should be kept in safe places, for example, near the counter.**
- **Sell or use the stock you already have, for example perishables, before taking more from a new delivery. When stock is kept too long in your store it may become too old to sell or use. Your customers will complain and your business will lose money. You can put new stock at the back of the shelf so that the old stock at the front of the shelf sells first.**



Figure



How do you arrange your stock? Is it well arranged?



The MARKETING chapter shows you how to display your goods to increase your sales.

Check your stock regularly

- **Always check that you have the amount of goods or raw materials you**

need.

- **Check to find out if any stock is missing.**
- **Check for damaged stock or stock that is not in good condition. Try to sell such stock at a discount or use it up before it gets too old.**
- **Check your stock to find out when to order more and what quantities to order.**



Do you check your stock often? Do you often have stock in bad condition? What do you do with such stock?

Keep stock records

- **If your business has many goods or materials, use stock records.**
- **If your business sells fewer goods or materials, you may want to keep stock records only for expensive goods or materials.**
- **Use your stock records to see which goods sell well and which sell badly. This helps you to know what goods or materials to buy.**
- **Use your stock records to find out what stock to re-order, when to order and what quantities you need.**

Does your business keep written stock records?



Stock records

Keeping stock records means writing down:

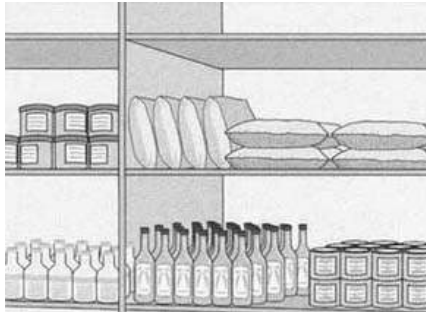
- all stock that comes into your business, and
- all stock that goes out of your business.

ARE STOCK RECORDS USEFUL FOR EVERY BUSINESS?

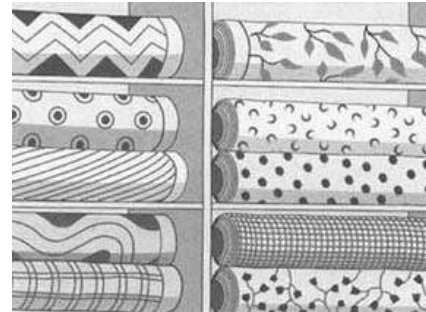
MANY BUSINESSES FIND STOCK RECORDS USEFUL

The General Store sell many different goods. Stock records help them to find out which goods sell well, when to order and if goods go missing.

Reliable Tailors use different fabrics for making garments. Their stock records tell them how much of each fabric they use.



Figure



Figure

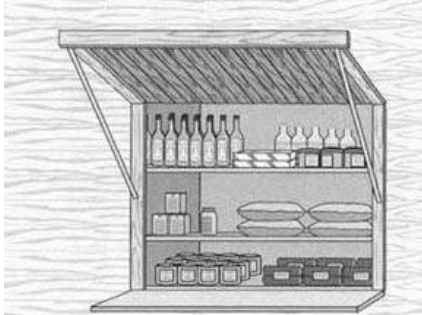
SOME BUSINESSES FIND STOCK RECORDS LESS USEFUL

It is easy to check the few products *The Corner Shop* sell. When they look at their

Beauty Hair Salon only use shampoo, perm lotion and a few other chemicals. It is easy to

shelves they can see what they need to order.

check and re-order without stock records.



Figure



Figure

Stock records are most useful for businesses which:

- **sell or use many different products or materials**
- **sell or use a lot of each product or material**
- **have products or materials that are expensive and attractive to steal.**

You may find that it is not practical to keep stock records for all the goods or materials in your business. But it may be very useful to keep stock records for some of your goods or materials, for example, the ones that are expensive or attractive to steal.

Stock records are useful because they tell you:

- **what goods or materials you have sold or used**

- **how much of the goods or materials you have sold or used**
- **when the goods or materials were sold or used**
- **how much of the goods or materials you have in stock.**

Retailers and wholesalers keep stock records for the goods they buy to resell. Manufacturers keep stock records for raw materials. They also keep stock records for finished products.

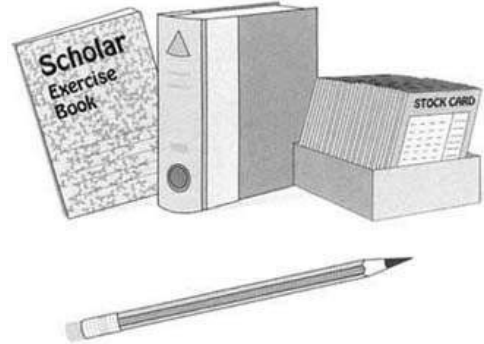
You can use the information on the stock records to find out:

- **what stock sells fast**
- **what stock to re-order**
- **when to re-order**
- **how much to re-order**
- **if any stock is missing.**

USING STOCK RECORDS

When you make your own stock records:

- **You can use cards, a hardcover book, an exercise book, loose pages in a file, or anything else that suits your business.**
- **You can use a separate card, or page, for each product or material.**
- **You can use a pencil for writing the cost per item, selling price and re-order level on your stock records. Then you can easily change the amounts when the costs, the prices or your re-order levels change.**



Figure

Make sure that you keep your stock records correct and up to date. A record which is not up to date gives you incorrect information and you may make wrong decisions in your business.

How to keep stock records

To keep records of all stock, *The General Store* write down the information on stock cards. They use one card for each product they sell. Here is their stock card for Best Foods cooking oil in 750 ml bottles:

S T O C K C A R D

Write the names and details of the product or material.

Product: Best Foods cooking oil, 750 ml

Cost per item: 5.46 NU

Write the price you pay the supplier for one item

Selling price: 6.70 NU

Write the price you charge your customers for one item

Write the balance at which you order new stock.

Re-order level: 15 bottles

Write the number of items you have in stock when you start to fill in your stock card or start a new card.

Buy or order goods when the balance falls below the re-order level. The balance for Best Foods cooking oil has fallen below 15, the re-order level. The General Store orders new stock.

Write anything that breaks and cannot be sold as stock out.

Write everything you buy as stock in. The General Store get the new stock they ordered.

Write everything you sell as stock out.

Date	Details	Stock		
		In	Out	Balance
1/3	B/F			19
2/3	sold		3	16
4/3	sold		2	14
5/3	sold		1	13
8/3	sold		4	9
9/3	broken		2	7
11/3	sold		3	4
12/3	bought	24		28
12/3	sold		4	24
15/3	sold		3	21
17/3	sold		3	18
19/3	sold		4	14
23/3	sold		3	11
24/3	sold		4	7

Figure

Stock comes into and goes out of a business in different ways. For example:

Stock comes into your business when:

- you receive an order of goods or materials

Stock goes out of your business when:

- you sell goods or materials, for cash or on credit

- you accept goods back from a customer and the goods can be sold again
 - you finish making a product, ready for sale.
- Write this under **Stock In.**
- you use up materials to make products or provide services
 - you throw away goods or materials that are broken or spoilt in any other way
 - goods or materials are stolen.

Write this under **Stock Out.**

Re-order levels

The re-order level is the number of units you estimate you need until new stock is delivered. When your stock falls to the re-order level, it is time to order more.

To work out the re-order level, you need to know or estimate:

- **how long it takes between ordering and receiving or collecting the new stock**
- **how much you expect to sell or use while you wait for the new stock**
- **how much extra stock you may need, for example if:**
 - **you sell more goods or use more materials than you estimated**
 - **the delivery is late**
 - **the supplier is out of stock.**

The General Store works out the re-order level for 750 ml bottles of cooking oil:

- **The supplier normally delivers a week after they receive the order.**
- **The General Store normally sell 10 bottles per week.**
- **In case people buy more or the delivery is late, The General Store estimates that they need 5 extra bottles.**
- **The re-order level is: $10 + 5 = 15$ bottles. ((1) - See figure below)**

S T O C K C A R D

Product: Best Foods cooking oil, 750 ml

Cost per item: 5.46 NU

Selling price: 6.75 NU

Re-order level: 15 bottles

(1)

Date	Details	Stock		
		In	Out	Balance
1/3	B/f			19
2/3	sold		3	16
4/3	sold		2	14
5/3	sold		1	13

Figure

Make sure that you know and write down the re-order levels for the goods or materials that you sell or use a lot of. If your business keeps stock records, write the re-order levels on the stock records.

HOW STOCK RECORDS CAN IMPROVE YOUR BUSINESS

Stock records help you decide what goods to sell

Three months ago, The General Store ordered 30 cans of meat. Their stock card shows that they have only sold 10 cans. The cans have tied up a lot of money. The General Store tries to sell them on special offer.

Before The General Store buys goods next time, they will look more closely at their stock cards to find out which goods sell well. Then they will know what goods to order.



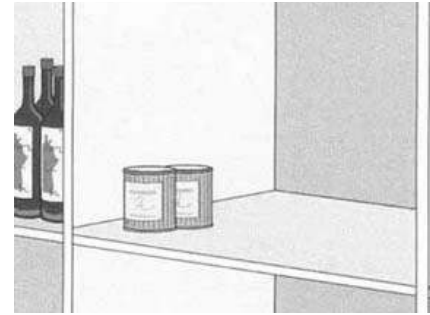
Figure

Stock records show you how much to re-order

In the past, The General Store ordered 18 jars of coffee at a time. The stock card shows that they have sold only 2 or 3 jars per week. Coffee is expensive, so a lot of business money is tied up. In future, The General Store will only order 6 jars at a time.

In the past, The General Store ordered 12 cans of fish at a time. The stock card shows that they sold almost all the cans in 4 days. In future, The General Store will order 36 cans at a time.



**Figure****Figure**

Stock records show you when to re-order

Last week, the supplier had no sugar. But The General Store did not run out of stock. When they work out their re-order levels, they include extra stock to cover for unexpected things such as late deliveries or higher sales than usual. The General Store write the re-order levels on the stock cards. Then they can easily and quickly check to see if it is time to re-order.

Stock records help you to find out if you are losing stock

The General Store write down all the stock in and stock out on their stock cards. The balance shows them how much stock there should be in stock. When they physically count their stock they find out how much stock there really is.

If there is a difference between the stock records and how many they count:

- **there may be an error in filling in the stock records, or**
- **their business has a stock control problem. It is losing stock.**

Stock-taking

WHAT IS STOCK-TAKING?

It is important to know exactly:

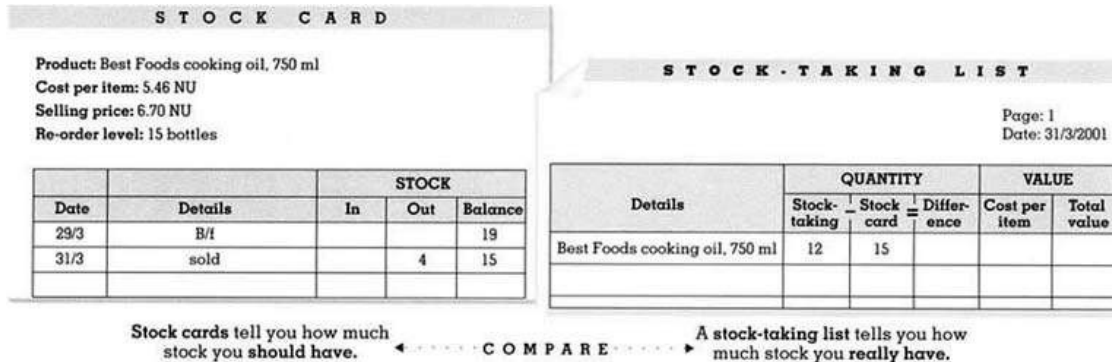
- **what kind of stock you have**
- **how much stock you have**
- **what condition your stock is in**
- **how much your stock is worth.**

To find out this information you must actually count, measure or weigh all your stock. Stock-taking is a system of physically counting and writing down all the stock in your business on a stock-taking list.

IS STOCK-TAKING IMPORTANT?

Stock-taking gives you a lot of useful information. For example, when you count your stock you will find out:

- **if any stock is damaged or in bad condition**
- **which goods sell quickly and which sell slowly**
- **which materials and parts you use a lot of and which you use less of**
- **when to re-order, if you do not keep stock cards.**



Figure

Stock-taking helps you to find out if stock is missing

When you compare the quantities on your stock cards with the quantities on your stock-taking list, you can find out:

- if any stock is missing, and
- how much stock is missing.

Stock-taking helps you to find out if there is a problem of missing stock. The reason for the problem can be error in filling in the stock cards, theft, or something else. The stock-taking list cannot explain why the quantity you really have is lower or higher than the balances on the stock cards. You must work that out yourself.

STEPS TO FOLLOW FOR STOCK-TAKING

- STEP 1. Prepare your stock-taking list
- STEP 2. Count the stock and write down the quantities on the stock-taking list
- STEP 3. Copy information from your stock cards to your stock-taking list
- STEP 4. Compare your stock cards with the stock-taking list
- STEP 5. Write the correct quantities on your stock cards
- STEP 6. Write the cost per item for each product on the stock-taking list
- STEP 7. Calculate the total value in stock of each product and write it on the stock-taking list

Step 1. Prepare your stock-taking list

Make your stock-taking list before you do stock-taking. You can use loose sheets of paper, an exercise book or anything else that suits your business. At the bottom

of this page, you can see part of a stock-taking list.



Figure

Step 2. Count the stock and write down the quantities on the stock-taking list

When two people do the stock-taking together, one person calls out the name of the product or material and the amount counted. The other person repeats the name and the amount and writes the information on the stock-taking list. This is a good way to avoid mistakes.

For each product, write down the details and the quantity you count on the stock-taking list. Make sure that you do not forget to count any stock, for example, in the storeroom or other places.

S T O C K - T A K I N G L I S T

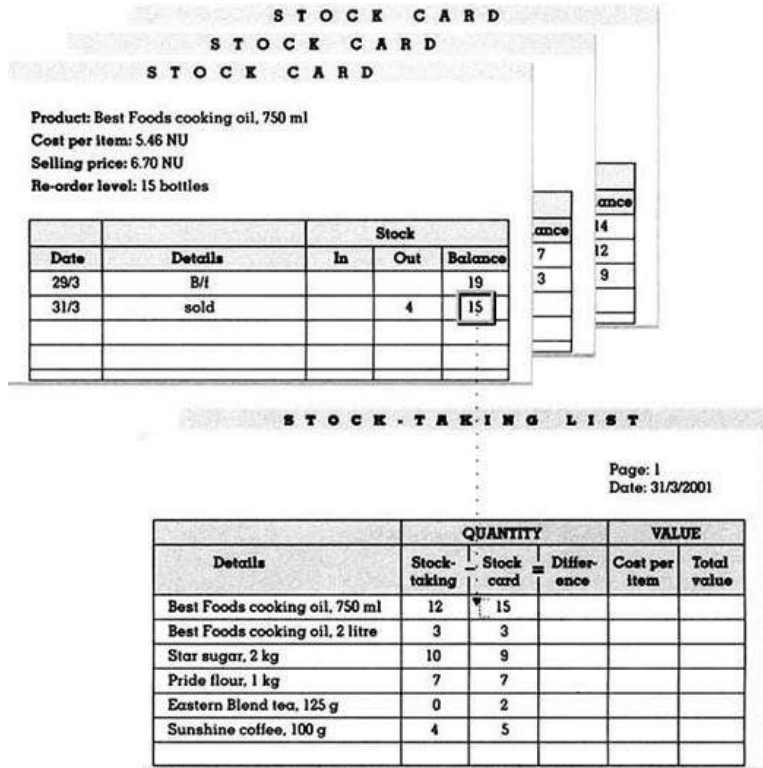
Page: 1
Date: 31/3/2001

Details	QUANTITY			VALUE	
	Stock-taking	Stock-card	Difference	Cost per item	Total value
Best Foods cooking oil, 750 ml	12				
Best Foods cooking oil, 2 litre	3				

Figure

Step 3. Copy information from your stock cards to your stock-taking list

The balance on the stock card for cooking oil, 750 ml, shows that there should be 15 bottles. Copy the quantity from the stock card, 15 bottles, onto the stock-taking list.



Figure

Make sure that your stock cards are up to date before you copy the quantities onto your stock-taking list. Remember that a stock card which is not up to date gives you incorrect information and you may make wrong decisions in your business.

Step 4. Compare your stock cards with the stock-taking list

Compare the stock-taking list (how much stock you really have) with the balance on the stock cards (how much stock you should have) to get the difference (how much stock is missing). The General Store compare their amounts of Best Foods cooking oil, 750 ml:

12 - 15 = -3
 amount on balance shown difference
 stock-taking list on stock cards

COMPARE DIFFERENCE
STOCK-TAKING LIST

Page: 1
Date: 31/3/2001

Details	QUANTITY			VALUE	
	Stock-taking	Stock card	Difference	Cost per Item	Total value
Best Foods cooking oil, 750 ml	12	15	-3		
Best Foods cooking oil, 2 litre	3	3	0		
Star sugar, 2 kg	10	9	+1		
Pride flour, 1 kg	7	7	0		
Eastern Blend tea, 125 g	0	2	-2		
Sunshine coffee, 100g	4	5	-1		

Figure

Stock-taking helps you to find out if there is a problem of missing stock. But the stock-taking list does not explain why the real quantity is higher or lower than the balance on your stock card. You must find out the reasons yourself.

Maybe there are problems with your stock cards. For example:

- **Did you forget to write down some new stock you bought?**
- **Did you forget to write down some items that you sold or used?**
- **Did you remember to write down damaged or broken stock that you could not sell or use?**
- **Have you made mistakes in your calculations?**

Maybe there are problems with your stock-taking. For example:

- **Did you forget to count some stock?**
- **Did you count correctly?**
- **Have you made mistakes in your calculations?**

Maybe there are problems with theft, for example by your customers, your employees or other people who deal with your business.

Missing stock usually means that there are other, more serious problems in the way you look after and organize your stock. Use the information from your stock-taking to improve the stock control in your business.

Step 5. Write the correct quantities on your stock cards

The stock-taking list shows the correct quantities of stock. It tells how much stock you really have:

S T O C K - T A K I N G L I S T

Page: 1
Date: 31/3/2001

Details	QUANTITY			VALUE	
	Stock-taking	Stock card	Difference	Cost per item	Total value
Best Foods cooking oil, 750 ml	12	15	-3		
Best Foods cooking oil, 2 litre	3	3	0		
Star sugar, 2 kg	10	9	+1		

Figure

But the stock cards must also be correct:

S T O C K C A R D

Product: Best Foods cooking oil, 750 ml
 Cost per item: 5.46 NU
 Selling price: 6.70 NU
 Re-order level: 15 bottles

Date	Details	Stock		
		In	Out	Balance
29/3	B/f			19
31/3	sold		4	15
31/3	missing (stock-taking)		3	12

Figure

S T O C K C A R D

Product: Star sugar, 2 kg
 Cost per item: 4.71 NU
 Selling price: 5.90 NU
 Re-order level: 20 bags

Date	Details	Stock		
		In	Out	Balance
24/3	B/f			15
24/3	sold		1	14
25/3	sold		2	12
29/3	sold		3	9
31/3	error (stock-taking)	1		10

Figure

When the stock-taking list shows a **smaller** quantity than the stock card, write the difference as Stock Out on the stock card. For

When the stock-taking list shows a **larger** quantity than the stock card, write the difference as Stock In on the stock card. For

example, to get the correct balance for Best Foods cooking oil, 750 ml. The General Store write the missing amount, 3 bottles, under **Stock Out**

example, to get the correct balance for Star sugar, 2 kg, The General Store write the difference, 1 bag, under **Stock In** on the stock card.

Step 6. Write the cost per item for each product on the stock-taking list

The cost per item for a product is the price you paid your supplier for one item of the product. Write the cost per item for each product on the stock-taking list. Make sure that you write the latest price your supplier charged you for a product.

Step 7. Calculate the total value in stock of each product and write it on the stock-taking list

Multiply the quantity from the stock-taking with the cost per item to get the total value. The General Store calculate the total value of their stock of Best Foods cooking oil, 750 ml, like this:

$$\begin{array}{rccccccc}
 12 & \times & 5.46 & = & 65.52 \\
 \text{quantity} & & \text{cost per item} & & \text{total value}
 \end{array}$$

TOTAL
VALUE

... MULTIPLY ...

STOCK-TAKING LIST

Page: 1
Date: 31/3/2001

Details	QUANTITY			VALUE	
	Stock-taking	Stock card	Difference	Cost per item	Total value
Best Foods cooking oil, 750 ml	13	15	-3	5.46	65.32
Best Foods cooking oil, 2 litre	3	3	0	13.41	40.23
Star sugar, 2 kg	10	9	+1	4.71	47.10
Pride flour, 1 kg	7	7	0	2.80	19.60
Eastern Blend tea, 125g	0	2	-2	1.00	0.00
Sunshine coffee, 100 g	4	5	-1	4.16	16.64

Figure

When you add up the total value for each product you get the total value for your whole stock.

USE YOUR STOCK-TAKING TO IMPROVE YOUR BUSINESS

The information you get from your stock-taking can help you to improve your business. Look at problems you find when you do stock-taking and think carefully about how you can solve each problem. Here are some questions to help you think about and improve each part of the stock control in your business.

- **Receiving your stock: Do you immediately count and check the condition of new stock against the invoice or delivery note?**
- **Recording your stock: Do you write down every item that comes into or goes out of your business? Do you keep and use stock records?**
- **Storing your stock: Do you keep all your stock in a safe and practical way? Do you prevent your stock from being damaged or spoilt by keeping the right amount in the right place?**
- **Arranging your stock: Do you arrange your stock in a way that attracts customers to buy and also makes it easy for you to see and count?**
- **Checking your stock: How often do you check and count your stock to make sure that it is in good condition and that no stock is missing?**
- **Re-ordering your stock: Do you have a system for re-ordering the right stock in the right quantity at the right time?**

HOW OFTEN SHOULD YOU DO STOCK-TAKING?

How often your business should do stock-taking depends on many things, for example:

- **if you keep stock cards or not**
- **what quantities of stock you keep**
- **how many different goods or materials you keep and how much they cost**
- **how quickly you sell or use your stock**

- **how good your security is.**

Decide what is best for your business.

*You may decide to do stock-taking **often** if you:* *You may decide to do stock-taking only **occasionally** if you:*

- | | |
|---|--|
| • do not keep stock records | • keep good stock records |
| • have large quantities of stock | • have small quantities of stock |
| • have many different goods or materials | • have few different goods or materials |
| • are not sure if stock is secure | • have good security |
| • have many people, or new people, working in your business | • do not have problems of stock going missing, for example, through theft. |
| • have problems with missing stock. | |

Review

Summary

Stock means all the products your business has for sale. Stock is also all the raw materials or parts your business keeps to make products or provide services.

Stock control means organizing the way you:

- **receive your stock**
- **record your stock**
- **store your stock**
- **arrange your stock**
- **check your stock**
- **re-order your stock.**

Some useful guidelines for better stock control are:

- **keep the right amount of stock**
- **stock goods that sell quickly**
- **arrange and display your stock well**
- **check your stock regularly**
- **keep stock records.**

To keep stock records means writing down:

- **all stock that comes into your business, and**
- **all stock that goes out of your business.**

You can use the information on the stock records to find out:

- **what stock sells fast**
- **what stock to re-order**
- **when to re-order.**
- **how much to re-order**
- **if any stock is missing**

Work out the re-order level for your goods. The re-order level is the number of units you estimate that you need until you get new stock. When your stock falls to the re-order level, it is time to order more.

Stock-taking is a system of physically counting and writing down all the stock in your business on a stock-taking list.

Stock-taking helps you to find out:

- **if stock is missing and how much is missing**
- **if any stock is damaged or in bad condition**
- **which goods sell quickly and which sell slowly**
- **which materials and parts you use a lot of and which you use less of**
- **when to re-order, if you do not keep stock cards.**

Follow these steps to do stock-taking:

- 1. Prepare your stock-taking list**
- 2. Count the stock and write down the quantities on the stock-taking list**
- 3. Copy information from your stock cards to your stock-taking list**
- 4. Compare your stock cards with the stock-taking list**
- 5. Write the correct quantities on your stock cards**
- 6. Write the cost per item for each product on the stock-taking list**
- 7. Calculate the total value in stock of each product and write it on the stock-taking list.**

What did you learn in this chapter?

Now that you have worked through this chapter, try these practical exercises. The exercises will remind you of what you have learned and help you to improve the stock control in your business.

Compare your answers with the Answers. If you find it difficult to work out an answer, read the relevant part of the manual again. The best way to learn is to finish an exercise before you look at the answers. Check the list of Useful Business Words.



*You have learned more about stock control in this chapter. But what you have learned does not help you until you use the new knowledge in the day-to-day running of your business. Remember to do the **Action Plan** to improve the stock control in your business.*



STOCK CONTROL PROBLEMS AT TASTY BREAD

The bakery Tasty Bread is popular and sales are good. But the business has stock control problems. Tasty Bread think they are keeping more stock than they need. It ties up the business money and some raw materials go bad. They also suspect that stock goes missing, but they do not know how.

To solve the stock problem, Tasty Bread start keeping stock records. They also begin to do stock-taking. They decide to do stock-taking on 30 September 2001, after the business has closed for the day.

Tasty Bread follows the steps necessary for stock-taking.

1. Follow the steps for stock-taking and help Tasty Bread to fill in their stock cards and stock-taking list, by using the following information.

Tasty Bread normally makes 180 loaves per day. On 30 September, they:

- used 65 kg white flour, 1 kg yeast, 1.5 kg sugar and 1 kg fat*
- bought 250 kg white flour, 10 kg sugar and 15 kg fat*
- had to throw away 10 kg spoilt fat.*

During the stock-taking, Tasty Bread counted:

- 360 kg white flour, 7 kg yeast, 15.5 kg sugar and 17 kg fat.*

Tasty Bread also need salt but they do not yet keep a stock card for salt.

TASTY BREAD STOCK CARDS

STOCK CARD				
Product: Pride white flour				
Cost per item: 2.10 NU per kg				
Selling price:				
Re-order level: 325 kg				
		Stock		
Date	Details	In	Out	Balance
28/9	R/f			325

28/9	B/f		65	260
28/9	used		65	260
29/9	used		65	195

STOCK CARD				
Product: Sun yeast				
Cost per item: 3.60 NU per kg				
Selling price:				
Re-order level: 10 kg				
		Stock		
Date	Details	In	Out	Balance
28/9	B/f			8
28/9	used		1	7
29/9	used		1	6

STOCK CARD				
Product: Star sugar				
Cost per item: 3.05 NU per kg				
Selling price:				
Re-order level: 15 kg				
		Stock		
Date	Details	In	Out	Balance
23/9	B/f			9.5
23/9	used		1.5	8.0
23/9	bought	10		18.0
26/9	used		1.5	16.5
27/9	used		1.5	15.0
28/9	used		1.5	13.5

29/9	used		1.5	13.5
29/9	used		1.5	12.0

STOCK CARD				
Product: Standard fat				
Cost per item: 8.40 NU per kg				
Selling price:				
Re-order level: 20 kg				
		Stock		
Date	Details	In	Out	Balance
25/9	B/f			18
25/9	used		1	17
26/9	used		1	16
27/9	used		1	15
28/9	used		1	14
29/9	used		1	13

S T O C K - T A K I N G L I S T

Page:
Date:

Details	QUANTITY			VALUE	
	Stock-taking	Stock-card	Difference	Cost per Item	Total value

TASTY BREAD STOCK-TAKING LIST

2. Look closely at the stock-taking list and the stock cards that you have completed and answer these questions:

a. How much fat do Tasty Bread have at the end of the day on 30 September?

b. Of which two raw materials do Tasty Bread keep more stock than they need?

c. Tasty Bread were correct when they suspected that stock went missing.

- Which raw materials have stock missing?
 - How much stock is missing of each raw material?
-
-
-

d. For which raw material does the amount counted during stock-taking show a higher quantity than Tasty Bread have on their stock card?



1. Here are Tasty Bread's completed stock-taking list and stock cards.

S T O C K - T A K I N G L I S T

Page: 1

Date: 30/9/2011

Details	QUANTITY			VALUE	
	Stock-taking	Stock card	Difference	Cost per item	Total value
Pride white flour	360	380	-20	2.10/kg	756.00
Bun yeast	7	5	+2	3.60/kg	25.20
Sier sugar	15.5	20.5	-5	3.05/kg	47.28
Standard fat	17	17	0	8.40/kg	142.80

Figure

S T O C K C A R D

Product: Pride white flour

Cost per item: 2.10 NU per kg

Selling price:

Re-order level: 325 kg

Date	Details	Stock		
		In	Out	Balance
28/9	B/I			325
28/9	used		65	260
29/9	used		65	195
30/9	used		65	130
30/9	bought	250		380
30/9	missing (stock-taking)		20	360

Figure

S T O C K C A R D

Product: Sun yeast

Cost per item: 3.60 NU per kg

Selling price:

Re-order level: 10 kg

Date	Details	Stock		
		In	Out	Balance
28/8	B/1			8
28/9	used		1	7
29/9	used		1	6
30/9	used		1	5
30/9	error (stock-taking)	2		7

Figure

S T O C K C A R D

Product: Star Sugar

Cost per item: 3.05 NU per kg

Selling price:

Re-order level: 15 kg

Date	Details	Stock		
		In	Out	Balance
23/9	B/I			9.5
23/9	used		1.5	8.0
23/9	bought	10		18.0
26/9	used		1.5	16.5
27/9	used		1.5	15.0
28/9	used		1.5	13.5
29/9	used		1.5	12.0
30/9	used		1.5	10.5
30/9	bought	10		20.5
30/9	missing (stock-taking)		5	15.5

Figure

S T O C K C A R D

Product: Standard Fat
 Cost per item: 8.40 NU per kg
 Selling price:
 Re-order level: 20 kg

Date	Details	Stock		
		In	Out	Balance
25/9	B/I			18
25/9	used		1	17
26/9	used		1	16
27/9	used		1	15
28/9	used		1	14
29/9	used		1	13
30/9	used		1	12
30/9	bought	15		27
30/9	spoilt		10	17
30/9	stock-taking			17

Figure

2.

- At the end of the day on 30 September, the balance column on the stock card shows that Tasty Bread have 17 kg fat.
- Tasty Bread keep more stock than they need of sugar and fat.

By looking at the stock cards for sugar and fat, you can see that compared with how much they use every day, the stock levels are very high all the time. Tasty Bread would have lower stock levels if they lowered their re-order levels for sugar and fat.

c. White flour and sugar have missing stock. You find this out by comparing the quantities actually counted and written on the stock-taking list with the balances on the stock cards.

There are 20 kg of white flour and 5 kg of sugar missing.

d. The amount of yeast counted during stock-taking is a higher quantity than Tasty Bread have on their stock card. There are really 7 kg of yeast in stock. Tasty Bread correct their stock card so that it shows the correct amount, 7 kg.

