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TIJARA

Provincial Economic Growth Program

Advancing Private Sector Development in Iraq
How to Improve a Business

DAY 1 of 2

MARKETING





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How to Improve a Business 'Marketing'

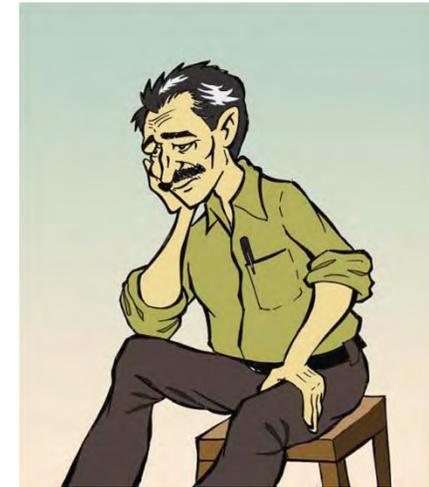


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‘Marketing’

If you are already running a business, there are a number of reasons why and how your sales may or may not grow or perhaps may diminish. Therefore, to survive in your business and be successful, you need to market your products or services effectively.



This course will help you gain a good understanding of:

- ✓ Who your potential customers are
- ✓ What their needs are
- ✓ How you can satisfy their needs and make good profit
- ✓ What you would need to do to sell more



OBJECTIVES – Day One

By the end of this session you will gain a good understanding of:

- The basics of a **‘Market’**
- **‘Buying Behavior’** of customers.
- Conducting a **‘Market Research’**.
- The step process of conducting a **‘Market Research’**.
 - How to identify your customers
 - Assess your customers’ needs and your competition





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The Basics of a 'Market'



What is a Market?

The “**Market**” does not mean just a physical place where goods and services are exchanged for money.

The **market** means and includes all those persons, organizations and businesses that need products, resources and services and have the ability to pay for those products, resources and services. The market is also called “**demand**”.





What is “assessing the market”?

Assessing the market for your products and services means finding out:

- who your potential customers are,
- what their needs are, for example, the type and quality of the product or service they need, the price they are willing to pay and the quantity they need,
- what the nature and extent of competition for your products and services is, and
- the effective market or the effective demand for your products and services.





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What is your “effective market”?

Your ‘**effective market**’ consists of only those potential customers whom you can reach on a regular basis. Your effective market is the portion of demand for your products and services which your business has the ability to satisfy.

For example, the potential customers of a small grocery shop are those people who live within the walking distance from it. However, those customers may not buy all their needs from such a small grocery shop. If they have their own cars, or if they buy their needs on a weekly basis or monthly basis, they may go to the big super-market. They may buy small quantities of some items from the nearby grocery shop only whenever they run out of their weekly or monthly stock.

Therefore, the ‘**Effective Market**’ of such a grocery shop is only that quantity of grocery which the customers living nearby the grocery shop find it necessary to buy from it.



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1. Why do you need to assess your 'effective market'?

Every business needs a market. If there is no market, there is no business.

A business survives and grows only if it has:

- Products or services that people need, and
- Enough customers who are willing to buy those products or services.

Therefore, before you decide to start a business or introduce a new product or service, you need to know the size of the '**effective market**' for your products and services.



We are living in a dynamic world where things change rapidly. What was true last year may not be true this year or the next. Therefore, to survive in your business and be successful, it is necessary that you assess your effective market regularly.



2. Why do you need to assess your “effective market”?

By assessing your market regularly, you are able to:

- Make a reasonable and accurate *forecast* of how much of your products or services you will be able to sell
- Decide what you need to do to get a larger *share of your effective market*
- Identify new opportunities to expand your sales
- Have an early warning of any threats that your business may face through increased competition or market changes



Your market share is the portion of demand for your products and services, which your business satisfies. If the demand of a market is 1000 units per month and you are only able to sell 200 units per month, your market share is 20%.





Know the basics of a 'Market'

- **Knowing your market is similar to playing a game of football, the playing field of your business is your market**
- **Rules of a football game VS The principals for marketing your marketing and services**

- How the game is played
- The characteristics of the field in which you play the game
- Conditions that may affect the outcome of the game
- The strengths and weaknesses of your opponents



- Rules for marketing products and services
- Characteristics of a "market"
- Conditions that affect the market for your products and services, and
- The strengths and weaknesses of your competitors



What makes up a 'Market'?

Knowing what makes up a market for your products and services puts you in a better position to find answers to:

- What goods to produce or sell or what services to provide?
- What not to produce or provide?
- For whom to produce those goods and services?
- What quality to produce or provide? and
- Where to make those goods and services available in exchange for money?

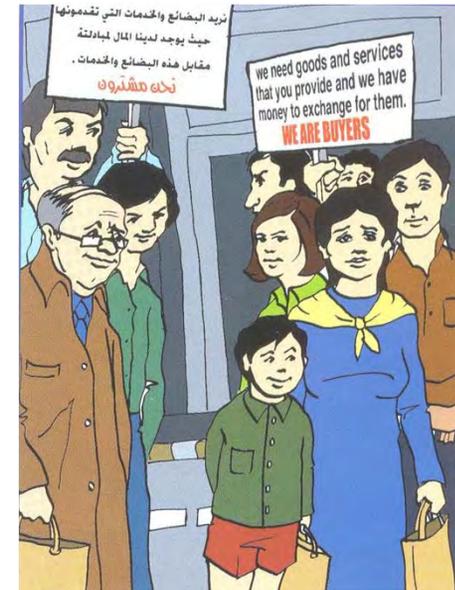
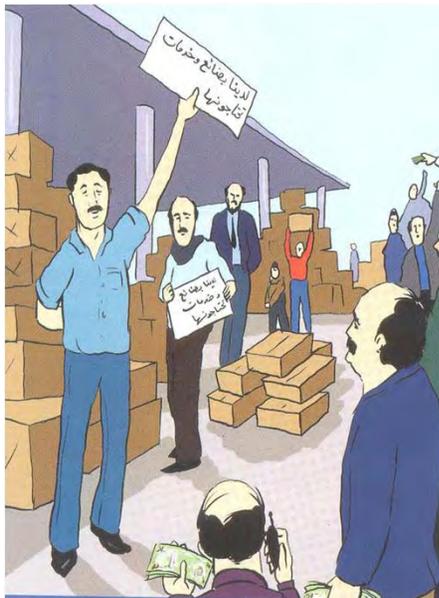


Every product or service has its own market. It means that you can clearly identify the persons, organizations, and businesses that have the need for and ability to pay for that product or service.





The two components of the “Market”



The market consists of two component groups:

- The persons, organizations and businesses that provide the goods and services in exchange for money are called ‘**suppliers**’ or ‘**sellers**’.
- The persons, organizations and businesses that exchange their goods and services for money are called the ‘**buyers**’ or ‘**customers**’.



How does a 'Market' evolve?

The 'Market' for a product or service evolves, if there is enough demand for it.

- The demand for any product or service is the quantity needed by potential customers for which they have enough money to spend.
- It is important to understand the difference between '**need**' and '**demand**'. A '**need**' is something that you require or wish to have. '**Demand**' is something that you need, and for which, you have available money to pay for.

Almost everyone has a need for a car. However, not everyone can afford to buy one because not everyone has the '**purchasing power**' to buy a car, it is not a demand. Therefore, if only 20 out of 100 people have the '**purchasing power**' to pay for a car, the demand would only be for 20 cars, and not for 100 cars. '**Purchasing Power**' is key.





What affects the ‘demand’ for a product or a service?

The demand for any product or service depends on the following four characteristics:

- The ‘**Purchasing Power**’ of its potential customers,
- The ‘**prevailing selling price**’ in the market,
- The ‘**Buying Behavior**’ of its customers, and
- Its current position within its ‘**Product-Life Cycle**’.



If the purchasing power of potential customers is low then they cannot afford to pay high prices for luxury products or services, thus they only choose products and services that are absolutely essential, and they will limit their consumption of products and services and buy fewer quantities.

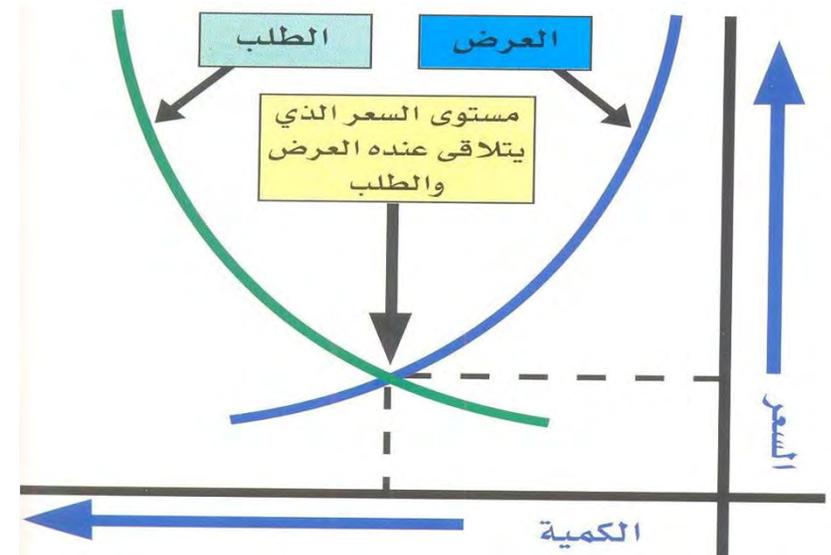
The opposite applies for high purchasing power customers.





Demand and Supply Balance

- If the price of a product or service is low, more people will buy it. As such, it will have a high demand.
- If its price is high, less people will buy it. As such, it will have a low demand.
- If at any time, the demand for a product exceeds its supply, it results in a shortage of that product in the market place, and the business can obtain a high price.
- Similarly, if its supply exceeds the demand, businesses compete with each other based on price, and the prices drop accordingly.
- If the demand and supply quantities match, the price remains stable.



Thus the demand for a product or service at any given time influences its supply and price.



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‘Buying Behavior’ of Customers



Buying Behavior of Customers

It is important to understand that the demand for a product or service you wish to produce is not static.

The buying behavior of a customer is a reflection of:

- How and why they choose a particular product or service to meet their specific needs, and
- When and where they buy it.

The buying behavior of customers means the way customers decide to buy their needs.

Therefore, it is important to know about how the customers decide:

- ✓ What products and services to buy?
- ✓ Why to buy those products and services?
- ✓ How to choose between different products and services that are available in the market?





What influences the customers' buying behavior?

The buying behavior of customers is influenced by their 'value systems'

The value systems of a customer mean:

- what is that they value the most, and
- how do they evaluate what gives best value for their money?



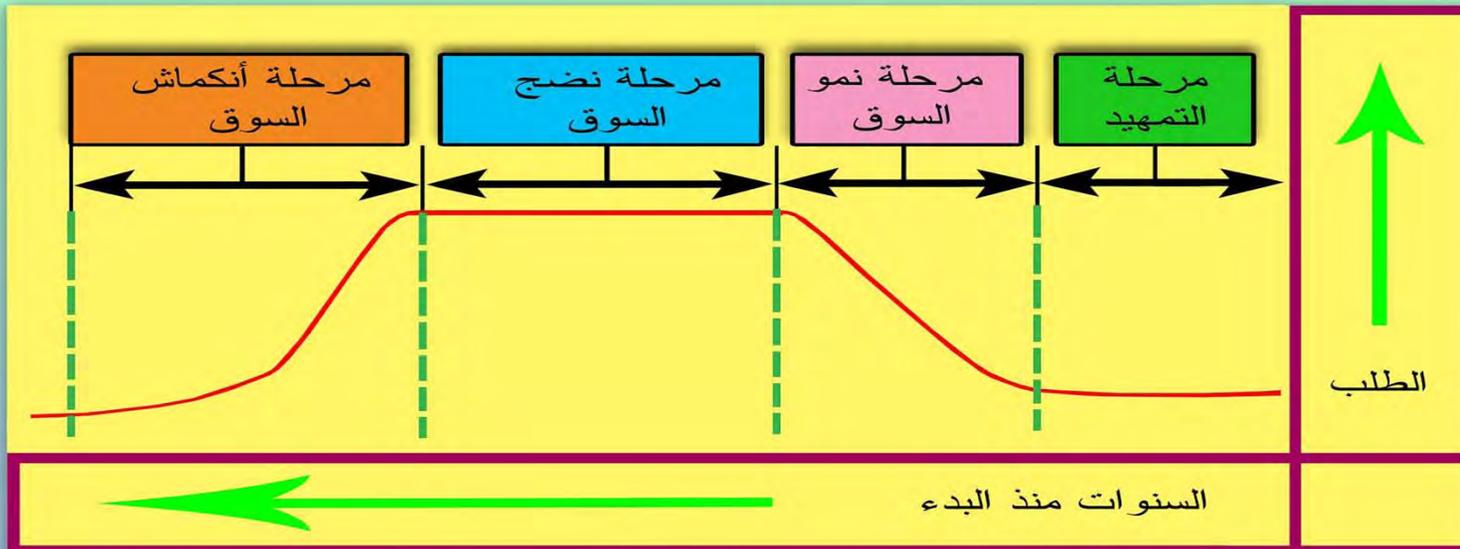
The value systems of customers are influenced by:

- Their '**economic situations**': a customers' choice of a product or service depends very largely on his or her 'disposable income' (*the amount of income that is left after paying for basic necessities such as food and shelter*).
- Their ways of living, that is their '**lifestyles**': customers with simple lifestyles place more emphasis on the utility value and durability of a product
- The prevailing '**social norms**': which influence the demand for different products and services. Social norms are generally the standards of behavior acceptable to the society.



1. The Product-Life Cycle

Products and services, like people, have only a certain length of demand-life. There are distinct phases of its demand-life, just like the phases of human life – childhood, adolescence, youth, adulthood, old age and finally death, which ends the life cycle.



دورة حياة المنتج



2. The Product-Life Cycle

The life of a product begins with its market introduction and it goes through the following distinct phases:

1. A 'Pioneering Phase', during which period its customer acceptance is established.
2. After that, it goes through a 'Market Growth Phase', during which period its market grows rapidly as more customers and buyers are drawn towards it.
3. Eventually, its demand reaches a saturation point called 'Market Maturity Phase', meaning, the market for the product does not grow any more as it reaches almost every buyer that has a need for it.
4. As new products are introduced and or as the value systems and choices of people change, its demand starts declining. It enters the 'Market Decline Phase' since the customers and buyers look for something more in the product than what it offers, or they have a choice for a different product which gives them something more.

Thus, your chances of success in business are high only if you choose for your business a product or service which is either in the '**market pioneering**' or in the '**market growth**' stage.





1. What is a Market Segment?

The potential customers for a particular product or service can be classified into three categories based on the quality they look for and the price that they are willing to pay:

- Customers who need 'High Quality' products or services and are willing to pay high prices for them.
- Customers who are willing to pay a better price for a reasonably good quality product or service but are not willing to pay a very high price for it. and,
- Customers who can afford only the lowest price, and as such will not buy a low quality product as long as the price is affordable.

Do not have the wrong notion that the survival of your enterprise will depend only on your ability to offer a cheaper product or service by lowering the quality. It is not necessary that all the customers choose only the cheapest product or service. In fact, if you can sell a high quality product at an affordable price, your sales will be higher.

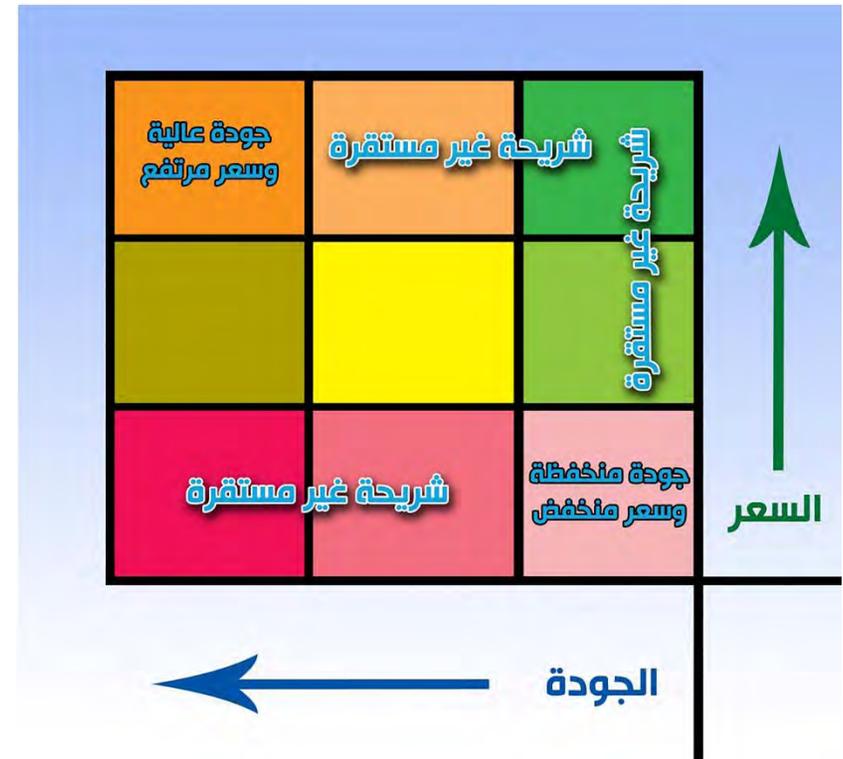




2. What is a Market Segment?

Thus, the market for a specific product or service that you sell or provide consists of the three distinct 'market segments' based on the factors of quality and price:

- **High Quality – High Price** market segment, which consists of buyers who demand a high quality and are willing to pay a high price.
- **Medium Quality – Medium Price** market segment, which consists of customers who do not wish to pay a very high price and as such are willing to accept a medium quality product or service at medium price level.
- **Low Quality – Low Price** market segment, which consists of customers who pay only the lowest price and as such are willing to accept a low quality product or service.



If your product or service is of poor quality and is priced at a high or at a medium level you may find a few customers who are willing to buy your product or service.



3. What is a Market Segment?

If your product or service is of poor quality and is priced at a high or at a medium level, you may perhaps find a few customers who are willing to buy your product or service. However you will not be able to sell much in competition with 'low-quality - low price' product or service.



If you have a high quality product or service that is priced very low, you will probably win the whole market and make other businesses close down. But in that process you may most probably kill your own business too! since you will, in all probability, not make profit but make a loss. Your costs will be high for producing high quality product or service and as such, your price also needs to be necessarily high to cover your costs and make a profit.

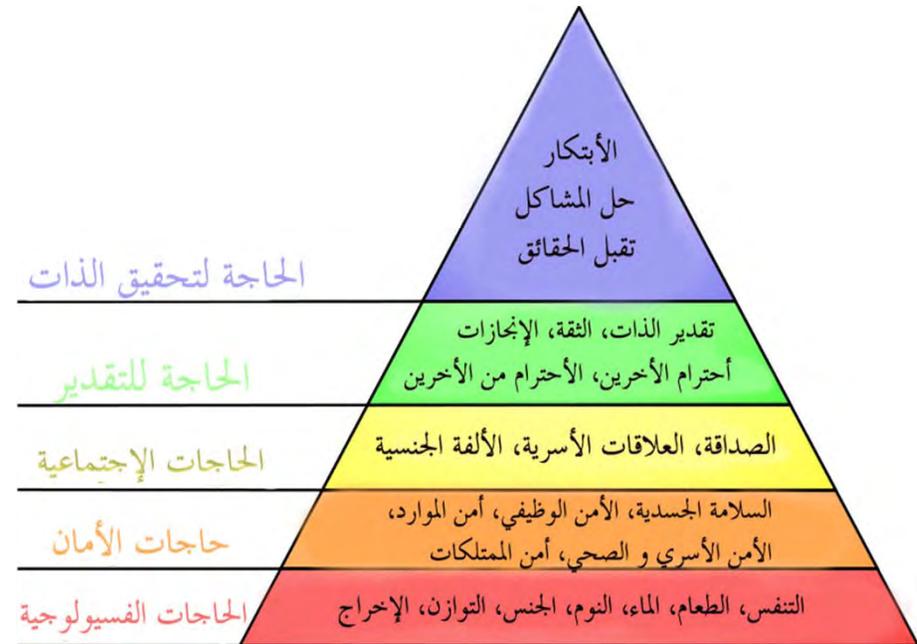


How do buyers decide the price they can afford?

Buyers decide the price that they are willing to pay for a particular type of product or service on the basis of:

- the hierarchy of their needs, and
- their purchasing power

Maslov's Hierarchy of Needs



To be successful, you must produce your products or services for your chosen market segment at such costs as will enable you to compete with other businesses, and still make adequate profit.



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Conduct 'Market Research'



1. Market Research

Collecting information about your market and potential customers is called **'market research'**. Market research is very important when you are thinking of starting a new business, which can be done in many practical ways.

Below are examples on how you can collect information:

- Think about who your customers will be, and make a list of questions you need to know about them, and what type of products and services you should be selling to meet their wants and needs. Then, ask those people who you think will be your potential customers.
- Listen to what people say about your competitors' businesses. Ask them why they buy from some businesses and why they don't buy from others. Is it because of better prices, better service, better location...etc
- Ask your potential suppliers about which goods and services sell well and which don't. Suppliers can be a very useful and reliable source of information.
- Read newspapers, magazines and books to get information on good ideas for your business.

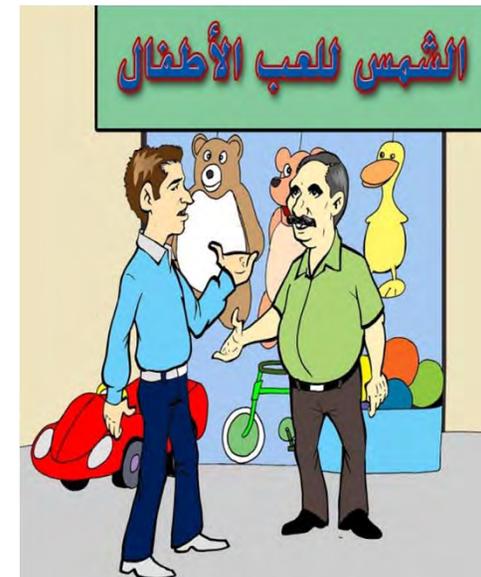




2. Market Research

- **Market Research** – is a systematic gathering and analysis of data and information used for:
 - Determining the effective size of a market.
 - Identifying specific marketing situations and challenges.
 - The Data will help you design your '**Marketing Mix**' and '**Marketing Plan**'.
- **Marketing Mix** – is the combination of **product/service quality, quantity, price** and **place** that you design for your business.
 - Best combination of offerings that suits your target market.
 - Establish a firm position in the market place.
- **Marketing Plan** – Utilizing data collected from your Market Research to establish a Marketing Mix that will have the maximum contribution to reach your sales objectives.
 - Goals of weekly or monthly sales during a period.
 - Help you determine the suitable price you will charge.
 - Marketing strategy you will use during the period to meet objectives.

A strong effort in conducting a Market Research will help you design a strong Marketing Mix and Marketing Plan.





3. Market Research

Why do you need to conduct a Market Research?

- **It enables you to understand who should be your customers**
 - Need to know more about your ‘target market’, it might not be what you expect.
 - Discover if your products/services meet the needs and wants of the customers.
 - Discover your customer profiles and customer decision making processes.
- **It impacts the decision making process and overall sales**
 - Data collected can help enhance your overall marketing strategy.
 - Start-up businesses cannot afford to make wrong decisions.
 - Understanding growth potential and capacity to service your market.
- **It allows your business to keep up with the changes in the market**
 - Customer behavior, their needs and wants change over time.
 - The more you know about your customers and market, the better the chances your will business will survive while others do not.



Conducting a well thought out Market Research can be the difference between making good and bad decisions that affect sales.





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‘Market Research’ Step Process



Market Research 'Step Process'

1. Identify Your Customers

2. Assess Needs of Customers

3. Assess Level of Competition

4. Estimate Your Effective Market



1a. Identify Your Customers

1. Know who your customers are:

- **Existing customers** – Those who are currently buying from you.
- **Potential customers** – Those who are not buying from you now, but who you hope will buy from you in the future.
- **Lost customers** – Those who have stopped buying from you for various reasons, but who you hope to get them back



Thus, in order to know who your customers are, you need to decide or find answers to the following questions:

- ✓ Which different kinds of customers are you trying to sell your products or services?
- ✓ Where are they and where do they usually buy their needs?
- ✓ What products or services do they want?
- ✓ Why do they want those products or services?
- ✓ What quality standards do they need? For example, high-quality, medium-quality, or low-quality?
- ✓ What price levels can they afford?



1b. Identify Your Customers

2. Decide your target 'market segment'

Determine the target 'market segment' that your business is capable of reaching. The target market segment is dependent on the following attributes of your business.

- The '**quality**' of the products and service you are capable of providing.
- The '**demand and supply balance**' relationship of the market and your business as explained earlier.



Based on the 'market segment' that you have determined, **decide the quality of products or services you can provide**, which will depend on the amount of money you invest in the business and the availability of the products and resources required to provide or produce the product or services.



1c. Identify Your Customers

3. Evaluate the 'demand and supply balance'

If there exists many businesses selling products and services similar to your same market segment, you will face a serious competition. Therefore, you may not be able to get:

- either, a reasonable share of that market
- or, the prices that you need to make a reasonable profit margin

Accordingly, decide on the areas and regions your products can be available, find out how many people live there, the number of businesses that sell products and services similar to yours, and choose that segment of the market which has the best **buyers/sellers ratio**.

You need to choose that market segment, which provides a reasonably large demand for the type of product or service you sell or provide at the prices that you need for them.





1d. Identify Your Customers

4. Determine where your customers are

The types of your products and services, the location and size of your business and your distribution channels will decide where your customers are.

If you run a small grocery store your customers will be the people who live within a short walking distance from your grocery shop.

On the other hand, the customers of a large supermarket that sells the same items as the small grocery shop but in addition, sells many other items, come from many places, near and far.

Distributions channels may extend the market of your products and services depending on which one you choose. This will be discussed in further detail later...





2a. Assess the Needs of Your Customers

Here are three possible methods to assess the needs of your customers:

- **Informed guesswork:** Assumptions based on your knowledge and experience. This method is used only for making a preliminary assessment of your business idea if you have not yet started your business.
- **Using industry sources of information:** Talk to retail and major suppliers and distributors for information to know more about the choices and complaints of the people who buy those products. Suppliers of raw materials are also a good source of information for manufacturing businesses.
- **Interviewing:** Obviously, the customers themselves are your most accurate information source. Talk to as many current, potential and lost customers. By asking the right questions, you will be able to assess what special attributes they need in your product or service.

This kind of simple market research helps you to know more about your customers and competitors.





2b. Assess the Needs of Your Customers

A systematic approach to assessing your customers' needs and market size

The best way to assess your customers' needs and your market size is to conduct well-structured personal interviews with a representative sample of your existing, potential, and lost customers.

The assessment of your customers' needs and preferences through personal interviews will be easy if you first prepare:

- a detailed profile of your typical customer, and
- a well structured market research questionnaire

This will enable you to decide:

- What should be the quality of your products or services?
- What price you may be able to obtain?
- How much of your products or services your customer will need on a regular basis?
- How would you be able to attract your customers to buy your products or service.
- And, what would be the most suitable way for distribution for your products or services.





2c. Assess the Needs of Your Customers

A. PREPARING A CUSTOMER PROFILE

The main objective of preparing a customer profile is to help you to determine your customers specific needs, purchasing power, value systems and buying behavior.

The following information needs to be gathered about your typical customer.

- 1. Age group** – In general, people of different ages look at different aspects of a product. One generation will prefer a more traditional product while another generation will prefer a flashier product.
- 2. Gender** – Women in general will prefer different designs compared to men.
- 3. Geographical location** – Value systems will differ depending where the target market segment is located. For example, citizens located in the city of Baghdad will have different needs and values compared to citizens located in the Qada in Abu Ghraib.
- 4. Education** – The level of education will influence the lifestyle as well as the products/services they choose to use.





2d. Assess the Needs of Your Customers

B. PREPARING A CUSTOMER PROFILE

5. Profession/occupation – Profession also plays a very important role in the way people make their choices. People of well paying professions will have different standards of quality, appearance and even the packaging of the products/services they purchase.

6. Family status – Single people will have more disposable income than married people. Married women with children may put more emphasis on how a product/service would fill the needs for a family than a single women with no children.

7. Family size – The larger the family, the less the disposable income.

8. Income level – The higher the income level, the more disposal income the family/individual will have to spend.

9. Lifestyle – Buying attitudes are set by the lifestyle your customer is influenced by.



2e. Assess the Needs of Your Customers

C. PREPARING A CUSTOMER PROFILE

10. Preference of quality, packaging (appearance, size...etc), and price – This information will help you decide if you are designing your product to meet the demands and needs of your target market segment.

11. Quantity of each purchase and frequency of buying – This information will enable you to calculate the total demand and allow you to forecast weekly and monthly sales.

12. Preference of place of purchase – Knowing the best way to reach potential customers is the best way to gain and maintain market share. This information will help you decide how to distribute your product/service (store, wholesale, internet, etc.).

13. Satisfaction with current availability – This information will enable you to evaluate the level of competition in the market and the best way to promote your product/service.



2f. Assess the Needs of Your Customers

PREPARING A CUSTOMER PROFILE

If your customers are businesses or organizations, you need to compile the following about your typical customer

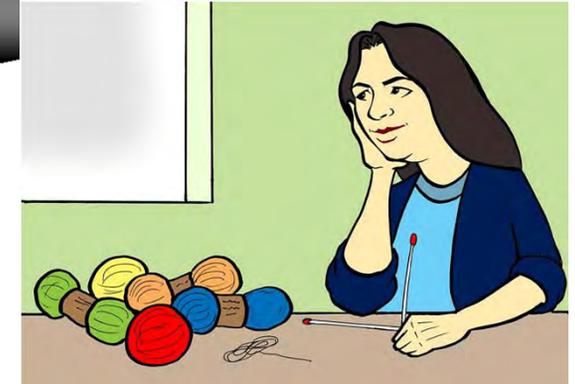
- 1. Its products and markets** – Information on what causes customers market to increase or diminish will help determine the demand cycle for your products/services.
- 2. Type of business customer** – Business customers will vary since some will consume your products and others will resell it. They will also have preferences in quality, packaging, preference in delivery and price similar to that of typical customers.
- 3. Size of each purchase and frequency** – This information will help you plan your cash-flow, demand cycle and forecast your sales for the week or month. It will also allow you to develop price discounts for larger orders or regular weekly/monthly orders.
- 4. Buying procedures** – This information will help you decide your sales and collection procedures (cash, credit, etc.).



2g. Assess the Needs of Your Customers

DESIGN A MARKET RESEARCH QUESTIONNAIRE

To complete the profiles of your typical customers, you will need to interview them. Therefore you need to design a Market Research Questionnaire:



WHO? – These questions will check the customer profiles you initially developed. For example, you may find during the survey that a different age group prefers your products/services than your initial assumption.

WHAT? – This will help you establish what your customer is looking for and if your product can meet that need.

WHEN? – This will explore the timing of their purchase and how often they will purchase during a certain period.

WHERE? – This part of the survey focuses on where the customers look for your product and what is the most convenient way to purchase your product.

WHY? – This part of the survey will help you understand the buying behavior of the customers you are targeting.



2h. Assess the Needs of Your Customers

Below are some tips to design a good market research questionnaire

- Think about what you want to find out and make a list of topics.
- Think about what questions you may ask to gather this information.
- Keep your questionnaire short, relevant, simple and to the point.
- Avoid sensitive questions that may offend privacy or beliefs.
- Explain your objective and agree on the length of time the questionnaire will need to be completed for each interview.
- Ask open-ended questions and take good notes. However, open-ended questions will be more difficult to analyze, thus don't have too many.
- The more questions you ask, the more accurate your information.
- Make sure to test your questions with existing customers and redesign unclear questions and remove the questions which do not give you adequate responses.



An open-end question cannot be answered with "yes" or "no" allowing you to gather more details, but don't ask too many. Close-ended questions are easier to analyze.



2i. Assess the Needs of Your Customers

Interviewing Customers: Notes to Consider

Representative sample – This is a small number of the potential customers in your target market segment. The number of locations and customers you survey will depend on product/service you are bringing into the market and the existing competition.

Cold calling and referrals – Cold calling is when you have no connection to the potential customer and referrals can be given by current customers, to people who may be interested in taking your survey. In either case you should explain your objective to find out the best way to satisfy customer needs and how this survey will benefit them.

Prototype – An example of the product/service you are planning to provide will improve the quality of the answers you receive from your survey.

Procedure – Agree on the length of time, be flexible, do not rush, listen carefully and take plenty of notes.

Thank the interviewee deeply for his/her support and participating in the interview!





3a. Assess Level of Competition

It is unlikely that all potential customers will buy only from your business so it is important to understand other existing businesses that provide the same or similar products or services.

Here is what you should know about your Competitors:

- 1. Who are your competitors?** – A good amount of information will be collected when you conduct the market survey but you can also obtain information from your suppliers, newspapers, personal network and even visiting the businesses as a customer. Some of your competition might even be willing to talk to you. Make an effort to make an in-depth list of competitors.
- 2. Where are their businesses located?** – This information will help you develop a strategy to compete in the market depending on how accessible your competition is to your potential customers.
- 3. Who are their customers?** – If your competition is already servicing the target market segment you plan to pursue, this information will help you differentiate.
- 4. What products/services do they provide?** – Does the competition have an edge in quality compared to what you will offer or in price? This information will be useful in developing a **'brand name'** in the market. This will help position your product and develop an image or identity in the minds of your target customer.



3b. Assess Level of Competition

5. How are their businesses organized? – When visiting a competitor, make sure to note how they display their products, what equipment they use, do they offer credit purchase, where do they purchase materials, hours of the operation as well as the number of employees.

6. What prices do they charge? – It is important to make a note on the prices they are charging in order to establish your pricing structure in the market. Also make note of any sales and discounts they offer.

7. How do they attract their customers? – Make an effort to understand how they promote their products/services to potential customers. How do they advertise if they advertise at all or is their business based solely on word of mouth?

8. Is there a reason for their customers to be unsatisfied? – If you can find a weakness that the competitor has, you can differentiate your business in the market place.

9. What are their marketing strategies? – If it is possible to find out their plans for expansion it will help you decide if you can handle that added competition.



3c. Assess Level of Competition

Prepare Your Competitors' Profiles

Preparing competitor profiles will help you make a 'SWOT Analysis' of the market for your products and services

SWOT Analysis – This analysis will let you compare your strengths, weaknesses, opportunities and threats that you face in the market side-by-side with your competitors.

STRENGTHS
WEAKNESSES
OPPORTUNITIES
THREATS

Pick 3-5 top competitors in your target market segment and conduct a side-by-side SWOT analysis.



3d. Assess Level of Competition

Case Example - Hassan's SWOT Analysis	
My business strengths	Strengths of my competitors' businesses
<ul style="list-style-type: none"> - I am well known for my baking skills - I offer all bakery products - Always fresh products - My prices are good - I am willing to work long hours and on holidays - I am willing and able to offer personalized service to my customers 	<p>1. Saad's Bakery</p> <ul style="list-style-type: none"> - Established regular customers - Freshly baked products - Good quality - Very friendly service - Offers all types of bakery products needed by its customers <p>2. Jawad Bakery</p> <ul style="list-style-type: none"> - Well located, convenient for all - Regular customers <p>3. City Center Bakery</p> <ul style="list-style-type: none"> - Has delivery vans, so can deliver anywhere in the city - Established customers - Sell on credit
My business weaknesses	Weaknesses of my competitors' businesses
<ul style="list-style-type: none"> - I do not have established customers - I cannot deliver products to customers' business places. I have no money to buy delivery vans - I have cash flow problems, I cannot sell on credit 	<p>1. Saad's Bakery</p> <ul style="list-style-type: none"> - Customers have to wait for a long time for being served - Late opening, generally after 9 am - Only standard sizes and packs. No attention paid to customers' needs - Unclean shop <p>2. Jawad Bakery</p> <ul style="list-style-type: none"> - No fresh products - Poor customer service - Unclean shop <p>3. City Center Bakery</p> <ul style="list-style-type: none"> - Do not accept small orders - No personalized service



3e. Assess Level of Competition

Case Example - Hassan's SWOT Analysis	
Threats to my business	What I must do to counter the threats
My neighbor Haider is thinking of starting a similar bakery in my neighborhood. All people in the neighborhood like him very much. He is likely to steal my customers	I must make superior quality products that Haider is not capable of making. I must also make a good promotion of my products and business, and very quickly.
My opportunities	What I must do to exploit my opportunities
<ul style="list-style-type: none"> – Customers want to be served promptly – Many customers want to buy very early in the morning – Customers want different sizes of breads and other bakery products – Customers want a pleasant and clean environment 	<ul style="list-style-type: none"> – Employ extra assistants on part time basis to serve customers at rush hours – Open the bakery at 6:30 am – Offer the customers different sizes and small quantity packs – Make sure that the bakery front is always very clean and well decorated



3f. Assess Level of Competition

KEY DATA TO GATHER

- Who are the competitors?
- Who are their customers?
- Where are they located?
- What price do they charge?
- How do they attract customers?
- What are their strengths?
- What are their weaknesses?

TIPS TO COLLECT DATA

- Utilize the customer survey.
- Visit and observe your competitors.
- Talk to suppliers of your competitors.
- Study some of their advertisement.
- Study any promotional material.
- Ask your competitors questions.
- Opportunity analysis of main competitors.

Use the competitor profiles and side-by-side SWOT analysis to decide on your marketing strategy to compete in the market.

The more you know about your competitors, the more you know about your business.





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4a. Estimate Your Effective Market

Now that you have identified your specific **'Market Segment'**, **'Potential Customers'**, major **'Competitors'** and have assessed and analyzed your potential customers' specific needs and preference, and the strengths and weaknesses of your major competitors, your next step is to determine how big is your **'Effective Market'**.

The total 'demand' for your product or services is not your 'effective market'! Your **'Effective Market'** consists of only those **potential customers** whom you can reach on a regular basis.

Therefore, Your **Effective Market** means that portion of the 'Market' for your products and services, which YOUR business has the ability to satisfy.



4b. Estimate Your Effective Market

The following are the three steps in evaluating your effective market:

Step 1 – Estimate demand-size for your business

That is, determine how big the total market or the demand-size for your market and services.

- If you have completed and analyzed the market survey interview responses, you will have established reasonably well the quantity of products or services similar to yours that each type of your potential customer needs.
- To calculate the total demand size for your products or service, all you need to know is, how many customers are likely to be able to access your products or services.
- Utilize information through NGOs and government entities on statistics you may need to know on number of households in your locality, number of businesses, population, gender and age distribution, income distribution, planned developments...etc

Utilize information here at the SBDC to gather statistics in the area.



4c. Estimate Your Effective Market

Step 2 – Estimate the share of total market you can win

Your '**market share**' is the portion of the total demand size that you expect to service. The market share is expressed as a percentage of the total demand size.

- Your market share will depend vary largely on your chosen '**marketing mix**'. More details on the marketing mix will be explained in the next session.
- Once you decide on the '**marketing mix**' that you will use, revisit the strengths and weaknesses of your major competitors in comparison with yours. Your '**competitors' profile**' show you the strengths and weaknesses of your major competitors.
- Think about **why** and **how many** of the potential customers in your chosen market segments would be attracted to buy your products and services.
- And, on that basis, make a conservative estimate of the share of the total market that you are likely to win. Once you have worked out your likely share of the market, you will be able to determine your effective market size.



4d. Estimate Your Effective Market

Step 3 – Estimate your effective market size

Once you have calculated the total market for your products and services, and worked out what share of that market you are most likely to win, you can now calculate your effective market easily.

NASARIYAH LOCAL GARMENTS ESTIMATED EFFECTIVE MARKET			
Market Segment	Product	Women's Garments	Children's Garments
Market my business can service directly	Total market size in city of Nasariyah	300	600
	My market share (based on research)	15%	15%
	Monthly Effective Market	45	90
Market my business cannot service directly	Total market size in province of Dhi Qar	2,950	6,000
	My market share (based on research)	8%	8%
	Monthly Effective Market	236	480
Total Monthly Effective Market Size		281	570

The background of the slide is an aerial photograph. The top portion shows a vast, dense urban area under a hazy sky. Below this, a dark blue horizontal band contains the 'TIJARA' logo. The bottom portion of the image shows a large concrete bridge spanning across a wide body of water, with a cityscape visible on the far bank.

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QUESTIONS?



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Provincial Economic Growth Program

Advancing Private Sector Development in Iraq
How to Improve a Business

DAY 2 of 2

MARKETING





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OBJECTIVES – Day Two

By the end of this session you will gain a good understanding of:

- The importance of **‘Marketing’**.
 - Why they will or will not buy your products or services, and
 - What you would need to do to have many customers for your products and services
- The elements of the **“Marketing Mix”**
 - The relationship between the marketing mix and profit.
 - An understanding of each component of the marketing mix and how they are related to each other.





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Know the Importance of 'Marketing'



What is Marketing?

Marketing involves finding out who your customers are, what they need and want, how to satisfy them, and make a profit by:

- Providing the products and services they **'need'** and **'want'**,
- 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.





What is Marketing?

“**Marketing**” is everything you do to get a maximum share of the **market** for your products and services continuously, at such prices that you make a good profit

The “**market**” for your product and services means and includes all those persons, organizations and businesses that need products and services such as yours, and have the ability to pay for those products and services.





Customers are the most important people for your business.

To be successful in business, you must satisfy your customers' needs. Your customers will NOT buy from you, if they are not satisfied with what you have to offer them.



They will buy from somewhere else, if you do not:

- ✓ Provide them with the products and services that they want at the prices that they are willing to pay,
- ✓ Treat them with respect, and
- ✓ Provide them with quality services in time that they require.



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Without customers, you will have no sales. Your business will not have the chance to survive and you will have to close down!



Remember that only the satisfied customers will come back and buy your products or services. They will tell their friends and others about your products and your business.

Thus, more satisfied customers

- ✓ Will bring more customers to you.
- ✓ More satisfied customers mean larger sales and bigger profits!



Do you know why you may not sell well?

To sell more you need to know as much as possible about your customers:

- What products and services they “need” and “want”?
 - Why do they need those products and services?
 - What price they are willing to pay?
 - Where do they buy what they want?
 - When do they buy?
 - How often and how much do they buy?
- **Your competitors**, are the businesses selling products or services similar to yours.
 - Why do your competitors sell well?
 - And, how they can you reach your customers?





1. The Starting Point of “Marketing”

As explained in the last session, **‘Market Research’** can be done in many practical ways by you, yourself, or your employees. Market research is a systematic gathering and analysis of data and information that enables you to make better decisions about:

- What products or services to sell.
- What prices to charge.
- How to get your products or services to your customers.
- How to attract customers to buy your products and services





2. The Starting Point of “Marketing”

- Think about who your customers will be.
- Talk to your customers.
- Listen to what your customers say to each other about your business and your products and services.
- Study your competitors’ business.
- Ask suppliers, other businesses and business friends.
- Check your order books, your sales records and your stock records to know which goods or services sell well
- Read newspapers, catalogs, trade journals, and magazines to get information and ideas on new products and services.





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The 'Marketing Mix'



1. THE MARKETING MIX

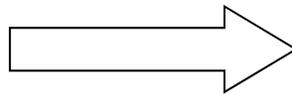




2. The Marketing Mix

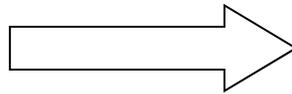
Your share of the market demand will depend largely on your chosen “Marketing Mix” of your business. The 4 Ps

1. PRODUCTS



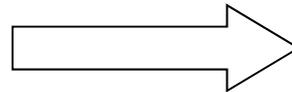
provide the **products** and services they want.

2. PRICE



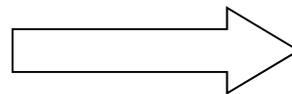
set the **prices** they are willing to pay.

3. PLACE



make your products or services available to your customers at the **place** they want to buy, and

4. PROMOTION



use proper **promotion** to inform your customers and attract them to buy your products or services.

Use each of the four Ps to satisfy your customers and improve your sales. Satisfied customers will come back to buy more from your business and will tell other people about your business, your products and your services. That will bring more customers



3. The Marketing Mix

1a. PRODUCTS





1b. PRODUCTS

1. Provide the customer with what they need and want

Make sure you are providing the customer with what they are requesting for and not what you think they should get. Conduct regular assessments to make sure your business is adjusting to changes in the market.

- ✓ Some customers want a different design
- ✓ Some want different options not offered in the market
- ✓ Some customers want higher quality and are willing to pay extra
- ✓ Make or sell completely new products of the types and quality your customers need, or
- ✓ Improve what you already make such that they meet the needs of your customers and add value to your products and services

Always keep your eyes and ears open to understand their needs, and make sure you provide what they want, not what you think is good for them, you are not the customer.





1c. PRODUCTS

2. Add value to your products and services

Differentiate yourself from the competition by offering additional customer services like:

- ✓ Provide services your customers may need; reliable home delivery, installation and periodic maintenance, personalized services...etc.
- ✓ Package your products attractively and conveniently.
- ✓ Provide written guarantees against any manufacturing defects. Give customers confidence in your products or service.
- ✓ Provide additional choice of design features or different package options.

The key factor is to gain a **‘competitive edge’** that others cannot match in the market.

Customers choose those products that give them the best value for the money they pay.





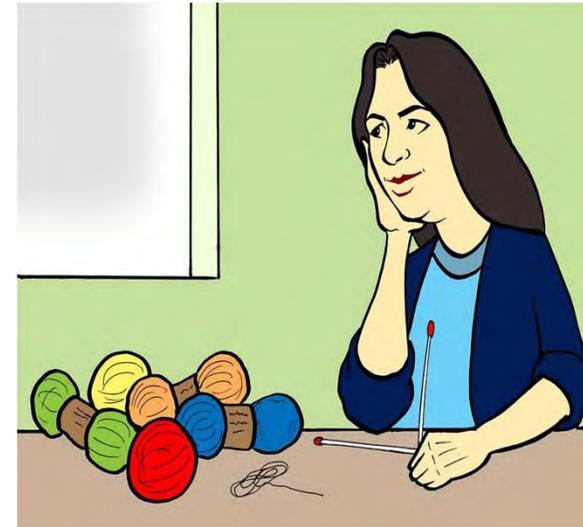
1d. PRODUCTS

3. Look for new ideas

Your products may not sell very well because other businesses may sell the same products or services and customers may not want your product any more. The market is ever changing, think of new ideas to attract customers. Some example below:

- If you only make and sell household furniture, then **find new customers**, such as, schools and offices by selling desks and office furniture.
- If you make bread, then **find more customers**, such as restaurants, hospitals and schools
- If you are selling vegetables and fruits, then **think of what new products you can make or sell**. Customers like to try new products.

It is important to always be on the lookout for new products to offer and let go of old products when demand falls in the market.





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The Marketing Mix

2a. PRICE





2b. PRICE

- Setting the price can be difficult but very important. Your business may have very good products, but if your prices are wrong, you will not sell much.
- Price has to be low enough to attract customers.
- Price has to be high enough to give your business a profit.

$$\begin{array}{rclcl} \text{Cost} & + & \text{Profit} & = & \text{Price} \\ 10,000 \text{ ID} & + & 3,000 \text{ ID} & = & 13,000 \text{ ID} \end{array}$$

OR

$$\begin{array}{rclcl} \text{Price} & - & \text{Cost} & = & \text{Profit} \\ 13,000 \text{ ID} & - & 10,000 \text{ ID} & = & 3,000 \text{ ID} \end{array}$$

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.





2c. PRICE

How to set your prices for more profit

1. Know your cost

The first step in setting the price is knowing the total amount it cost to bring that product/service to market. Without this knowledge you may set a price that is not producing a profit.

The total costs include: material, labor, 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.





2d. PRICE

How to set your prices for more profit

2. Know how much money your target 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.
- If the price that customers are willing to pay is less than your costs. Try to cut down your costs. If you cannot cut your costs, you should not sell that product, and try to find another product or service to sell.





2e. PRICE

How to set your prices for more profit

3. Know your competitors' price

- 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
- If your prices are somewhat higher than your competitors', but the quality of your products or service is better than that of your competitors, many customers may buy from you.

If you try to sell more than your competitors by cutting prices too much, it can be dangerous for your business. To make profit, your prices must always be higher than your costs.





2f. PRICE

How to set your prices for more profit

4. Know the different ways of pricing

When you know your costs, how much the customers are willing to pay and what your competitors' prices are, you are ready to start thinking about how to set your prices effectively. **Below are three different ways in which you can set the prices for your products and services:**

- ✓ **Mark-up:** is the difference between the price of your product or services and its cost, expressed as a percentage of the cost. This pricing strategy is generally used for retailing and wholesaling businesses, contracting businesses, and general service providing businesses such as plumbing, repairing, secretarial services, etc...
- ✓ **What the market will bear:** This method sets the price for your product/service based on the estimation of the demand and supply in the market. High demand in the market with little supply will result in higher prices if there are customers who are willing and can afford to pay it.
- ✓ **Competitive:** While compiling your competitor profiles, particularly note the prices of the products that you will also be supplying to the market place to see if you can set a lower price based on your costs and marketing plan.



2g. PRICE

How to set your prices for more profit

5. Know how to make your prices attractive

Slightly below the market – 11,999 ID or 11,975 ID sounds more attractive than 12,000 ID. It is not making you the largest of profits but it separates you from the competition and gives your business the edge in the market place.

Special offers – When customers stop in to see the special offers, they are also likely to purchase other items. Make sure to display and advertise special offers and change them out on a regular basis to bring customers back regularly to see updated special offers.



Introductory price – When selling new products/services you can advertise an introductory price to attract customers to try them out. After attracting the customers, the price can be raised to what the market can bear.

Competitive – While compiling your competitor profiles, particularly note the prices of the products that you will also be supplying to the market place to see if you can set a price lower based on your costs and marketing plan.



2h. PRICE

How to set your prices for more profit

6. DISCOUNTS

Special offers can come in different packages and are not limited to lowering the price for that day. Below are some examples of discounts you can promote during a special offer.

Quantity – Promote special offers that give customers 3 for the price of 2 or buy 5 and receive a special discount that they can use on their next visit. The goal is to increase the volume of the purchases.

Seasonal – Promote a holiday or a special weekend coming up, preferably ahead of time, by offering a discount only available during that time frame.

Frequency – Offer punch cards that they can stamp for a purchase of a certain product with a goal to receive a special. For example, a customer can receive a stamp for every cup of tea that they purchase and once receiving 10 stamps, they get a free cup.

Join the club – Another option is a membership program when they join a club and receive regular discounts which is commonly used program in hotel chains.

Discounts used wisely can increase your share of the market.





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The Marketing Mix

3a. PLACE





3b. PLACE

A. LOCATION – Where Your Business Is ...

The **‘physical location’** of your business in the market, as well as the method you use to **‘distribute’** your products and services. It is possible to have exactly what your customers need but have low sales. The key is to be where your customers are located.



Competitive position – Locating your business near a competitor will give you instant exposure to his market share and provide another option to customers.

Distribution center of the market – A location central to your target market segment can give you a competitive edge over the rest of the suppliers in the market since you can reach the customers faster and more efficiently.

High traffic – The center of the target market segment might not be the busiest of areas. At times it may make more sense to focus on high foot traffic locations where more people will visibly see your location. Established markets or business districts can offer these settings.

Location of your business will impact both sales and distribution directly, choose a location to be near your customers, or probably near your suppliers if you start a manufacturing business.





3c. PLACE

B. How to reach your customers? Distribution

Decide on best methods of ‘**distribution**’ to reach your estimated effective market, the following are 3 basic methods:

- ✓ **Direct Distribution:** selling directly to the customers who use your products/services.
- ✓ **Retail or Wholesale Distribution:** paying other businesses to sell your products for you. Those businesses are mostly retailers or wholesalers.
- ✓ **Innovative or Supplementary Distribution:** you can use community representatives, catalogues, the internet, door-to-door sales, and postal services to sell goods for you.

Combine distribution methods to yield the highest sales volume and profit margins.





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The Marketing Mix

4a. PROMOTION





4b. PROMOTION

- It is possible to have great products and services, perfect location, prices that potential customers are willing to pay and still no sales due to lack of promotion.
- You cannot sit and wait for your customers; you have to get the customers to come to you.
- Decide the best promotional methods to reach your estimated effective market.

1. **Advertising:** Signs, posters, handouts, boards, brochures, newspapers, radio, TV.

2. **Sales Promotion:** Display discounts attractively, display front of packages properly, provide options, free samples, demonstrations, display popular items at the customers' eye level...etc.

3. **Publicity:** Utilizing the media and positive word of mouth.

4. **Salesmanship:** Improve your skills to close deals, know your products and services, be able to talk and negotiate price and expand your reach by hiring others to focus on the sales efforts of the business.





4c. PROMOTION

1. ADVERTISING

Advertising is the distribution of information to the target market segment in order to make them interested in your products/services. Advertising is an integral part of any business to maintain market awareness.

Signs – Utilize signs that have clever symbols, words, pictures or messages that stand out to potential customers with as little content as possible that is easy to remember.

Posters and handouts – Utilize posters and handouts to tell customers about special offers, discounts or upcoming promotion. This is a economical way to advertise since handouts do not cost much and can utilize employees to get it out to the market.

Newspapers, radio and television – The type of advertising can be expensive but can reach a large portion of the target market segment. Make sure the investment is worth the yield.





4d. PROMOTION

2. SALES PROMOTIONS

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:

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

Keep your business:

- ✓ Well organized
- ✓ Well lit, clean and fresh looking
- ✓ Attractive, with your products well displayed

Be creative, keep customers interested, and do not use too many types of sales promotion at the same time.





4e. PROMOTION

A. Display: Here are some ideas on how to display your goods to increase your sales:

- **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.
- **Make your shelves look full:** keep most of your goods where customers can see them and buy them.
- **Show the front of the packages:** This makes it easier for customers to see their favorite products and to be attracted to try new products.
- **Put goods where they can easily be seen:** if customers can see your products clearly, they may decide to buy.





4f. PROMOTION

B. Display: Here are more ideas on how to display your goods to increase your sales:

- **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 end of the shelf, below each product. Write big enough for the customers to clearly see the price.
- **Put goods at the customers eye level:** customers will see and buy goods which are at the same level as their eyes. Don't place products which customers often buy high up on the shelf or near the floor. This will ensure that they see and buy other products as well.
- **Make special displays:** Use special displays to sell more of your regular goods, seasonal goods or new goods. You can also use special displays for goods which have been selling slowly and goods which are slightly old or damaged.





4g. PROMOTION

3. PUBLICITY

Publicity is free promotion of your business that is done by others.

Articles, magazines and news reports which tell people about your products or services. The positive articles promote your business, while negative articles will sink and destroy business.



Word-of-mouth – Customers who are both satisfied and dissatisfied about your business to friends and family.

Bad publicity can hurt a business dramatically!

So do your best to avoid it.

Good publicity increases your sales!





4h. PROMOTION

4. Improve your “Salesmanship” skills

You, as the owner of your business are the main salesperson. Your skills as a salesperson can make the difference between success and failure.

To be a successful salesperson you must:

- **Know your customers and their needs:** listen to your customers and ask them if they need help, give advice if needed, and offer suitable products or services.
- **Know how to treat your customers:** greet your customers and call them by their names, be polite and friendly, make customers feel welcomed. Dress well and offer your help.
- **Know your products and how to sell them:** to gain the respect of customers you need to know your products well. Your customers may ask questions, be sure you know the answers, and know how to show and explain your products to your customers.

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





Conclusion

Here are some important ways to build a good reputation for your business.

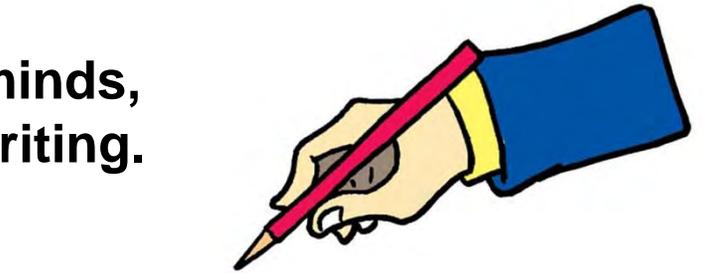
- Make sure the quality of your product or service is what your customers want.
- Price your products reasonably and do not change your prices very often.
- Always keep your commitments regarding the delivery dates and times.
- If your customers complain about your product or service, do not be on the defensive, but try to understand why your customer is complaining.
Try to satisfy your customer.
- Treat your customers, your suppliers and employees with due respect.
- Always pay your debt on time.
- Improve your skills as a salesperson.





Exercise

Although we may “know” the market in our minds, it is essential to set down what we know in writing.



- Exercise – Marketing Plan Template
- What are the buying behaviors of your customers?
- How will you conduct market research? What aspects of your market research will inform your marketing plan?
- What will be your marketing mix? Describe your products, price, place and promotion.
- Complete the marketing plan template.
- This draft marketing plan will blend into your overall business plan.

The background of the slide is an aerial photograph. The top portion shows a vast, dense urban area under a clear sky. Below this, a dark blue horizontal band contains the 'TIJARA' logo. The bottom portion of the image shows a large concrete bridge spanning across a wide body of water, with a cityscape visible on the far bank.

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Thank you!