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AGRO-INPUTS BUSINESS MANUAL – PART 3

SALES AND MARKETING

AGRICULTURAL GROWTH PROGRAM – AGRIBUSINESS AND MARKET
DEVELOPMENT (AGP-AMDE ETHIOPIA)



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CHAPTER I.

PRINCIPLES OF MARKETING APPLIED TO AGRO-INPUTS

DEFINITIONS OF MARKETING

Marketing is defined in several ways. Some definitions closely related to the marketing of agricultural inputs are:

- Marketing is a process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others.
- Marketing is the delivery of a standard of living to society.
- Marketing is a management process, which identifies, anticipates and supplies customer requirements efficiently and profitably.

COMMON TERMS USED IN MARKETING

- **Products:** Products are the goods or services that satisfy human needs and wants. Products should be available near to the consumers and in a form that will satisfy consumers' needs in the most economical manner.
- **Exchange:** The traditional marketing system began when a farmer who had surplus maize exchanged it with another who had surplus rice. This is called a barter system and is still practiced in some rural areas. The barter or exchange is a core concept in marketing.
- **Transaction:** A business transaction is an exchange of values between two parties as well as a unit of measurement of a marketing effort. It is a two-way activity and explains what one person gives to another and what is given in return by the second person to the first person.
- **Market:** A market is a physical location where buyers and sellers interact for business transactions. A market can deal with goods, services or both. It is not always necessary that the buyers and sellers be physically present in the marketplace to conduct business.

THE SOCIAL CONCEPT OF MARKETING

The traditional concept of marketing has been evolving yielding the social concept of marketing; those principles are captured in the statement below.

“A marketing organization should first determine the needs, wants and interests of the target consumers, and then deliver the goods and services effectively and efficiently in a way that improves the consumers’ and society’s well-being.”

Social marketing has three key components as illustrated in Figure 1:

- Consumer satisfaction.
- Company profits.
- Social welfare.

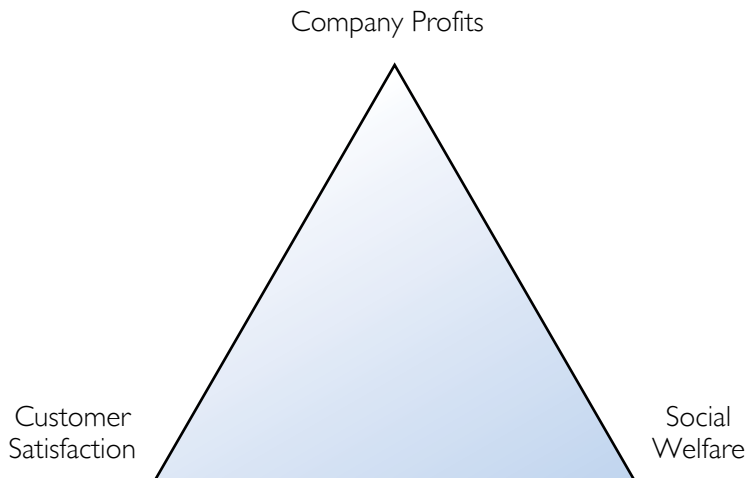


Figure 1. The social marketing concept triangle

Although profit is the most important aspect of a marketing activity, the social marketing concept considers profit to be at par with consumer satisfaction and social welfare. Cooperative societies and public sector marketing organizations use this approach, where satisfying the needs and wants of consumers is the major focus of marketing.

All business decisions in this approach are made with the basic consideration of consumer needs. The consumer is the focus of all activities. Although profit is still the goal of the business, its achievement is secured through larger sales volumes resulting from consumer satisfaction.

WHAT IS THE 'MARKETING MIX'?

The marketing mix is a set of controllable marketing variables that can be applied in various combinations to influence the sale of products. The identification of the marketing variables and their application in business decisions are referred to as the marketing mix. The marketing mix consists of the following four variables, popularly known as the **four Ps of marketing** (Figure 2).

1. Product
2. Price
3. Place
4. Promotion

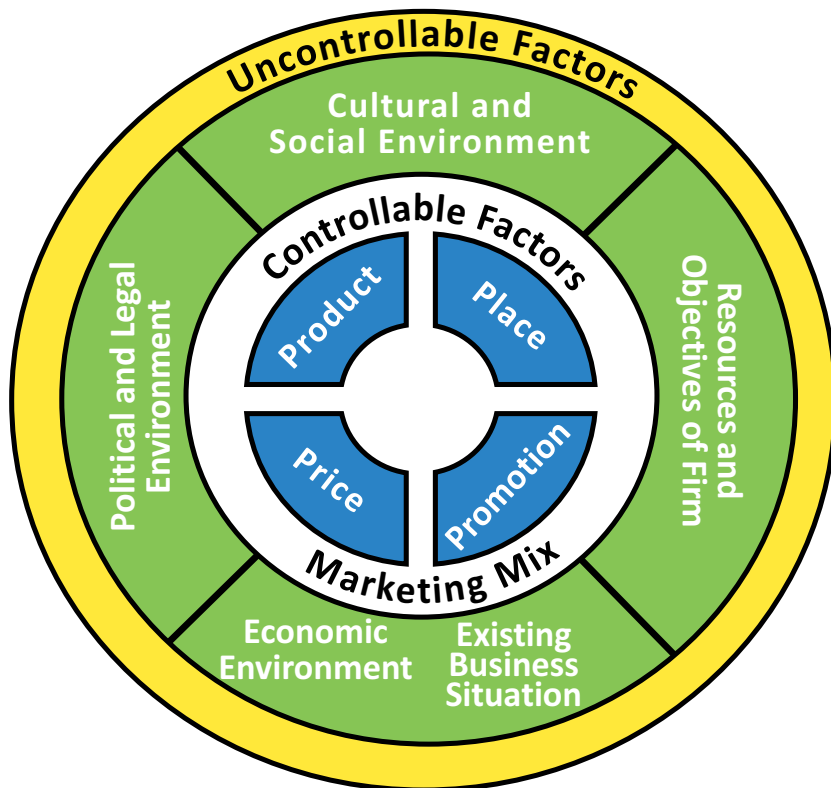


Figure 2. The four Ps of marketing

A fifth P – policy environment – was added a few years ago to the initial four marketing variables.

A business enterprise must select and appropriately apply the most suitable variable(s) to successfully implement a marketing initiative. The role of each variable may differ under any given environment.

THE FIVE PS OF MARKETING DEFINED

1. **Product:** Product refers to the goods or services offered for sale to the customer. Agribusiness entrepreneurs must know their products very well. The salesperson must know product specifications, content, time and method of use, weight and size of the container and expiration date (if applicable). Having improper or incomplete product information can result in dissatisfaction and low economic value to the consumer.
2. **Price:** Price refers to the amount of money a customer must pay to obtain a product or service. Price includes terms and conditions of sale such as discounts, credit, quantity rebates and all other related costs, e.g., delivery of the product.

At a rural sale point, the cost of transport becomes an important consideration in determining the final price of a product. Similarly, in case of seasonal products, inventory cost is a major consideration.

Agro-enterprises must learn how to calculate the economic price of a commodity including the profit. They must know how to determine the cost of purchase and sale, and appropriate profit margin.

3. **Place:** Place describes where a product is physically available in the target market. It includes the channels of distribution and locations where products are sold (sales outlets) and delivered (delivery points). Warehousing, logistics management, transportation and inventory management are important components of place.

In agribusiness, delivery of commodities near to consumer locations, size of the package and time of delivery are also very important aspects of place. To position the most appropriate product in the market, it is important to study the needs and the profiles of the customers. The market may then be divided into various segments, according to the requirements and paying capacity of the customers.

4. **Promotion:** Promotion refers to activities that convey the merits and usefulness of a product or service to convince a consumer to buy the product. In business, the important modes of promotion include advertising, sales promotions, field demonstrations, publicity through the mass media, one-on-one presentations and discussions, printed promotional materials, etc. A promotional strategy may focus on the pull or push strategy.

Because rural consumers are scattered over wide areas with less efficient modes of communication and low levels of literacy, promotions must have a specialized approach, which generally becomes more expensive.

5. **Policy Environment:** The policy environment (the fifth P of marketing) was added by Phillip Kotler and relates to government policies, rules and regulations that are applicable to the production, import, distribution and sale of a product. Some agro-inputs and food products are listed as essential commodities by government authorities, and regulatory mechanisms are therefore enforced on their distribution. An entrepreneur should follow and abide by the prescribed regulations controlling the marketing of agro-input commodities. Special features of the five Ps of marketing are summarized below:

Table 1. Features of the Five Ps of Marketing

PRODUCT	PRICE	PLACE	PROMOTION	POLICY
Product packaging	Sale price	Distribution channels	Advertisement	Rules and regulations
Quality	Discounts	Delivery points	Sales promotion	Policies on import, export and distribution
Specifications	Allowances	Sale points	Publicity	Taxes and duties
Varieties	Payment period	Warehousing	Personal conversing	Subsidies
Types	Credit terms	Logistics	Field demos	
		Inventory management		
		Transport		

THE DIFFERENCE BETWEEN SELLING AND MARKETING

The **selling concept** is the idea that products can be sold through publicity and pushing the product in the market. Suppliers are not concerned if the products offered for sale are actually needed by the consumers. Importance is given to what has been *produced*, not what the community *needs*. In most cases, the consumers are attracted through aggressive publicity and sales gimmicks. The objective of selling is **volume of sales**, not necessarily satisfaction of consumers.

The **marketing concept**, on the contrary, is the idea that achieving organizational objectives depend on determining the needs and wants of target consumers and then delivering the products to the satisfaction of the consumers. *Consumer satisfaction*, rather than sales volume, is the major objective of marketing.

Table 2. A Comparison of the Selling and the Marketing Concepts

ACTIVITY	SELLING CONCEPT	MARKETING CONCEPT
Starting point	Production	Market
Focus	Existing products	Consumer needs
Means	Advertisement, publicity and supply push	Integrated marketing and promotional efforts
Ends	Profit (through volume of sales)	Profit (through satisfaction of consumer needs and sustainable demand)

WHAT IS BUSINESS PLANNING?

Advanced planning of agribusiness activities is very important, and the planning process should be conducted systematically by following a professional approach. A business plan should consist of the following:

- Definition of the business enterprise's mission.
- Objectives and goals of the business enterprise.
- Designing of the business portfolio.
- Marketing strategy.

An example of business planning for a medium-sized ideal agribusiness enterprise is shown in Figure 3.

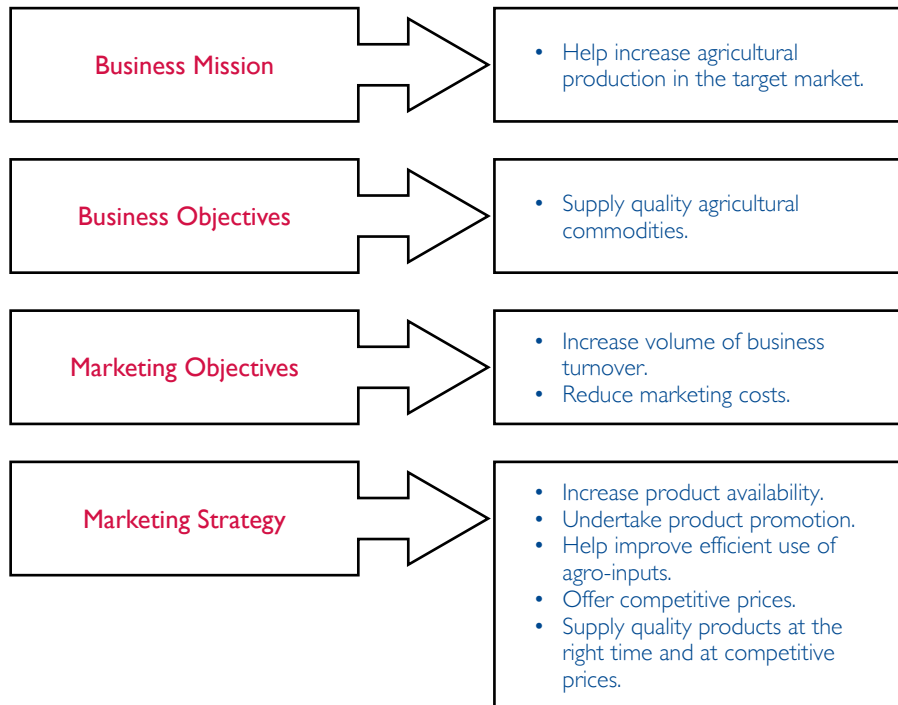


Figure 3. Business planning process for an agro-enterprise

MARKETING MANAGEMENT

The marketing process is complex and completed only when the deal is finalized. In agro-based commodities, market development activities extend beyond product delivery. For example, the response and impact of using agro-inputs may be known only after the crop has been harvested. The enjoyment and acceptance of a food product is related to its taste and appearance and determined only after the commodity has been consumed. The process of marketing management consists of the five steps shown in Figure 4.

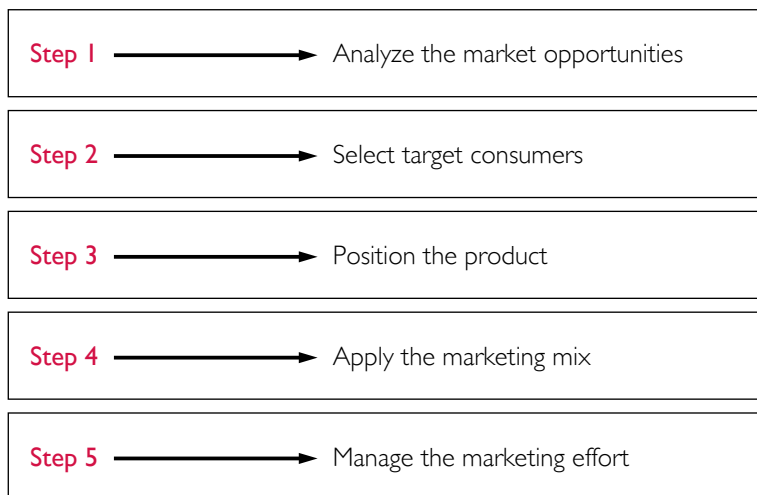


Figure 4. Five steps of marketing management

ANALYZING THE MARKET OPPORTUNITIES

A business enterprise should always look for the opportunities that exist in a defined market for the existing products as well as for new products and services. An understanding of the market demand without a proper market analysis can lead to failure and losses in business.

It may be difficult for a single enterprise to take advantage of all opportunities that the market offers. An agro-enterprise should therefore analyze its own strengths and weaknesses to determine the volume and product range that it can successfully handle.

The products identified as being in demand must fit into the objectives and existing resources of the enterprise. The market opportunities identified are the indicators of demand, but the supply must be arranged to satisfy that demand by investing resources, business skills and efforts to deliver quality products on time.

SELECTING TARGET CUSTOMERS/CONSUMERS

There are several categories and groups of consumers that have varied buying powers, cultures and beliefs. An agro-enterprise should try to understand the need for and time of consumption of each product. It is also important to study the buying power of various groups and their preferences for packing size, brands, etc.

DETERMINE YOUR CUSTOMER TARGETS



Figure 5. Various categories of customers

Once the consumers have been identified, they define the potential market for the products. The market should then be divided into small segments. If possible, a segment should comprise a homogenous set of consumers, with similar needs and wants.

For example, farmers growing cereal crops, such as wheat, are a homogenous group of consumers whose requirements of agro-inputs, credit and crop marketing will be nearly the same. Once the market segmentation has been completed, the targets for sale should be determined depending on the business enterprise's resources, strengths and weaknesses.

POSITIONING THE PRODUCT

It is necessary to position the products at the most strategic and convenient places for easy accessibility to the target consumers. Agro-inputs and food products should be delivered as near as possible to the consumption areas. Similarly, the crop produce should be purchased from the production centers near to the producer farmers.

APPLY THE MARKETING MIX IN PREPARING THE COMPANY STRATEGY

As mentioned earlier, the marketing mix is a set of controllable marketing variables that can be applied in various combinations to influence the sale of products. The factors of product, price, place and promotion should be combined in such a way that they lead to a greater demand for the products being sold in the target market.

MANAGE THE MARKETING EFFORT

Identifying consumer needs and positioning products are not enough in a competitive marketing environment.

An agro-enterprise owner must study the existing and emerging competition in the market and analyze the terms and conditions of sale offered by other suppliers. The marketing effort should include the analysis of strengths and weaknesses of competitors.

It is important to offer some advantages to the consumers over competitors. This is called a **marketing plus**. A question that an agro-enterprise owner should be able to readily answer is: Why should a customer buy your product?

HOW CAN YOU BECOME A SUPER SALESPERSON?

To develop yourself into a super salesperson, it is necessary to adopt the following characteristics.

LEARN THE 'ART OF SALESMANSHIP'

As applicable to engineering, medicine and other professions, the skills of salesmanship can also be learned. An agro-entrepreneur who wants to be a good salesperson should try to learn and enhance his/her skills in sales. The average person can learn everything required to become a super salesperson.

BE A GOOD LISTENER

A good agro-entrepreneur should not only be a good talker but also a good listener. He/she must create an environment that encourages customers to express their needs and share their experiences of using their products by asking relevant questions.

A customer who visits an agribusiness should be prompted to talk. When a customer speaks, the salesperson can learn what the customer wants. This enables the agro-entrepreneur to learn and understand what the customer is actually looking for, which product he/she wants and for what purpose.

Only after listening to the client can an agro-entrepreneur understand which type of agro-inputs are appropriate to sell. The salesperson should also make the customer feel important.



An agro-entrepreneur serves a customer at her shop.

KNOW YOUR PRODUCT

An agro-entrepreneur should know the products she/he is selling. If the entrepreneur does not know about or does not like a product, he/she cannot be a good salesperson. The salesperson must develop a liking and understanding for the product. It is also not advisable to criticize other brands of products sold by competitors.

KNOW THE COST OF MARKETING

An entrepreneur must understand the various costs of marketing and its implications on the final delivered price to the buyers. Making a decision on the price without considering the details and implications of various components generally leads to high prices and can scare away the customers.

CHAPTER 2.

IMPORTANCE OF BOOKKEEPING IN MARKETING

WHAT IS BOOKKEEPING?

Bookkeeping is the maintenance of records in a paper notebook, on microfilm, on an electronic device or on magnetic tape. Bookkeeping facilitates decision-making and enables entrepreneurs to know the details about how their business has been conducted in the past. No individual business entrepreneur can remember everything, and no business can succeed without records of transactions.

Accurate and up-to-date records of business transactions help entrepreneurs make good decisions. For small and medium enterprises (SMEs), it is not the volume of business but the habit of keeping records that is important. Accuracy and timeliness of bookkeeping is an important function of business and should not be avoided.

TYPES OF RECORDS

The books of accounts can be divided into the following categories:

1. Administrative records.
2. Sales and stock records.
3. Legal records.
4. Stock movement records.

Some important business transactions that need to be recorded by an agro-enterprise are:

1. Purchase records.
2. Sales records.
3. Expense records.
4. Cash records.
5. Fixed asset records.

6. Receipt of funds/cash and credit reports.
7. Payment records – cash/credit.
8. Debtors' records.

BENEFITS OF BOOKKEEPING

Bookkeeping helps entrepreneurs keep accurate data on expenditures. The time, volume and source of purchases and linkages with product quality can be determined from past records. Data on suppliers, consumers and geographical locations facilitate the determination of niche markets and dependable suppliers.

Reviewing past data helps entrepreneurs develop demand estimates for future projections and, above all, determine the profit and loss statement for a specified period. Well-recorded documents provide information to aid the following:

- Decision on volume of sales and purchases.
- Total sales and sales for individual products.
- Seasonality of demand of various products.
- Money spent purchasing individual products.
- Profitability of individual product lines.
- Money spent and items the money is spent on.
- Enable business to meet bank's requirements for loans.
- Data on money that customers owe.
- Data on money that the business owes.
- Current business performance.
- Develop the profit and loss statement and balance sheet.
- Formation of future business projects.

SALES TRANSACTIONS THAT NEED TO BE RECORDED

- Goods purchased with cash or credit.
- Goods sold for cash or credit.

- Amount of money spent on advertisement and publicity.
- Transport expenses.
- Salaries, rent and general expenses.
- Amount of money received against credit sales and payments made for credit purchases.

TYPES OF RECORD BOOKS

Although the bookkeeping for SMEs can be simplified and modified according to individual needs, it is important to keep records in separate sub-headings, individual registers/books of account or folders. The following are important types of books that should be maintained by a business enterprise.

1. Sales records.
2. Purchase records.
3. Expense records (rent, salaries).
4. Cash records.
5. Fixed assets records.
6. Debtors'/creditors' records.
7. Records on stock movement.

It is, however, not necessary to buy expensive books of account for record keeping. A large ledger or register divided into sections can be used to record most of the above data.

DESCRIPTION OF RECORD BOOKS

Each record book has a specific objective and importance. Some of the important books of record to be maintained by agro-enterprises are summarized below.

SALES RECORDS

Sales records are the documents used to record all individual sales transactions related to cash sales and credit sales. Sales records are generally written on the spot, while

making a sale and before delivering the goods. Special attention should be paid to credit sales records. Any loss of records may lead to loss of money.

CONTENTS OF SALES RECORDS

Sales documents maintained on pre-designed printed books of account or written on registers/notebooks should include the following information:

- Date of transaction.
- Description of goods.
- Unit of sale.
- Number of units sold.
- Customer's name, address.
- Value of sales and currency.

Table 3. Sample Sales Book

DATE	DESCRIPTION OF PRODUCT	CUSTOMER NAME AND ADDRESS	UNIT OF SALE	NUMBER OF UNITS SOLD	COST PER UNIT	TOTAL VALUE

PURCHASE RECORDS

The details of goods purchased with cash and/or credit are recorded in separate books of account. All purchases should be recorded either in one document or in two separate books (one for cash purchases and the other for credit). The following information, which is similar to the sales records, should be recorded.

- Date of transaction.
- Description of goods purchased.
- Quantity/units/volume of sale.
- Supplier's name and address.

- Value of units purchased.
- Reference to invoice or bill with number and date.

Table 4. Sample Purchase Record

DATE OF PURCHASE	DESCRIPTION OF GOODS	SUPPLIER NAME AND NUMBERS/DATE OF INVOICE	UNIT AND NUMBER OF UNITS	PRICE PER UNIT	TOTAL VALUE

DEBTORS' AND CREDITORS' LEDGERS

The professionally designed books to record the relevant details are known as debtors' ledger and creditors' ledger. Information in these books of account should be entered carefully and accurately. A wrong entry can affect the accuracy of all records, causing the accounts to not balance when preparing the profit and loss account or the balance sheet. Samples are shown below.

Table 5. Debtors' Ledger Account

Name: _____

Address: _____

DATE	REF.	DESCRIPTION	DEBIT	CREDIT	BALANCE

Table 6. Creditors' Ledger Account

Name: _____

Address: _____

DATE	REF.	DESCRIPTION	DEBIT	CREDIT	BALANCE

AGRO-INPUT SALES AND STOCK RECORDS

Agribusinesses dealing in agro-inputs and agro-commodities should maintain proper records of sales and stock. Because agro-inputs are chemicals and pesticides that are poisonous in nature, proper care in storage and delivery is necessary.

Several governments have strict quality control mechanisms requiring proper documentation of receipt, sale and delivery. Similarly, agricultural commodities for human consumption need special care and records. The following documents of record are recommended for this purpose.

AGRO-INPUT SALES AND STOCK REGISTER

In this register, day-to-day information on inputs should be posted by the salesperson. The data maintained makes it easy to know the relevant information on quality inspection, quantity received and availability for sale. A sample copy is shown in Table 7.

Table 7. Agro-Input Sales and Stock Register

Month: _____ Product: _____

Packing Size: _____

DATE	OPENING BALANCE	RECEIPTS	SALES	CLOSING BALANCE

SALES RECEIPT

A sales receipt is a simple document issued to the customer as a proof of sale and receipt of payment. In some countries, issuance of a sales receipt for specified products is mandatory. It is advisable for agro-dealers to issue such receipts for all agro-inputs sold to farmers.

In general, the issuance of a sales receipt to customers is an ethical business practice. A sales receipt is generally made in duplicate and the copy is maintained as a record of sale.

Name and Address of the Business Enterprise	
Sales Receipt	
Date: _____	
Name of Customer: _____	
Items Sold: _____	Packing Weight/Unit: _____
Number of Units: _____	Price/Unit: _____
Subtotal: _____	
Sales Tax: _____	
Total Price: _____	
_____	Signature

Figure 6. Sample sales receipt

SAFETY OF ACCOUNT BOOKS

Maintaining the account book is an important aspect of business management and a necessity in developing the profit and loss statement at the end of the year. When a sales tax or value-added tax is levied, safe maintenance of account books becomes a legal requirement. It is, therefore, advisable for agro-enterprises to post/update their account books on a daily/regular basis and keep them in safe custody. Safety of account books is very important.



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