

MARKETPLACE LITERACY TRAINING MANUAL TANZANIA



Marketplace Literacy Communities, India



CHAPTER 1

CONSUMER AND ENTREPRENEURIAL LITERACY

PROGRAM – MARKETPLACE LITERACY

Contents

Registration

Introduction

Discussion of Expectations

Prioritizing Elements of Business

Evolution of Exchange

Customers, Consumers and End users

Goods, Services and Segments

Value Chains

A. Introduction

Day 1 focuses on the process of exchange and its evolution over time.

We cover the concept of a value chain from production of products to consumption.

Day 1 is planned to first facilitate participants being comfortable and then discuss and clarify expectations.

Key issues addressed here include the nature of the program, to provide generic consumer and entrepreneurial literacy rather than specific trade skills.

This is followed by covering the basics marketplace exchanges and the centrality of exchange.

Various concepts are conveyed through discussion, exercises and games rather than lectures.

How exchange has evolved over time is an important topic for the first day from barter to currency to various forms of credit.

This discussion highlights the centrality of finding a demand and serving it better than the competition.

Also, the notion of a value chain as comprising of multiple exchanges is introduced.

One task in particular is illustrative, where a number of pictures relevant to one value chain (say, a farmer growing fruits through wholesaler and retailer to a customer) along with a picture of money.

Participants are asked to stick the pictures on a chart with concentric circles, placing the most important picture in the middle. Often, participants place money at the center. When this task is repeated in the third day, most participants place the customer at the center, emphasizing the importance of satisfying customer needs to run a business.

A. Session 1

B. Registration & Welcoming of Participants

Participants are asked to register their names.

A welcome address or any formal inaugural depending on the local circumstances may precede registration. Stakeholders of the educational program, such as conductors, organizers, facilitators and instructors are introduced to the participants. Once the instructors assume charge, they should discuss the ground rules of the educational program in consultation with the participants for effective participation.

The following are few suggestive but not exhaustive rules on the rights and responsibilities of the entire team, before beginning the educational program:

- Freedom to express views and opinions and seek clarifications
- Time management and adherence to schedules
- Need for participation through the day and through the program.

Issues such as timings and logistic arrangements should be finalized in consultation with participants.

B. Ice Breaking Exercise

Objective

Relaxation and stress reduction to enable active participation in the educational program.

Rationale

Participating in organized/formal educational programs may be new to many participants. Factors such as low income, literacy level and age of participants, educational method and environment may inhibit participants from socialization or active participation. Identifying

another participant and introducing them through a game rather than simple self-introduction appears to be an effective ice-breaking exercise.

Input or materials required

- A small plastic box
- Passport size pictures/objects printed on single side

The total number of pictures should be equal to the number of participants. A picture should reasonably link with another picture like a flower with garland or needle and thread or matchbox and candle. Participants should be familiar with the pictures used. Pictures and their linkages could ideally be from the economic realm to cue the content and topic of the educational program that follows (Figure 1).

Process

Each picture is rolled and placed in a box. The box is placed on a table in the center of the classroom or where ever it is comfortable for participants to select pictures.

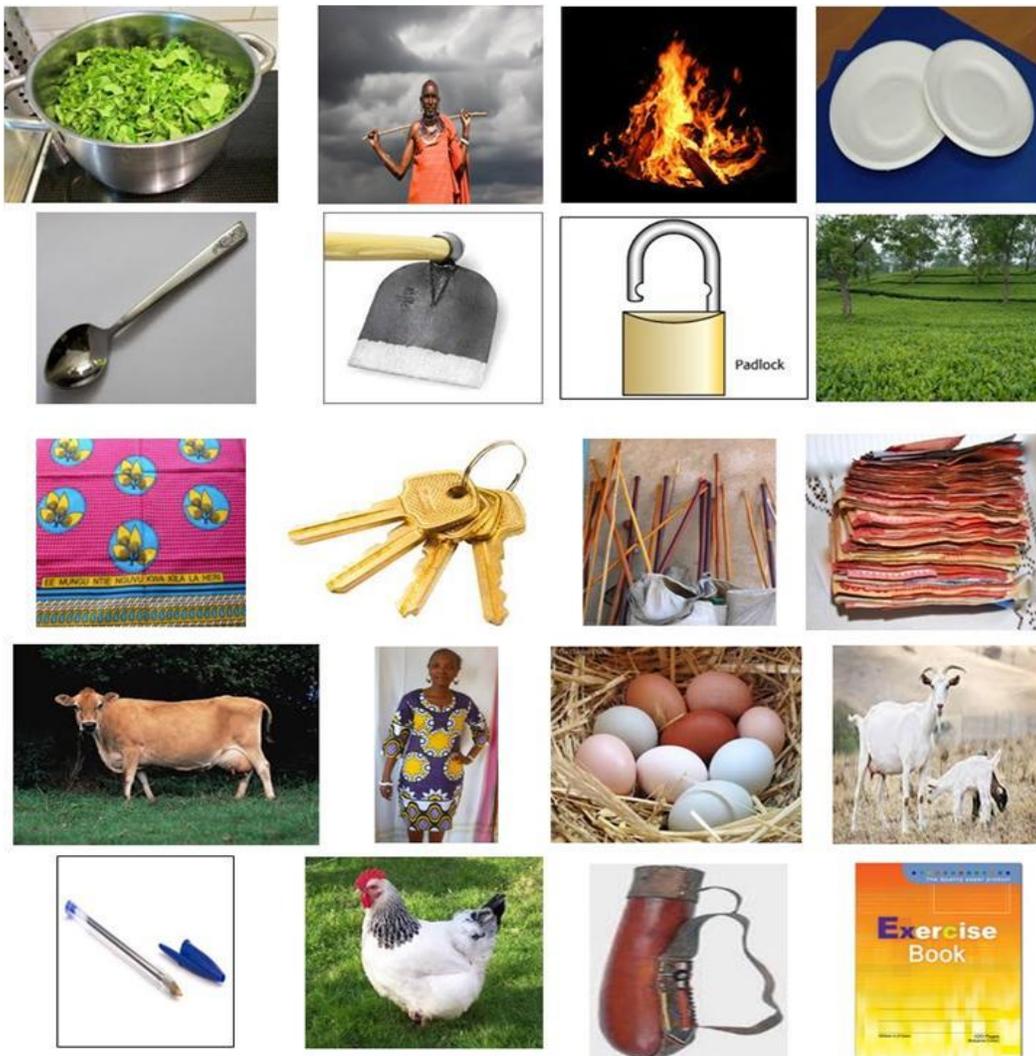
Participants are asked to form a circle and listen to the following instructions carefully.

Each participant should select one picture from the box. Once all participants have selected one, they should pass the unfolded picture to another person and receive one from another, without unfolding it. This should be repeated at least three times. Finally they should unfold and check the picture but they should not announce it to anyone. They should look for the person who is holding the related object (e.g. flower and garland). After finding the person holding the related object, they should find out about each other and prepare for their mutual introductions to the group.

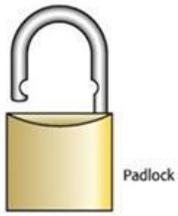
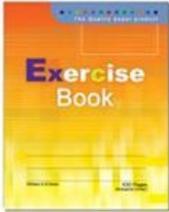
Expected Outcomes

Participants have opportunities to move around the room and meet other people when passing the picture. The task may also lead participants to start thinking about the picture-matching task. After beginning their search, they may find a related object that they may never have guessed. They may have to adjust or compromise with available alternatives. Using pictures

Before Identification



After Identification



with marketplace linkages may also lead participants to think about the content of the program. In the process of looking for the person with the matching picture, they may have the opportunity to meet with other participants. After finding the person with the matching pictures, they may learn about their background. This exercise may enable the participants to prepare for active participation in the educational program and cope with its demands.

A. Session 2

B. Discussion of Expectations

Objective

Aligning expectations of instructors and participants

Process

The instructor should ask participants about their personal expectations from the educational program. The instructor should encourage participants to express themselves. Narrated expressions could be paraphrased and written on a chart. When points are repeated, check marks against the points that were noted earlier can be used to maintain a continuous flow to the discussion. The instructor should attempt to involve many participants in this exercise of sharing expectations. The points made could be grouped as being related to entrepreneurial literacy, specific skill training, and resource identification. An aim here is also to help the instructor to learn about the types of participants and their priorities.

C. Expected Outcomes

The participants' expectations may include the following:

- How to run a business?
- How to manage competition?

- How to run a business with profit or without loss?
- How to be successful in business and earn profits?
- Could any technical skill be learnt or acquired?
- How to select the right business?
- How to run a business from home?
- How to sell products?
- How to produce quality products?
- How to mobilize capital to run a business?
- How to identify the needs of customers when running a business?
- What type of character and personality should a businessperson possess?
- How to identify suppliers of materials?
- How to maintain smooth relationships with customers?
- Which is preferable between a partnership and an individually owned business?
- How to select the location of a business?
- How low-literate individuals can manage a business?
- How to be an informed customer?
- How to bargain and buy products at good prices?
- How to avoid being cheated?

The instructor can group the list of issues above as suggested below:

Entrepreneurial Literacy:

- How to run a business?
- How to manage competition?
- How to run a business with profit or without loss?

- How to select a business and determine its location?

Consumer Literacy

- How to be an informed customer?
- How to bargain and buy products at good prices?
- How to avoid being cheated?

Specific Skill Training

- Could any technical skill be learnt or acquired?

Identifying resources:

- How to identify and find information to run a business?
- Which is preferable between a partnership and an individually owned business?

Personal Development:

- How to be professional as a seller?
- How to be ethical in running a business?
- How low literate individuals can manage a business?
- How to develop and maintain customer relationships?

The instructor should note that there are many things to learn from the participants and their experiences. The instructor should reiterate that the educational program is a forum for mutual learning by both the team of instructors and participants because it aims to discuss practices in the marketplace from the perspective of buyers and sellers. The participants should not, however expect any skill training on specific trades or readymade solutions to address their individual problems.

The instructor should outline the proposed agenda/topics for discussion in the five-day package and emphasize that participants utilize this opportunity. Further the focus in Day-1 should be

clarified as being on the basics of marketplace exchanges such as the process of exchange and its evolution over time, different types of product including goods and services, different customer segments, and value chains from production to consumption. On Day-2, participants assume the role of customers and the focus of the educational program is on consumer literacy. From Days 3 to 5, the participants assume the role of sellers and the focus is on a customer-oriented philosophy of doing business where sellers and buyers engage in mutually beneficial exchanges.

A. Session 3

B. Prioritizing elements of a business

Exercise

Prioritizing elements of a business

Pasting pictures within concentric circles based on their role and importance in the business.

Objective

Assess how participants prioritize various elements of business.

Input & Process

Materials to be used include four sets of pictures relating to fishing, flowers, rice, and clothing and charts to use for display. Each set of pictures includes those of a product, wholesale distribution, retail distribution, and final consumer usage as well money/currency notes (Figure 2).

After forming groups consisting of 4-5 participants, each group can be provided with a set of pictures along with a chart that has 3 to 4 concentric circles drawn, as shown in attachment-2. Each set of pictures represents different elements of a specific value chain. Each group should be asked what the most important element is to start or sustain a successful business. Each group

should be asked to discuss the objects/pictures and paste them in concentric circles on a chart, such that the most important object is pasted in the innermost circle, and the remaining are in outer circles based on their order of importance to start or sustain a successful business. Finally, participants should be asked to present their conclusions to the class along with their rationale for pasting objects in specific circles.

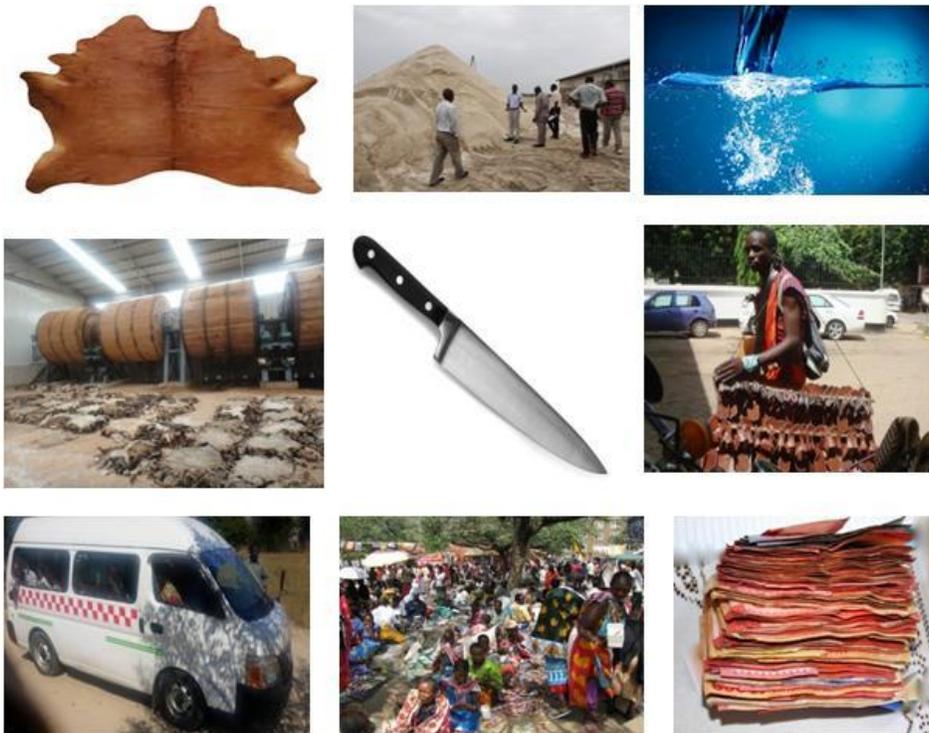
First set of pictures



Second set of picture



Third set of pictures



Fourth set of pictures



Outcomes

Each group may paste objects on the circles after the discussion with their group members. Their presentation may reveal the understanding and rationale behind their decision to paste those objects. Usually, money, or in rarer instances, the product, is likely to be pasted in the innermost circle. Other elements are generally given less importance and pasted in outer circles.

These charts can be displayed and the antecedents and effects of each of the elements reviewed in subsequent sessions. It should be noted to the participants that the chart would be reviewed at the beginning of the third day as well as at the end of the educational program to reassess whether pictures could be repasted in a different order. In a 1-day version of a marketplace and consumer literacy program, this exercise should be explained after the subsequent exercise on evolution of needs.

Session 4

Evolution of Exchange

Group Exercise

Pasting pictures in order, based on the evolution of exchange.

Objective

Understand the process of exchange and its evolution over time, including the role of technology and money in the evolution of exchange.

Rationale

This exercise enables participants to understand basic business principles and the role of business in society. Sets of pictures related to goods and services can be used including one that shows the evolution of human life and another that shows the evolution of exchange methods. Here, participants are asked to compose their ideas about the pictures and provide a narrative based on their understanding.

Input & Process

The participants should be grouped into 4-5 member groups and each group given a set of objects as listed below for illustrative purposes (Figure 3);

- A set of pictures of different models of a transport vehicle.
- A set of pictures of different models of an oven.
- A set of pictures that reflect different stages of human life style over time.
- A set of picture of different stages of evolution of business and exchanges.

Each group should be asked to arrange the pictures in order, according to their period or evolution, paste it on a chart and then present their narrative. As groups present, the instructor

should encourage participants to identify the rationale for changes in types of articles or business methods or life styles, through questions. Here, the instructor can facilitate understanding of needs and wants. The discussion could begin with the bullock cart that was a basic need for transportation decades ago in India. But, motorcars have become needs for transportation now. In fact, people are prevented by statute to use bullock carts in specific areas like metros. Today, bullock carts are not in regular use or have been abandoned.

The discussion can move from bullock carts to cycles and then to automobiles, covering different states of development. Goods or services that were previously wants may become needs. Innovation is inevitable in leading to new goods or services that serve needs or wants. Finally, the discussion should conclude with the point that contemporary goods or services are subject to changes to suit the changing needs of users/customers. Even though progress in science and technology and money are necessary for these changes to occur, specific products should satisfy customer needs to succeed in the marketplace. The potential for some confusion here is noteworthy. The point should be emphasized that technology and money are important factors but that goods and services are succeed developed with financial resources and technology succeed or fail based on the degree to which they serve customer needs in better ways. Technological changes that do not serve customer needs, such as additional, unnecessary features on a stove, can be used as examples to illustrate how changes need to serve customer needs better and be worth the additional costs if any.

The discussion can then turn to soliciting participants' responses about types of needs and how needs are fulfilled. Examples such as food and music can be used to explore the issue further. This discussion should aim to enable the group to categorize needs in general into different types, such as physical needs and psychological needs.

The instructor should use questions, such as why people who used bullock carts later shifted to motor vehicles, to lead the discussion. Typical responses from the participants may point to factors such as technological improvement, money power, buying capacity and civilization.

The instructor should ask questions about innovations, such as the following:

- Was it adopted just to use modern equipment?
- Was it adopted because it was a new invention?
- Was it adopted because customers had money and could afford to buy?

Examples include switching to LPG stoves from stone fire ovens. The aim is for participants to list out the rationale, such as the following, for switching over to new innovations.

- Convenience
- Safety and health
- Cost effectiveness

Participants may have some confusion about the role of money and affordability, an issue that can be deferred for future discussion. The instructor should highlight that customers may not hesitate to switch over to new inventions. An innovation may not be adopted unless it provides benefits to the buyer when compared to competing products that serve the same need. Customers or users are not likely to adopt goods or service, just because of newness of innovation or technology. Goods or service that are in current use are not exempt from changes in the future,

but the nature of changes may be determined by changes in a number of factors such as technology.

The set of pictures about the 'stages in the evolution of family life' of human beings pasted in order on the chart can be used to elaborate about changes, covering questions include the following; what goods and services were used by the primitive man, how the clan system evolved, how governance originated, what were earlier family sizes, why has the joint family system has been replaced by the nuclear family system, how has specialization in production affected business, and what is the relation between business and society. For example:

Primitive humans

- hunted animals for survival
- invented the wheel that was the basis for many technological inventions
- realized the need for group dwellings, learned to construct houses and then established organized neighborhoods to live in safe and comfortable environments

Later in history, individuals

- embarked on cultivation and produced specific farm products to meet demand
- learned to exploit natural resources to benefit society which led to production of goods and increased interdependencies
- engaged in exchange of goods through barter
- specialized in specific occupations which led to specialists in fields and created more interdependency, and new goods and services

Primitive man used carcasses/skin of dead animals as clothes, whereas, with time, people invented technology in the textile industry, identified and produced different materials such as

cotton, terry cotton, polyester, and wool, to meet the requirement of respective segments such as to suit the climatic conditions, to be cost effective, and to be long-lasting. Changes in the type of human dwellings and materials used to construct houses, evolution in the lighting facilities from fire and oil lamps to electricity, and changes in modes of transportation from walking to surface transport as well as airways can be used to provide other examples.

The discussion can then move to the set of pictures about the evolution in business methods or evolution from barter systems. The discussion should focus on why exchanges began occurring, how exchanges started and how exchanges are made. For example, people hunted animals, and collected vegetables and fruits for their survival. People of later generations entered into cultivation and produced specific farm and other products in surplus and supplied to others, and in turn expected others to fulfill their needs. Those who were cultivating only vegetables depended on those cultivating rice or wheat or services, and exchanged goods for goods or goods for service. Later, currency was introduced, simplifying exchanges. Later, banking systems introduced checking facilities, electronic money transfers, and credit cards, in place of currency in business transactions.

Questions can be repeated to explore the role of money: Was there any form of money when the exchanges started? How does the barter system balance compensation for exchanges? Is cash always required to buy material now? How do bank checks or credit card systems enable exchanges?

The discussion can focus on the role of money in business. A question that can be repeated is how wealth is created or money earned. The aim here is to generate key insights, such as receiving payments for the quantities of goods or services rendered to others. Participants can be asked how they could prepare themselves to earn money and fulfill their needs. The discussion

ideally concludes around key points such as equipping oneself to be productive and beneficial to others wherein the compensation fulfills one's own needs.

Outcomes

The following summarizing points can be made:

- Exchange occurs to fulfill the needs of customers
- The nature of exchange has evolved over time from a barter system to the use of money, and now, electronic currency.
- Technology, civilization and evolution of human life lead to corresponding changes in goods, services and exchange methods. However, the shape that specific goods and services take are influenced by customer needs and how they are satisfied.
- There are inevitable changes in needs and wants and influencing factors.
- Many factors influence innovation and improvement in goods or services.

Session 5

Distinguishing Buyers and Users

Objective

Matching pictures to distinguish buyers and users

Rationale

Discussions in the earlier session should highlight that the purpose of producing goods and providing services is to fulfill the need of others. Spare parts and services are required to assemble and produce a product. In this case, are the makers of big products, customers of the makers of spare parts? Children consume what is purchased by their parents. It is important to understand the distinction between buyers and users or consumers, i.e., who is demanding a product and who is making a purchase, as well as potential customers, from a business perspective. It would enable the participants to recognize the different participants in the marketplace that are going to be discussed in the subsequent sessions.

Input & Process

Four sheets of paper in different colors are made into circular shape. The radius of the first sheet can be around 1.5", the radius of second sheet can be 2.0" more than the first one, the radius of third paper 2.0" more than the second one and the radius of fourth one should be 2.0" more than the third. Four pictures that denote vegetation, four pictures of animals, four pictures of humans (like a baby or child or family or an institution) and four pictures of household articles are needed for this exercise. Each picture should be approximately 1.5" to 2.0" On each sheet, pictures denoting vegetation, animals, humans and household articles can be pasted at the outer end of the chart. Keeping the biggest circular sheet of paper with pictures at the bottom and setting the next smallest on this sheet, fixing it with a pin at the center, would enable all picture

on all charts to be visible. The center pin should allow each sheet to rotate freely. Twenty-one such sets should be available to conduct this exercise, i.e. twenty sets for participants and one set preferably in big size for the instructor to demonstrate in parallel during discussion (Figure 4).

The instructor's chart should be held on the board before starting this exercise. Each participant should be given a set and asked what they feel or what they think about it. They should be reminded that there is some relationship between the objects and business and that the chart can be rotated. A few minutes should be allowed for participants to generate their ideas. They should be asked to arrange or match as they wish.

Once they complete the arrangement individually, the instructor's chart can be used for a demonstration (Figure 4). The instructor can ask participants for their thoughts and rationale. Any two participants can be invited to repeat the adjustment or match the instructor's revolving chart (demonstration set) that is displayed on the wall. Once these two volunteers complete the task, other participants can be asked whether their move is correct and whether they matched perfectly. If there is any difference of opinion among the other participants, an opportunity can be provided to any two others and reconciled with the rest of the group until they reach consensus. Again they can be asked to explain what they did and why.

Participants may note that the pictures on the chart are haphazard and that they arranged the related objects in same relative location from the center point of the chart, such as animals at 0 degrees, plants at 90 degrees, humans at 180 degrees and articles at 360 degrees.

| PRODUCTS | SERVICE | SEGMENTS OF CLIENTS |
|---|---|---|
| School supply - Books - Pen - Exersize books - Mathematic set | - Teacher - Board - Chalk (Teaching) | Students |
| Balls made of soks | Children who make balls | Kids who are using balls to play |
| Meat | Meat market | Meat Eaters |
| Khanga(Tanzanian Women Cloth) | A seller of Khanga | - Women who wear Khanga |
| Ambrelas | A seller of ambrelas | The users of ambrelas - Men - Women - Children |
| Dresses | Sellar of dresses | Girls |
| Crops | Food processing | People – Food Consumers |
| A Grinding machine | Processing Maize Flour | Consumers of Maize Flour |
| Shorts and Shirts | Sewing Shorts and Shirts | Boys and Girls dress up in shorts and shirts |

Participants can be asked what they understand from grouping these pictures and whether there are any links with business. Responses may be that pictures on one side are non-living and the other three are living. The following questions can guide the discussion:

- Do all categories in different live forms need products that are in the market for their survival (e.g. fertilizers are produced for vegetation, special food items in the market for pet animals)?
- Who actually demands the items that are in the market?
- Who actually consumes it or who are the end users?
- Who actually compensates the seller?

Among the live items, vegetations and animals may consume a good or service and they may be end users but they are not participating in the business directly and compensating the provider. Buyers are engaged in the exchange process. Buyers are potential customers for all items that are available in the market and actual users for many items. Hence, sellers are targeting buyers of the business and trying to satisfy their needs though the actual end users or consumers may be different from the buyers.

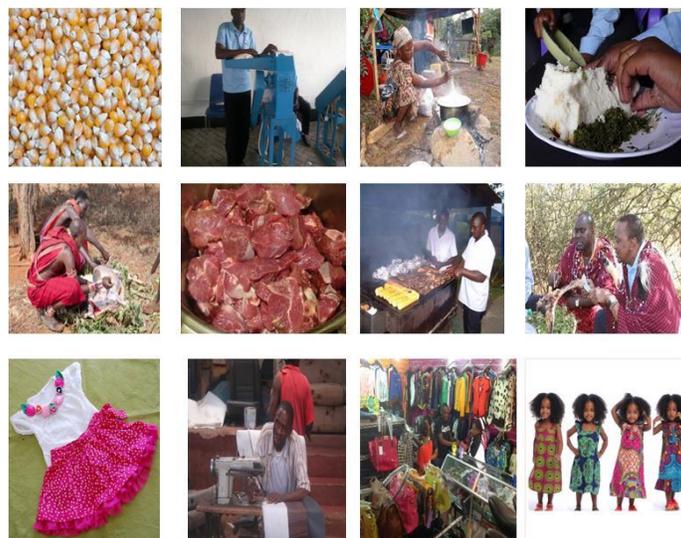
Customer Segments

Objective

Understanding goods, services, and customer segments.

Input & Process

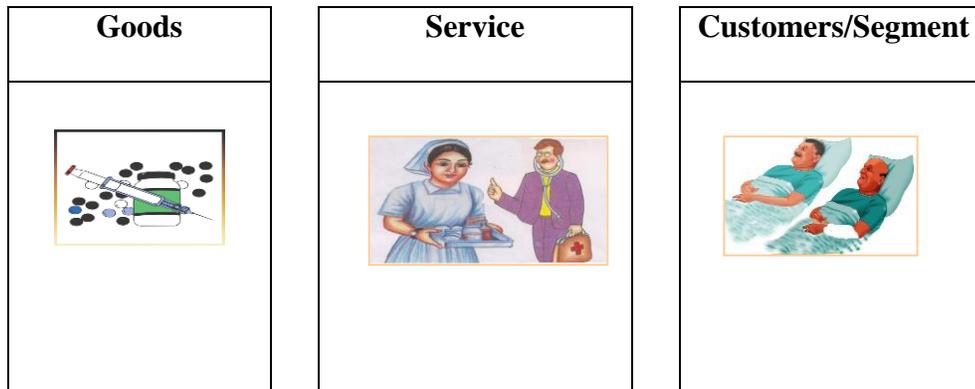
Six pictures that represent goods, six pictures that represent services and six that represent segments are required. Six sets of pictures with a picture from each category in each set are required along with three charts (Figure 5). Charts can be pasted on a wall or board. or 5 member groups of participants can be formed. One set of pictures should be given to each



group. The instructor should use one set of pictures for demonstrating the procedures to be followed in this exercise. First, the instructor should show the three pictures and ask participants what they mean (Figure 6). Responses may include naming the good or pointing out the occupation in case of pictures that symbolize specific services. The discussion should be directed by providing leads, such as paraphrasing, (e.g., mentioning the name and occupation, what each symbolizes, how they relate to and differ from each other, and how they satisfy the needs of customers). The instructor should ask participants what the collective noun for each item is from a business perspective and use this opportunity to differentiate and define the good or service and the customer segment. For example, participants can be asked to define a picture of medicines, doctor & nurse, and patients. Participants should be asked how a service fulfils one's needs, through whom and for whom. Responses may include the following:

- Patients are the beneficiaries and customers for medicine and medical service
- Drugs are goods, tangible products produced to fulfill the need of patients
- Medical personnel such as doctors, nurses, and counselors, are applying their technical skills to provide treatment for patients, a service
- Patient needs can be fulfilled either through goods such as medicines and drugs or through services of medical personnel such as physiotherapy, or counseling, or through both.

The title of each category can be written on the top of each plain chart with the picture pasted on the respective chart as given below.



Once the demonstration is over, members of each group can be asked to discuss the pictures assigned to them, identify its category and paste it on a chart and present their rationale. The discussion should be moderated as differences of opinion may arise among participants regarding their categorization.

The discussion can then move to defining segments. A broad question to start the discussion is whether all product and services are required to all persons at all times? The pictures of adults can be moved to the row of products like school bags and slates that fulfill the needs of babies and children, to provide examples. This represents a very basic and rudimentary way of demonstrating customer segments. The reasons why specific customers seek certain goods and services can be explored. The discussion should be facilitated until some understanding of the notion of a segment is reached. Generally the response may be that a segment consists of persons with unique needs, who are potential customers of a particular good or service.

Pictures can be used to explain common ways to segment such as by gender, age, sub-culture, climate, or geographic location. A discussion using food items can be used to analyze how it varies from place to place and generation to generation and how factors such as culture and

climate influence it. Different dresses and respective segments can be related to factors such as gender, climate, and affordability.

C. Outcomes

Consumers are those who use the goods and services; for example ladies who buy and use saris, or children who use bags, notebooks and other educational materials that may be purchased by their parents. Customers are the actual buyers and include organizational buyers such as retailers buying from wholesalers and wholesalers buying from manufacturers. The following points can be noted.

- Customer needs drive markets
- Goods and services fulfill customer needs. (Goods are tangible products, the broader term for goods and services is products)
- Goods are tangible products, e.g., umbrella, fish, and sari.
- Services are intangible products, e.g., umbrella repair, and tailoring are services
- Everyone may not want nor be able to afford all goods or services
- Each good or service has potential segments
- Segments are potential customer groups who share similar needs and are served by specific goods or services
- Understanding customer segments enables understanding customer needs and designing better goods and services

Session 6

Value Chains

Exercise

Role-playing in groups to understand value chains

Objective

Understanding the role of exchange, as it occurs between various parties ranging from producers to consumers or users including intermediaries; understanding how multiple exchanges form a value chain.

Materials & Process

- White board, chart, and marker pens
- Two sets of pictures for the instructor's use (Figure 7).

Participants being adults are likely to have observed value chains in day to day life. This exercise is an opportunity to understand the process for a sample product in a group and present it in sequential order, instead of using a lecture mode. The instructor can facilitate presentations through paraphrasing and using pictorial displays. This approach may enable participants to evaluate their presentations.

Participants can be assigned to groups of approximately 4-5 people and each group asked to take a sample product, identify its segment, discuss how it is produced and how it reaches the consumer or user, and provide rationale for changes over time? For example, fruits or milk could be used as products to discuss these issues. Participants should be asked to discuss these issues in

detail in their group and prepare for a presentation. Before the discussion, group members should have clear assignments of roles such as facilitator, recorder and presenter.

In parallel, the instructor should use charts to note down the relevant points from the presentation. The instructor should summarize each presentation by explaining the outcome in details and using pictures, such as in Figure 6, to display the sequences.

Outcomes

A sample presentation is used to illustrate outcomes. One group identified fruits & fruit juice as their product for discussion. They presented vegetables and fruits as containing the nutrients, and the special need they serve for pregnant mothers, children, and patients of all ages. Further, they stated that, generally, middle class families would buy the fruits regularly, and referred to them as a potential segment. They listed out the following and presented the process involved in the exchanges and the value chain in reaching or fulfilling the need of the segment.

- Produced by farmers and harvested at the right time to ensure quality
- Collected and sorted out by variety and packed
- Processed and transported to wholesale market.
- Cleaned, classified by quality; prices fixed by wholesalers.
- Bought by retailers who resell to customers.
- Fruits purchased by fruit juice shops from wholesalers or retailers and fruit juices prepared by adding sugar, and essence as ingredients.

The instructor should use charts and facilitate grouping of the above process into categories as follows:

- *Production*
- *Processing*
- *Transportation*
- *Wholesaling*
- *Retailing*
- *Consumption*

The instructor should direct the discussion to enable further understanding of the exchange process. While discussing exchanges in different stages, a likely insight from participants is that products are not merely passed on to others but value is added at each stage, such as through adding other ingredients or removing or transporting products, all aimed to fulfill the needs of the customer. For example, fruit stalls may buy fruits from the wholesale market and prepare fruit juice with fruits, sugar and essence to add value and supply it to meet the requirement of patients or pregnant women or other customers. Both fruits and fruit juices have nutrition which serves the general need for nourishment.

The instructor can discuss the process and stages of clothing from production to usage. Cottonseeds are planted to harvest cotton. Farmers collect the cotton from plants at fields. Quality cotton is sent to wholesale trading, then transported to textile mills, where it is processed and made into yarns and cloth. Cloth bundles are then transported to wholesale traders and then retailers. Customers buy clothes and give it to tailors to stitch according to their needs. Finally, clothes may be delivered to members of customers' families who are the real users.

The following questions can be used for discussion.

- How value is added from making seeds to cotton through investing labor and applying fertilizers to ensure production.
- How value is added from collecting and transporting the cotton at plants to collection centers to ensure it is available for sales.
- How value is added through transporting from collection centers to wholesale markets and segregating by quality to meet the process needs of different textile mills
- How value is added while transporting from mills to wholesale and retail shops.
- How value is added when buyers buy cloth and get them stitched by tailors

The instructor can point out the main stages in value chains such as production, processing, transportation, wholesaling, retailing and consumption as highlighted above. Other examples include vegetables, cosmetics, and tools that are used by participants in day-to-day life.

A. Summary

The instructor should enable a discussion to summarize the topics covered and paraphrase it as listed below:

- Expectations of participants at the beginning of the educational program
- Marketplace exchange and its evolution over time
- Value chains consisting of multiple exchanges, with value being added at each stage
- Goods - tangible products produced to fulfill the needs of customers
- Services - intangible products to fulfill the needs of customers
- Segments - groups of customers who share similar needs

At the end of the day, participants should be reminded that they are going to be taking the perspective of customers for the entire second day of the educational program.

CHAPTER 2 - CONSUMER AND ENTREPRENEURIAL LITERACY PROGRAM: CONSUMER LITERACY

Contents

Consumer Literacy

Understanding and Assessing Products

Value in Exchanges

Skills and Knowledge for Consumer Decision Making

Consumer Rights & Responsibilities

Introduction

Overview

Day 2

Participants take on the role of customers. Simulated shops and role-playing by instructors were used to “cheat” participants or to make them commit mistakes. The tasks were carefully designed to reflect pitfalls for customers. Our previous research identified a host of issues, which we cover here. A quiz where stimuli are statements covering different situations faced by customers was used to cover various issues. These issues include bargaining, weighing, buying wholesale versus retail, making versus buying, saving, understanding interest rates, switching stores and questioning sellers, being aware of rights, understanding discounts, paying in installment versus cash, checking prices and totals, planning purchases and preparing shopping lists, checking expiry on packages, and understanding MRP (maximum retail price). The overriding concept in the second day is that of the value of an exchange in terms of what is given versus got and the need to make informed choices.

Recap of previous day

The instructor should ask participants to share what they learnt in the previous day. Each participant should be encouraged to share their understanding in their own words. The instructor should facilitate the discussion and paraphrase the points made to provide a smooth transition to the topics to be covered in Day 2.

Participants' summary should include the sessions and topics covered in Day-1 such as:

- Expectations of participants at the beginning of the educational program
- Marketplace exchange and its evolution over time
- Multiple exchanges lead to value chains with value being added at each stage
- Goods - tangible products produced to fulfill the needs of customers
- Services - intangible products to fulfill the needs of customers
- Segments - groups of customers who share similar needs

The instructor should provide an opportunity for participants to raise any general questions or seek clarifications before moving to the next session. Participants should be reminded that they are going to be taking the perspective of customers in Day 2.

Session 1

Day-2 can start with a game, to enable participants to relax. The game may be musical chairs or asking participants to form a circle and pass a ball or any other small material around. When the instructor whistles, the participant who holds the ball has to retire from the game. This could be repeated for five to six rounds.

The instructor can begin the discussion and ask participants what they understand about the purpose of producing products and value chains. Exercises from the previous day may be referred to in explaining the basic concepts. A key conclusion from this discussion is that exchanges and value chains are centered on satisfying customer needs, leading to mutual benefit for buyers and sellers. The instructor should ask participants what their understanding from the first day's discussion is about gaining wealth or earning money and why customers pay suppliers of products and paraphrase their responses. Money is payment for benefits received. Wealth is created or money is earned through exchanges involving payment for goods or services provided. The instructor should reverse the question as to why customers buy a product and ask whether they lose their wealth/money for the value of goods and services. Participants may state that their purchase is to satisfy customer needs and their payment is for benefits received from the product. The instructor can remind the participants about how a customer should evaluate a product, whether it serves the purpose the customer seeks, and whether payment is in proportion to the benefit received from the product.

The key concept for the day should be explained, namely value, the trade-off between what customers give up and what they get from an exchange.¹ Customers should be asked to list what they give up in a purchase and what they get in return. They should be informed that they would be explicitly comparing the value of different products later in the day. The key to being a

skilled consumer is in assessing value carefully. A figure should be used to illustrate the concept of value later in the day.

B. Customer Literacy: Skills, Knowledge, Rights, and Responsibilities - Role Play in a Pseudo Vegetable Market

Exercise

Role play in a pseudo vegetable market - 2-3 competing vegetable shops are used where instructors role play as sellers and participants purchase vegetables.

Objective

To learn pitfalls in functioning as customers

Rationale

This simulated shopping exercise has its own limitations in not fully capturing a realistic marketing environment in the classroom. When individuals buy goods through this type of role-play, some may be more cautious than normal while others may be less cautious. However, the exercise provides opportunities to point out positive and negative practices of customers in the buying process and creates awareness about the rights and responsibilities of customers.

C. Input & Process

- 6 kg vegetable of any one variety but same quality
- a perfect weighing machine
- a tampered weighing machine, which would show 850 grams as 1 kg.
- two tables to create an artificial vegetable shop/market environment
- three persons to play the role of sellers, two as shop owners and one as pavement seller/street vendor

Shops can be organized at different corners of a hall to create three artificial vegetable shop/retailer environments. Two shops should look like vegetable retail shops and one should look like a roadside shop. Instructors or assistants should be assigned to role-play as sellers in each shop. They should use common tactics of typical sellers of local markets. Here, the shops are named as Shop A, Shop B and Shop C, respectively, to explain the process, with Shop C being the roadside shop.

A total of 6 kg of vegetables should be divided into 3 sets of 2 kg each. Shop A is given 2 kg, the selling price per kg fixed at tshs 500/- and the perfect scale used here to weigh vegetables. Shop B is given 2 kg, the selling price per kg in this shop fixed at tshs 400/-, and the tampered scale used to weigh vegetables. The seller should use various distractions, including conversations with customers, to keep the focus away from the weighing method. Shop C is given 2 kg, which the seller divides into 10 sets and sells for tshs 100/- each. This is often done in the real world to make a set affordable for low-income buyers. Once the shops are arranged and sellers assume charge, participants can be given money and asked to visit the shops and buy vegetables as they wish. Those participants who are not interested in making any purchases can be asked to observe the process and the transactions. After ten to fifteen minutes or once the stock is over at the shops, the instructor should ask participants to take their seats with the purchased vegetables.

The instructor should begin the discussion by asking participants whether everyone has bought vegetables. A variety of responses may be forthcoming. Some participants may say that they had planned to buy but the stock was over before they could do so. Some may say that they preferred to observe due to fear or lack of experience. The instructor can explore and list the reasons for their fear, such as lack of experience or education, shopping in a new place, or fear of deception.

The instructor should ask whether all those who had made purchases used the same shop, whether they bought after visiting all shops and whether they decided on the shop based on any factors. Again, a variety of responses may be forthcoming. Some may say that they bought quality vegetables. Some may say that they preferred pavement shops and bought vegetables at a cheaper price and some may say that they bought more amounts for less price. The instructor should ask participants to justify their statements. The buyers who bought from Shop C may say that they bought larger amounts of vegetables for minimum price or they preferred to give business to a poor seller or they preferred to buy minimum quantity. Those who bought from Shop B may say that they bought for lower price when compared to others or they chose the shop due to the seller's conduct toward the customer. Those who bought from Shop-A may state that they preferred quality vegetables and bought them without being concerned about the price. The instructor should note these points on a chart.

The instructor should invite a person who has bought the vegetable from Shop C to repeat their reasons for choosing the particular shop. One of their responses may be that the buyer got more quantity for minimum price. The instructor should ask participants the number of sets they bought and the amount paid to the seller. Assuming the buyer had bought two sets for tshs 400/-, at tshs 200/- per set, the instructor should use the perfect scale and weigh the vegetables and calculate the net price per 100 grams. Because the seller of Shop C divided the 2 kg of vegetables into 10 sets, each set may average 200 grams. So, two sets may weigh 400 grams and the cost per 100 grams may be approximately tshs 100/-. Now, the instructor should ask participants to calculate the price per kg at tshs 100/- per 100 grams and compare it with the prices of other shops. They may say that the selling price of Shop C was higher than the other

shops because the rate per kg is tshs. 1000/-. Further they may say that the price at Shop B was less than at other shops.

The instructor should invite a person from those who have bought vegetables from Shop B to repeat their reasons for choosing the particular shop. One of their responses may be that they chose the particular shop due to lower price when compared to other places. The instructor should ask the amount they bought and the amount paid to the seller. Assuming the buyer had bought 1 kg for tshs 800/- to keep stock, though they need only 500 grams for two days, the instructor should use the perfect scale and weigh the vegetables and calculate the net price per 100 grams. Because the seller of Shop B used the tampered scale, the actual weight of vegetable in a perfect scale would be around 850 grams only. So, the cost of per 100 grams may come to around tshs 99.90.

The instructor should ask participants to compare the price between shops and confirm whether their earlier assumption was correct. This time, they may say that the price at Shop A is less than at other shops. The instructor should invite a person from those who have bought vegetables from Shop A to repeat their reasons to choose that particular shop. One of their responses may be that they chose the particular shop because they believe that the quality and weighing would be perfect where the price is high. The instructor should ask the amount bought and the amount paid to the seller. Assuming the buyer had bought 1 kg at tshs 900/-, the instructor should use the perfect scale and weigh their vegetables and calculate the net price per 100 grams.

Because the seller of Shop A had used the perfect weighing scale, there wouldn't be any change in the actual weight of vegetable. So, the cost of per 100 grams would be tshs 99.90. Regarding quality of goods, instructor should reveal the fact that all six kg of vegetables were of the same variety purchased at a single shop.

- Shop A: tshs 900 per kg. - for perfect scale (therefore, cost per 100 grams is tshs 99.90)
- Shop B: tshs 800 per kg. - for tampered scale (Actual weight is only 850 grams; therefore cost per 100 grams is tshs 100)
- Shop C: 2 kg divided into 10 sets of 200 grams each, rate per set is tshs 100.

The discussion should cover the following elements.

Cost: The instructor should ask participants to study the cost comparisons listed above and note the variations from their original assumptions.

Quality: Participants should be asked whether the quality depends on the goods and service or type of shop. The instructor should invite a person who bought first from any shop and had the option to select quality goods and a person who did not have the option to select quality goods and had to buy the remaining stock, to explain normative practices.

Cheating: Participants should be asked whether they could trust the sellers and shops or they should be cautious in the selection of goods and shops and safeguard their own interest.

Quantity, storage life, and usage: The instructor should ask participants whether the vegetable is perishable or non-perishable and whether it could be retained for many days. Everyone may agree that it is a perishable good and it could be retained and used for a maximum of two days. The instructor should ask whether buying more than one's need just because of low price or quality or any other reasons is advisable. For instance, a buyer who knew that 500 grams is sufficient to fulfill their needs for two days is buying one kg because the particular products are available in the market for cheaper price or to please the seller or to maintain their status in front of others or because they buy from the wholesaler or because they feel that they are getting good quality. Participants may agree that the extra 500 grams would be wasted and consigned to the

dustbin. The instructor can use this opportunity to explain the utility of goods as well as the need to plan things across time.

Outcomes

Participants should be asked to list out the best practices/normative practices of an informed customer that they learned from the exercise. The instructor should summarize the points on a chart that can be referred to in subsequent discussions. Participants should be given the opportunity to think beyond the available options, and analyze and compare the benefits for a customer on price, quality, and other factors. Participants may have a tendency to draw narrow conclusions, such as how it is not a good idea to buy in a set for tshs 200. They should be discouraged from drawing such conclusions. It should be pointed out that the key here is to understand what they are getting for what they are giving and to be careful about weighing and other issues. The set for tshs 200 has benefits for customers who have severe constraints in their ability to pay, particularly if the same small amount cannot be bought elsewhere by weight.

B. Customer Literacy: Skills, Knowledge, Rights, and Responsibilities - *Role Play with a Provisional Store/Retail Shop*

Exercise

Role play in a provisional store/retail shop.

Objective

To learn pitfalls in functioning as customers

Rationale

This exercise provides opportunities to point out beneficial and detrimental practices of customers in the buying process and creates awareness about the rights and responsibilities of customers.

Input & Process

A retail shop-like set-up should be organized to create a provisional store atmosphere. Few locally available bathing soap and washing soap varieties in different brands, few cosmetic items generally used by women in their day-to-day life, and few packed condiments such as mustard, dhal, and chili powder, should be arranged. Each variety may have its own offers, free gifts, packing styles, and brand names. Few packages with fake brands and one or two packets with an expiry date that has elapsed should also be arranged on the table. Few packages in different sizes/grams in the same brand should be available, e.g., 75 and 100 grams. Few drugs and medicines can also be available.

The following are one possible set of products to use.

- Major brand (Brand X) of toothpaste 40 grams – MRP (Maximum Retail Price) – tshs 800
- Brand X toothpaste 80 grams – MRP – tshs 1600
- Major brand (Brand Y) toothpaste 50 grams – MRP – tshs 1600
- Brand Y toothpaste 100 grams – MRP – tshs 1,000
- Major brand (Brand Z) bath soap 100 grams – MRP – tshs 2,000
- Brand Z bath soap 100 grams (3 nos. in a pack) – MRP – tshs 1800 + free gift of a brand of washing powder consisting of 4 sachet packets worth of each tshs 300

- Major brand coffee powder – 50 grams – MRP – tshs 1500 + silver cup free gift
- A leading brand of some household item, e.g., washing powder
- An imitation with a similar sounding name as the leading brand of the same item
- Major brand masala chili powder 50 grams – MRP – tshs 600
- Major brand masala chili powder 100 grams – MRP – tshs 1200
- Condiments such as mustard, cumins, and coriander, in packets in different grams like 100, 200 and 500 grams
- Few medicines with expired dates
- Few tablet strips

These are illustrative examples, and specific products chosen should, of course, reflect the local context.

Instructors or assistants should play the typical role of retail shop owner and supplier in the retail shop or bill collector and person in charge of delivery at the shop. They should sell the goods and take care of the entire provisional business including billing, collection of payments, and delivery of goods. Sellers should apply normal tactics including both intentional and inadvertent errors used in the local markets, such as non-issue of bill for purchased goods, totaling mistakes, delivery of wrong goods or brands, selling of fake brands, and supply of expired goods.

Ten participants can be asked to play the role of buyers, with the remaining asked to observe the exercise. Participants who volunteer to play the role of buyers should be instructed that they should have their family needs in mind, select their favorite brands, and buy the goods as they would in day-to-day life.

The seller should make some intentional mistakes and use deceptive practices such as discrepancies in the billing and totaling, delivery of goods, supply of offers, and gifts. There

could also be mistakes in the supply/delivery of goods. Some may pay the bill amount after receiving bill, or may demand the bill. Some may verify the bill and the total and whereas others may not bother about the bill, i.e., they would order the goods and pay the amount asked by the shopkeeper. Some may not consider and verify the MRP (maximum retail price), expiry dates, offers, or brand details. Some buyers may come back to the shop and inform them of mistakes/problems and get them rectified by the seller, whereas others may ignore mistakes. Some may quarrel with shopkeepers.

Once the participants complete the purchase of provisions, the instructor should invite two or three persons and explain that they are going to be prescribed a few medicines that they should buy from the shop at the hall as they do in the normal life. The instructor should write the names of one or two drugs that are not available in the shop. The vendor should commit mistakes in price calculation and in providing the correct medicines.

After completing the exercise, instructor should ask participants to share their observations. The instructor should facilitate the discussion by identifying the strengths and weaknesses of customer practices that were observed in the exercise and listing out their responses. Their responses can be paraphrased and captured as rights and responsibilities of buyers. These points should be noted on a chart for further discussions.

Participants may list out the following:

- Buyers should have knowledge about the product to be purchased, e.g., ingredients and usage.
- Buyers should enquire about different shops before deciding on the shop to buy from.
- Buyers should assess value by comparing the price with quality and various product attributes.

- Buyers should compare price and amount or package size to determine the size to buy.
- Buyers should see an actual need for a product and for a certain amount of the product before they buy (for example, whether they should buy a wet-grinder or they could avail the services of grinder mills, whether they should buy and store a perishable item that cannot be retained for more than reasonable period, and whether they should buy large quantities beyond their normal usage just because of reasonable price).
- Buyers should check the weighing scale and be vigilant about the weighing method.
- Buyers should plan in advance for purchases and avoid wasting time
- Buyers should avoid spending their money and time unnecessarily for traveling to distant places to make purchases.
- Buyers should request, if necessary, demand, a bill from the vendor for goods purchased.
- Buyers should verify the bill amount, totaling, and the products/goods supplied, before leaving the shop.
- Buyers should check the price for each packet and should not pay more than the maximum retail price but can pay less (this is an important issue because MRP is widely misunderstood).
- Buyers can demand that the vendor supply the offers or gifts announced by a company that makes a product.
- Buyers should verify the manufacturing date, weight, expiry date, and usage of the product.
- Buyers should be vigilant about fake brands
- Buyers can seek information about the product from the vendor or supplier.

- Buyer can seek others' help to get technical advice or clarification or information before as well as after the purchase (for example, buyers can seek the help of their doctor about dosage, and the names of prescribed drugs, and seek the help of suppliers or service providers about operating electronic goods).
- Buyers should check the company's commitment on guarantees, warranty periods of the product, and other post-sales services.

Session 2

Consumer Literacy – Skills, Knowledge, Rights, and Responsibilities

Exercise

Quiz competition - Previously recorded quotes that typify the marketplace are played for participants, who should identify and explain them (Table 1).

Objective

To identify, understand and overcome common pitfalls in daily functioning as customers.

Input & Process

- A tape recorder
- Recorded cassettes with different marketplace quotes
- Charts to note down the scores of each group

The participants should be divided into groups and assigned names such as Groups A, B, C and D. The instructor should referee the quiz. Recorded tapes with conversational quotes from the marketplace are played one by one. Group members should discuss and identify the situation where the quotes could occur and discuss the problems or issues from the perspective of the customer.

Equal opportunities should be given to all groups to answer. A maximum of five points can be awarded to the group that provides the right answer and points could be reduced for the nearest or for incomplete answers. First, the opportunity to answer can be given to Group A and their score noted on the chart. If they do not provide the correct answer, the opportunity can be given to the next group in the chosen sequence. When all groups have had an opportunity or the correct answer has been stated, a score can be assigned to a group, and the next quote can be played for

the next group in the sequence to answer. Simultaneously, the instructor can capture the main points from the quotes and write them down on a chart for subsequent discussions. Finally, total scores for each group should be announced and all participants recognized.

Sample market place quotes or statements are listed below. Relevant issues covered by each quote are also indicated. These quotes are examples and should be modified to fit different contexts.

Table 1

| Statements/ Quotes | Marketplace | Explanation | Issues |
|--|-------------|--|---|
| “Look, you should have verified at the moment you bought it. What can I do if you ask me now?” | | The seller makes this statement when the buyer returns later and complains of problems in the bills or products previously purchased | Totaling, counting & checking goods purchased |
| “Madam, first you see what I have given to you”. | | The seller make this statement when the buyer complains before leaving the shop that they find problems in the bills or products delivered | Billing & rechecking goods delivered |
| “You should have informed me while I left (to the market). What can I do, if you tell me now that we don’t have this or that?” | | The person who buys for the family makes this statement out of frustration that the list of items to be bought was not planned and s/he was not informed before going to the | Planning, making shopping lists |

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|---|---|---|
| | shop/market at some distance | |
| “What do we know? You say something and we listen to it. What do we do?!” | The customer who depends on a seller expresses lack of knowledge or dependence due to factors such as seller monopoly, credit, or literacy. | Searching for alternatives, switching stores, dependence |
| “We used to buy here because this shop is known to us. Why have you done this to us?” | The customer expresses anguish over breach of trust because the seller made mistakes or cheated in some way. | Awareness and exercise of rights, making demands |
| “You should state your preferences at the time of buying.” | The seller advises the customer when s/he revisits the shop for returning products | Prepurchase evaluation and careful decision making |
| “You can get only this, for the money you paid.” | The seller argues with the buyer who complains about the shortage in weight or quality of purchased product. | Justification for prices and quantities, bargaining and negotiating |
| “Hah! This costs only this much in that shop, (but) you say this much?” | The customer quotes the price in other places and tries to negotiate with the seller | Comparison, questioning & bargaining |
| “You would know only when you go and buy there.” | The seller makes this comment when a buyer asks for a product for low price or less than its actual listed price. | Market prices, bargaining |

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| <p>“Ok, neither for you nor for me, you take this (for this) much.”</p> | <p>The seller negotiates with the buyer and offers to change the price or quantity of a product. The seller may start with a very high price and then settle for this approach, still getting a very good price.</p> | <p>Negotiation, price adjustments</p> |
| <p>“Whatever it is and though paid in monthly installments, it should not be purchased for this much price.”</p> | <p>A neighbor or friend of buyer makes this comment when they feel that the price (including interest) of the product purchased in installments is too high</p> | <p>Interest rates/ installment rates, understanding final price</p> |
| <p>“What you enquired about is not available now; the supply was over last month itself.”</p> | <p>The seller replies to a customer who asks about the offer, discount, credit and other facilities</p> | <p>Offers, discounts</p> |
| <p>“It is yet to be available in the market. I will inform you once it arrives.”</p> | <p>The seller replies to a customer who asks about a specific brand, items, offer and other facilities</p> | <p>Brand, product, offer</p> |
| <p>“This is better than that one. I say this, not just from the perspective of children but considering other factors as well.”</p> | <p>The seller or a friend recommends a particular product, compares and highlights the benefits</p> | <p>Assessing products and product quality, assessing value</p> |
| <p>“We need not buy this now;</p> | <p>Family members or friends may</p> | <p>Offers, seasonal</p> |

| | | |
|--|--|--|
| <p>we could buy it during the Deepavali/festival time.”</p> | <p>suggest the time to buy and make use of special offers and savings</p> | <p>discounts, planning, buying based on needs</p> |
| <p>“Instead of buying here, you could have bought this at T.Nagar [area with Big Bazaar].”</p> | <p>Neighbors or friends of a customer suggest that the product could have been bought at a different place</p> | <p>Retail options, price, savings, value</p> |
| <p>“If you calculate both buying here and there everything would be same.”</p> | <p>Either a customer analyzes the time, manpower, travel, and price involved in the purchase of a product, from two different places or a customer who buys locally justifies the decision</p> | <p>Value assessment</p> |
| <p>“Instead of buying here you could buy from there because everything would be available there.”</p> | <p>A friend or neighbor suggests the place to buy and shares market information</p> | <p>Market information, word-of-mouth, seeking advice</p> |
| <p>“I had no experience to buy from there. In case of this gentleman, he would provide what we asked. Even if he does not have it, he would give something else that would be good.”</p> | <p>A customer justifies the reason to buy from a particular place and highlights the benefits.</p> | <p>Dependence, trust, customer satisfaction</p> |

| | | |
|---|--|--|
| <p>“When a rate is printed on this, he would quote a different rate. There seem to be different laws for him alone.”</p> | <p>A customer criticizes the seller who quotes a price for a product that is more than the MRP</p> | <p>Questioning, understanding meaning of MRP, price verification</p> |
| <p>“If we aren’t a little cautious, that’s it! These are times for the cheaters.”</p> | <p>A customer comments out of frustration when finding some problem in a product.</p> | <p>Cheating, informed decision making</p> |
| <p>“It was not up to our taste. So, I prepared it at home. It would be little more too (more quantity when made at home), wouldn’t it.”</p> | <p>A customer talks to friends or neighbors about making products and its benefits rather than buying it.</p> | <p>Make or buy and related benefits and savings</p> |
| <p>“What do I do? It is the end of the month; I can’t be seen there. We should learn to buy when we have money and keep things in stock.”</p> | <p>A customer who owes money to a seller expresses the inability to visit the shop again and reiterates that importance of planning</p> | <p>Planning, credit</p> |
| <p>“This type of picture won’t be there and it won’t be in this color too.”</p> | <p>A low literate customer expresses doubt with the seller about the authenticity of the brand or product after verifying its symbol and color</p> | <p>Brand matching</p> |
| <p>“I could recognize from the</p> | <p>A low literate customer expresses</p> | <p>Pattern matching</p> |

| | | |
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| first letter” | ways to confirm a brand or product | |
| “I used to buy during the season and keep sufficient stock “ | A customer discusses best practices and feels proud of it | Planning, product & market information |
| “That is why I show the purchased medicines immediately to the doctor.” | A patient/customer states the need to immediately seek the doctor’s help to confirm the medicine purchased | Asking for help, technical information |
| “I would buy only a small quantity of the prescribed drugs.” | A patient/customer talks about practices in buying drugs for treatment of illness including rationing purchases. | Importance of taking care of health needs, dangers of trading off health for money |
| “What is the use of buying this much quantity for just a three member family?” | Either a customer who analyzes need and turns down seller’s request to buy larger quantities of goods or members/neighbors /friends comment about the purchases made by a customer which appear to exceed their need. | Value, careful planning before purchase |
| “What do I do? I bought it without checking the date.” | A customer discusses a mistake either due to lack of knowledge or oversight about the expiry date | Expiry date |
| “Sign boards are on each street and if you switch on | Potential customers discuss details about a product. | Evaluating marketing communications |

| | | |
|--|---|-----------------------------|
| the radio or TV, everywhere they are talking about that product only.” | | |
| “I thought the product will be of good quality because it cost more” | Customer discusses details about the lack of a relationship between price and quality in some instances | Price-quality relationships |

The following issues can be covered with the quiz: totaling, counting, rechecking, options, planning, quality & price, brand, offer, pattern matching, discounts, ads, short & long term health needs, thrift, cheating, cost analysis, tradition and influence of customs, dependence, seeking help, making or buying, installments, borrowing, interest rates, switching, questioning, and buying wholesale versus retail.

C. Outcomes

Issues discussed above could be summarized as shown below to orient participants on consumers’ rights and responsibilities:

- Right of access to a variety of goods and services at competitive prices.
- Right to information on ingredients and usage of products.
- Right to protest and protect oneself from unfair trade practices or exploitation.
- Right to be informed about market information including details of the product, price, quality, quantity, and company or brand names.
- Right of protection against dangerous products
- Responsibility to check products and negotiate prices before purchasing
- Responsibility to fulfill agreements

The guiding concept to summarize the discussion is value, i.e., what is given versus what is got in an exchange and the need to carefully assess value in an exchange.

A. Summary

The instructor could refer to the points captured from earlier sessions and compile it as given below to orient the participants on the rights and responsibilities of consumers:

- Customers must plan purchases carefully.
- Customers must search for and learn about products, prices, and stores.
- Customers must ask for a bill, receipt for payment and guarantee card or warrantee card.
- Customers must check the product before receiving it.
- Customers should exercise their rights when bargaining or interacting with shopkeepers.
- Customers should understand and follow instructions when using products.
- Customers should follow the accepted conditions in the contract.
- Customers should discourage unethical trade practices.
- Customers should be able and willing to compensate/pay for the value of the product and services received from the seller or service provider

The instructor could ask the following questions in a summary discussion

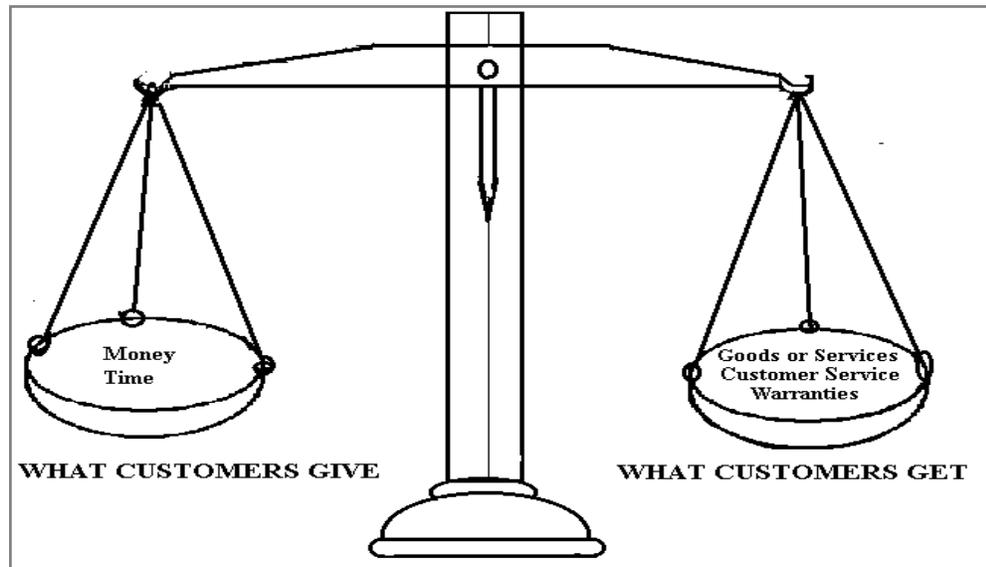
- Whose perspectives were covered today?
- What is the need to know and exercise the rights and responsibilities of customers?

The instructor should facilitate discussion and encourage participants to share their concerns such as safety, timely services, available places, or reasonable prices, and remind them that the customer should evaluate the product and the benefits it delivers and whether they get benefits proportionate to the money paid in the exchange as well as time spent and other costs to the customer.

The guiding concept to summarize the discussion is value, and the need to carefully assess value in an exchange. The instructor can use the following figure to explain the concept of value, that

is, trade off between what customers get and what they give up in return, to conclude the sessions for Day-2 (Figure 2).

Figure 2



The instructor should encourage participants to summarize the topics covered from the first two days of the educational program. The instructor should paraphrase responses and summarize the topics covered in the first two days.

Day-2

- Positive and normative practices of customers
- Consumer rights and responsibilities
- Value, the trade-off between what customers give and what they get in an exchange
- Participants should be reminded that they are going to be taking the perspective of sellers on the third day and focus on aspects of running a business.

CHAPTER 3 - CONSUMER AND ENTREPRENEURIAL LITERACY PROGRAM - ENTREPRENEURIAL LITERACY

Contents

Entrepreneurial literacy

Review of Business Perspectives

Evaluation of Business Opportunities

Elements of Research

Consumer Behavior

Product Management

Introduction

Overview

From Day 3 onwards, participants take on the role of a seller. An issue that is covered is identifying and evaluating a business opportunity through a relative assessment of one's own strengths and weaknesses, and competition's strength's and weaknesses, in light of the customer needs to be addressed. Emphasized here is the need to carefully evaluate a business opportunity and work through it before committing to it. Another central issue covered is the basic business philosophy of being customer-oriented and engaging in mutually beneficial exchanges as a means of making a profit. Different philosophies are covered here to highlight distinctions, such as a focus purely on selling or on production without attention to customer needs. These two broader issues set the stage for a discussion of more specific issues. The next topic covered is information gathering and research. The importance of carefully collecting and evaluating information is emphasized. Included here are ways of gathering information, such as through talking to people, observing competition, conducting an analysis of costs, getting feedback on specific ideas, and so on. Also covered here are some basic issues in asking questions when gathering information, such as planning questions to ask beforehand, avoiding leading questions and attempting to get an accurate picture. A role-play is used to bring out these issues. The importance of asking oneself tough questions and looking for accurate information is emphasized. This is followed by a general introduction to consumer behavior in terms of steps in decision-making such as need recognition, search for alternatives, and evaluation of alternatives, and the various influences on consumer decision-making.

The next major topic covered is product management. Here, some basics such as what a product is and what customers look for in specific products is covered. A purpose here is to understand

how physical product characteristics and ingredients translate to psychological benefits for customers. Also important here is the abstract benefit being served. The distinction between goods and services is also brought out here. The importance of packaging to preserve the product and provide an attractive exterior is also covered. Exercises are used where participant-groups choose a product and decide on its design.

Recap

A game can be conducted as the first activity of Day 3 to involve participants. The instructor can write names of goods or services on pieces of paper. Four or five names, such as fruit juice, pickles, chili powder, and radio, could be selected and written on pieces of paper, which can then be folded and kept in a box. The instructor should ask participants to form a circle and pass a small object to the person standing to their left hand side. The person who holds the object when the instructor blows a whistle should be declared as out of the game. That person should be asked to pick a piece of paper from the box and communicate about the goods or services written on the paper through body language without using or spelling any words to enable other members to identify and spell the correct name of the product. The person should communicate non-verbally until they are understood by others. The entire process can be repeated four or five times.

Participants should be asked to summarize the material covered over the first two days.

The recap can be organized by activity or session, which generally appears to maximize effectiveness, with each day being summarized by key concepts. The instructor should facilitate participants' understanding, by summarizing key concepts, such as exchange and value chains in Day 1, and value in Day 2. They should be reminded that they are going to discuss issues such as evaluating business opportunities, product, pricing, promotion and distribution from the seller's

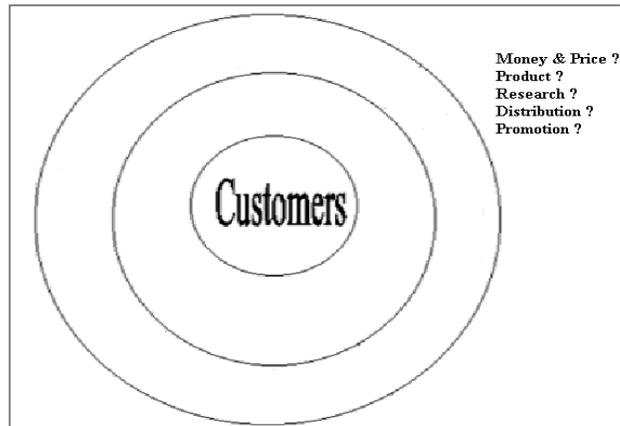
perspective on Days 3, 4, and 5. They should also be reminded that the typical businessperson not only sells, but also buys raw materials or ingredients or products. A seller oriented around serving the customer and understanding how they judge value, the trade-off between what customers give and what they get in an exchange, is likely to make a profit while serving customer needs.

Session 1

Prioritizing Elements in Business (from Day 1)

The instructor should ask participants whether they suggest any changes to an earlier assignment from Day 1 where they pasted pictures of money, and of various stages in the value chain for a product in concentric circles on a chart according to their importance. There may be changes in participants' perceptions after going through two days of the program and they may prefer to move the customer to the center. The instructor should draw a diagram as shown below with the customer at center (Figure 1). This is a major juncture in the educational program where participants realize the importance and centrality of customer needs and the importance of organizing a business around serving customer needs.

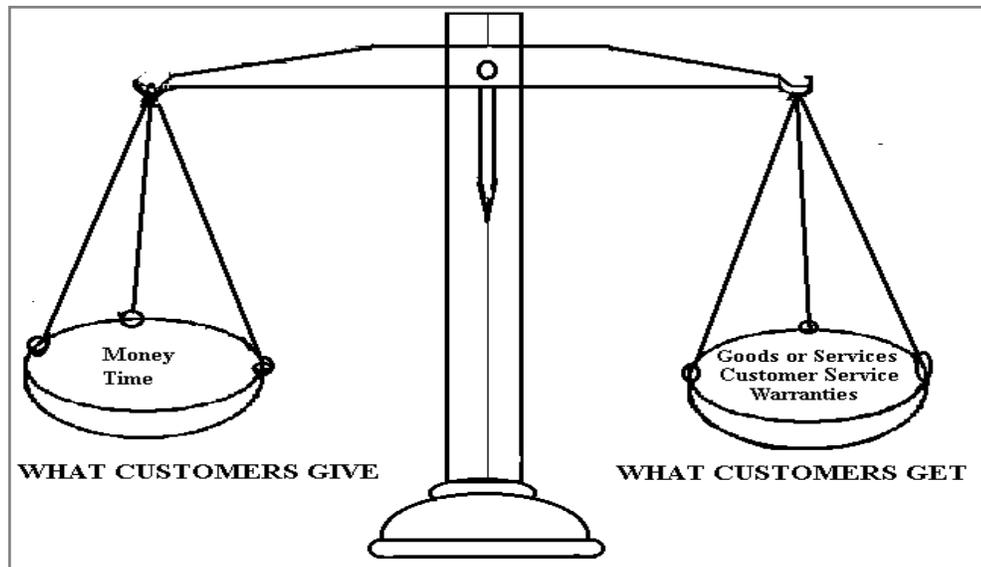
Figure 1



At this point, the instructor should summarize the philosophy of running a business that will be used in the educational program, to create mutually beneficial exchanges and make a profit as a result of satisfying customers. There are many ways to make a profit, by selling whatever one produces, or by producing whatever one wants to without heed to customer needs. The philosophy of running a business covered here is one that is customer-oriented. A figure of a balance with one side showing the buyer and the other the seller should be used to illustrate this philosophy (Figure 2). It should be noted that the remainder of the educational program would elaborate on various aspects of a business using this underlying philosophy. This philosophy is both ethical and makes good business sense.

From the point of view of the buyer, the important concept is one of value. The seller, on the other hand, should attempt to provide a valuable exchange to the buyer and make a profit as a result of providing value to the customer.

Figure 2



Session 2

Evaluating Business Opportunities

The instructor should ask participants to assume they are business owners from Day 3 onward. They should be asked the very first thing to determine in considering starting a business. After the first two days of the educational program, participants usually understand the centrality of customers and customer needs for exchanges and for running a business, and therefore, their responses may be that they should identify customer needs. The instructor should ask why and

facilitate discussion. Asking the participants what they are going to do after identifying the customers might yield answers such as fulfilling the needs of customers through delivering appropriate goods or services, knowing the needs of customers and segments to which they aim to provide a good or service, and understanding how their good or service would satisfy the needs of specific customers and segments. The instructor should paraphrase responses and mark it as Stage I on a chart as shown below (Figure 3).

Figure 3

Stage I

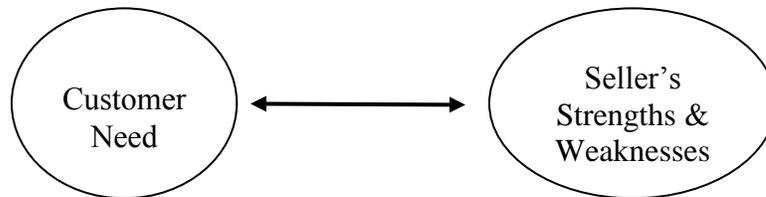


Asking participants how a seller/businessperson can identify the right customer and their need or segment, could lead to responses that it would be possible through the studying customers and the marketplace. The instructor should ask participants such questions as what the next stage after identifying the needs of the customer should be.

The responses from participants may suggest that every seller or businessperson could not fulfill everyone's need. The businessperson or seller should have adequate skills or strength in a specific trade to produce a product that would satisfy the needs of customers. The instructor should capture the words that mean skill or strength from their statements and highlight it for further discussion and propose that the assessment of strengths and weaknesses is central in deciding to pursue a business.

The instructor should mark this as stage-II and draw the figure as shown below (Figure 4)

Figure 4

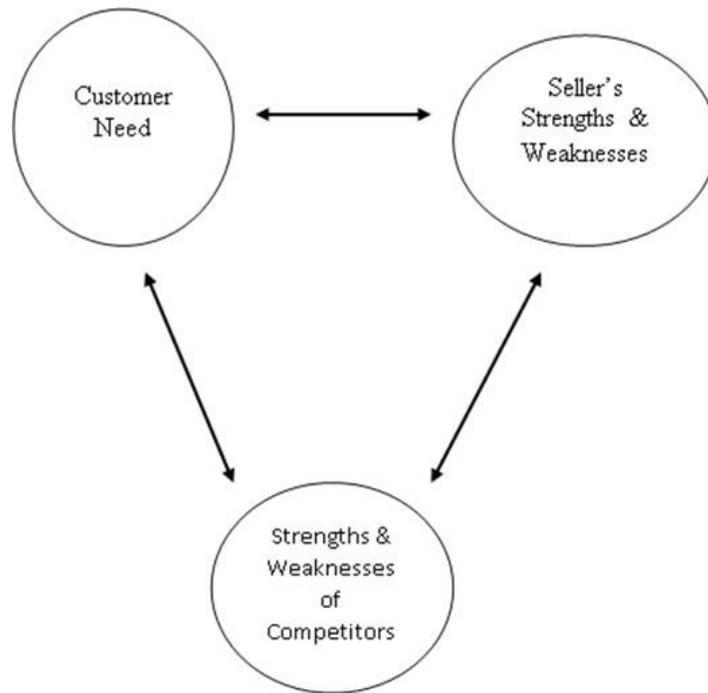


Stage II

The instructor should ask participants whether this process could be stopped after finding customer needs and assessment of seller's strengths and weaknesses. The instructor should facilitate the discussion until participants raise issues about threat from competitors in the market to a particular product they decide to launch. The discussion should continue to arrive at a consensus among the participants that they should identify the competition and assess the competitors' strengths and weaknesses as well in order to evaluate a business opportunity (Figure 5). It would be preferable to research an opportunity thoroughly and decide not to pursue it than to hastily start a business and face a loss. This is an important theme to communicate in this session, and repeat in subsequent sessions, and in the recap as well.

Stage III²

Figure 5



Although this process is discussed in stages, the actual discussion may be iterative and the stages do not have to be covered in strict linear fashion. Moreover, whereas this approach aims to get the process of choosing a business started, a number of other factors need to be considered, such as business potential. Raw material, capital, support services and the market potential are factors central to identifying viable income generating activities. ³

Session 3

Gathering Information to Make Business Decisions - Elements of Research

Exercise - Gathering information to evaluate business opportunities

The instructor should repeat questions such as how the needs of customers or segments, strengths & weaknesses of competitors and one's own strengths and weaknesses should be identified. Responses from participants may include making enquiries, observing markets, and seeking others' help or technical advice. The instructor should ask participants what these activities are and what they should be called.

The instructor should ask participants whether it is advisable to carry on business related issues based purely on their own assumptions and intuition. The instructor could quote local proverbs such as "Judgment based on thorough enquiries and verification is better than believing/trusting a matter based on merely seeing or hearing". The instructor should facilitate the discussion to arrive a consensus on the importance of ascertaining facts through systematic methods, i.e., to conduct research and carefully gather information. Participants' responses about sources of information and methods should be captured through brainstorming and discussion.

Information could be collected through informal interaction from the following sources:

- Relatives
- Friends
- Neighbors
- People already making the product/running the business
- Retail shops who sell related goods or services

- Wholesale shops and markets
- Specialized institutions and departments for technical information
- Introspection – experiences as a customer

The instructor, in consultation with the participants could classify the above as follows:

- Personal sources - family, friends, neighbors, and acquaintances
- Commercial sources - retailers and wholesalers
- Public sources - specialized institutions, departments, and media

The instructor should ask participants how they would seek information or conduct research and how they would ensure cooperation from the respondents and obtain accurate responses. For example, would they get accurate responses from a personal source that they are planning to start a particular business or would responses be biased either intentionally or unintentionally? The instructor should emphasize the importance of obtaining accurate information and discounting possible biases in information obtained.

The instructor should direct and facilitate the discussion to summarize their responses on questioning methods as follows (Table 1).

Table 1

| | |
|---|---------------|
| How they themselves would act as a customer and expect (would they buy from themselves?) | Introspective |
| Asking customers to recall the events leading to recent purchases, problems they faced and their expectations | Retrospective |
| Asking potential buyers to discuss their likely buying process and expectations from goods or services. | Prospective |
| Asking customers to describe the ideal product that would satisfy their need | Prescriptive |

The instructor should enable participants to recognize that research or information gathering does not end once a business is started but should be an ongoing process. Research or information gathering is a way of looking at the marketplace and understanding it. It is akin to a lens or spectacles through which to understand the marketplace. Important here in identifying a profitable business is to ask oneself difficult questions before investing and facing losses. It would be preferable to research an opportunity thoroughly and decide not to pursue it than to hastily start a business and face a loss. This is an important theme to repeat in this session and in the recap.

The instructor should caution participants that the method used in the role-play is one of many and not the only one. They should be asked to practice in a real world context where they may face different situations. The instructor should remind the participants that research is not a one-time exercise in the business but it should be an ongoing process to improve the value of service to the customers. A role-play that can be used is one where an acquaintance encourages an individual to start a business without being thoughtful in providing advice.

Instructors could enact a role-play to make the points. One of the instructors should act as a potential seller who wishes to start a business and collect market information and another instructor should play the role of retail shop owner and respondent. Their conversation should reflect the real issues and practical ifs and buts in informal research. The person who seeks information should have a very informal interaction with the retailer and try to gather information as it pertains to the new business.

The instructor could orient participants on issues in collecting information through this role-play such as the following.

- The need to find multiple independent sources for information rather than rely exclusively on one source
- The need to supplement communication with people with other methods such as observation
- The need to understand people's motives and biases in providing information and discount accordingly (e.g., for a retailer, the threat of competition is an obvious motivation; for an acquaintance, lack of involvement or trying to please may be factors)

Group discussion and presentation about sample research on a selected product

Groups of about 4-5 participants each should be formed and asked to discuss research methods and present how they would identify their segment and its needs, evaluate their strengths and weakness and evaluate the competition. They could be given about 20 minutes and provided with clarifications as needed.

The representatives of respective groups should present their conclusions. At the end of the group's presentation, the members from other groups could be given the opportunity to raise questions for clarifications. The instructor should moderate arguments and differences among members. Points that evolve from their discussion can be written on a chart for presentation. Groups may identify personal sources, such as neighbors and friends, from whom to seek information through conversations. They may list their own strengths and weaknesses and decide on the related product or service that could satisfy the needs of local customers.

They may identify the competitors and assume that the following attributes are areas of weaknesses for competitors, which could be translated into their own strengths.

- Price
- Models/Designs
- Variety in materials and price
- Courteous customer service
- Timings

Further, they may state that they would continue their research and listen to their customer's views to fine tune their product and improve their business.

The instructor should summarize each group's presentation as follows and highlight the general outcome, gaps, practical difficulties, and potential errors. It may not be uncommon for groups to restrict themselves or show interest in businesses serving clientele they are familiar with. The need to be specific in describing potential segments in terms of geographic location and other characteristics should be emphasized. The following is presented as a sample adapted from some group presentations (Table 2).

Table 2

| <i>Outcome from search</i> | <i>Group 1</i> | <i>Group 2</i> | <i>Group 3</i> | <i>Group 4</i> |
|--------------------------------------|---|--|---|--|
| Potential goods/ service | Sari business | Agarbathi (incense sticks) | Notebooks | Ladies wear tailoring |
| Potential segments | Women who are neighbors, friends, acquaintances, or employees of companies nearby | Middle class families living in neighborhoods nearby | School-going children, college students, employees and teaching staff | Women who are neighbors, friends, or acquaintances |
| Strengths (+) & weaknesses (-) | + Friendly to customers + Material fitting customer's taste + Competitive price + Easy access to customers + Flexible | + Technical know-how to produce the product + Competitive prices + Volume discounts - Lack of variety | + Home delivery + Quality products + Consistency in supply and service + Service timing + Good price + Friendly to | + Tailoring skill + Timely delivery + Free access without timing barriers + Post-purchase |

| | | | | |
|---|--|---|---|---|
| | service timings to suit the customers + Speedy response - Money to invest - Lack of experience | in product - Money to invest - Lack of experience | customers - Lack of variety in products - Money to invest - Lack of experience | service - Financial resources for sewing machine or to hire extra help |
| Strengths & weaknesses of competitors | + Size + Financial resources + Experience - High Prices - Unfriendly to customers | + Size + Financial resources + Experience - High prices | + Size + Financial resources + Experience - High prices | + Modern equipment + Size +Financial resources - High prices |

The instructor should request the participants to review the diagram drawn during the first session on business perspectives. The instructor should ask participants whether research is essential for a businessperson, and if so, where it could be shown in the diagram. The instructor should facilitate the discussion leading to research at the second circle from the center as shown

below (Figure 6). In other words, research is the means for understanding customers and the marketplace.

Figure 6



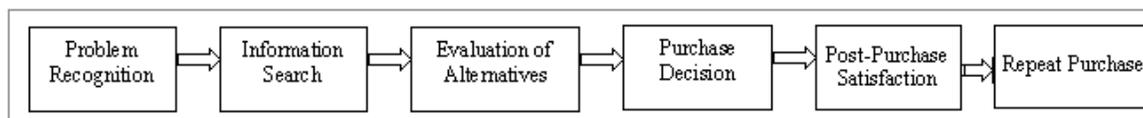
Session 4

Consumer Behavior

The instructor should ask some participants to think aloud about how they came to purchase a product for the first time. The responses are used and summarized into the model below.

The instructor presents the stages in the customer buying process as follows (Figure 7).⁴

Figure 7



Problem Recognition

The buyer recognizes a need or problem that is triggered by internal or external stimuli. Internal stimuli include the normal needs of a person such as hunger and thirst. External stimuli include the physical appearance of a product, which sparks interest in the good or service.

Information Search

The buyer searches for information. General sources of information include the following, as discussed in Session 3:

- Personal sources
- Commercial sources
- Public sources

Evaluation of Alternatives

There is no single process used by all customers or by one customer in all buying situations. Customers may consider several factors while evaluating the alternatives. Customers try to satisfy their needs and look for certain benefits from the product. They may see each product as having multiple attributes and varied benefits. The attributes of interest vary by products and across buyers. Customers vary as to which product attributes they see as most relevant and the importance they attach to each attribute. They likely pay the most attention to attributes that deliver the sought benefits. The market can often be segmented according to attributes that are

salient to different customer groups. The instructor should elicit examples from participants to make these points above.

Purchase Decision

The actual decision to purchase is made following evaluation of alternatives.

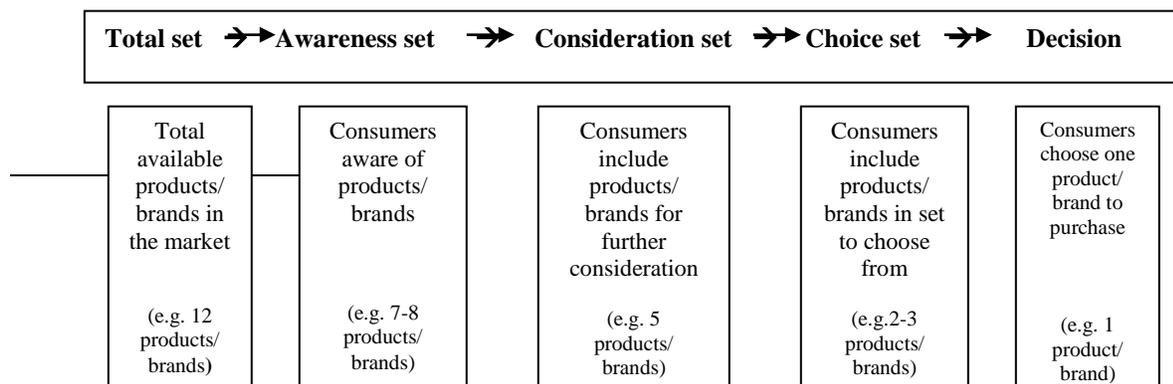
Post Purchase Satisfaction

Following purchase, the product is used and evaluated by customers. This step influences repurchase of the product and sustained sales for the seller.

Evaluating Alternatives

When evaluating alternatives, it is important to understand that, although there are many alternatives, customers may be aware of only a subset of them, and in turn consider only a subset of the alternatives that they are aware of. Only a subset of the alternatives in the consideration set may be in the choice set that receive close attention before a choice of one alternative is made. Participants can be asked to relate how they considered alternatives for specific product categories and arrived at the choice of one alternative. Such an approach of starting with examples and then providing a broader summary is likely to be effective (Figure 8).⁵

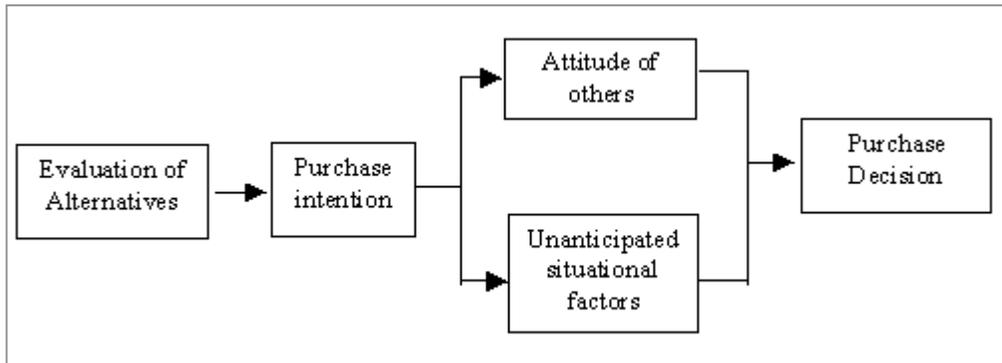
Figure 8



From Evaluation of Alternatives to Purchase Decisions

After providing an overview of the decision-making process, some nuances in terms of how customers reach decisions can be covered. At least two sets of factors can intervene between the purchase intention and the purchase decision; attitude of others and unanticipated factors. Infomediaries, such as published reports, can also play a key role. Unanticipated situational factors may also change the purchase intention. A customer's decision to modify, postpone, or avoid a purchase decision is likely to be influenced by perceived risk such as the money at stake, amount of uncertainty about products, or financial difficulties (Figure 9).⁶

Figure 9



Sub-Decisions

Customers may make many purchase sub-decisions

- Brand decision
- Vendor/dealer decision
- Quantity decision
- Timing decision
- Payment method decision

Buying Decision Process - Roles people play in a buying decision

Often, the buyer may not take an independent decision to buy a product though vested with ultimate decision-making power, either in a household or an organization. The buyer has to accommodate the interests of other people concerned. An example such as a household product used by everyone or a product being sold to a store or a small business can be used as a starting point in the discussion. The discussion could be summarized by categorizing roles as⁷:

Initiator Person who first suggests the idea of buying the product or service.

Influencer Person whose view or advise influences the decision.

Decider Person who decides on any component of the buying decision,
whether to buy, what to buy, how to buy or where to buy.

Buyer Person who makes the actual purchases.

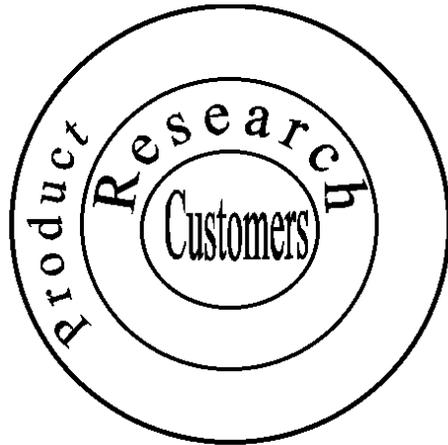
User Person who consumes or uses the product or service.

From a seller's perspective, it is important to understand how the decision to buy is made and the various people who play different roles in that decision. For instance, as a seller, it would be important to make initiators aware of products. It would be important to provide full information to the decider. For example, when selling to a wholesale or retail store, it is important to know the different people involved in various roles and to get information to the initiator. A fuller discussion of these issues is conducted under the topic of promotions. This discussion could be used to make the participants aware of consumer behavior that should be salient as they continue to other topics such as product design. If the business is to be oriented around the customer, the key is to understand consumer behavior.

Session 5

Product Management

Figure 10



The instructor should begin the discussion with the question of how the needs of customers could be addressed by a businessperson. The participants may respond that it would be possible through providing goods or service. Figure 10 should be introduced to present the larger picture of the content being covered. The instructor should reverse the question and ask how a product could address the needs of customers, why a customer would be interested in buying a product and how the product should be designed. Participants' responses for the first two questions may include the point that the product should primarily address the core needs of customers. Customers would prefer to buy a product if it is safe, cost-effective, and timely.

Responses about how to design the product may include fulfilling core needs, taste, attractiveness, and fragrance. The instructor could use a product like pickle to provide an example and ask participants to list out the aspects to be considered when making the product. Participants may explain the required ingredients, process, and packing methods. They should be

asked whether the combination of ingredients, processes and packing methods are common to all segments or would vary across segments. For example, the segment consisting of construction workers would expect certain benefits from the product, such as a high degree of spiciness and small, affordable package sizes, that may be different from the benefits expected by the segment consisting of middle class families, who may emphasize healthy ingredients and larger package sizes.

The instructor can paste pictures of sense and other organs of humans such as eyes, ear, nose, tongue and brain & heart and arrange participants' responses under respective pictures. For example, "taste" would be written under the picture of a tongue. The idea here is to bring out the different benefits of products in a concrete manner. The instructor could remind participants of the concept of a value chain and ask how and why value is added in the process of making pickles. Each ingredient and its blending with other ingredients provides specific benefits to customers from the final product. The discussion can be concluded by emphasizing that value is added to produce a customer-oriented product that satisfies the expectations and needs of customers. Product should fulfill the sensory and psychological needs of customers and ingredients or benefits are not just for the sake of production or just because the producer has the expertise or know-how. The key here is for the seller to understand the link between each ingredient and each aspect of the production process and the benefits delivered to customers. Participant should be reminded that a producer of a product must continue to research and make necessary changes in such aspects as the ingredients, process, or customer service, and fine-tune the product to meet the needs of customers.

The instructor should ask participants to form groups and ask each group to select a good or service they wish to sell in the market, discuss it in their group, and make a presentation about

how they are going to design it and why they prefer such a design, e.g., designing products such as wet flour, nutria-mix powder, pickles and masala powder/chili powder. The groups may recall the value chain and present the following as the main stages in their respective product design and its production.

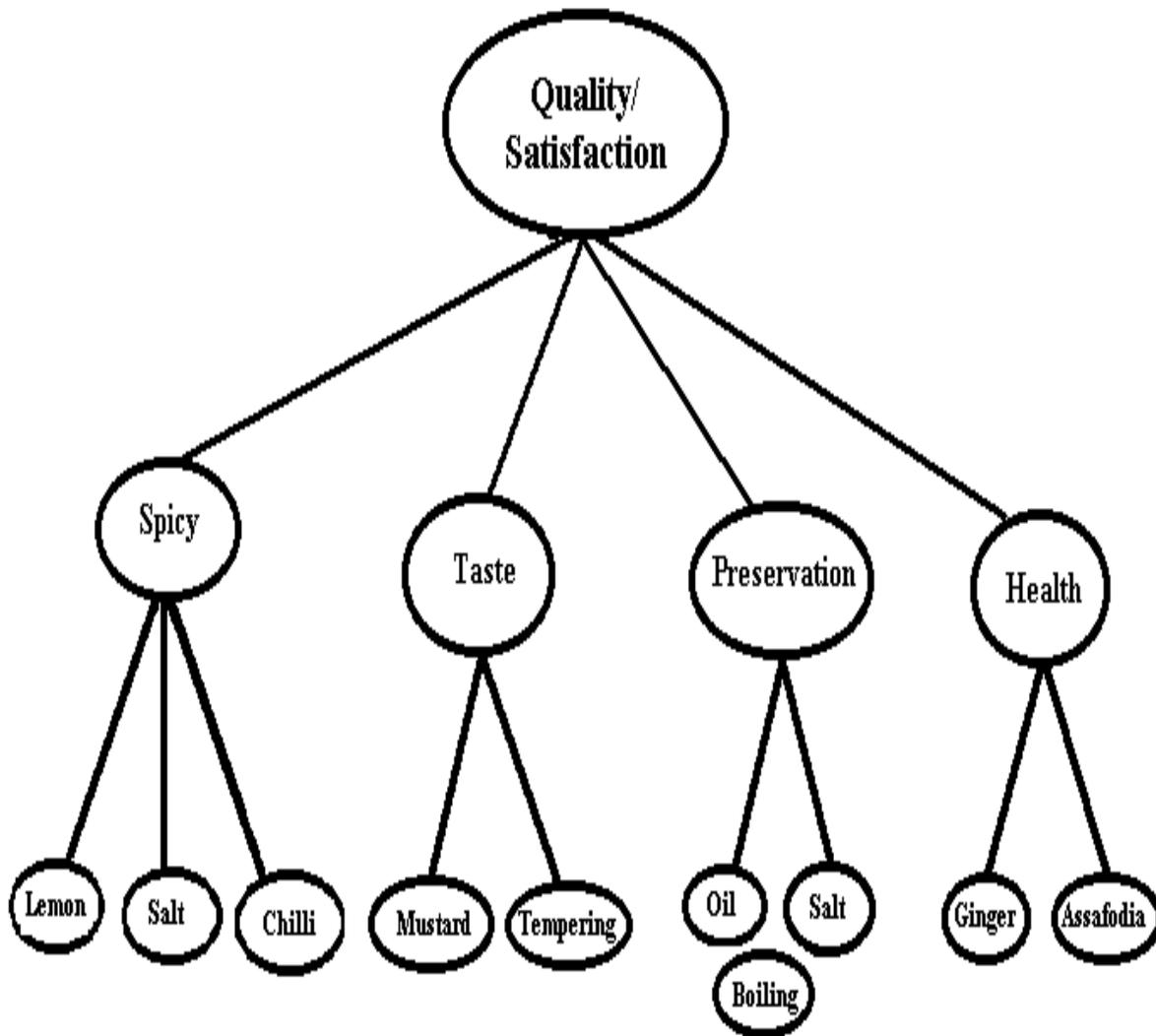
- Purchase of ingredients for the selected product
- Process of product preparation
- Packaging process
- Making or supplying products in a variety of sizes/colors/models

Their presentation may reflect the following as vital aspects in the product design.

- Visual appeal
- Fragrance/aroma
- Taste/flavor
- Safety and healthiness
- Affordable sizes/configurations/models
- Brand recognition among customers

Because it is a first exercise, participants may focus on production in isolation and may not focus on other aspects such as post-production & after-sales service. Participants should be asked to draw a multi-level figure where ingredients are at the bottom level, which then link to benefits received by customers, at the middle level, which then lead to overall perceptions of quality and satisfaction at the highest level. The aim here is to extend out the implications of a customer orientation to product design. It is quite possible that a practical exercise may involve separating the task into two stages; first to list out ingredients and attributes, and next to list benefits to customers (Figure 11).

Figure 11



Parallel to their presentation, the instructor should encourage discussion to classify the prescribed activities in product management and list them on charts as follows.

Input to product design and production:

- Updating knowledge on technology to make the product efficiently (e.g., how to make quality pickles)
- Identifying places, either from retailer or wholesaler or producer, to buy raw material or ingredients.
- Deciding when to buy the ingredients, e.g., during periods of harvest or during the periods when ingredients are cheaper in the market.
- Mobilizing appropriate machinery, and labor, if necessary.
- Using quality ingredients
- Following a careful process of product design
- Ensuring hygienic preparation of the product or service
- Applying eco-friendly methods in the preparation
- Improving the attributes of products, e.g., spice, color, or aroma in the case of the food items
- Providing information on usage of the product

Expected output:

- Packaging of product or delivery of service with adequate safety
- Provision of information on usage methods
- Package sizes and product type depending on the segment to be supplied
- Ways and means for storage, distribution, and delivery of the products

The instructor should remind participants of the relationship between product management, pricing, distribution and promotion. Also the instructor should remind participants that the product management process does not end with determining the ingredients, but may need to be modified as issues of pricing, distribution and promotion management covered in subsequent sessions are considered. The central point to emphasize here in product design is the need to understand the customer segment the product is being made for and how customers are expected to use the product. This understanding should form the basis for product design.

Summary

The instructor should facilitate a summary of topics covered in the last three days including Day 3.

- Understanding a customer-oriented philosophy of doing business, balancing buyer and seller goals through mutually beneficial exchanges
- Evaluating business opportunities through systematic assessment of needs, strengths & weaknesses and competition
- Understanding the role of research or information gathering
- Understanding customer behavior
- Product management

CHAPTER 4 - CONSUMER AND ENTREPRENEURIAL LITERACY PROGRAM - ENTREPRENEURIAL LITERACY

Content

Price

Distribution

Promotion

Introduction

Overview

Day 4 continues with the perspective of a seller. Distribution is covered by using the concept of a value-chain introduced in the first day. Again, participant-groups are asked to work with a particular product and work out various steps in the value chain from purchase of ingredients all the way to distribution to wholesalers, retailers and the end user. Exercises require participants to choose from distribution alternatives. Factors to consider when setting price, the notion of value from the customer's perspective, the relationship between price and quality, and the relationship between price and volume, are covered under pricing. Different types of promotions ranging from banner ads to fliers are discussed and related to different objectives such as gaining awareness, generating interest, and encouraging purchase.

Recap

The instructor can begin the discussion on price in the first session of Day 4, after summarizing the discussion in the previous three days. The instructor should paraphrase the main points from the previous days.

Day 1

- Expectations of participants at the beginning of the educational program
- Marketplace exchange and its evolution over time
- Value chains consist of multiple exchanges, with value being added at each stage
- Goods are tangible products produced to fulfill the needs of customers
- Services are intangible products to fulfill the need of the customer
- Segments are groups of customers who share similar needs

Day 2

- Positive and normative practices of customers
- Customer rights and responsibilities
- Value, the trade-off between what customers give and what they get in an exchange.

Day 3

- A customer-oriented philosophy of running a business
- Evaluating business opportunities through systematic assessment of needs, strength & weakness and competition
- Using research to gather information
- Basics of consumer behavior
- Customer oriented product management

The instructor should remind participants that information gathering or research is not a one-time exercise in business but an ongoing process to understand the marketplace and, thereby, provide quality products and improve service to customers.

Session 1

Assessing Value as Customers

Figure 1

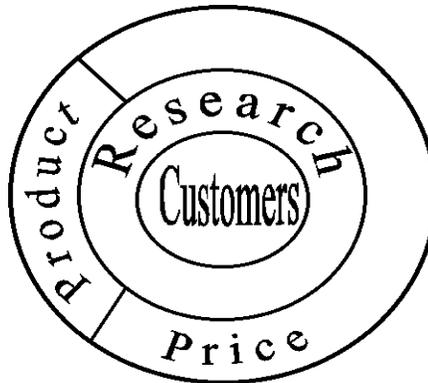


Figure 1 can be used to present the larger picture of the content being covered. The instructor can ask participants to list what they expect from a product when they analyze its price as a customer. Their views can draw from their life experience as well as the learning from first three days of the educational program.

Participants' responses may include

- o Value
- o Usefulness
- o Affordability
- o Quality

The instructor should anchor the discussion on value from the customer's perspective, reinforcing its definition as what customers give and what they get in the trade off. The instructor can remind participants that every seller has to acquire goods or hire services for

manufacturing/producing a product and are, themselves, customers before assuming the role of sellers, e.g., a wet flour merchant has to buy goods such as rice, and urid dhal/black gram, and hire the services of wet-grinder mills. Participants can be asked to discuss what they give and get from the customer's perspective and then from the seller's perspective. Here, again the notion of value and how value is added in each step can be used to illustrate how costs accumulate.

The instructor should ask participants in the course of the discussion what they expect from a product purchased from the market. Their responses may include:

- o Satisfaction of core need
- o Affordable price
- o Flexible quantity purchases
- o Availability on time
- o Availability at a convenient location
- o Attractive design

The instructor should ask how a product fulfills customers' expectations and focus the discussion on transactions of high value.⁸ Responses may include the following. Value is added to a product as it passes through the value chain through such means as blending, adding or subtracting ingredients, packing in different sizes, moving to different locations, and branding. Value includes benefits from the good or service, e.g. selling rice or grinding wet rice, selling television sets or repairing television sets. Value includes other benefits such as customer service, and whether a particular product is available at convenient place, and time, in appropriate quantities, and with reasonable payment options. Value includes personal and image benefits; acquiring a

product may enable customers to feel better about themselves. The instructor should highlight customers' statements that they buy only a certain brand of a product such as soap or rice to provide examples. The instructor could use customer's practices such as exclusively buying and using handloom cloths, eco-friendly products, or vegetarian foods, to provide examples of personal and image benefits.

The instructor should raise the question whether all customers would need or expect all benefits in a product and whether all sellers could provide such benefits to their customers. The instructor should remind participants of the discussions from the first day on segments and enable participants to understand different benefits in a product that may fit different segments. The instructor should explain to participants how the customers may vary as to which product benefits they see as most relevant and the importance they attach to each benefit and how they would pay most attention to benefits that deliver the sought advantages.

An example is presented below.

- o Enabling mobility is the purpose of a bicycle and it must have basic parts such as wheels, frame, handle bar, and bell, to ride safely. However, a company may offer bicycles with additional features such as gears and rear carriers.
- o Pickles are used as a side dish, and should contain lemon or mango, oil, and spices, to give taste. A seller may add ginger and asafetida for digestion and health reasons, and flavors for fragrance and attractiveness.

- o A grinder is used to grind flour and some models may have a motor and a stone bed. A company may offer a tilting feature to collect the grinded wet flour, and motors with different capacities.
- o A hotel room offers a place to stay and rest during travel with space, ventilation, beds, and toilet facilities. A service provider may offer spacious rooms with air conditioning, room service, and a television, in addition to the basic needs served.
- o A conventional vegetable cutter is made of steel with a wooden platform. A seller may add additional features such as a coconut scraper and steel platform to make it to useful for multiple purposes with a longer-lasting life.

The instructor can draw the diagram of a conventional vegetable cutter and another one with a coconut scraper as additional features to explain customer benefits. Further, the instructor can discuss two types of hospitality service providers (lodges), list out the customer benefits from both and discuss the potential differences in price, as shown below (Table 1).

Table 1

| | Customer benefits | Service provider - X | Service provider - Y |
|---|-------------------------------|----------------------------|--|
| A | Rooms/space | Double room | Single room little space |
| B | Toilet | Individual attached toilet | Common /shared toilet |
| C | Air condition/ Ventilation | Air conditioned room | Non air conditioned |
| D | Phone connection | Intercom with telephone | Nil |
| E | Room service | 24 hour room service | Nil |
| F | Food availability | Attached with hotel | No food service or restaurant inside the lodge |

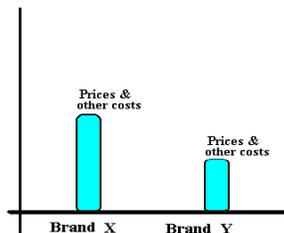
The instructor should ask what the charges of each provider would be, and whether it would be identical or different. Different colored chalk on a board or different colored ink on a chart can be used to draw a bar graph of benefits and price as shown below (Figure 2).

Figure 2



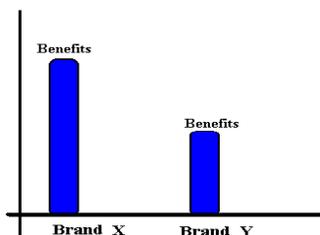
The benefit bars of both providers can be hidden and participants asked which is costly and which is beneficial to customers (Figure 3). They may respond that the price of X is costly and service provider Y might be beneficial to customers.

Figure 3



The instructor should hide the cost/price bar and ask participants which service provider gives more benefits and which is valuable product to customers (Figure 4). Responses from participants might point to Brand X.

Figure 4



The instructor should show both benefit and price bars, explain the differences, and remind the participants that the analysis should be based on the *value* of exchanges. Customers can choose the product, which provides them with additional features or dimensions depending on their need and affordability. Customers have to pay more or *give* more when they *get* more benefits from an exchange and sellers could increase the price of a product depending on the benefit provided to the customer through additional features and dimensions. For example, higher quality rice can be priced relatively higher and there may be a relationship between price and quality, although this relationship may not hold often or may not hold for the entire range of prices. From a customer's point of view, it may be worthwhile to pay a little more to get better quality rice but

not too much more. Hence, the customer has to determine the price and quality levels at which there is best value, with affordability being the key constraint.

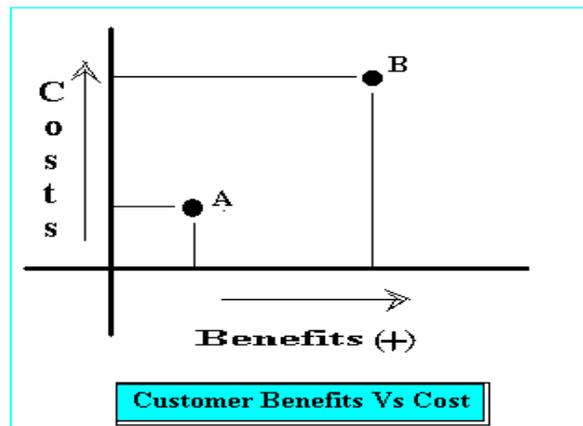
The instructor could raise a question whether a purchased product needs to be processed further with additional expense to the customer (e.g., purchase of raw chili, raw rice, and plain cloths, with additional or subsequent expenses such as grinding charges for flours and stitching charges for cloths). Here, an informed customer would compare and analyze the cost and consider options such as making or buying, and buying from local stores or at larger markets. The discussion can be directed to understand various aspects including customer costs as given below from the perspective of customers and the need to consider these costs while fixing the price of a product.

In addition to the purchase price, customer costs include the following.

- Costs for acquiring the product; e.g., entry ticket to enter in a market, membership fee to join in customers groups, registration charges for a motor vehicles, transportation charges to buy from a distant location, or travel costs to buy a product at distant places.
- Costs for usage of a product; e.g., kerosene or fire wood or electricity to use an oven, fuel to use motor vehicles, and electricity or batteries to use radio sets.
- Costs for maintenance of the product; e.g., example wet-grinder, motor vehicles, and cycles.
- Costs of ownership; e.g., tax for vehicles & assets, or license fees for shops.
- Costs of disposal; e.g., veterinary waste, and industrial waste.

The following diagram can be used to explain customer benefits versus costs (Figure 5)

Figure 5



Assessing Value for Sellers

The instructor should now shift the focus and ask the participants to take the perspective of the seller. The instructor should ask what expenses are involved in each stage of adding value to the product, such as mobilization of ingredients, processing, manufacturing, packing in different sizes, transporting, wholesaling, and retailing. Having covered price from the buyer's perspective, the discussion can be directed toward why sellers charge different prices. Because participants have assumed the role of a businessperson from Day 3, the instructor should ask

them what they understand about setting price. The instructor should facilitate the discussion and summarize it on a chart.

Responses can be summarized to include the following general points.

- Sellers may charge higher prices if they provide particular goods or services with unique product benefits, service benefits, or personal and image benefits to customers.
- Product benefits for customers might vary for different products sold by different sellers, and, hence the prices may also vary.

The instructor should ask participants why a seller charges price on sale of goods or service. The responses from participants should be paraphrased, such as that the seller charges for the value of goods or service exchanged in the trade off. The seller has invested money, goods or service in each stage of adding value to the product reflected in the following costs:

- Ingredients
- Transportation
- Manufacturing machineries and equipment
- Processing and manufacturing
- Labor
- Commission and agency
- Advertising, offers, and discounts
- Interest on the money invested
- Other overheads such as electricity, phone, and rent
- Fees, charges, entry fees, and taxes

The instructor should now ask participants to think about price from the seller's perspectives.

The instructor should ask participants what the objectives of the seller of a product should be.

Their responses may be to provide quality products at affordable prices for different segments, making profits, or winning customers from competitors. The instructor should facilitate the discussion and write the main points and its explanation on a chart. Objectives may include the following:

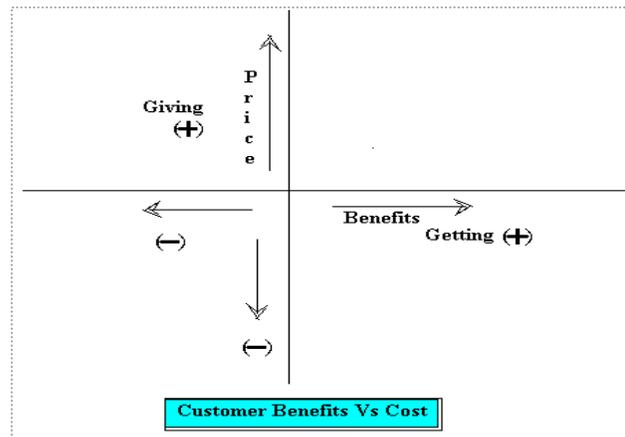
- Meet or beat the competition
- Maximize profit
- Achieve return on investment

The time frame for these objectives may also vary from the short term to the long term. For example, low prices in the short term may lead to profits in the long term due to a large customer base and lower costs of producing products in larger quantities. These objectives could be achieved in several ways including

- Superior benefits to customers and expanding the customer base.
- Affordable, competitive pricing to attract more customers and maximize profits

The instructor can use the following diagram to explain how price may be lower when benefits are reduced and other customer costs are increased as well as how price may be higher when customer benefits are increased (Figure 6). Price decrease does not mean that the seller should sacrifice their investment to reduce the price; it is to compete by improving value. The instructor should remind participants that customers may assess the value of each exchange, i.e., customer benefits and costs, compare the prices of goods or service that are available with those of competitors in the market and consider the price to pay. Customers may be willing to pay a higher price for a product with superior benefits.

Figure 6



The instructor should ask participants which type of expenses could be taken into account and which could not be taken into account while fixing the price. The instructor should facilitate the discussion and explain that investment is not just the amount of money spent on manufacturing of goods or services, but also includes *all* other costs incurred for the production of goods or services, in the price. They include the following.

- Labor including paid and non-paid – e.g., one’s own labor, relatives’ labor
- Skills, ideas, and, information gained through other exchanges that helped to produce the product
- Rentals for places and machinery used in the process of producing products

At the same time a marketer can't expect the customer to pay for expenses that are not related to product. The marketer should distinguish personal from professional expenses. For example, businesspersons taking out loans for their family expenses or investing on family assets

should keep it distinct from business costs. A person who is running a wet flour grinding business at home and using electricity from the house/domestic connections cannot treat the total electricity bill of their house as investment in the wet flour production. But the apportionment of electricity expenses should be equivalent to the actual consumption for the business or usage of the wet grinder for business activities. The point here is to keep costs distinct and accurate to possess accurate information and enable effective and efficient functioning as a business. It is also important to factor in unpaid labor because there is an opportunity cost associated with working elsewhere and earning wages versus working for free in one's own business.

Sellers should also distinguish between fixed and variable costs in setting price. Here, an example using products such as pickle can be used to make the point (Table 2). Sellers could try to reduce their margin of profit or compromise on short-term profits to broaden the customer base and stabilize their business. Consider a flower seller who enters into agreement with a shop owner or an individual family to supply two feet of garland for daily worship at a fixed price throughout the month or year. Though the market price of flowers is high, this particular seller may have to adjust the profit margin during the period when market price is lower, such as during specific seasons. This would enable the seller to retain the customer in the long run. However, the seller should gather information and analyze costs to forecast long-term profits and fix the price accordingly.

Table 2 - Example of Costs and Profits**Product identified for the business:** Lemon**I. Product Design:****a. Purchase of ingredients**

| | Condiments | Units/Qty (Kg) | Estimated Cost in tshs |
|--|---------------------------------|----------------|------------------------|
| | Lemon (300 x tshs 100) | 300 Nos. | 30,000 |
| | Sun Flower oil (2 x tshs 8,000) | 2.0 Kg | 16,000 |
| | Dry Chilli (1 x tshs 250) | 1.0 Kg | 250 |
| | Vendium (100 grams) | 0.1Kg | 400 |
| | Mustard (100 grams) | 0.1Kg | 600 |
| | Assofotida (1 Pack) | 1 Packet | 1000 |
| | Vinegar | | 1000 |
| | Salt (1 Kg) | 1 Kg | 1000 |
| | Ginger | | 1500 |
| | Transportation & Labor costs | | 2000 |

b. Process

| | Details | Units/Qty (Kg) | Estimated Cost |
|--|----------------------------------|----------------|----------------|
| | Chilli - Grinding Charges | | 1000 |
| | Kerosene for Boiling & Tempering | | 1250 |

c. Packaging

| | Details | Units/Qty (Kg) | Estimated Cost |
|--|--|----------------|----------------|
| | 1. Kg. Plastic covers (Different sizes) | 1 Kg | 2500 |
| | Packing bottles | 25 Nos. | 3500 |
| | Labels /wrapper sheets | | 2500 |
| | Printing charges for product information | | 5000 |
| | Candles to heat the plastic covers for packing (local methods) | | 100 |
| | Paper cardboard (readymade) to clip the pickle packets) | | 500 |
| | Stapler & Pins | | 3500 |
| | Total | 10.0 Kg | 17,600 |

II. Pricing:

a. Average production cost

| Details | Units/Qty (Kg) | Estimated Cost |
|---|----------------|----------------|
| Total quantity of product produced from the above ingredients & process | 10.0 Kg | 12,650 |
| Average cost per Kg. | 1.0 Kg | 3200 |
| Average cost per 100 grams | 0.1 Kg | 650 |
| | | |

B. Tentative selling cost

| Details | Estimated Units | Units Cost | Estimated Cost |
|-------------------|-----------------|------------|----------------|
| 0.500 Kg Bottle | 8 | 60.00 | 480.00 |
| 0.250 Kg Bottle | 10 | 30.00 | 300.00 |
| 0.100 Kg. Packets | 15 | 12.00 | 180.00 |
| 0.010 Kg Packets | 200 | 1.00 | 200.00 |
| Total | | | 1160.00 |
| | | | |

III. Promotion:

| Details | Estimated Units | Units Cost | Estimated Cost |
|--|--------------------|------------|----------------------------|
| Advertisement board | 1 | 100.00 | 100.00 |
| Labeling with product info. | | | Already covered in packing |
| Fliers | | | 100.00 |
| Commission charges (Vary depends on the size of product/quantum of sales) | [8x3+10x2+15x1+15] | | 750 |
| Total | | | 2750 |

IV. Distribution

| Details | Estimated Units | Units Cost | Estimated Cost |
|------------------|-----------------|------------|---------------------------|
| Delivery charges | | | Combined with commissions |
| | | | |

| | TSHS |
|--|-------------|
| Product (Total expenses until production of product) | 663.50 |
| Promotion | 274.00 |
| Distribution | 0.00 |
| Total expenses/investment | 937.50 |
| Expecting revenue as per the selling cost | 1160.00 |
| Tentative Profit Margin | 222.50 |

The instructor should ask the same groups who discussed product management in the previous day, to select the same product they presented on the previous day, discuss and present how they are going to fix the price, and how they arrive at the final price. Although different products could be used for different exercises, it is preferable to strongly encourage groups to stay with the same good or service to understand the linkages between product, price, promotion, and distribution.

Each group may explain their pricing methods and present reasons. The instructor should capture the main points and add those costs in the pricing of their product. They may consider or anticipate the following expenses and treat them as investment costs of a product that they expect to recoup along with profits.

- Ingredients
- Transportation
- Processing and equipment
- Labor

- Commission charges
- Other overheads such as electricity
- Packaging
- Advertising
- Offers and discounts

Parallel to their presentation instructor should use a separate chart, and classify and note down the prescribed investment/spending stages in product management and pricing as shown below:

- * Purchase of ingredients for the selected product
- * Product preparation or manufacture costs
- * Packaging process and costs
- * Distribution costs including assigning agents and delivery points
- * Promotion costs including advertisement, commissions, gifts, offers, and discounts

The instructor should encourage participants to review the points presented by all groups and summarize them in a table format as shown below (Table 3). The key point to make here is to include all costs, direct and indirect, toward making and selling a product.

Table 3

| Product | Ingredients | Manufacturing & Packaging | Distribution | Promotion |
|-----------|---|---|--|--|
| Pickles | Purchase cost of lemon, oil, chili, mustard and other ingredients, labor and travel costs | Expenses include grinding charges for chili, boiling, packet covers, printing labels, packaging, labor and travel costs | Delivery charges include labor, transportation, and post sales collections | Advertisement, commission, gift, offer, discount |
| Wet flour | Cost of rice, black gram & vendium, cost of labor and travel costs | Expenses include grinding charges for wet flour or wet grinder, electricity, packet covers, printing labels, packaging, and labor and travel cost | Delivery charges include labor, transportation, advance goods, post sales collections, shop rent/advance | Advertisement, commission, gift, offer, discount, interest on credit |

| | | | | |
|-----------------------------|--|---|--|---|
| Flower selling/ vending | Cost of flowers, yarn/fibers, labor and travel cost | Expenses in packing leaves & covers, labor cost for knitting & counter sales if needed | Delivery charges including labor, transportation, advance goods, post sales collections, shop rent/advance | Display board, offers, discounts, interest on credit and investment |
| Masala / Chili/gravy powder | Costs of chili, coriander, turmeric, aulse, gram, labor and travel | Expenses include grinding charges, and costs for electricity, packet covers, printing labels, packaging, labor and travel | Distribution charges include labor, transportation, advance goods, post sales collections, shop rent/advance | Advertisement, commission, offer, interest on credit |

Improvements may be seen in participants' analysis when compared with the earlier exercise on product management. They may consider distribution and promotional aspects while fixing the price, in addition to the cost of the product. The instructor should facilitate the discussion and remind participants about the relationship between product, price, distribution and promotion. For example, producing pickles and packing it in the same size with very attractive bottles may not serve the purpose where customer segments vary. The needs of different segments may vary and they may expect different prices and different sizes and distribution channels may vary as well. Hence, product design and price must be based on the customer's need, affordability, taste, satisfaction, and other such factors.

Discounts

The instructor should ask participants why sellers offer discounts and how discounts are decided in the general market. The instructor could take general practices, applications and concessions given by small-scale sellers as examples and direct the discussion to enable participants to understand price discounts and allowances.

Points to be made include the following. Generally sellers are ready to reduce the price for buyers who pay the bills/dues promptly or who are regular customers. A typical example is an installment seller who offers different prices to buyers who settle the installment ahead of the agreed time..

A seller is sometimes ready to reduce the price for those who buy large volumes. A typical example is a flower seller who sells flowers for Rs.2.50 per arm length of jasmine and is ready to

provide an additional half an arm length of flowers free of cost to those who buy for more than Rs.10.00. This is a quantity discount.

A manufacturer generally offers discount to distributors and other agents to perform certain functions. For example, a manufacturer or wholesale distributor offers resellers money or additional goods free of cost. These are functional discounts. A buyer may be provided a small vessel for every purchase of a big household article. This is a free sample offer

A seller offers price reductions to those who buy goods or services off- season in slow selling periods. Lemon would be costly in summer seasons but available for lower price in winter seasons. A parallel is with laborers being willing to work for lower wages off season. These are seasonal discounts.

An extra payment may be designed to gain reseller participation in special programs like exchange melas, or promotional allowances may be paid for participating in advertising and sales support programs. A small scale pickles manufacturer or sales agent may fix some margin for the reseller in addition to the general commission or labor charges to increase interest and participation in sales promotions.

Sellers may use several additional pricing techniques to stimulate early purchase:

- ❖ Broadening the customers base by reducing the prices of a few fast moving goods
- ❖ Special event pricing in certain season such as festivals, or the new year, to draw in more customers.
- ❖ Cash rebates to encourage purchase of a particular product within a specified time period, which would help the seller clear stock.
- ❖ Loans offered over longer periods lowering monthly payments.

- ❖ Psychological discounting by setting artificially high price and then offering the product at substantial savings.
- ❖ Loss-leader pricing where a store sets the price of one product very low to attract customers to the store to buy other products.
- ❖ Foregoing short-term profits to build a customer base and achieve long-term profits.

The instructor should remind participants that a seller could use any one or more of the above but it is not mandatory to provide or follow any of the above price discounts and allowances. A seller should add manufacturing costs, service costs and reasonable profits in the price of products and should offer price discount and allowances if there is short-term or a long-term advantage to doing so.

The instructor should discuss the consequences of psychological discounting and other price discounts. A customer may analyze different prices and discount offers of different sellers based on market information. Lack of awareness of different pricing methods or poor experiences with this type of promotional pricing may lead to confusion and create an impression that all discounts are dubious. It is important for sellers to provide factual information on the benefits of their product and pricing strategies to their customers.

Session 2

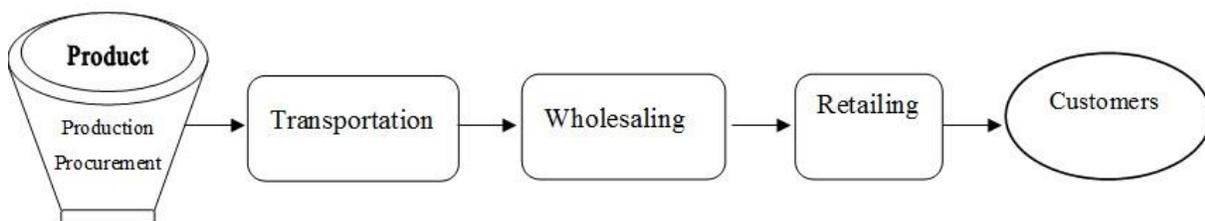
Distribution

The instructor should ask participants what is meant by distribution. Figure 7 should be used to present the larger picture of the content being covered. Distribution is the delivery of goods and services from manufacturing or production to consumption through various channels of distribution, transportation, warehousing and inventory control (Figure 8). The ultimate purpose of distribution is to deliver the good or service to customers.

Figure 7



Figure 8



The instructor should link this discussion with the concept of a value chain, which was discussed in Day-1 and remind participants about the different stages they have listed out and their purposes.⁹ The instructor should ask participants to use these stages in completing the following exercise. Participants should be grouped into four and asked to discuss the distribution methods of a selected product in their group, identify the segment and discuss how they are going to distribute the chosen product and why they prefer such a method. For doing so, they should first be asked to trace the entire value chain for the product. They should be encouraged to use the same product chosen for earlier exercises. The instructor should facilitate group presentations, and list key points on charts. The presentations may include products they chose for the discussion, how they designed the product, what their anticipated segment is, what the value chain for the chosen product is, and what distribution channels they propose, with supporting rationale. The groups may prefer and propose means of distribution that are practical for small-scale manufacturers and sellers of particular products. Although different products could be used for different exercises, it is preferable to strongly encourage groups to stay with the same good or service to see the linkages between product, price, promotion, and distribution.

The following is a sample presentation proposed by a group for pickle distribution.

- Buy quality ingredients
- Prepare tasty pickles
- Pack it in different sizes/packages such as tshs 250 packets, tshs 500 packets, tshs 750 packets, 1/4 kg bottles, 1/2 kg bottles, 1 kg pack and 5 kg pack.
- Sell it to different customers through different method of distribution depending on the needs

For example, people living in the neighboring houses who are working for daily wages would prefer to buy for tshs 250 to tshs 1000 packets. The producer/seller should prepare packets to suit their requirements and distribute it through personal selling, and not depend on resellers or agents to cover these segments. The seller could visit markets or junctions or places where there are a large number of potential buyers and use personal selling. The seller could hire delivery persons for wages or appoint agents on a commission basis for supplying the product to retail shops in the vicinity. The seller could contact civic society organizations such as self-help groups and places such as companies or construction sites, with many potential buyers. This segment may prefer small packets as well as $\frac{1}{4}$ to $\frac{1}{2}$ kg bottles. The seller could prepare such packages in bottles to meet the requirement of these segments and hire commission agents or make regular visits to distribute the product. The seller could use bulk packaging and solicit orders from hotels and marriage halls and provide functional discounts or commissions to intermediaries for regular orders.

The instructor should ask participants for their rationale and summarize their responses in a table as shown below (Table 4).

Table 4

| Product Design/package | Customer Segment | Distribution Channels |
|---------------------------|---|-----------------------|
| Tshs 450 packets | Neighboring houses | Personal selling |
| Tshs 350 packets | Markets/junctions where people assemble | Direct sales |
| Tshs 500 packets | Retail/petty shops | Commission agents |
| | Nearby streets & neighborhoods | Self help groups |
| 1/4 kg packs | Relatives and friends | Personal selling |
| 1/2 kg packs | Retailers & hotels | Direct sales |
| | Retail/petty shops | Commission sales |
| | Nearby streets & neighborhoods | Self help groups |
| 1 kg pack | Hotels | Direct/ |
| 5 kg pack | Marriage Halls/ Parties | Commission sales |
| | Wholesale shops/ stores | |

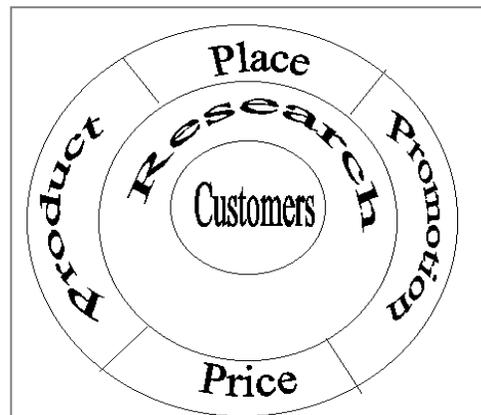
The instructor should remind participants that they should continue to research to identify the emerging needs of customers and strength and weaknesses of competitors to fine-tune the distribution of their product.

Session 3

Promotion

The instructor should ask participants what they mean by promotions, and summarize responses. Promotion involves sellers' communications with current and potential customers. The following diagram should be used to introduce the topic and how it fits in the big picture (Figure 9).

Figure 9



The instructor should ask how sellers could communicate with customers about their product.

The responses from participants may be as follows.

- Fliers
- Advertising on media including sign boards
- Personal selling
- Sales promotions
- Publicity
- Public relations

- Exhibitions
- Demonstrations
- Packaging

The instructor should group the list above into major promotion methods such as personal selling, advertising, sales promotions, and publicity.

The instructor should ask why sellers have to communicate with their customers. The instructor should remind the participants of the purchase decision-making process of customers, such as problem recognition, searching for alternatives, evaluation of alternatives, purchase decision and post purchase satisfaction. The instructor should highlight the searching for alternatives step. The instructor could restate the definition for promotion after discussing the purpose of communications with customers.

The instructor should ask the same groups formed for earlier assignments on product design, distribution, and pricing to discuss viable promotion methods for a product and present how they are going to promote and why they preferred specific methods. Again, it is preferable to use the products used in previous exercises.

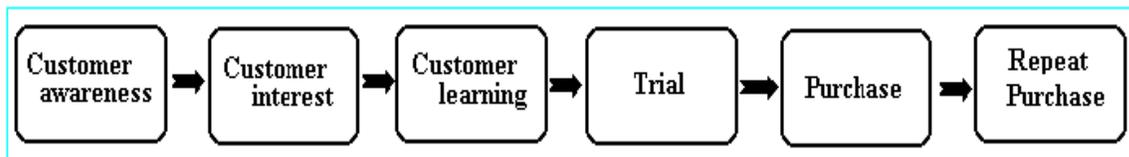
The presentation by each group should be noted on the charts. Some sample points made in such assignments are listed below.

- Fliers, advertisement banners and boards
- Advertisements through local journals/weeklies
- Displays of materials and information
- Offers and discounts
- Free samples
- Public relations

- Incentives to dealers, retailers, and commission agents
- Demonstrations and exhibitions at local and weekly markets, meeting halls, public celebrations of festivals,
- Encouragement of word-of-mouth among customers

The instructor should use a sample product depending on the context and type of participants and facilitate the discussion as to how each of the following can be achieved through promotional methods. This is a modified series of steps based on steps in the customer decision-making model and the steps below can be elicited first through discussion about a specific product (Figure 10).¹⁰

Figure 10



- Customer awareness
- Customer interest
- Customer learning
- Trial
- Purchase
- Repeat Purchase

Customer awareness - How can customer awareness be promoted?

The instructor should ask participants why they propose to use fliers as a promotional method, what the fliers would contain and whom it would be distributed to. Their responses may be that fliers should be distributed to the public to communicate with the potential segment and would contain such information as the product and brand name, product usage, manufacturer address for contact, available places, available sizes/configurations/quantities and prices of product, and available customer service. Asking participants whether everyone who received the fliers would buy the product and if they were not sure why should they prefer such mass distribution should lead to specifying the promotional objective of making customers aware and of using a specific communication such as a flier and the importance of understanding what the objective is before designing a communication. The instructor should remind participants about designing content related to the product that enables the seller to create awareness among the potential segments.

1. Customer Interest - How can customer interest be promoted?

The instructor should ask how customers who are aware of the product can be made to be interested in it. A variety of responses on different promotional means such as visual displays with information can be used to discuss this point.

2. Customer learning - How can customer learning be promoted?

The instructor should ask how customers who are aware of the product and interested it can learn more about in it. A variety of responses on different promotional means can be used to discuss this point, including conducting demonstrations and exhibitions at local and weekly markets, meeting halls/points, and public celebrations of festivals.

3. Trial - How can customers be encouraged to try a product?

The instructor should raise the issue of encouraging trial. Participants may propose free samples, personal contacts and discounts to encourage customers to try a product. Free samples may achieve other objectives as well, such as awareness and interest.

4. Purchase - How can customers be influenced to buy?

The instructor should ask how customers can be encouraged to buy the product. Participants may suggest prominent displays to show product availability, low introductory price, and easy access to products. Here, different distribution methods listed in previous exercises can be reemphasized.

5. Repeat Purchase - How can customers be influenced to repeat their purchase?

Instructor should ask participants whether the promotion methods aim for one-time purchases or repeat purchase. Participants may quote methods that would make the customers buy again such as sharing visiting cards, providing post sales services, providing incentives to dealers, retailers, and commission agents, increasing distribution centers and agents to reach the customers easily, entertaining advance orders, providing goods in advance and short term credit facilities, providing quality products, and providing discounts to customers who share their experience with other potential customers in order to influence them to buy the product.

The instructor could conclude the discussion by reminding participants of the importance of using specific promotional methods relevant to products, customers, and competitors. The

instructor should also emphasize the importance of achieving all the promotional objectives leading to purchase and repurchase such as awareness and interest. Having a quality product that no one knows about is not going to lead to purchase because of lack of awareness, the first promotional objective. Having a low quality product is not going to lead to repurchase despite all the other promotional objectives being reached. These two scenarios can be posed as questions that participants answer in terms of what the underlying causes could be. The instructor should also note that a promotional method may achieve multiple objectives. A free trial may achieve several objectives such as awareness, interest, learning and trial.

Summary

The instructor should enable group discussion to summarize the learning points in the last four days. The instructor should paraphrase the main points of each session listed below:

- Understanding value and setting price
- Understanding value chains and making distribution decisions
- Fitting specific promotional methods to objectives such as awareness, and interest

CHAPTER 5 - CONSUMER AND ENTREPRENEURIAL LITERACY PROGRAM: ETHICS AND MISCELLANEOUS ISSUES

Content

Ethics

Cost Analysis and Accounting

Conclusion

Introduction

A number of miscellaneous issues are covered on the final day including the basics of accounting and finance, computing real interest rates and return on investments. Issues in organizational behavior such as forming self-help groups and conducting negotiations are covered. Ethical issues in business should be discussed within the broader philosophy of balancing seller and buyer needs with societal good. Discussion also focuses on seeking out opportunities proactively in an ever-changing world. Learning points from the first four days are summarized through discussion

Session 1

Ethics

Ethics as Buyers and Sellers

The instructor should invite participants to share their perspectives about ethics as buyers and sellers and note issues on a chart. Participants may use different words such as justice, trust, honesty, and fairness. After discussion, the instructor should summarize that an important element of ethics is to follow the golden rule stated in many philosophies to “treat others, as you want to be treated”. Hence, as a seller, one should treat buyers as one would like to be treated as a buyer and vice versa. Also, the customer-oriented business philosophy covered in earlier days is based on mutually beneficial exchanges that are honest and fair. The figure of a balance shown earlier should be used here.

Rationale for Ethical Practices

- The instructor should then encourage participants to discuss the rationale for engaging in ethical practices. Participants may present different reasons for the necessity to be ethical such as spiritual consequences, legal implications, social obligations, moral responsibility, decent behavior, and healthy attitudes. The instructor should probe each of these reasons. Participants may respond with reasons such as respecting religious faith and fear of God. The instructor could quote the statements on ethics in all major religions. The Golden Rule goes beyond the religious realm and appears in some form in all major world religions and philosophies.

Ethics in Business

The instructor should use the broader dialogue on general ethics to lead the discussion into "Business Ethics" and ask participants what the role of ethics in business is. Soliciting participants' responses on how they wish to be treated could lead to broader dialogue on general ethics. The responses may include the following.

- Respecting individual's feelings & inherent dignity
- Providing honest feedback
- Listening carefully
- Being polite and honest
- Avoiding cheating and deceptive behavior
- Engaging in sincere partnerships or relationships
- Tolerating/pardoning inadvertent mistakes
- Avoiding unnecessary suspicion

- Living up to commitments
- Extending help in times of need

The instructor could ask whether customers and sellers expect such treatment from their respective partners in the business transactions. To stimulate further discussion, the instructor could ask participants to recall any arguments between sellers and customers they witnessed in the past and to explain it further without disclosing specific information about other individual sellers or buyers. They could be asked to list out the potential reasons for quarrels or conflicts between buyers and sellers, such as when each one considers the other's actions as unjustifiable. Participants may present potential reasons for argument or quarrels that may lie either with sellers or buyers as given below.

- ❖ Personal interaction style not satisfactory
- ❖ Failing to respect individual's opinion
- ❖ Complaining to others behind one's back
- ❖ Seller charges more than market rate or unjustifiable rate
- ❖ Quality of purchased product not good
- ❖ Product not delivered on time or at the requested place
- ❖ Products delivered not matching buyer's order
- ❖ Seller or service provider not taking responsibility for poor good or service but passing the responsibility to others such as manufacturers
- ❖ Return or exchange of defective goods not accepted
- ❖ Payments not made as agreed
- ❖ Buyer not accepting goods made based on earlier order

The instructor should facilitate the discussion and ask why conflicts happen. Responses can be paraphrased in terms of someone failing to fulfill expectations. The instructor should ask what general expectations are and highlight responses on general ethics. As some of these expectations are common to everyone, as a seller, one should treat buyers as one would like to be treated as a buyer and vice versa.

The instructor should clearly distinguish ethics from legality and ask what participants mean by legal implications and why there are codes and rules. For instance, some actions may be legal but unethical. The responses from the participants may be as follows.

- ❖ Codes reflect the moral, social and cultural obligations of citizens to their society
- ❖ Codes/rules provide guidance to resolve disputes between two or more persons

The instructor should request participants to list out ethical practices in business. Answers and key words about business ethics should be noted on a chart. Responses are likely to include aspects such as trust, honesty, professionalism, concern for customer need, polite treatment of customers, correct weight/measurement, and respect for customers.

Responses about the rationale for application of ethics in business may be as follows:

- ☞ Treat partners with respect
- ☞ Promote the business
- ☞ Create trust among the stakeholders
- ☞ Widen the customer base
- ☞ Maximize/increase profits
- ☞ Establish/create brand name
- ☞ Avoid disagreements and comply with legal and social obligation

☞ Create trust and repeat business

The instructor should remind participants of a session on Day 1 about the role of money in the evolution of exchanges. The instructor should paraphrase responses that suggested that an ethical way to consistently create wealth is by satisfying the material needs of others. Profits and rewards would be the result of fulfilling legitimate expectations of customers and business partners. Therefore, ethical behavior also can make good business sense. This point needs to be emphasized in summarizing the rationale provided by participants for ethical behavior.

The instructor should remind participants of a customer oriented business philosophy, and contrast it with a production orientation or a selling orientation. In a customer orientation customer needs are balanced against profit-making. The figure of a balance can be used to emphasize mutually beneficial exchanges through ethical business practices. The instructor should point out the need for sellers to treat themselves as customers and assess whether they would accept certain unethical behaviors. This is akin to sellers viewing their own products or ideas for products from the customer's perspective to see if they would buy the product.

Ethics, Business, and Society

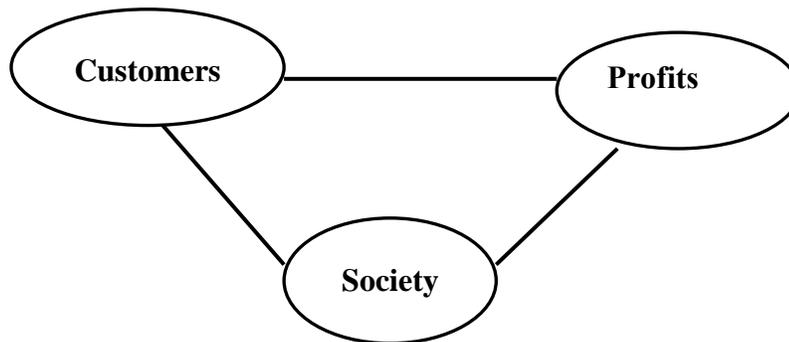
The discussion can be broadened to include the third element in addition to buyers and sellers, i.e., society. An example should then be used to bring out the importance of the third factor, that is society. For example, trees have been razed down to use wood for basic human dwellings and other purposes. Later, customer oriented products such as plywood and readymade wooden sleepers with different dimensions were introduced in the market. However, over usage of woods leads to deforestation and affects the ecology.

Agrarian societies produced vegetables that were consumed by the people at large. Growing high yielding varieties, and using fertilizers are some of the ways through which production and

sales of products have been increased. Vegetables are processed for instant use and customer services are increased to make the product customer-oriented. Now, society recognizes the effects of chemical fertilizers and stimulants used in the cultivation of vegetables and chemical flavors used in vegetables processing. Customers are now encouraged to buy vegetables cultivated from organic and eco-friendly farming methods.

The instructor should draw a diagram shown below to explain the need to balance three elements; customers, profit, and society (Figure 1).¹¹

Figure 1



The instructor could state that a seller may follow business methods to gain high profit without concern for the other two elements in the figure and ask participants whether it is an acceptable and ethical business practice.

- * Selling rotten fruits or vegetables or defective products
- * Selling adulterated goods to yield more profits
- * Storing and selling food items in unhygienic places or exposed to bees and flies to avoid overhead costs, making customers vulnerable to communicable diseases.
- * Supplying banned drugs, which have high demand in the black market that could fetch high profit

The instructor should ask participants what they consider as right ways of doing business while keeping society in mind. The discussion should be on examples of unethical practices, which would be against the interests, and well-being of customers, sellers and society. Also, the point should be made that good ethics can make good business sense, establish trust among customers, and lead to repeat purchase and loyalty. Examples from participants can be used that show trust in specific sellers because of ethical practices.

Examples that can be discussed include the following.

Customers and sellers enter into written or oral agreements. Written communications, order forms, and bills, are examples of business activities based on written agreements. Oral enquiries and normal buying practices in the vegetables, fruits and flowers markets, provision stores, and road side or small scale eateries, are examples of conducting business based on oral agreements.

Disputes may arise when the parties to the agreement fail to comply or deviate.

Customers approach tailor shops with the trust that their cloths would be stitched as per the normal requirements. Customers buy packed food items or wheat flour in plastic packets, shielded electronic products, or colored cloth, with the trust that they would be as per the specifications and quality indicated by the producers. Often, the quality of the product may not be verifiable during purchase. Some disputes may arise when partners can't expect and act on the premises that the seller will perform their roles competently and provide products of acceptable quality.

Buying a product or selling a product is not a one time event for customers and sellers, respectively, but they are partners in the business. Both have expectations and commitment to being responsive to requests, and both should respond to any possible opportunity to improve value. Partners who are unethical, who do not take initiatives to continuously improve value and

who take unfair advantages breach goodwill. Customers should also have reasonable expectations from products.

The instructor should invite participants' responses on how sellers and customers could avoid such disputes and maintain ethical relationships in business.

Their responses may include honesty, trust, and avoidance of deceptive practices. The instructor should facilitate the discussion to enable the participants to understand the role of clarity, equity and justice in achieving the ethical exchanges. Buyers and sellers must have clarity as to what they could expect from other people and what they have agreed on.

For example, as discussed in Day 2, a seller should clearly inform buyers about the warranty period on products, and buyers should also enquire and confirm the same before purchases.

Partners must have clarity about the configuration of the product to be supplied. Sellers or buyers should not discriminate based on gender, caste, creed, income or literacy level, and religion.

Buyers and sellers should provide an opportunity to the other party to present their views and concerns. Sellers and buyers should avoid coercive language like "Do this or else," and, instead develop a language of choice, such as "Let's try this". Principled negotiations will occur only when there is trust, candor, and forthrightness in a relationship where both partners spell out their wants.

Sellers should be ethical in transactions, take initiatives to continuously improve value and avoid taking unfair advantages. Buyers and sellers should create opportunities to resolve their differences through one on one interaction, and respect for other's views and problems.

The instructor should ask participants whether buyers and sellers should identify and understand who is right and who is wrong or what is right and what is wrong. The discussion should be

facilitated to conclude that a workable business ethical system is based on mutually beneficial exchanges with full information, mutual respect and empathy.

Central here is concern about fellow human beings and society as a whole. Through consistent ethical behavior, trust can be established, which allows genuine business partnerships to form and to grow. Lacking such ethical behavior, customers, profits and society may suffer, i.e., all three elements in the triad that need to be balanced.

Session 2

Costs and Accounting

Participants should be asked to study the chart with their expectations that were noted down on the first day. The instructor should ask participants whether all expected topics and issues were covered in the past four and half days. Perhaps, they may agree that necessary topics were covered except imparting specific skill training to produce a product. The instructor should underline their expectations on how to run a business without loss or how to identify the profitable business to lead the discussions on cost and accounting. The instructor should revisit the charts that present the issues and topics covered in the past four and half days and ask the participants whether it is sufficient for a businessperson to run a profitable business. The instructor should also ask participants how an entrepreneur could review the business to assess its profitability.

Cost Analysis

The instructor should ask participants to list out all expenses including product costs and administrative costs involved in running a business. Preferably, participants can work in groups

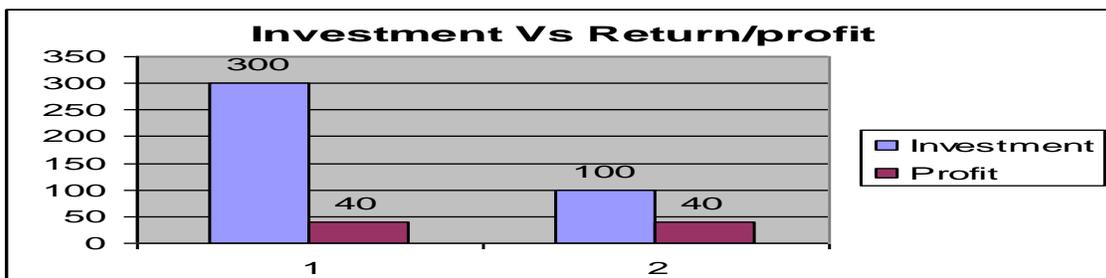
and use the product they have worked on in the previous two days and consider all the costs associated with running a business. The instructor should facilitate the discussion and classify the points as given below to explain various costs. Participants should be asked to consider product and administrative costs including the purchase of ingredients, processing, manufacturing, transporting, distribution and promotion of products.

Another area that should be covered in detail is the distinction between fixed and variable costs. Using the example above, costs should be divided into fixed and variable costs. Understanding the nature of these costs is important for making decisions about how many units to produce and how to break even. Again, the example above should be fully worked out to show break-even.

Return on Investment

Sellers need to compute the return on their investment when running a business. For example, a seller could invest Tshs.300/- on plastic bucket business and makes Tshs 40/- as average daily profit. The same seller could invest Tshs100/- in selling tender coconuts getting receive the same Tshs 40/- as average daily profit using the remaining Tshs 200/- for investment elsewhere (Figure 2).

Figure 2



Opportunity Cost

Opportunity cost is the cost of an opportunity lost or the cost of not pursuing an alternative. It is the income individuals are forced to forego when they cannot pursue a specific alternative because they choose another.

- A person who is working in a company earns Tshs 2500/- per month without any additional expenses on job and gets Tshs 500/- every month as income from the deposit of Tshs 10000/-. The same person could earn Tshs 2500/- on average per month from a new business with the investment of Tshs 10,000/-. The person would therefore make a loss of Tshs 500/- per month after deducting the opportunity cost Tshs 3000/- from salary through alternative investment of time, energy, and skill, to an employer and Tshs 500/- from the interest on deposit. However, the business may have potential to expand whereas the job may be uncertain in the future. The point here is to consider all costs in a decision along with various factors that cannot be quantified.

Accounting

The instructor should ask whether businesspeople need to know the answers to the following.

- ❑ Whether their business is profitable?
- ❑ What happened to their investment?
- ❑ What are the outstanding dues from the customers or suppliers?
- ❑ What are the amounts payable to suppliers or financiers?

The instructor should ask participants how they could find answers to these questions. The instructor should remind participants that there are sellers who assess their business performances without proper records. The common perceptions among those who run their business without maintenance of records may be as follows.

- ❑ Spending lot of time or investing more manpower will yield profits.
- ❑ Buying cheaper materials and selling it in the market will lead to profit and sustain the business
- ❑ Broadening the customer base will help to expand the business and lead to more profit.
- ❑ High turnover will help the seller to increase profit
- ❑ "Rotation" i.e., increasing capital through borrowing or buying more products through credits and supplying to the customers for credit sales will help achieve profits

However, just as conducting research and gathering information from the marketplace is important for making informed decisions, it is important to maintain careful internal records to make informed decisions. Accounting records enable informed financial and other business planning. Because sellers run businesses to make a profit, they should analyze costs associated with various aspects such as customers, products, prices, promotion, and distributions. This would be possible if they have permanent records and actual figures for proper and periodical analysis. This is no different than a buyer asking for a full listing of products purchased and money paid.

A seller may seek the help of their siblings, relatives or acquaintances to maintain records and analyze it periodically. This would help them to keep control of the resources in order to maximize the profit and sustain the business.

The instructor should facilitate the discussion and summarize likely responses as follows:

- Record keeping may not have been prevalent as long as the commercial activities were based on the barter system where the exchange occurred directly and one on one.
- Recording business transactions likely became important after the introduction of money.
- A seller has to extend customer services by way of expanding the customer bases or retain current customers and may have to depend on credit transactions.
- Sellers receive cash or materials in exchange for products supplied or machines or manpower. Likewise, sellers have different types of expenses. They take loans or make credit purchases from others and give credit to others. Hence, they must know the exact figures/transactions to assess the status of their business periodically.

It would be useful to revisit costs analyses from previous exercises, such as the ones on product management, and pricing, to emphasize the inclusion of *all* costs, e.g., including costs such as transportation or use of electricity at home for business purposes. Accounting enables systematic planning by providing accurate information. Moreover, in preparation for Day 5, half the participants can be asked to maintain accounts on paper in Day 2 for the next three days. In the current session, these participants as well as the other half of participants can each be asked to recall their expenses to show that writing down expenses provides a more reliable summary.

Purposes for maintenance of records include the following.

- ❑ To have permanent records of all the business transactions to refer to as needed.
- ❑ To prevent or minimize misunderstanding or conflict with business partners such as buyers, sellers, and intermediaries.
- ❑ To maintain records of income and expenses in order to calculate profit and loss, and assets and liabilities, and ascertain the progress of the business.

- ❑ To monitor and control expenses, to maximize profits, or to minimize losses.
- ❑ To maintain records of customers and suppliers and track pending dues.
- ❑ To have information for legal and statutory requirements such as registration with departments, and for tax purposes.

Open Session for Clarifications

The instructor should invite participants to organize aspects such as customers, research, product, price, distribution and promotion in concentric circles to reflect the orientation of the educational program (Figure 3).

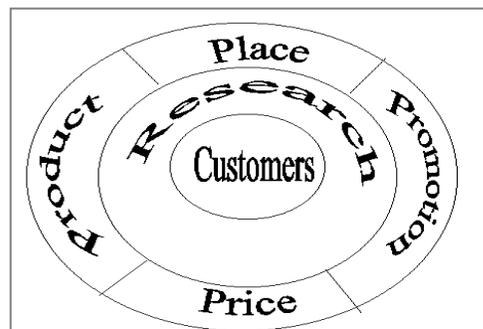


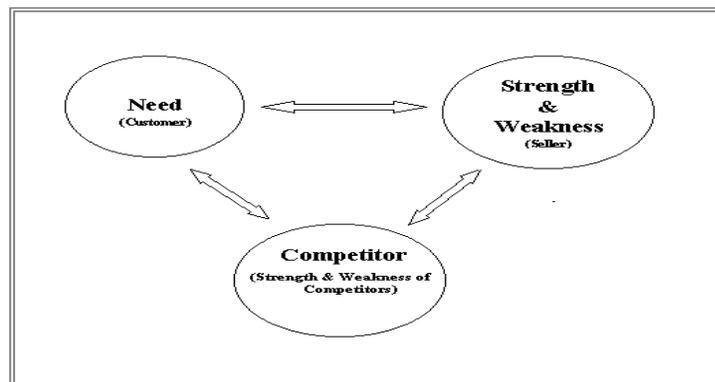
Figure 3

The instructor should ask questions and suggest different configurations as a way of drawing out arguments about the figure. The instructor should paste the charts completed on Day-1 that pertain to prioritizing elements of business by participants at the beginning of the educational program and ask participants whether they find any changes in their perspectives. It could be used as one way of evaluating the effectiveness of the educational program. It would serve to

evaluate effectiveness of teaching methods on issues and topics covered in the five days and assess the value to participants.

The instructor should once again ask participants what would be the first step in evaluating business opportunities and use the following diagram (Figure 4).

Figure 4

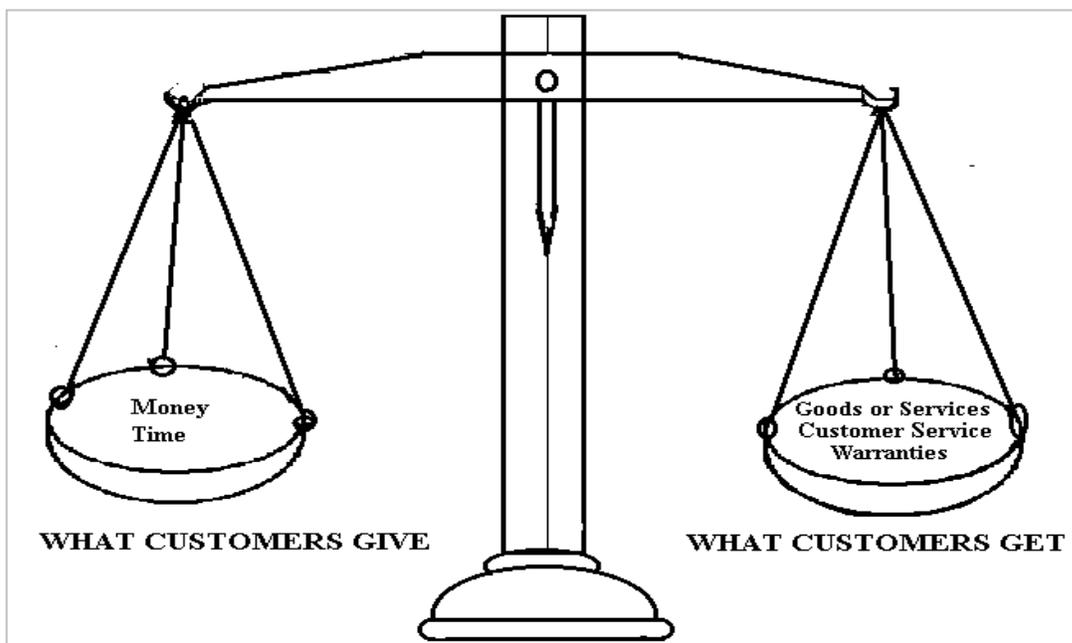


The instructor could use this session to explore possibilities of introducing innovative goods or services and encourage the participants to exploit the potential in the marketplace, such as selling sliced ready made vegetables for cooking, or delivering goods and services to the doorsteps of customers. This session could explore livelihood opportunities in the specific context where the program is conducted. This is particularly important in an era of globalization characterized by large changes that impact individuals living in subsistence. A brainstorming session customized to specific contexts can be very useful in this regard.

Summary

The instructor should facilitate a group discussion to summarize key learning points in all five days, and paraphrase the main points as given below. Participants should be reminded of the concepts to be applied to facilitate mutually beneficial exchanges between buyers and sellers. A diagram of a scale with the customer on one side and the seller on the other used in Day 2 should be shown to conclude the discussion (Figure 5).

Figure 5



Day-1

- Expectations of participants at the beginning of the educational program.
- Marketplace exchange and its evolution over time.
- Goods and services, segments, multiple exchanges lead to value chains with value being added at each stage.

Day-2

- Positive and normative practices of customers, making informed decision, customer's rights and responsibilities, judging value, the trade-off between what customers give up and what they get.

Day-3

- Using a customer-oriented philosophy of running a business.
- Evaluating business opportunities through systematic assessment of needs, strengths & weaknesses and competition.
- Using research to gather information.
- Basics of consumer behavior.
- Customer oriented product management.

Day-4

- Understanding value and setting price.
- Understanding value chains and making distribution decisions.
- Promotional methods- fitting specific promotions to objectives such as awareness, and interest.

Day-5

- Ethics.
- Relationships between customers, profit-making and society.
- Trust and conflict management in business to maintain ethical relationships.
- Costs and cost analysis.
- Accounting and records.

A. Conclusion

As a conclusion to the educational program, the following elements can be covered.

- Participant's feedback about the educational program
- Valedictory note and distribution of certificates if applicable
- Distribution of incentives to participants if applicable
- Vote of thanks

Summary

The program described here is the longest version we have conducted to date in a order to provide as much detail as possible. However, in practice, what is currently being offered are 1 or half day consumer literacy programs that cover what is presently under Days 1 and 2 in terms of basics of marketplace exchanges and consumer literacy and 2 or 3 day consumer and entrepreneurial literacy programs. In a one-day or a half-day consumer literacy program, much of the discussion can be compressed wherever indicated to cover the following. Introductory remarks can be compressed and ice-breaking exercises and other games can be eliminated.

Registration

Introduction – Ice-breaking exercise omitted

Expectations - Compressed statement by instructors

Prioritizing Elements of Business

Evolution of Exchange

Customers, Consumers and End users

Goods, Services and Segments

Value Chains

In our experience, it is possible to cover these topics in about 2-3 hours and then move to the second major topic of consumer literacy. Here, the role-plays for vegetable shops, and for a grocery store, as well as the quiz can be completed in 2-3 hours while emphasizing the points below.

Consumer Literacy

Understanding and Assessing Products

Value in Exchanges

Skills and Knowledge for Consumer Decision Making

Consumer Rights & Responsibilities

In sum, these two major topics can be covered either in a 1-day program or in half or $\frac{3}{4}$ of a day as needed. These topics provide the basis for the entrepreneurial literacy education. All aspects of the entrepreneurial literacy education need to be covered and can be done so within time constraints., averaging about an hour per topic.

Review of Business Perspectives

Evaluation of Business Opportunities

Elements of Research

Consumer Behavior

Product Management

Price

Promotion

Distribution

Ethics

Costs and Accounting

A consumer and entrepreneurial literacy program could be conducted in 1, 2 or 3 days as per time constraints. A number of approaches are being experimented with currently including a long day where the entire program is covered and an electronic form of teaching that reduces instructor intensiveness.