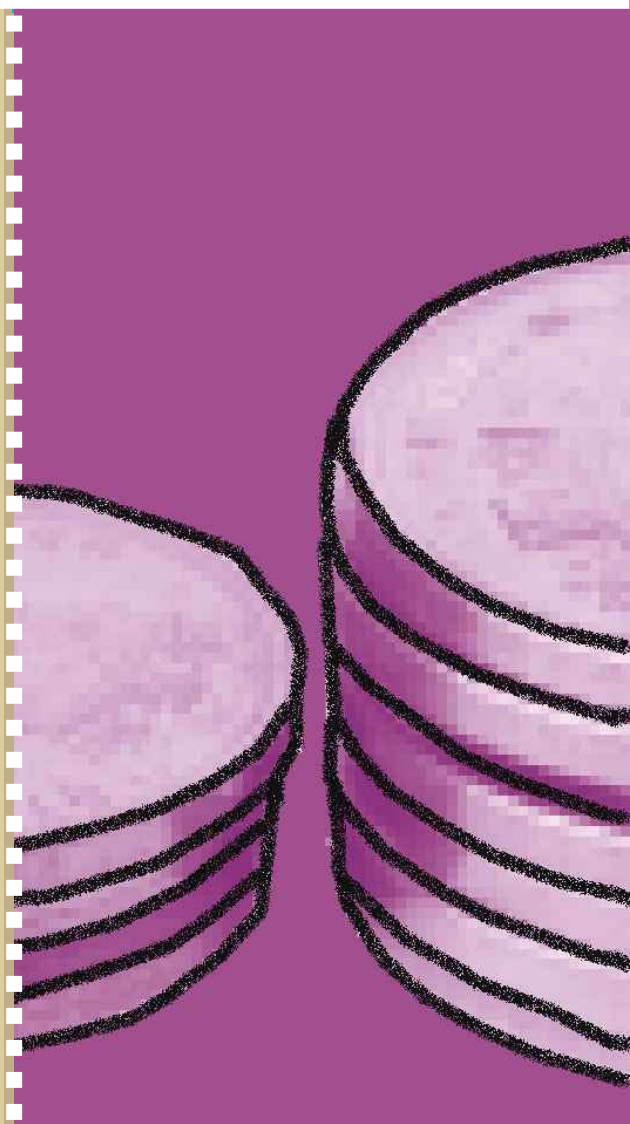




PACKAGING, PRICING & STORAGE



BOOK THIRTEEN

Packaging, pricing & storage

CONTENTS

1. Outcomes
2. Introduction
3. Packaging
4. Pricing
5. Storage
6. Assessment

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BOOK THIRTEEN

Outcomes

1

Mojalefa is a successful businessman. One of the reasons for his success is that he did some careful planning right from the beginning. He knew that it was important for the image of his business to use good quality packaging for his products. He also realised that there were some important aspects to keep in mind before deciding on a price for his product. He knew that his supplies could be damaged if he did not store them correctly.

Let Mojalefa himself tell you about his business and how he decided what to do about packaging, pricing and storage.

"Hallo! My name is Mojalefa. I run a small business in one of the rural districts of our country. My business is a cooperative for all the farmers in my area.

There were many things that I did not know when I decided to become a businessman. One of the things that I realised when I started the cooperative, was that I needed some information about how to package, price and store my goods. I came across this booklet that showed me what to look for when deciding on these matters. I found the booklet very handy.

What did this booklet teach me, and what will it teach you?

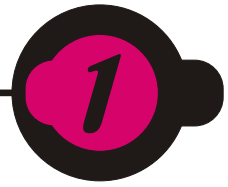
Like me, when you read this booklet carefully, you will learn the following:

- ▶ the valuable role of packaging in your business
- ▶ which aspects to bear in mind when you put a price on your product
- ▶ how to organise your storage room
- ▶ what to avoid when you store your goods before selling them

Finally, there are some questions at the end of the booklet that you can use to test your understanding of the kind of facilities and equipment that you will need for your business.

Good luck!"





After studying this booklet, you will have a good understanding of

- ✓ the valuable role of packaging in your business
- ✓ which aspects to bear in mind when you put a price on your product
- ✓ how to organise your storage room
- ✓ what to avoid when you store your goods before selling them

Outcomes

... continued

Introduction

Whenever one is starting a new business, it is important to think about how you should communicate with your potential customers. The aim of communication is to:

- tell customers about the goods that you are selling or the services that you are providing
- make your goods or your services as attractive as possible to your customers and potential customers
- tell customers about your company, the nature of your business and where it stands in the market
- find out what your customers like about your business and your products
- find out what your customers don't like about your business and your products

You can use the **packaging** of your products to tell your customers about all these things. Packaging can be a very powerful communication tool.



The way in which you package the products and goods that you plan to sell, is a practical method of communication with your potential customers. The packaging can tell them about your products and your business. The design of a package is not just about the look of the wrapping paper or the container in which you put the product. The packaging is an advertisement in itself. The wrapper or container can give information about the product, as well as about your business in general.

Introduction

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2

The **price** that you ask for your goods, must attract your customers. Price is the biggest single factor that makes your business different from all other businesses that sell the same type of goods and products. The price represents two things:

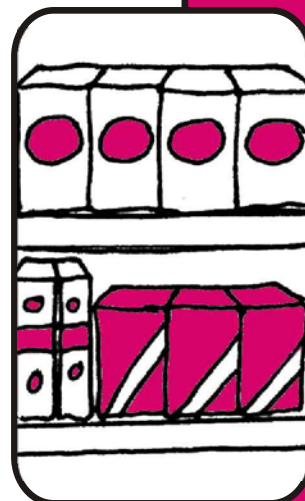
- what it has cost you to produce the product and to have it available in your store
- added to this, the value that the customer will be willing to place on the product and on the good name and reliability of your business.

When you add up these two price factors, it will give you the price that you can ask for your product.

If your price is too low, you will loose money and you will not make a profit. If your price is too high, the customers will not buy your product.

Storage is about looking after your products and goods properly before they are brought into the sales area. If you do not look after them properly, they will loose some of their quality and value. Sometimes, if you are not careful, some of your supplies might be destroyed completely. Then your business as a whole will start losing quality and value.

Let us take a closer look at the very important factors of packaging, pricing and storage.



Packaging

Almost all products need packaging at some stage while they are produced and distributed. Packaging is an advertising and marketing technique. It is also a practical way to contain, protect, identify and help the selling and distribution of products to the consumer.

Your customers must be able to identify the product by simply looking at the package in which it is sold. Therefore, you must print its details and value directly on the wrapping material or container. You can also put a separate label on the product with this information on it.

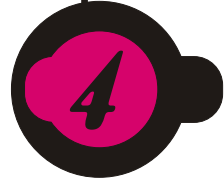
The package works in two ways. On the one hand, it must keep the contents pure and fresh and protect them from the outside environment. On the other hand, if the contents are potentially harmful, for example poisonous material, the package must also protect the outside environment against the possible effects of the contents.

Packages are usually made of basic materials such as paper, paperboard, glass, wood, textiles, metal and plastics. Packages must be designed to attract the attention of the shopper quickly. It is true that most customers plan and think about it very carefully before they finally decide to buy a certain product. However, customers also tend to buy on impulse when they are in your shop. If your product looks attractive, they will decide to buy it at the moment when they see the product for the first time and pick it out from among other items in the shelf.

Packaging can also cause pollution of the environment. You can play your part in controlling pollution by choosing packaging material that can be recycled. Recycling means that the material is used again to produce new packaging. Some materials will degrade naturally to form harmless components and become part of nature again.



Pricing



Setting the right price for your product is a matter of giving and taking. The ideal price is a point somewhere between the following two marks:

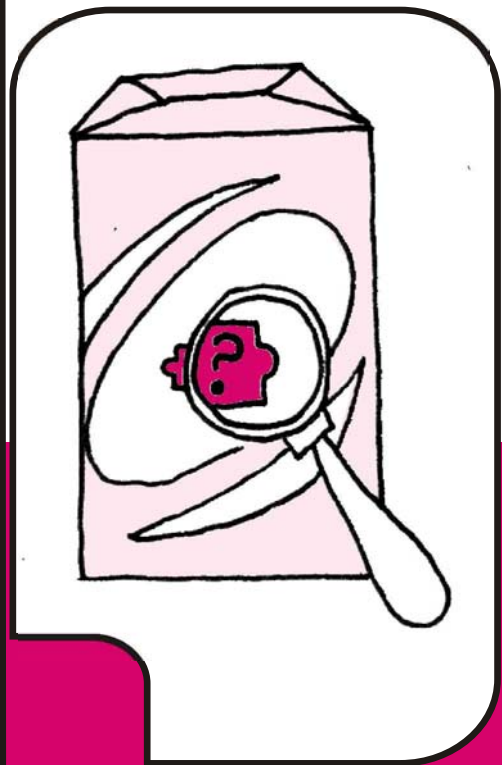
- ↳ the lowest price that the seller will be willing to ask for the product
- ↳ the highest price that the consumer will be willing to pay for the product

If one finds the right balance between these two marks, one will have a price that is acceptable to the seller as well as to the buyer. The price must be high enough to cover all your costs. It must also be high enough for you to make a profit. At the same time, it must be low enough to draw customers to your shop.

There are three basic factors that you must take into account when you fix a price for your product. These are:

- ◉ Market
- ◉ Competition
- ◉ Cost

The **market** is the place where sellers and buyers come together. Your shop is therefore also a market. **Market** also refers to all the potential customers who might want to buy your product. **Marketing** is what you do to reach your potential customers and convince them that they should buy your product. Pricing forms part of your marketing plan. You must know your market very well. Then you will be able to price your products according to the nature of the market.



4

Sometimes the market price will be fixed. It means that either the selling price or the buying price is controlled. If the selling price is controlled, all the sellers of the same product will get the same price for their product. If the buying price is controlled, all the buyers of the same product will pay the same price for the product, no matter where they buy it. This is the case, for instance, with petrol. Every buyer pays the same price for petrol, because the government controls the price.

Farmers often have to sell their produce at a fixed price. Let us take an example.

Sello is a maize farmer. He sells his maize to the local co-operative. The cooperative has an agreement with all the farmers in the area to buy their maize at a fixed price. In this way, Sello knows beforehand that he has a buyer for his product. He also knows how much the cooperative will pay for his product. This allows him to plan his farming activities. For example, the cooperative will give him fertilizer on credit, because they know that he will be able to pay for the fertilizer after the harvest.



Competition means that there is more than one business selling the same product, usually in the same area. The customer will compare the price that you ask for your product with the price that your competitor is asking for the same product. If your product is cheaper, most customers will buy your product in stead of your competitor's product. One must remember, though, that price is not the only factor that will influence the customer.

Pricing

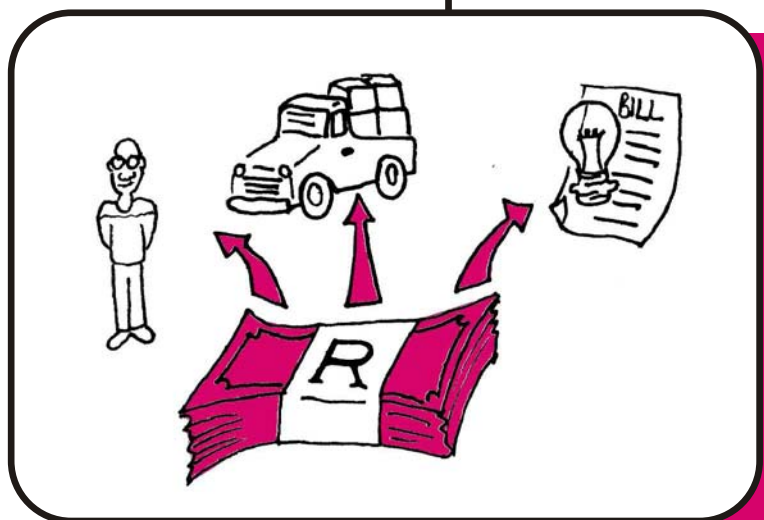
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Cost refers to the total amount of money, time and labour that you have to spend in order to present the product to the customer. Cost must be calculated accurately, so that you will be able to recover your cost in the price that you ask for your product. Your profit margin will be the difference between cost and selling price. Let us look at the following example:

Sello is not only a maize farmer. He also runs a small shop on his farm where he sells general goods to the farm workers in the area, such as tobacco, candles, soap, sugar, tea, coffee and bicycle parts. Sello employs one shop assistant, because it is not possible for him to work in the shop himself. Once a month, Sello goes into town to buy supplies at the supermarket. He uses the supplies to replace the items that he has sold in his shop. How must he calculate his costs, and how should he price his goods, to make sure that he makes a profit? Let us make a simple calculation by taking coffee as an example.

Sello cannot ask his customers the same price that he has paid for coffee at the supermarket. He will lose money. Apart from the price that he pays at the supermarket, he has other costs too. He has to pay his assistant. He has to pay for transport into town and back. He has to pay for electricity. Somehow, he must recover these costs. The only way to do it, is to ask a higher price for the coffee. Then he must still make a profit too.

He can raise the price even a little bit more, because that will represent the value that he brings to his customers. If they had to go into town themselves to buy the coffee, it will cost them money, time and effort. If they add everything up, it will be cheaper for them to buy coffee at a higher price from Sello, than to buy it in town at the supermarket at a lower price.



Pricing
... continued

Therefore, Sello can price his coffee as follows:

Supermarket price: 1 kg of coffee	R7.50
Part of assistant's wages	R0.50
Part of transport costs	R0.25
Part of electricity cost	<u>R0.25</u>
Total real cost	R8.50

Add: value for customer	<u>R0.50</u>
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Total cost	R9.00
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Selling price at Sello's shop	R9.00
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Sello's real profit is the added value for the customer:

Difference between real cost and selling price	R0.50
Profit per 1 kg tin of coffee	R0.50



Pricing

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Storage



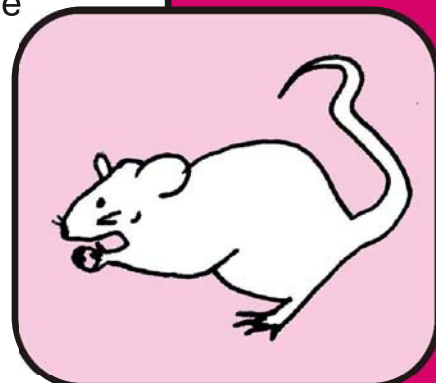
Storage can cost a lot of money if you do not give proper attention to it. Usually, all the products that you sell will be stored for a while before they are moved to the sales area. You must make sure that the air can circulate freely in the storage area. The store must be kept clean and dry at all times. Look out for the following enemies of proper storage:

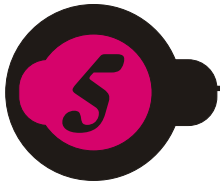
Temperature: If it is too hot in the storage room, some of your goods may be damaged. Chocolate, for example, will melt if it is too hot. Many manufacturers will specify that their products should be kept in a cool place. Even though it may not always be visible, too much heat over a period of time can spoil many products.



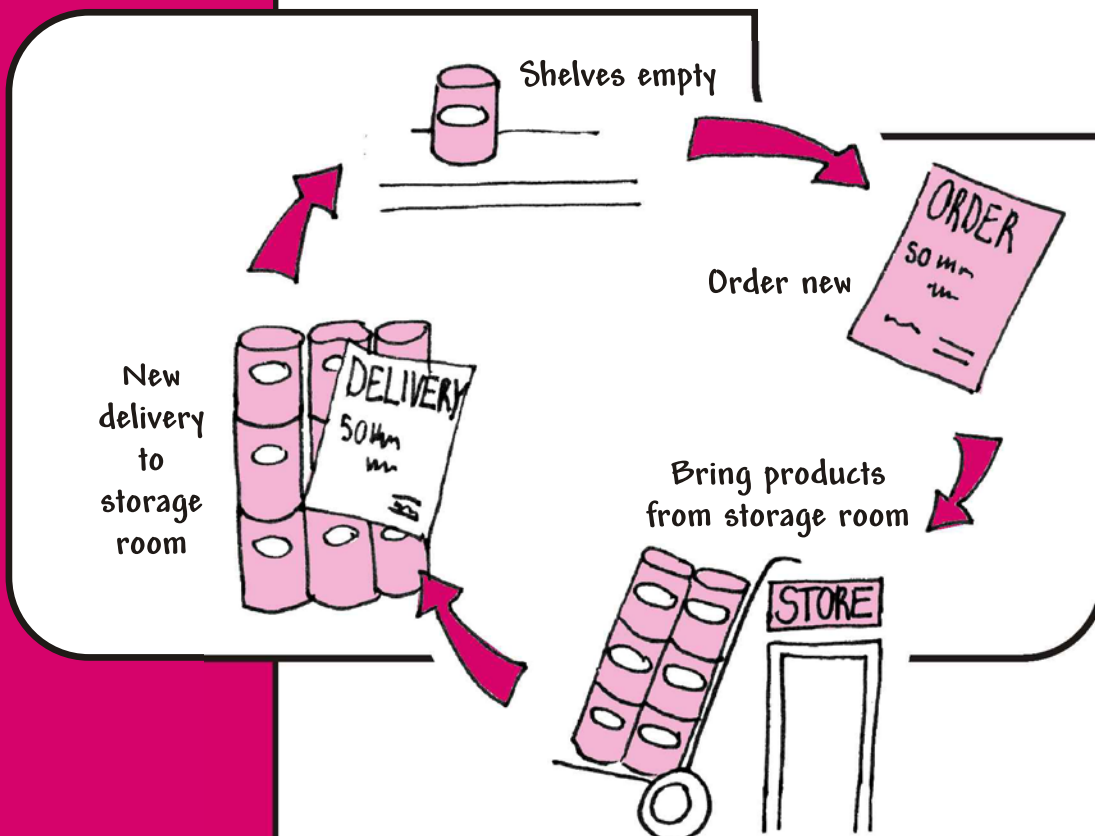
Damp: A damp storage room is a bad storage room. Damp, or humidity, is one of the worst enemies of a shop owner. Most products will turn bad when exposed to damp, for example, sugar will melt, cement will set, wood and paper will rot and metal will rust. Nobody will want to buy them.

Pests: Pests are one of the worst disasters that can take place in a store. Mice and rats can cause severe damage to packages and especially to foodstuffs. If customers find insects in food, they will never buy at your shop again. The storage place should be inspected at least once a day to make sure that there are no pests. It is a good idea to ask a pest control company for advice on how to prevent pests from settling down in your shop and storage room.





Apart from keeping out the enemies, there must be **order and method** in your storage system. The storage room must always be kept neat and tidy. Goods must be stacked in proper order to ensure that the product that has been stored first, will be the first one to leave the store. The motto is "first come, first sold". There must be a proper system in place between the sales area and the storage area to make sure that existing supplies are sold first. For example, when you start running out of coffee on your shelves, you will normally order a new supply of coffee from the manufacturer or supplier. The coffee supplies that have been kept in the storage room, are brought out and placed on the shelves. When the new batch of coffee arrives, it must be placed in the storage room. The order of this cycle must never be broken. You must never leave old supplies in the storeroom and place the new supplies on the shelves in the sales area.



Assessment



Read the following questions carefully. Then try to answer them as well as you can:

1. Why is it important to present your product in a good quality package?
2. What are the different kinds of material that you can use for packaging?
3. How can packaging help you to communicate with your market?
4. Which are the three main factors that you must keep in mind when you decide on a price for your product?
5. Explain what the ideal price for your product will be.
6. What must you avoid while you are storing your supplies before selling them in the shop?
7. What does it mean when we say, "first come, first sold"?

