

Cooperative Marketing

Level-II

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Standard

Module Title: - Conduct Cooperative Marketing Modalities

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Introduction to the Module

Dear learner, the Ethiopian TVET system is now focused on the labor market demands and industry relevance. This translates that the main objectives of the TVET system is to qualify its graduates according to the occupational requirements of the industry. This unit of competency describes the knowledge, skills and attitude required to apply contract, commission, direct and commodity exchange marketing modalities of cooperatives. According to K. R. Kulkarni – “Co-operative marketing is the marketing for the producers and by the producers that aims at eliminating the chain of middlemen operating between producers and the ultimate consumer and thus securing the maximum price for their produce.” Cooperative Marketing emphasizes the concept of commercialization, although the economic motives and characters make them stand apart from other associations. The method of operation often resembles private businesses, but the differences in their respective reasons are essential.

A marketing platform enables businesses to promote their products and services. It also allows companies to create an interactive system of communication between their business and customers.

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LG #11	LO #1 Cooperative Marketing Platforms
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<p>Instruction sheet</p> <p>This learning guide is developed to provide you the necessary information regarding the following content coverage and topics:</p> <ul style="list-style-type: none"> • Introduction to the module • An overview of a marketing modality • Cooperative marketing modalities • Unique benefits of marketing modalities • Assessment of marketing modality opportunities <p>This guide will also assist you to attain the learning outcomes stated in the cover page. Specifically, upon completion of this learning guide, you will be able to:</p> <ul style="list-style-type: none"> • Have insight of a marketing modality • Identify cooperative marketing modalities • Identify unique benefits of marketing modalities • Assess marketing modality opportunities <p>Learning Instructions:</p> <ol style="list-style-type: none"> 1. Read the specific objectives of this Learning Guide. 2. Follow the instructions described below. 3. Read the information written in the information Sheets 4. Accomplish the Self-checks 5. Perform Operation Sheets

Information Sheet 1

1.1 An overview of a marketing modality

A marketing platform is a tool that links marketers and consumers and builds awareness, engagement and community. The first goal of an effective marketing platform is to enable companies to build relationships with consumers. The second goal is to enable companies to convert their prospects to customers and provide products or services. A marketing platform also offers companies the ability to target individual consumers and personalize marketing messages to them.

There are four alternative marketing platforms for cooperatives to be able to achieve the following goals:

- to build relationships with consumers
- to enable companies to convert their prospects to customers and provide products or services.
- to target individual consumers and personalize marketing messages to them

1.2 Cooperative Marketing Modalities /Platforms

1.2.1 Contract Farming

Contract farming is an agreement between the producer and the buyer on terms and conditions of production and marketing of farm products. This type of agreement includes the price to be paid, quantity and quality demanded, delivery dates and sometimes detailed information on inputs and production methods i.e. using traceability system. In the contract, the type of commitment, responsibilities, and sharing of rewards and risks are clearly discussed, agreed upon and specified. Developing the trust between the company and the farmer contractor is critical for success in contract farming. Each party must honor its commitments for the smooth operation and management of the relationship. Developing the trust takes time and efforts by both parties. Continuous flow of significant benefits from the venture to both parties will strengthen the relationship and trust among them.

Contract farming provides better linkage among production, processing, and marketing, and all actors in the value chain—farmers, retailers, custom hire machine operators, retailers, traders, processing companies, and bankers—are key stakeholders. Banks provide credit to support and facilitate the win-win contract farming arrangement between farmers and companies. Some companies may share a part of their profit with farmer contractors to enhance trust, participation and sustainability in contract farming.

1.2.2 Commission Based Marketing

Commission Based Output Marketing – A process through by which an individual producer or group of producers control supply to the markets through a cooperative society or association, which is appointed by the product owner(s) to market the product on behalf of the producers, and is paid a commission according to a mutually agreed percentage of the unit sale price in lieu of service fees. The concept of commission based marketing is employed internationally in various sectors, from secondary (such as automobile manufacturing and sales) to creative industries (such as athletes and other talent agencies) on to tertiary, service based industries (such as real estate brokers and salespeople). The one commonality across these diverse sectors that use commission based marketing is that the producer of the good or service that is being sold appoints an agent to market their product without relinquishing its ownership to the marketing agent. Thus the definition of commission based marketing must comprise two components:

- An individual or group of individuals (known as “Producers”) invests their own time and resources to produce a product or service that they own (example: a rice cooperative).
- The Producers recognize the need for a dedicated “Marketing Agent” or service provider to identify buyers for their product, but this marketing agent (either an individual or group of individuals) does not take part in the production process, or own the production facilities.

When the above two precursors exist, a commission based marketing business relationship is likely to take shape amongst the producer and the marketing agent. Therefore in the agriculture sector, a farmer or collection of farmers operating on their own land and employing their own labor and inputs, would be known as the “Producers”, and as such should own the outputs of their farming activities, while the service provider identifying a buyer for the farmers’ products,

acts as “Marketing Agent” since the sale and delivery can be coordinated by the agent without the agent taking ownership of the farmers’ produce.

1.2.3 Direct Marketing

Direct marketing is part of the promotional mix. Because it communicates directly with customers, it can deliver a higher conversion rate (the percentage of the targeted group that, for example, buys your product) at a lower cost.

Direct marketing is affordable, measurable and enables a business to promote products and services directly to the customers who need it most.

A successful direct marketing program will:

- enable you to reach target individuals in an efficient way
- help you to personalize and customize your messages
- attract new customers and increase their value to your business over time
- support long-term relationships and improve customer satisfaction

Types of direct marketing campaigns:

Text and email campaigns

Direct marketing campaigns centered on texts and emails are a surefire way to connect with your audience no matter if they’re near or far. If you text out an announcement for an upcoming event or promotion, the consumer doesn’t have to open a piece of mail at all. They receive the message on their phone and are much more likely to see it (and eventually attend your event or purchase your product).

Television infomercials

Although it’s been around for decades, running infomercials on television continues to be a successful method of direct marketing. You can run infomercials on national or local television, but you’ll be able to target your audience more accurately if you begin by running your ads locally. If you’re considering placing infomercial ads on TV, consider your audience. Are they young or old? Where do the majority live? For example, if your audience skews younger, select a time slot in the late afternoon or at night. Young kids and college students are at school during the day and running your infomercial at this time is money wasted.

Alternatively, if you're targeting an older audience, a later slot may work best. Think about your audience and their habits before contacting your local station and inquiring about infomercial rates.

Direct mail marketing campaigns

Direct marketing campaigns are a form of promotion intended to allow companies to communicate directly with their target audience using a range of media and channels. Direct mail marketing campaigns were one of the first methods used to target and sell to a company's customers. This method delivers your marketing message right to their door. Direct mail marketing is anything physical such as flyers, coupons, brochures, event invitations, or sales promotions.

Unlike social media, texts, or emails, direct mail can't be scrolled past or deleted. When someone receives a sales coupon in the mail, they're likely to hang onto it and keep it on their counter, in their cabinet, or in their drawer until they can use it. The physical aspect of direct mail is a key factor in how effective it is. The other digital methods may still be effective, but direct mail is one of the most effective ways to boost your company's brand awareness.

1.2.4 Commodity Exchange

In the Commodity Exchanges the commodities are not themselves dealt in. The dealings are made by the members of the Exchange. They may buy and sell both for themselves and for non-members. If they deal in the commodities for the non-members, they receive a commission from the latter. It is a general rule of the Exchange that every transaction should pass through brokers, even though the ultimate buyers and sellers are present in the floor. The transactions in the Commodity Exchange are made for forward delivery.

Functions of Commodity Exchange

A Commodity Exchange performs the following main functions:

- It provides a place for future trading.
- It determines who may be members and who may use the exchange.
- It regulates business dealings.
- It establishes uniform grades for products and a system of inspection.

- It assists in settling disputes in the exchange.
- It acquires and disseminates market news.

1.3 Unique benefits of marketing modalities

1.3.1 Benefits of contract farming

The key benefits for the producer farmer are:

- Increasing income through long-term and stable access to more remote and lucrative markets and a transparent pricing mechanism.
- Access to new technologies.
- Access to improved inputs.
- Access to technical assistance.
- Access to credit facilities.

Contract farming can allow the farmers to obtain these benefits while not having to give up control or possession of their land.

The key benefits for the buyer/contractor are:

- Controlling commercial risks by securing stable supply for agricultural produce in the required quantity and quality.
- Ability to trace production to certain specific methods.
- Access to land

1.3.2 Benefits of commission based marketing(CBM)

At Primary Cooperative Level

CBM ensures farmers benefit from membership in a Primary Cooperative in the following ways:

- Access to higher prices for farmer's output through bulking their produce through their unions
- Access to financial services in the form of loans by using their bulked produce as collateral
- Access to end-market sale prices by offering marketing agents a lucrative commission to find the best buyer

At Marketing Cooperative/Union Level CBM ensures unions benefit from marketing their members' produce in the following ways:

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- Rewarding marketers for securing the highest price by paying a percentage of the gross sale price
- Increasing membership in the union and decreasing the effects of middle men as it benefits all parties to market cooperatively through the union
- Access to better markets and prices as unions provide their members access to training, quality standards, and as a result receive a higher volume and quality of produce from its members

At Financial Institution/Saving and credit cooperative (SACCO) Level CBM ensures affiliated financial institutions (mainly MFIs and/or SACCOs) benefit from the model in the following ways:

- Increasing membership and smallholder usage of savings and loan products by using stored produce as collateral
- Ensuring financial institutions greater returns through the form of interest, by linking them into the member payment process at the time of sale, thus promising higher loan repayments

Providing linked financial institutions with added incentive to monitor market prices and advice marketers when to sell, assuring loans are repaid in full and as member profits grow so does the capital in the SACCO bank accounts

1.3.3 Benefits of Direct marketing

There are several reasons why direct marketing can boost your business, and it's not about just spreading awareness. Whether a business is big or small, it can certainly benefit from direct marketing. Here are a few reasons why businesses everywhere invest in direct marketing.

- Allows you to directly offer interested customers deals and coupons.
- Test out new markets by sending products and surveys to those you might not typically send them to.
- Collect information about new products.
- Save money on advertising by using direct marketing instead.
- Build a personal connection with those you interact with through direct marketing.
- Receive immediate feedback to your surveys about products, services, or marketing strategies.

1.3.4 Benefits of Commodity exchange

By trading on commodity exchange the benefits are many.

- **Potential Returns:** Several factors affect the prices of individual commodities such as supply and demand, inflation and economy. Due to massive global infrastructure projects, demand has increased in the global infrastructure projects that impact commodity prices. A positive impact on the company stocks affects commodity prices.
- **Potential Hedge against Inflation:** Inflation can cause a hike in prices for commodities. During high inflation, commodities show strong performance, commodities are more volatile in comparison with other types of investments.
- **Diversified Investment Portfolio:** A diversified investment portfolio refers to an ideal asset allocation plan. Commodities help in diversifying the investment portfolio. An investor can invest in raw materials in case you want to invest in stocks and bonds.
- **Transparency in the Process:** Trading is a transparent process in commodity futures that allow fair price that is controlled by large scale participation. It reflects different perspectives of a large number of people who deal with the commodity.
- **Profitable Returns:** Commodities become riskier in the form of investments if the liquidity is high. This means that companies can experience both huge profits and heavy losses.
- **Cushioning against market fluctuations:** During inflation, investors sell off stocks and bonds for investment in commodities. This leads to an increase in the prices of commodity goods. You can only benefit from commodities that act as a hedge against market risks.
- **Trading on Lower Margin:** Traders can deposit 5 to 10% of the total contract value as a margin with the broker. This is less in comparison with other asset classes. Low margins allow individuals to invest and take larger positions at lesser capitals.

1.4 Assessment of marketing modality opportunities

A market opportunity is, put simply, a gap in the market. Something, someone or somewhere that is not being addressed by existing businesses that you can capitalize on and use to quickly grow your business.

This is easier said than done, however. Everyone is vying for the same space, looking for that little something extra that hasn't been done before to push them ahead of the competition.

So, how can you spot a good market opportunity before your competitors do? And, how can you build a successful business growth strategy once you have?

- Identifying a good market opportunity for your business boils down to four key areas:
- What do consumers want/need?
- What is your competition doing, or more importantly, NOT doing?
- How can your product solve a particular problem? Or compliment a pre-existing solution?
- What is the current state of the market?

Self-check 1	Written test
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Name..... ID..... Date.....

Directions: Answer all the questions listed below.

Test I: Choose the best answer (4 point)

- Which one of the following is the benefit of direct marketing?
 - It provides access to new technologies
 - It provides access to technical assistance
 - It provides a place for future trading.
 - It allows you to directly offer interested customers deals and coupons.
- How do farmers benefit from contract farming?
 - Access to new technology
 - Controlling commercial risks by securing stable supply for agricultural produce in the required quantity and quality.
 - Ability to trace production to certain specific methods.
 - Access to land
- Which one of the following is among the benefits of commission based marketing at primary level?
 - Access to financial services in the form of loans by using their bulked produce as collateral
 - Rewarding marketers for securing the highest price by paying a percentage of the gross sale price
 - Increasing membership in the union and decreasing the effects of middle men as it benefits all parties to market cooperatively through the union
 - Ensuring financial institutions greater returns through the form of interest, and promising higher loan repayments
- Commodity exchange performs.....functions.
 - It provides a place for future trading.
 - It determines who may be members and who may use the exchange.
 - It regulates business dealings.
 - All

Test II: Short Answer Questions

1. What conditions are included in a contract farming agreement?
2. List the types of direct marketing.
3. What are the benefits of commission based marketing at marketing cooperative /union level?
4. Write three main functions of commodity exchange?

Note: Satisfactory rating - 5 points Unsatisfactory - below 5 points

You can ask you teacher for the copy of the correct answers.

LG #12	LO #2 Evaluation and selection of a marketing modality
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Instruction sheet
<p>This learning guide is developed to provide you the necessary information regarding the following content coverage and topics:</p> <ul style="list-style-type: none"> • Collecting market trend information • Basis for selection of marketing modalities • Evaluation of available marketing modalities • Approval procedures of a marketing modality • Agreement procedures of marketing modality <p>This guide will also assist you to attain the learning outcomes stated in the cover page. Specifically, upon completion of this learning guide, you will be able to:</p> <ul style="list-style-type: none"> • Collect market trend information • Identify basis for selection of marketing modalities • Evaluate of available marketing modalities • Approve procedures of a marketing modality • Arrange agreement procedures of marketing modality
Learning Instructions:
<ol style="list-style-type: none"> 1. Read the specific objectives of this Learning Guide. 2. Follow the instructions described below. 3. Read the information written in the information Sheets 4. Accomplish the Self-checks 5. Perform Operation Sheets

Information Sheet 2

2.1. Collecting market trend information

Market trend is the perceived direction of price movements over a particular period. Market trends apply to all assets and all markets where there's movement on prices or volumes bought and sold.

Trends can be long-term (“secular”), medium-term (“primary”) or short-term (“secondary”), and all trends can offer investors the opportunity to profit. We speak of uptrends when prices experience a succession of higher highs and higher lows, and it's a downtrend if there are consistently lower highs and lower lows.

Four major factors are generally thought to shape market trends:

- Governments, through fiscal and monetary policy, can slow down or speed up growth
- The flow of funds between countries – both inward and outward – can impact the strength of a country's economy and its currency
- Speculation can create an expectation of future price rates and trend direction
- Supply and demand for products, currencies and other investments creates movement in prices, both up and down depending on who wants what, and whether it's available

Market trends are analyzed by comparing historical price movements against a current price. And trend lines are a key tool in technical analysis for trend identification and confirmation. In basic terms, a trend line is a straight line connecting two or more price points and extending into the future. Trend lines can go up or down:

- An uptrend line has a positive slope and is formed by connecting two or more low points. The second low must be higher than the first for such trend lines to have a positive slope. And at least three points must be connected before the line is considered a valid trend line. Uptrend lines indicate that net demand is increasing even as the price rises. A rising price combined with increasing demand is very bullish, and shows strong determination on the part of buyers. So long as prices stay above the trend line, the uptrend is considered solid and intact. A break below the uptrend line suggests that net demand has weakened and a change in trend could be about to happen.

- ii. A downtrend line has a negative slope and is formed by connecting two or more high points. The second high must be lower than the first for the line to have a negative slope. At least three points must be connected before the line is considered a valid trend line. Downtrend lines indicate that net supply is increasing even as the price falls. A declining price combined with increasing supply is very bearish, and shows the strong resolve of sellers. So long as prices stay beneath the downtrend line, the downtrend is solid and intact. A break above the downtrend line suggests that net supply is decreasing and a change of trend could be on the cards.

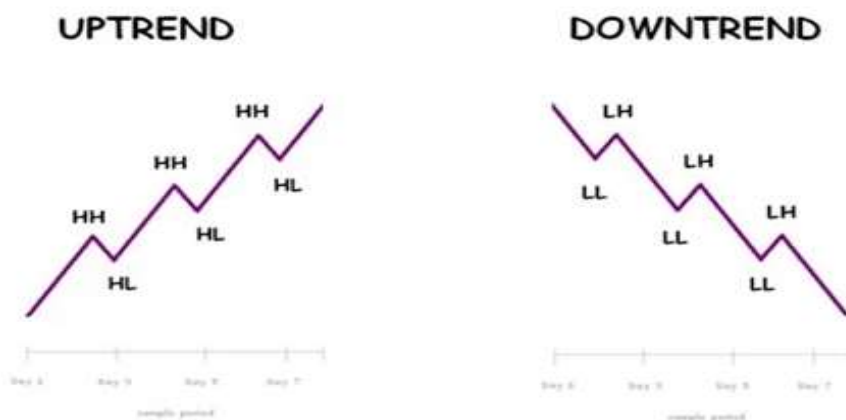


Figure 2.1: Uptrend and downtrend lines in market trend.

A trend analysis can help traders to try and predict what will happen with commodities in the future. Trend analysis takes into account historical data points for a commodity and – bearing in mind other factors like general changes in the sector, market conditions and competition for similar commodities – it helps traders to forecast short, intermediate and long-term possibilities for the commodity. By conducting a trend analysis, a trader may be able to match purchases and sales of particular commodity, maximizing the potential for profits. But, it's also important to look at historical data in the context of conditions for the underlying company to see if there are factors that could affect a commodity's value regardless of market conditions or past performance. So, a trader should also examine the financial conditions of the company, understand the market and technologies, and anticipate competitive pressures on the company within its sector.

2.2. Basis for selection of marketing modalities

In selection of marketing modalities/platforms

- i. **Define Your Goals & Objectives.** What are you hoping to achieve with your marketing efforts? Do you want to improve your customer experiences, engage your audience, manage resources, and figure out what people say about you on social media? Your marketing goals will lead you to the type of platforms for the job.
- ii. **Identify Your Audience.** Who do you intend to serve with your marketing platform, and what will they get out of it? The platform you choose should be aligned with your audience's needs, wants, and preferences.
- iii. **Know Your Budget.** Think about the value a marketing platform can bring your business and how much you can realistically afford to invest in the one you need. Then choose a quality platform that falls within that price range.
- iv. **Determine Necessary Features.** Make a list of features that are important to you and look for platforms that offer those functions. For starters, the platform you pick must be able to integrate with your existing tools and provide speedy customer support.
- v. **Research Your Competitors.** Find out what platforms other marketing teams and organizations in your industry use to get their work done. Knowing what is or doesn't work for them can help you make an informed decision.

The best marketing platform is the one that suits your needs and aligns with your overall business and marketing objectives. It has to fit within your budget and possess all the necessary properties to reach your target and complete your marketing tasks.

2.3. Evaluation of available marketing modalities

To evaluate the marketing strategy of a product or a service certain aspects need to be well determined. These aspects are all related to the predominant 'generic' strategies. The added strategies are all related to advertising, distribution, pricing, promotion, and market segmentation. All kinds of matter related to market share, demographic changes, profit margins, market penetration, capital investment, budgets, financial analysis, government actions, emerging technologies and all sorts of cultural trends are need to be well scrutinized. According to Kotler P. and Armstrong G (2006), all these aspects are an integral part of any evaluation related to the marketing strategy. Two specific

components need proper speculations. These are the process to enterprise in addressing the competitive marketplace and to implement and support that gets organized in day-to-day operations.

2.4. Approval procedures of a marketing modality

In creating an efficient marketing approval process using these six steps:

- **Identify stakeholders**

The first step is to identify both internal and external stakeholders.

Stakeholders are the people responsible for executing specific steps in the marketing approval process. For example, in the content creation workflow, the stakeholders might be a copywriter, a graphic designer, an editor, and a marketer.

Stakeholders can come from different teams and departments. For example, the approval process might involve people from the marketing, product, HR, and legal teams to ensure assets are compliant. Furthermore, some of these people might come from external agencies.

However, it's essential that each person knows their role and when they are expected to contribute.

- **Map out review stages**

The next step is to map out the review stages in your marketing approval process. And to make things crystal clear, you should separate your internal review stages from the external ones. For example, your internal creative team can collaborate efficiently in the early stages before clients or high-level stakeholders get involved in the later stages.

Ask the following questions to determine who you should involve at each review stage:

- What project or approval details do you want to spot quickly?
- What will help your creative team to work more efficiently?
- What type of content should be segmented?
- Which comments or versions should be internal, external, or both?

The goal is to ensure internal and external reviewers receive content at the correct time so that they can add relevant comments and feedback based on what other people have contributed.

- **Define brand guidelines**

Having identified your stakeholders and mapped out your review stages, you'll need to define your brand guidelines to ensure consistency throughout the whole process.

Brand guidelines cover both brand voice and design. You may have defined them already in your brand brief and only need to make them available to all the stakeholders.

Brand guidelines typically include:

- Brand colors to adhere to
- Style and accent elements to include
- Any image size requirements to keep for each asset
- Which graphics to use for each piece of content
- How to format headlines and sub headlines
- How to incorporate examples and social proof
- Which grammar standards your team should follow
- How to refer to your products and services
- Control access at each approval stage

The next step is to ensure you control access at each approval stage. If you involve too many people at each stage, you get conflicting opinions, and the whole approval process becomes cumbersome.

Ask the following questions of each potential reviewer to determine their involvement:

- Are they qualified?
- Are they going to be available at the right time?
- Are they motivated to provide sound feedback quickly and effectively?
- Will they bring a fresh dimension to the process?

If the answer is no to any of these questions, then they're most likely not required. Only get review and approval from the people that are needed to avoid feedback creep.

- **Set deadlines and automate reminders**

Setting deadlines is an essential but often overlooked step in the marketing approval process. The most significant delays are usually waiting for someone to give a review or chasing down a stakeholder to confirm that they were reviewing it.

Setting deadlines helps you:

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- I. Keep your review moving forward and ensure your project doesn't get stuck waiting for one stakeholder to provide reviews.
- II. Identify bottlenecks if a project gets “stuck” in review tasks.

2.5. Agreement procedures of marketing modality

A **Marketing Agreement**, also known as a Joint Marketing Agreement, sets forth the terms and conditions under which a Marketer will assist a Client in selling their goods and/or services by **creating materials that promote their products** and engaging in activities to introduce the Client's products to new customers. These marketing materials can include pamphlets, brochures, websites, advertisements, and booths to be displayed at trade shows. In some situations, a Marketer might also take on the responsibility of **making the sales to customers and then transmitting those sales** to the Client to be fulfilled. Using this Agreement, the Client and Marketer can both protect their interests and intellectual property, as well as ensuring that the Marketer's products reflect the Client's vision and desires.

Self-check 2	Written test
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Name..... ID..... Date.....

Test I: Choose the best answer (4 point)

- Which one of the following factor is thought shape market trend?
 - Map out review stages
 - Market trends are analyzed by comparing historical price movements against a current price.
 - Speculation can create an expectation of future price rates and trend direction
 - Identify stakeholders
- Marketing materials used in marketing agreements can include
 - Pamphlets,
 - Brochures,
 - Booth to be displayed at trade shows
 - All
- Which one of the following is included under brand guidelines?

A. Brand colors to adhere to	C. Research Your Competitors
B. Map out review stages	D. Trend analysis
- In selection of marketing platforms what comes first?

A. Know your budget	C. Determine Necessary Features
B. Identify your audience	D. Define Your Goals & Objectives

Test II: Short Answer Questions

- What is market trend?
- How does trend analysis help traders?
- As a basis for selection of marketing modality what needs to be done in determining necessary features?
- In marketing approval process what is the importance of setting deadlines?

Note: Satisfactory rating - 5 points Unsatisfactory - below 5 points

You can ask you teacher for the copy of the correct answers.

LG #13	LO #3 Monitoring effectiveness of Marketing modality
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Instruction sheet

This learning guide is developed to provide you the necessary information regarding the following content coverage and topics:

- Criteria's for monitoring a marketing modality
- Features of effective marketing modalities
- Procedures of canceling a modality

This guide will also assist you to attain the learning outcomes stated in the cover page. Specifically, upon completion of this learning guide, you will be able to:

- Identify Criteria's for monitoring a marketing modality
- Identify Features of effective marketing modalities
- Identify Procedures of canceling a modality

Learning Instructions:

1. Read the specific objectives of this Learning Guide.
2. Follow the instructions described below.
3. Read the information written in the information Sheets
4. Accomplish the Self-checks
5. Perform operation sheet

Information Sheet 3

3.1. Criteria for monitoring a marketing modality

3.1.1 Criteria for monitoring Contract Farming

Monitoring farming operation provides insight to development or discrepancy that can be translated into contractual amendments, technological modifications or the reorganization of structures. Key activities that are vital to the success of contract farming schemes need dependable monitoring, evaluation and diagnostic mechanisms in order to thrive. The accumulation, analysis and distribution of information is important for the evaluation of production performance, the maintaining of project and farmer records and calculation of yield indicators.

Monitoring human resources, quality and yields as well as the protection of the environment is central for maintaining sustainability and maximizing quality and output. The deterioration of quality can result in consequences such as reduced factory throughput and reduced efficiency. This in turn can affect markets.

Techniques for estimating yields are visual observation or statistical analysis. Data can then be rendered into yield indicators or production matrices that can support the identification of key components for production or postharvest performance. Furthermore, with regards to the monitoring of human resources, formal supervision of the production process at all levels can identify additional factors that could contribute to poor performance. Hence the activities of the management and field staff of both the company and the farmers should be evaluated and documented on a regular basis.

Finally, contract farming agreements should be environmentally-friendly to achieve sustainable long-term growth. In order to prevent environmental degradation the selection of suitable farmland is fundamental. In general each contract farming scheme should integrate ecological considerations and sound agricultural practices. Ensuring sustainability for the physical and social environment of the farming system has to be in the centre during evaluation and

implementation processes. Deforestation, depletion of water resources and soil degradation are major issues that are triggered through agricultural development. As agribusiness schemes are often focused on only one variety of crop sustainability is frequently compromised. This renders permanent multi cropping for farmers impossible. This fact is often ignored when assessing the overall value of contract farming.

In order to address such issues it is vital for potential buyers to gain an understanding of the area, the farmers and local customs previous to involving in contract farming. Farmers should be consulted for decisions and the choice of farm land should be based on criteria related to soil depth and quality, land slope and water resources, previous land usage or possible crop rotation regimes. By gaining a deeper understanding of the local environment and its farmers, contracting companies can assess the farmer's production capacities as well as possible impacts on the environment. For the success of contract farming schemes the willingness of the company to learn from local experiences and knowledge is indispensable.

3.1.2. Criteria for monitoring commodity exchange

The Compliance Division is responsible for formulating and enforcing the Rules of the Exchange and all other relevant laws affecting the operation of the Exchange. To achieve this broad objective, the Rules of the Exchange establish four separate units with specific mandates. These are: (1) Rules and Regulations; (2) Compliance Monitoring and Investigation; (3) Discipline and Enforcement; and (4) Arbitration Tribunal. The Compliance Division also serves the official liaison with all local and international regulatory bodies and provides overall legal counsel to divisions of the Exchange on the proper and sound operation of the Exchange.

- **Rules and Regulations Unit:** The Rules and Regulations Unit (“RRU”) is responsible for the drafting of Rules of the Exchange; the research and analysis of regulatory issues requiring new rules and regulations; the amending of the existing rules based on feedbacks received from members, customers and other stakeholders; and the interpretation of the Rules of the Exchange.
- **Compliance Monitoring and Investigation Unit:** The Compliance Monitoring and Investigation Unit (“CMIU”) is responsible for overseeing that compliance is maintained

with the relevant law of the Exchange, Rules and policies of the Exchange, and Directives of the Ethiopia Commodities Exchange Authority at all levels the Exchange's operations; conducting and coordinating investigations of violations of the Rules of the Exchange, the Authority's Directive and other pertinent laws. The CMIU is also responsible for the reviewing of membership applications for compliance with the applicable laws of the Exchange and the Authority, the conducting of on-site Member visits, the inspection of Member books and accounts, and the monitoring and reviewing of Members' annual and other regular compliance reports.

- **Discipline and Enforcement Unit:** The Discipline and Enforcement Unit ("DEU") is responsible for enforcing the Rules of Exchange and other pertinent laws through a disciplinary rules enforcement mechanism. The DEU works closely with the Authority and relevant law enforcement agencies to protect the integrity of the Exchange's price discovery Mechanism as well.
- **Arbitration Tribunal:** The Arbitration Unit ("ABU") is responsible for facilitating the resolution of disputes between Members or Members and the Exchange during the course of trading at the Exchange. The Exchange has two types of alternative dispute resolution mechanisms: (1) Expert Determination: a grade dispute resolution mechanism for Quality disputes between the Exchange and its members, and (2) Trade disputes between members inter se, and between members and their clients.

3.1.3. Criteria for monitoring direct marketing

The first of the most common direct marketing measurements is the cost per acquisition.

The cost per acquisition can be determined by taking the total cost of the mailing and dividing it by the number of responses. For example, let's say the total cost of a mailing is \$2,000 and 20 people respond. The cost per acquisition is \$100. This is an important tool to find out if the cost to obtain a new customer is in line with the profits that you will receive.

The second of the most common direct marketing measurements is the cost per piece.

To find the cost per piece, you would take the total cost of the mailing and divide it by the total number of pieces sent. For example, if the total cost of the mailing was \$4,500 and you sent 2000

direct mail pieces, the cost per piece would be \$2.25. This is an important figure to keep in mind, because by lowering the cost per piece (as long as the number of responses stays the same), you can lower the cost per acquisition.

The third of the most common direct marketing measurements is the response rate.

The response rate can be calculated by taking the number of people that responded and dividing it by the number of people that were sent the direct mail package. For example, if 2000 people were mailed a direct mail package and 20 people responded, the response rate would be 1%. This is an important tool that you can utilize to forecast the success of future mailings.

By using all three of these common direct marketing measurements, you can finally determine which half of your marketing is working, and which half is not.

3.2. Features of effective marketing modalities

3.2.1 Features of effective commission based marketing

Effective commission based marketing should bring about the following

- Improved incomes due to ability to charge higher prices through collective selling.
- Access to better and more affordable farming inputs through bulk purchasing.
- Access to better storage facilities and increased quality assurance reducing post-harvest losses.
- Ongoing education & training of coop members
- Access to extension & advisory services without discrimination through the union
- Access to reliable and timely market information
- Organized and improved production with support of SACCOs
- Self-sufficiency financially through alignment with SACCOs

3.2.2 Features of effective commodity exchange

- **Durability** – since the expiry of the contracts can be extended up to one year, the commodities should have a longer shelf life. Goods that can perish quickly can't have long-term contracts, and therefore, traders can't trade them on the commodity exchange.
- **Homogeneity** – all units of a commodity must be the same. This ensures that the dealers mean the same commodity when they talk about it in their dealings.

- **Price Fluctuation** – the price of the product should have frequent fluctuations in order to be fit for trading. If the price remains steady for most of the time, the speculators would have only little to gain from trading it on the exchange.
- **Gradability** – if it becomes difficult to categorize the product into well-defined grades, then trading it on the exchange becomes challenging. If there is no grading before, then the quality of the commodity will have to be ascertained each time before trading.
- **Open Supply** – there should not be a monopolized market for the commodity, either Government or any private party. If it is so, it will only make trading impossible on the exchange.

3.2.3 Features of effective direct marketing

- **Flexible Targeting:** Direct marketing enables an enterprise directly identify, isolate and communicate with well-defined target markets.
- **Multiple Uses:** Direct marketing is used not only to increase the sell but also to test new markets and trial new products or customers, to reward existing customers to build loyalty, collect information for future campaigns.
- **Cost-Effectiveness:** The cost per acquisition of direct mail can be significantly less than other marketing methods.
- **Ease of Management:** Direct marketing provides greater control and accountability than other marketing methods. It is easy to measure results under direct marketing campaigns. It enables the enterprise to plan effectives for future growth.
- **Rapid Delivery:** Direct marketing is both swift and flexible in achieving results. This is especially true for telemarketing, one of the direct marketing tools, as the results of a conversation can be logged immediately and scripts adjusted straight away to improve results.
- **Testing Capability:** Direct marketing allows an enterprise to test and ensure the most viable direct marketing tool.
- **Relationship Building:** Direct marketing is far more effective at initiating and developing a meaningful dialogue with new customers.
- **Targeting of Messages:** Direct marketing can enable an enterprise to target different messages to different recipients.

- **Geographic Targeting:** Direct marketing can be used for any level of geographic targeting, whether it's the local area surrounding a shop or restaurant, regional targeting by postcode or county, national targeting and even international targeting. Direct marketing can prove a far cheaper way of testing the market than a costly personal sales visit.

3.2.4 Features of effective contract farming

Effective contract farming has the following features:

- Creation of new markets
- Economies of scale
- Efficiency
- Higher quality standards
- Inculcation of modern technologies
- Minimizing transactional costs
- Sharing of risk

Self-check 3	Written test
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Name..... ID..... Date.....

Directions: Answer all the questions listed below.

Test I: Choose the best answer (4 point)

- Which unit is responsible in commodity exchange for conducting and coordinating investigations of violations of the Rules of the Exchange?
 - Discipline and enforcement unit
 - Arbitration Tribunal
 - Rules and regulations unit
 - Compliance Monitoring and Investigation Unit
- One of the features of effective commodity exchange is open supply. What is the its main focus?
 - There should not be a monopolized market for the commodity, either Government or any private party
 - the price of the product should have frequent fluctuations in order to be fit for trading.
 - all units of a commodity must be the same
 - Goods that can perish quickly can't have long-term contracts, and therefore, traders can't trade them on the commodity exchange.
- Multiple use as one of the effective features of direct marketing it enables
 - to test new markets and trial new products or customers, to reward existing customers to build loyalty, collect information for future campaigns.
 - to measure results under direct marketing campaigns
 - to develop a meaningful dialogue with new customers
 - to directly identify, isolate and communicate with well-defined target markets.
- Through effective contract farming.....
 - Creation of new markets
 - Economies of scale
 - Efficiency
 - All

Test II: Short Answer Questions

1. What does Ease of Management means as a feature of direct marketing?
2. Explain durability feature of commodity exchange.
3. What should be achieved through effective commission based marketing?
4. In direct marketing how is cost per acquisition determined?

Reference Materials

Web addresses

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The experts who developed the learning guide

No	Name	Qualification	Educational background	Region	Phone No.	E-mail
1	Samuel Kibebew	MBA	Marketing Management	Oromia	0910177704	saminrd2010@gmail.com
2	Nega Endale	MA	Cooperative Marketing	Oromia	0911023981	negaendale@yahoo.com
3	Bereket Habtamu	MBA	Marketing Management	Oromia	0917859853	berekethabtamu2020@gmail.com
4	Mihiretu Sahilu	MBA	Marketing Management	Oromia	0922598278	mihiretusbb@gmail.com
5	Alemu Desalegn	MBA	Marketing Management	Oromia	0928601976	
6	Awol Kedir	BA	Marketing Management	Oromia	0919224027	Yeroosanawal@gmail.com
7	Tilaye Birhanu	Bsc	Agribusiness and value chain management	Oromia	0946301222	tilayebire2009@gmail.com