



TOGETHER
for a sustainable future

OCCASION

This publication has been made available to the public on the occasion of the 50th anniversary of the United Nations Industrial Development Organisation.



TOGETHER
for a sustainable future

DISCLAIMER

This document has been produced without formal United Nations editing. The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Industrial Development Organization (UNIDO) concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries, or its economic system or degree of development. Designations such as “developed”, “industrialized” and “developing” are intended for statistical convenience and do not necessarily express a judgment about the stage reached by a particular country or area in the development process. Mention of firm names or commercial products does not constitute an endorsement by UNIDO.

FAIR USE POLICY

Any part of this publication may be quoted and referenced for educational and research purposes without additional permission from UNIDO. However, those who make use of quoting and referencing this publication are requested to follow the Fair Use Policy of giving due credit to UNIDO.

CONTACT

Please contact publications@unido.org for further information concerning UNIDO publications.

For more information about UNIDO, please visit us at www.unido.org

08957₍₄₎

FS 464C

**WERNER INTERNATIONAL
MANAGEMENTS CONSULTANTS**

**FINAL REPORT
ON CORPORATE ANALYSIS OF THE
DEBRE BERHAN WOOL FACTORY S.C.
IN ETHIOPIA**

VOLUME I - CHAPTERS IV AND V

PREPARED BY:

**WERNER INTERNATIONAL MANAGEMENTS CONSULTANTS
ORGANIZATION
1974**

WERNER INTERNATIONAL
MANAGEMENT CONSULTANTS

FS 464c

Reference : Project No. IS/ETH/73/006.

FINAL REPORT
ON
CORPORATE ANALYSIS
OF THE
DEBRE BERHAN WOOL FACTORY S.C.
IN ETHIOPIA

p 80

Volume II - Chapters IV and V.

Submitted to:

United Nations Industrial Development Organization
Vienna, Austria.

Submitted by:

Werner International
Management Consultants
New York, U.S.A.

January 1975.

IV. STANDARDS DEPARTMENT.

	<u>Page</u>
1. Functions	115
2. Establishment of Standards	115
3. Routine Testing and Reporting	115
4. Areas which are standardised	115
5. Staffing	116
6. Efficiency Control	120
7. Processing controls	122
8. Waste Report	123
9. Standard Labour Hours and Labour Cost	126
10. Labour Cost per Unit of Production	129
11. Liaison with Costing Department	131
12. Production Targets for the Mill.	132

IV. STANDARDS DEPARTMENT.

A great amount of time was spent in giving the Assistant Factory Manager instructions and explanations regarding the operation of the mill. All of the calculations which were made in the manufacturing analysis were done with the Assistant Factory Manager in attendance. The purpose was to provide him with as much working knowledge and experience as was possible to give during the analysis period. He was enthusiastic and responded admirably.

We decided that, among the many areas where improvements could be made, the one which would provide the greatest benefit to Debre Berhan Wool Factory was the installation of a Standards Department. Consequently, a large proportion of our time was spent in getting such a project underway and providing illustrations to the Management as to how a Standards Department functions.

Following is an outline of the functions of the Standards Department in the form which can be employed as a work programme.

1. Function.

The function of the standards department is to advise management of the operating condition of the mill vis-à-vis established standards. Consequently, management are better able to exert control over the operations and to implement improvements.

2. Establishment of standards.

- The Standards Department develops proposed standards via tests and observations.
- During this development stage the Standards Department personnel work closely with the mill supervision.
- The proposed standards and test data are reviewed by management and ultimately standards are established.

3. Routine testing and reporting.

The Standards Department conducts numerous tests and compile reports on a scheduled basis. The reports are submitted to management.

4. Areas which are standardised.

The Standards Department can ultimately be developed to cover many controllable items in manufacturing :

processing,
raw material,
waste,
quality,
maintenance,
labour unit cost,
productivity

We have strongly recommended that Debré Berhan Woel Factory establish a Standards Department and management have already proceeded to do so.

The Assistant Factory Manager has been given instruction on the functions and operations of a Standards Department. He has participated in the analysis of the manufacturing division and is familiar to some degree with the setting up of a Standards Department. Initially it will be his task to organise the Standards Department and to get it functioning.

We recommend that after the department has established processing and waste standards and routine testing, that he be sent to the United Kingdom to be trained in work study. He will then be in a position to train one of the men in the Standards Department to conduct this important work.

5. Staffing.

The department should initially employ a Standards Officer and a tester.

Following is a job description for the Standards Officer.

JOB SPECIFICATIONS.

Standards Officer in charge of the Department and responsible to the Factory Manager.

Duties : 1. Responsible for carrying out the standard labour hour and standard labour cost control.

Responsibilities :

- every pay-roll obtain the wages paid and hours worked from the pay-roll officer,
 - obtain the production figures from departmental production sheets,
 - calculate the cost per unit,
 - distribute the information,
 - in case of any irregularities find out the possible reasons and report them in connection with the control data.
11. Responsible for carrying out the departmental efficiency and idle time control.
- every period get the departmental production statistics and calculate the percent of idle time and record the reasons.
 - get the regular hours worked and the overtime worked from the labour officer,
 - calculate departmental efficiency,
 - distribute the information,
 - in case of any irregularities find out the possible reasons and report them in connection with the control data.

iii. Responsible for carrying out departmental processing control programme and overseeing that the tester performs his duties properly.

- keep graphs and charts to control the frequencies of the testing programme;
- make sure tests are carried out and the results calculated and recorded,
- in carrying out the processing control programme be in close co-operation with the supervisory staff to ensure the optimum flow of information through various stages of manufacturing,
- make quarterly summaries showing the development of processing conditions in the various departments.

iv. Responsible for checking operators work-loads and renewing production standards as required.

(This work is to commence after the Standards Officer has been given basic work study training).

- when observations and processing tests indicate that there has been a change in the process, the Standards Officer will :
 - a. report the condition to the Factory Manager,
 - b. take necessary frequency and time studies,
 - c. prepare calculations,
 - d. present the results to the Factory Manager.

v. Follow up the performance and premium earnings of the operators.

- every pay-roll period check the performances and premiums earned by the operators,
- in case of continuous below-standard performances, study the reasons and give recommendations to the Factory Manager,
- check if the below-standard operators are using right methods,

iv. Own initiative.

- make recommendations to Factory Manager as how to improve conditions in the various departments.

6. Efficiency Control.

a. Terminology.

The following terminology is used:

i. theoretical production, calculated directly from speed

Example : Schönherr loom.

$$60 \times 98 = 5,880 \text{ Pix per hour}$$

ii. overall efficiency.

$$\frac{\text{actual production}}{\text{theoretical prod.}} \times 100$$

Example : Schönherr production

33,500 picks per shift.

overall efficiency

$$\frac{33,500}{8 \times 5,880} \times 100 = \underline{\underline{71.2\%}}$$

iii. total machine hours.

The hours the machine was available for production ; normally always 8 hours per shift.

iv. Machine hours "idle".

The hours the machine was stopped for the following reasons :

- mechanical break down,
- change-over
- lack of material
- lack of bobbins (spools, etc...)
- no. of operators,
- power failure
- etc...

v. Machine hours worked.

Total machine hours (iii) less machine hours "idle".

vi. Running efficiency.

Actual Production
theoretical prod. per hr. x machine hrs worked.

b) Calculations.

In each process section of the text of this report there are illustrations, where applicable, of the efficiency calculations.

The Standards Department should calculate every quality for each process in the same manner as has been illustrated. Summary reports for each period should be drawn up and submitted to management. The standards must be established via approval by management.

7. Processing controls.

The purpose of the processing controls is to guarantee optimum running conditions by carrying out a routine testing programme in the mill.

In carrying out these duties the Standards Department should work very closely with the Foremen and Mechanics and lend them all possible assistance in keeping the quality of the product and process under control.

The initial Processing Controls should include :

- percentage of waste in blending
- percentage of re-cycled waste in carding,
- end-break testing in spinning,
- end-break testing in cop-winding,
- idle spindle test in spinning,
- loom stops in weaving-blankets,
- loom stops in carpet weaving.

Each of these tests has been illustrated in the text of this report. These tests should be initially established on a weekly basis.

8. Waste Report.

The Standards Department should issue a Waste Report every period. The records should be reviewed with management every six months and new standards established. Following is an illustration of the Waste Report.

Debre Berhan Wool Factory		WASTE REPORT - SPINNING MILL.			WERNER INTERNATIONAL	
PERIOD :						
Blend Input weight + 1.5% oil -						
PROCESS	TYPE WASTE	RETURNABLE OR NON-RETURN	WEIGHT	PRODUCTION	% Waste on blend input.	
					Actual	Standard
Shaker	Under mach.	non-return				1.0
	Suction	non-return				1.0
	Fly	non-return	estimated		0.5	0.5
Card	Under card	non-return				1.0
		returnable				9.0
Spinning	Stripping Peralta	non-return				2.0
	Fly	non-return	estimated		0.5	0.5
	Condenser	re-circulated to card proc.				20.0
	Suction waste	immediately				
	Floor waste					
Cop making	Fly yarn	non-return	estimated		0.5	0.5
		returnable	included with cops	yarn		
	Lot run out	returnable				3.2
	Yarn	returnable				2.7
Sub-total		returnable				14.9
		non-return				6.5
		re-circulated				21.4
						20.0
TOTAL :						41.4

DEBRE BERHAN WOOL FACTORY	WASTE REPORT - WEAVING & FINISHING	WERNER INTERNATIONAL							
PERIOD :									
Input weight to weaving -									
Process	Type Waste	Returnable or non-return.	Weight	Production	% Waste				
					On input to weaving		On blend input to spin.		
					Actual	Stand.	Actual	Stand.	
Weaving	Yarn Sweeps	return. non-ret.				9.7 1.13		8.6 1.0	
Raising	Suction	non-ret.				8.3		7.4	
Last touch	Blanket cutting	Return.				3.36		3.0	
- Sub-total Returnable						13.06		11.6	
Non-return.						9.43		8.4	
- Grand total Returnable								20.0	
Spinning Non-								26.5	
and returnable								14.9	
weaving								41.4	
Composition of blends.				Weight.		% Blend.			
New Raw Material									
Returned Waste									
Oil - 1.5%									
% Yield on blend input									
% Yield on new raw material									
<u>REMARKS.</u>									

9. Standard Labour Hours and Labour Cost.

A complete record of the standard number of persons required to produce the standard production must be drawn up by the Standards Department.

The following forms should be used for this purpose. The Standards Department must calculate the labour requirement and obtain approval from management before the standards are established.

Debre Berhan Wool Factory	<u>STANDARD LABOUR COMPLEMENT.</u>	Werner International
------------------------------	---	-------------------------

Department : -

Code	Job Classification.	Day Only.	S h i f t s.			TOTAL
			I	II	III	
	Direct :					
Total						

REMARKS :

Debre Berhan Wool Factory	<u>STANDARD LABOUR HOURS.</u>	Werner International
------------------------------	-------------------------------	-------------------------

Department :

CODE	JOB CLASSIFICATION.	OPERATOR HOURS PER DAY.					Hrs per Departm. Hour.
		Day only.	S h i f t s			TOTAL	
			I	II	III		
	Direct :						
GRAND TOTAL							

REMARKS.

10. The Labour Cost per Unit of Production.

From the labour complement the labour cost per department must be calculated. Since the labour complement is based on the standard of production established for each department, the standard cost per unit of production can readily be determined. These calculations must be given to the Costing Department for the establishment of the Standard Costing.

The actual labour cost vis-à-vis the actual production must be calculated each period in order to determine the actual labour cost per unit of production. This figure must be compared to the standard, these comparisons must be reported to management each period.

Following is an illustration of a comparison report.

DEBRE BERHAN WOOL FACTORY	LABOR COST AND PRODUCTION PER LABOUR HOUR	WERNER INTERNATIONAL
------------------------------	--	-------------------------

Department :
Section :

Period No.	Period from to	Prod. Unit	Labor cost Eth. ₤.	Total oper. hours	Std. Labor cost and prod.		
		Units Prod.			Cents per Unit	Units per Op. hr.	Cents per Op. hr.
					ACTUAL RESULTS.		

11. Liaison with Costing Department.

The Standards Department must inform the Costing Department of every change in standards so that accurate costings can be calculated. This applies to the following :

- Production & Efficiency Standards,
- Waste percentage Standards,
- Labour Cost Standards

12. Production targets for the Mill.

a) Base for the Standard Production Target.

The carding production is the bottle-neck that determines the spinning and blanket production.

The overall efficiency of the carding 1st to 12 Aug. was 57.7% (August was selected, because it was the best in 1974). Based on Werner calculations, the standard was set to 71% overall efficiency to be achieved after the reconditioning of cards. In the meeting on Sept. 16 it was decided that the first target would be 10% below this figure, and after reconditioning is completed it would go to 71%.

CARDING STANDARD PRODUCTION - BLANKET YARNS.

Card No.	100% output kg per m/c hr	71% output kg per m/c hr	90% of the 71% output kg/m/c hr	Product. kg per 144 kg hr work
1	80.6	57.2	51.5	7,416
2	84.7	60.1	54.1	7,790
3	67.2	47.7	42.9	6,178
TOTAL	232.5	165.0	148.5	21,384

The first target represents 63.9% overall efficiency which is 10.7% improvement on the 1st to 12th August 1974.

b) Production Balance for the first standard production Target.

Basis : - carding capacity of 21,384 kg/week
 - recycling spinning-carding 20%
 - new material required from blending
 $0.80 \times 21,384 \text{ kg} = 17,107 \text{ kg}$
 - waste before carding output

shaker	: under mach.	1.0%
	: suction	1.0%
	: fly	0.5%
card	: under card	10.0%
	: stripping & Peralta	2.0%
	: fly	0.5%
<hr/>		
TOTAL	:	15.0%

Blending : input 20,126 kg per week (15% waste)

Bland as follows 26.5% returned waste
 1.5% oil
 72.0% new stock

New stock needed $0.72 \times 20,126 = 14,491 \text{ kg/week}$.

Pulling : 70% of the raw material going into blends is pulled.

Input to pulling $0.70 \times 14,491 = 10,144 \text{ kg/week}$

Carding : carding capacity 21,384 kg/week.
 =====

Spinning: recycling 20% production

$0.80 \times 21,384 = 17,107 \text{ kg/week}$

less 6.4% waste 1,288 kg Prod. 15,835 kg/week
 yarn for cops making.

Cop -making & weaving waste :

Waste from cop -making	2.7%
Weaving (yarn 8.6%, sweeps 1.0%)	10.83% (of input weaving).
Yarn from cop -making	15,392 kg
Yarn used for blankets	13,636 kg
Waste	1,656.12 kg.

Yarn weight per blanket : $\frac{1086 \times 179 \times 52}{15 \times 25} = 2.696 \text{ kg}$

No. of blankets per week : $\frac{13,636}{2.696} = 5,058$
=====

843 per day.

Weaving requirements : Picks per blanket 2,390

M.Pix per week required $5,058 \times 2.390 = 12,089$

Weaving capacity : Schönherr 29 x 96 x 5,880 = 16,370 M.Pix

Snoeck 6 x 96 x 5,400 = 3,110 "

Jacquard 6 x 96 x 4,500 = 2,592 "

Total : 22,072 M.Pix

The weaving has to run at 54.8% overall efficiency if all looms are used.

22 Schönherr in operation $22 \times 96 \times 5,880 = 12,419$ M.Pix

Snoeck 6 x 96 x 5,400 = 3,110 M.Pix

Jacquard 6 x 96 x 4,500 = 2,592 M.Pix

Total : 34 ~ 68 weavers = 18,121 M.Pix

With 22 Schönherr looms, overall efficiency required is 66.7%.

Cops winding : production divided in proportion to loom picks.

big cops Snoeck - 3,110 Pix - 17.2%

small cops Sch. & Jac. 15,011 Pix - 82.8%

Yarn to cops winding 15,835 kg - 2,724 kg big cops
- 13,111 kg small cops

Small cops 2,186 kg per day/2 shifts 94% eff. on 22 spdls.

Big cops 454 kg per day/2 shifts 73% eff. on 7 spdls.

Twisting (cotton 2 ply) yarn Ne. 2/21 = Nm 2/35

speed 12.3 m./min.

Production at 89% eff. $\frac{12.3 \times 60 \times g. \times 0.89}{\text{min.} \times 17.8 \text{ m.}} = 37 \text{ gr/sp/hr.}$

= 7.1 kg/mach.hr.

Expected production per week 1,022 kg
=====

Warping : Expected production 11 warps/48 hrs

Required production 7 warps/48 hrs

with full cones the department is 64% occupied.

Man hours per product/finishing.

	Unit	Basic	Total hours
Raw material	250 kg	6.00	7.80
Carpet yarn	35 kg	2.50	3.25
Fam. blanket	1 pc	5.40	7.00
Norm. blanket	1 pc	1.60	2.10

Example :

Actual prod. raising 1 dyeing week XY.	Production	Man hours required
Raw material	5,000 kg	20 x 7.8 = 156
Carpet yarn	200 kg	5.7 x 3.25 = 18.5
Fam. Blanket	30 pcs	30 x 7 = 210
Norm. Blanket	150 pcs	150 x 2.1 = 315
Total std. man hours		699.5

The Department has 20 operators.

Actual man hours 20 x 48 = 960 man hours

Dept. efficiency $699.5/960 \times 100 = 72.8\%$

V. DETAILED ANALYSIS OF THE MARKETING DIVISION.

	<u>Page</u>
1. General Background	137
2. Organisation Structure	139
3. Blankets	142
4. Carpets	157
5. Handicraft Yarns	170
6. Other Fabrics	172
7. Head Office Sales Department	175
8. Retail and Sales-Shop	185
9. Details on Proposed Marketing Organisation	188
10. Product Development	200
11. Exports	202
12. Marketing Division : Recommended Timetable for action	205

V. DETAILED ANALYSIS OF THE MARKETING DIVISION.

1. General Background.

Debré Berhan Wool Factory markets the following products all of which are sold in Ethiopia :

- blankets - raised wool type manufactured from long fibre waste material
- carpeting- woven, the pile yarn manufactured from long fibre
- handicraft yarn - spun from local wool and selected waste fibre.

Over 93% of the production is blankets. Handicraft yarn is spun very infrequently. The remainder of the production goes into carpeting.

At the present moment, all of the blanket production is being sold.

The present carpet production is also being sold since the company has a large contract with the new AID Bank Building.

Until a year ago the products were not selling well. The blankets were unsuited to the markets. However, since the present Management has been appointed, the blankets have been re-designed. The new bright colours had considerable impact on the market; and the demand for blankets generally, and home produced ones in particular, has risen and is continuing to rise. The consequence is that the Debre Berhan Wool Factory is selling all of the production and could sell more.

There is virtually no inventory of blankets. There is a large inventory of carpeting in various widths and piece lengths.

The blanket market at the moment is firm.

The carpeting market is in reality in the embryo stage.

The Handicraft Yarn Market is very strong. The production limitation is related only to the raw material supply which is very small.

2. Organisation Structure.

a) Present.

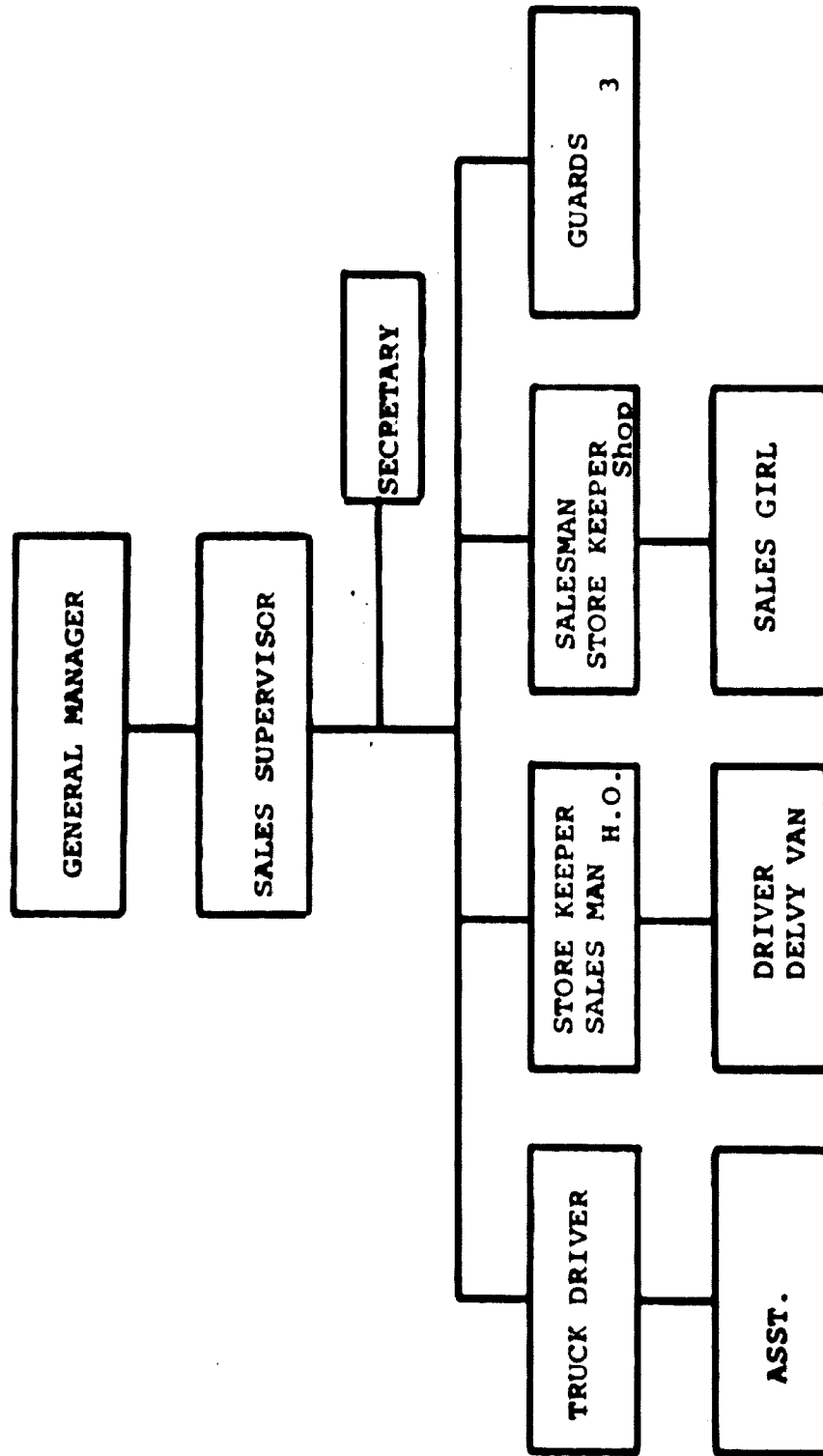
The marketing of blankets is carried out by the Ethiopian Distribution Company "EDISCO".

The Head Office Sales Department sells directly about 10% of blanket sales and all of the carpet and handicraft yarns. The sales are made either through the Retail Sales Shop or the Head Office Show Room.

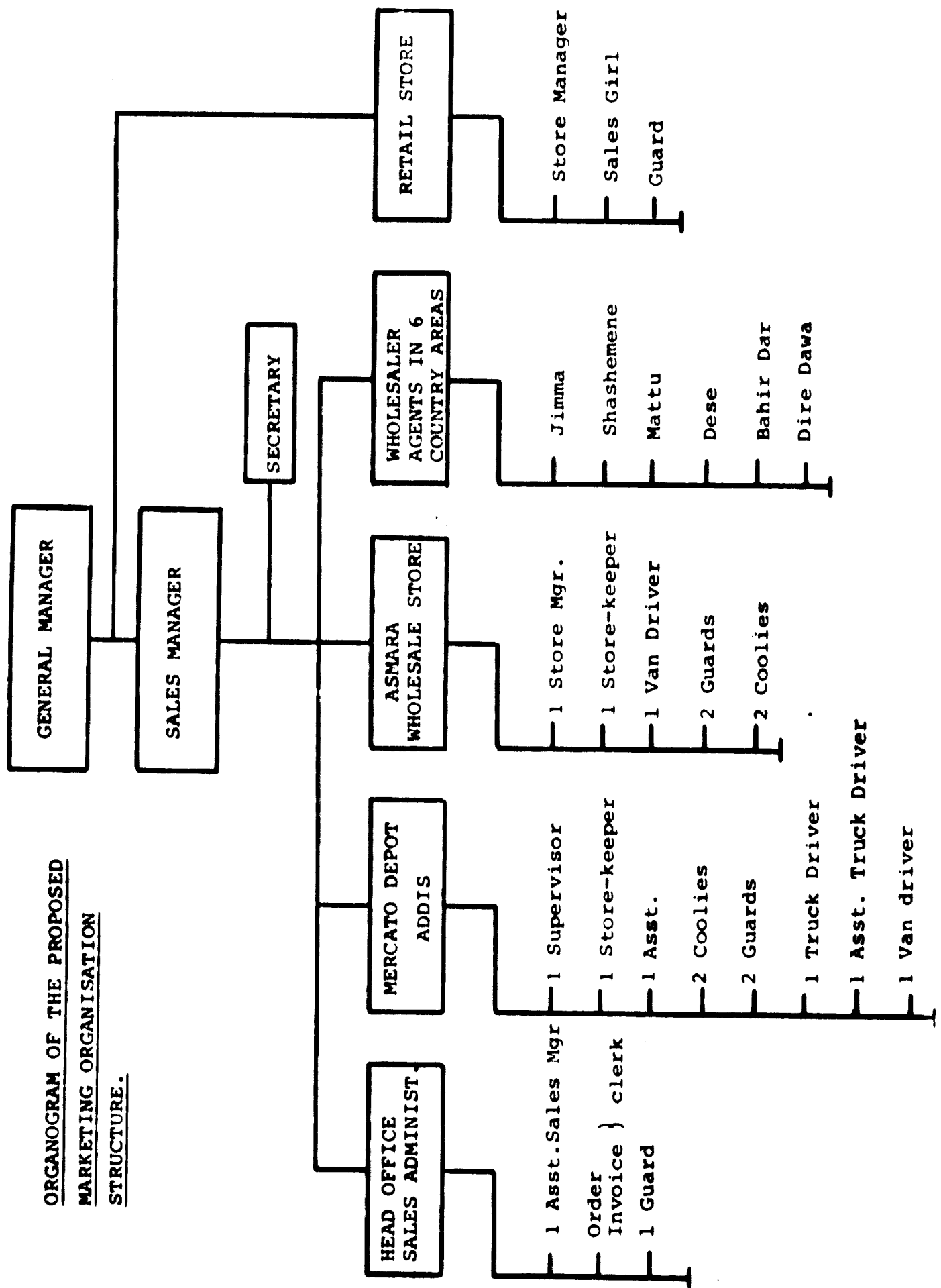
b) Proposed.

It is recommended that Debre Berhan Wool Factory market all their products via the Company Sales Division. This move would necessitate an enlarged marketing staff and additional marketing locations.

ORGANOGRAM OF THE PRESENT MARKETING ORGANISATION STRUCTURE.



ORGANOGRAM OF THE PROPOSED
MARKETING ORGANISATION
STRUCTURE.



3. Blankets.

a) Present Situation

- i. Sales : the market situation is such that all blanket production could be sold easily and whenever more blankets could be produced, the market is able to absorb them.
- ii. Design : the bright colours and designs incorporated in the latest range of blankets are acceptable in the market and Debre Berhan Wool Factory has moved from a position in which it trailed behind its competitors to one where it has become the leader.
- iii. Distribution : apart from blankets sold through either the Head Office Sales Show-room or Retail Store, the sole distributing agents for blankets are EDISCO (Ethiopian Distribution Company). In the year July 1973- June 30, 1974, Edisco distributed blankets to the value of Eth. \$ 3,365,238.- or 90% of the blankets sold.
- iv. Edisco : Edisco works is a distribution agent earning commission on sales generated. An annual contract, starting date July 1, '74 has been agreed and signed by which Edisco earns 5% on the first Eth.\$ 2x10⁶ blanket sales and 4% thereafter. The contract terms are to be re-negotiated for the next year and any cancellation has to be notified in writing by either party at least one month before the expiry date of the contract. Edisco has a total of 19 distribution points through the country, including the central depot in Addis Ababa. Each depot has a branch manager who has the opportunity to earn personal bonuses under an incentive scheme proposed by Debre Berhan Wool Factory and contributed to jointly by Debre Berhan and Edisco.

Edisco are responsible for :

- 19 distribution depots,
- actual distribution,
- splitting deliveries between branches,
- collecting orders and moneys due,
- bad debts,
- feeding back market information to Debré Berhan,
- issuing stock lists/sales per branch per 10 days,
- payment to Debre Berhan of sales value, less commission, distribution transport and handling charges, within the first few days following each 10 days period,

Debre Berhan Wool Factory is responsible for :

- transport and handling costs,
- investigating market reports originated by Edisco.

v. Sales volume :

During the 12 months ending June 30, 1974 a total of 312,000 blankets were sold though the production during this period totalled only 192,555. The difference of 119,445 between sales and production represented the very large stocks of blankets held at the start of the period and which were disposed of during the year. As many of these blankets were old stock, because their design and colour had no consumer appeal, the fact that they were sold with little or no price reduction indicates an upturn in demand.

vi. Sales per Distribution Means:

July 1, 1973 - Une 30, 1974.

Debre Berhan Head Office Sales,

- including Retail Store : 10%

Edisco : 90%

100%

Edisco sales per branch : 12 months period.

	<u>Units</u>	<u>Percentage of sales</u>
Addis Ababa	171,084	65.2
Asmara	32,236	12.3
Bahir Dar	2,679	1.0
Dessie	2,291	.9
Dilla	3,200	1.2
Jimma	4,658	1.8
Agarow	3,775	1.4
Mattu	2,104	.8
Dire Dawa	13,786	5.2
Gimbi	3,828	1.5
Shashamene	3,079	1.2
Gondor	3,625	1.4
Nazareth	10,050	3.8
Mehal Meda	825	.3
Yirga Cheffe	2,250	.9
Nogelle Borena	550	.2
Awasa	325	.1
Debré Berhan	930	.4
Kulubi	1,304	.5
Total :	262,579	100

Edisco believe they could sell 500,000 blankets per annum.

The actual sales made per area do not reflect the potential sales in each area. Edisco have disposed of all the blankets available to them in the most easily accessible markets where they would sell.

vii. Selling Range and Prices.

12 months ago the range of blankets exceeded 40 in number. Some of these were non-profit making. The policy of the new management has been to eliminate the non-profitable lines and thereby rationalise the production. The advantages of this move are obvious but the danger is that Debré Berhan may no longer offer a comprehensive range of blankets.

Debré Berhan Selling Range.	Ethiopian Dollars (October 1974)			
	Range number. (March 1974)	Wholesale* price (Edisco)	Retail * price (Head Office)	Comment
1805 B	4.-	5.-		
900	8.-	10.-		Discontinued
901	8.-	10.-		"
1200 (airforce)	12.-	-		"
1200 (army)	14.-	-		
CC	15.-			Discontinued
1801/N	17.-	18.50		Not continuous production.
1500/New	16.25	-		Discontinued
1802	17.-	18.50		"
1802 RR	-	19.-		"
1804	17.-	18.50		In range.
1800	18.50			Discontinued
1805/N	17.-	18.50		
1900 RR	17.50	19.-		
1800 RR		19.-		Discontinued
1804 RR		19.-		
1801 RR	17.50	20.-		
500 Baby		18.-		
1801 F	24.-	26.-		
1804 F	24.-	26.-		In Range
1900 F	24.-	26.-		
500 N	45.-	50.-		
500 F	60.-	70.-		
Z/F	27.-	30.-		
Z/RR	19.-	21.-		
1805 child	9.-	11.-		
Z/N	18.-	20.		

* Add 2% turn-over tax.

Best seller : 1805

Code : RR : Ribbon all round blanket.

F : Family size

N : Normal bed (ribbon on 2 ends only).

Dealers who buy from Edisco (sub-wholesalers and retailers) have no price-list to work to. They earn whatever margin they can and this ranges from about Eth. \$ 0,25 to Eth. \$ 2.- for the normal blanket type.

Debre Berhan Wool Factory and Edisco have an agreement whereby Debré Berhan retail sales prices are according to the differentials listed above by blanket type.

Trimming ribbon used : woven viscose narrow fabric folded over edge of blankets, edges doubled under and sewn with double, straight line, plain stitch.

Presentation :

All blankets are baled in the mill with 25 blankets per bale. The only difference in presentation between high and low qualities is that the high qualities are initially individually wrapped in plastic whilst the low qualities are not plastic wrapped.

All blankets carry the Debré Berhan trade mark sewn to the blanket.

viii. Competition : Blankets.

Production in Ethiopia showing capacities per company per annum.

	1969/70	1970/71	1971/72	1972/73	1973/74	Proj. 1976
Cotonificie Brattolo (1)	23,000	25,000	27,000	29,000	30,000	150,000
Cotton Company of Ethiopia (2)	190,000	156,000	106,000	80,000	80,000	100,000
Indo Ethiopian (3)	170,000	175,000	189,000	278,000	300,000	300,000
Lazaridis (4)	300,000	300,000	332,000	332,000	332,000	480,000
Debré Berhan (5)	170,000	169,000	195,000	187,000	300,000	450,000
TOTAL :	853,000	825,000	849,000	906,000	1042000	1480000

Total capacity available 1973/74 : 1,160,000 Normal Blankets

- 1) Brattolo, based in Asmara produces low quality blankets from Cotton waste materials. Reported to be increasing capacity to 150,000 blankets per annum.
- 2) Cotton Company of Ethiopia, is a Japanese owned company presently producing below capacity (80,000 represents only 40% of capacity utilisation) and uses only acrylic waste materials.
- 3) Indo-Ethiopian has a capacity of 300,000 blankets per annum and uses only cotton waste materials.
- 4) Lazaridis, Debré Berhan's principal competitor, has a capacity currently of 330,000, Of this total 260,000 are woven from the same waste materials as Debré Berhan and 70,000 from cotton waste. Lazaridis is also reported to be increasing his capacity by 150,000 which will bring his capacity to 480,000 per annum.

- 5) Debre Berhan can reach a production total of 300,000 from installed capacity.

Investment in machinery to increase the production of carding and spinning would enable loom capacity to be fully utilised and a production of 450,000 blankets p.a. to be achieved.

ix. Imports.

Imported blankets have declined remarkably over the last 4 years.

Year	Total Number	Total Value	Av. Value/Blanket E.¢
1970	154,093	254,110	1.65
1971	146,924	273,077	1.86
1972	99,404	226,576	2.28
1973	62,025	185,749	2.99

In the period 1970-1973 imports have declined by 60%.

100% wool blankets : represented 1.3% of imports in 1970 and 3% in 1973. The average price in 1970 was Eth.¢. 15.75 and Eth.¢ 19.56 in 1973.

100% cotton blankets : represented 95% of imports in 1970 and 89% in 1973. The average price in 1970 was Eth.¢. 1.23 and Eth. ¢ 1.73 in 1973.

Wool/Cotton mixtures : represented 1% of imports in 1970 and 9% in 1973. The average price in 1970 was Eth. ¢ 13.33 and Eth. ¢. 22.27 in 1972.

The dramatic decline in imports was brought about by the sharp increase in import tariffs in 1971/1972 (Eth. ¢. 5.- per kgm of blanket), in order to protect the home producing industry in addition to 15% transaction tax, 1% municipality tax and excise tax of Eth. ¢ 2.- per kgm.

x. Apparent Consumption : Blankets per annum.

	1970	1971	1972	1973	1976 (Est.)
<u>Production</u>	825,000	849,000	906,000	1,042,000	1,480,000
<u>Imports</u>	154,093	146,924	99,404	62,025	50,000
<u>Exports</u>	-	-	-	-	-
Apparent Consumption	979,093	995,924	1005,404	1,104,025	1,530,000

Consumption of blankets has increased consistently since 1970. The estimated apparent consumption of 1.5×10^6 in 1976 is, perhaps, optimistic according to demand and is based on the production expected to be available and the imports. A more accurate estimate of consumption in 1976 is thought to be : 1.35×10^6 blankets.

xi. Reasons for increase in Consumption and future expansion.

- Change in climate : cooler and wetter weather
- Change in political climate : distributors are not importing as many blankets because of uncertainty over duties.
- Gross National Product is increasing.

Year	Gross National Product x 10 ⁹ E.£	Annual change.
1969	3.78	
1970	4.14	+ 9.5%
1971	4.39	+ 6%
1972	4.402	+ 7%
1973	4.646	+ 5.5%

When inflation is taken into account, rate of increase of Gross National Product in real terms was 1% average.

However, as a blanket is an essential piece of clothing and furnishing in the mountainous regions - and a prestige items also - the purchase of a new blanket rates high on the shopping list of most people.

xii. Competitors' Prices.

Lazaridis : Cotton waste blankets : non-woven made of coarse count yarns, screen printed and over-stitched edges : Eth. \$ 7,25-7,75 per normal sized blanket.

Woollen waste blankets : 1.6 x 2.2 metres is the closest competitor to Debre Berhan's best seller - 1805/N. Woven designs with all round, warp-knit trim and zig-zag sewing. Eth.\$ 17,25 - 18.-, i.e. Eth.\$ 0,45 - Eth.\$ 1.- cheaper than Debre Berhan's 1805. Softer finish through extra raising, lower picks than Debré Berhan but heavier warp.

Local cotton waste woven (not Lazaridis).

- : light weight, very poor quality, Eth.\$ 5,50 - E.\$ 6.-
- : light weight, poor quality with blue woven border, Eth. \$ 6,40 - Eth.\$ 6,90

Japan cotton woven :

medium weight, all round border, good quality,
Eth. \$ 8.- to Eth. \$ 8,40.

Imported Merino wool quality : from Italy,

similar to Debre Berhan's 500 type.

Imports retail at Eth. \$ 65.- compared with
Eth. \$ 60.- for Debré Berhan's 500 type.

Bed sheets : are sold in the market at Eth.\$ 15.-

Coloured woven, striped, mattress covers, sold as cheap alternatives to bed-sheets, retail at Eth. \$ 10.-

b) Recommendations.

- i. Our recommendations for the marketing of blankets are mainly concerned with the distribution and sales points. We repeat that we recommend that the Debré Berhan Wool Factory markets its own blankets.

The details of the proposed distribution are discussed elsewhere in this report.

ii. Product development.

We support the recently innovated designs and new colours that have been developed. We recommend a minimum of 2 new designs and a maximum of 4 be introduced per annum in order to stimulate the market, keep the Debré Berhan Wool Factory ahead of its competitors, and to motivate the production departments.

iii. Rationalisation.

We support the moves to rationalize the variety of constructions in the blanket range and the reasons for them, i.e. to eliminate non-profitable lines. We would, however, recommend that a comprehensive range covering sizes, types and designs, so that major market demands can be supplied as fully as possible.

- iv. We recommend that a system of continuous market reporting and marketing controls be instituted to keep management informed of all sales activities and market conditions.

- v. Presentation of products does not seem to be a problem at the present time. However, the marketing information service will advise of changes that may need to be made in order to increase the appeal of the products. For example: the trimming used on the blankets does not, for reasons of economy, appear on all 4 edges of many of the blankets. Additionally, the sewing does not always cause the trimming to lie flat.

Falling sales in more difficult times could be arrested if greater attention is paid to this sort of detail.

c) Forecasting and long range planning.

The market for blankets is buoyant and is expected to continue to grow.

According to a recent study of the textile sector of industry in Ethiopia, the real gross domestic product per capita growth was projected at 2.5% per annum up to 1982. The per capita increase in textile consumption during the same period would be 2.1%. When combined with the population increase, the projected growth in the consumption of textiles would be about 4% per annum.

As a basic necessity, textiles range second only to food. Furthermore, it is a fundamental status symbol. As such, it is our opinion that the growth of textiles will exceed the forecast made in the above mentioned report. However, even the forecast which was made is sufficient for Debre Berhan Wool Factory to plan for future growth and expansion. In addition, it is our opinion that the wool-type blankets will increase in popularity and capture a larger portion of the market.

Consequently, the planned increase in production through productivity improvements to a volume of 300,000, in the short term should be marketable by the Sales Department in the Home Market.

i. Long range planning - First stage.

We propose a capacity increase be considered after two years. This capacity to be additional carding and spinning in order to balance the weaving capacity which is available. Such an addition is estimated at approximately 50% which would bring the capacity to 450,000 blankets.

ii. Long range planning - Second stage.

The home market can take large quantities of cheap blankets as well as the more expensive (1805) and very expensive (500). All three will grow. When production and sales are approaching 450,000 blankets per annum, we recommend that the lower quality market be considered.

The consumer reputedly associates weight with value and warmth. Although this point is probably valid in today's market, there may be a large number of consumers who, in a few years, will recognise that bulk and fluffiness provides greater warmth. In anticipation of this change as well as planning for further growth, we recommend that a needle-punch blanket unit be considered. Such a unit has a very large capacity. The end product is quite different from the present blanket production. The raw material mix is different. It is possible that the hair from the local tanneries can be used as a raw material.

It would be essential to investigate this equipment and its products examined thoroughly. The marketing of such products would have to be well tested, prior to investment of capital.

4. Carpets.

a) Product types.

Two types of carpets are manufactured :

- . 4 mm loop pile, plain weave, uni-colour from dyed fibre - 4 metres width.
- . 6 mm cut pile, plain weave, uni-colour from dyed fibre 4 metres width.

Warp length : equivalent to 20-25 metres carpeting.

b) Present situation.

1. Selling policy.

The selling policy has been to manufacture carpeting speculatively and to retail it through the Head Office Sales Department and Retail Stores.

Some standard sized carpets are prepared speculatively and are held in stock in Addis Ababa and at Debre Berhan. The sizes of these carpets are 3 m. x 2 m., 3 m. x 3 m., and 3 m. x 4 m.

The remainder of the carpeting is cut to customers' requirements, sewn on the raw edges and delivered. When customers place orders for carpets that have to be cut to order, deposits are required to guarantee good faith.

No positive selling policy has been followed. Government Offices, i.e. the Contract Sector, have been advised to purchase carpet requirements from Debré Berhan through the Central Government Authorities but have not been specifically instructed to do so.

Debré Berhan has tendered for orders for Government Offices in competition with imported carpets but have not always been awarded the contract.

It should be noted that the only carpet production made against a definite order is the current order from the A.I.D. Bank (Agricultural & Industrial Development Bank) for 16,000 square metres of the 6 mm cut pile quality.

The Private Sector business has been built up during the last 12-18 months through "word of mouth" and through the reputation of the Retail Store

Contract Sector :

The Contract Sector has accounted for 75% of all Retail Sales in the last 24 months. 90% of contract sales have been in the 4 mm. loop pile market.

Preferred colours : beige - green - blue - olive.

Private Sector :

The Private Sector has accounted for only 25% of Retail Sales. There have been more individual sales than in the Contract Sector.

Most customers in the Private Sector prefer the 6 mm. cut pile type for quality reasons but buy the 4 mm. loop pile for price reasons.

Preferred colours : 4 mm type - red - yellow - orange - olive,

6 mm type - red - blue.

ii. Pricing Policy.

The current pricing policy is to offer the two carpet products at standard prices without regard to the size of carpet or carpeting purchased.

Prices per Square Metre :

4 mm. loop pile : Eth. \$ 25.-

6 mm. cut pile : Eth. \$ 35.-

The stock remnants are sold at the same standard prices per square metre. If discounts are demanded by customers for small pieces, a maximum of 10% is deductible from the standard price.

Credit is not given.

iii. Sales and Stocks 1973/1974.

Square metres.	4 mm type	6 mm type	Total
Closing stock 31 10.'73	2500.4	984.4	3484.8
Closing stock 31. 8.'74	4526.2	7824.6*	12350.8
Production Nov.'73 to Aug.'74 incl.			15718.8
Sales : 1.11.'73/31.8.'74			6852.8

* including 2217.4 square metres of A.I.D. Bank order.

Sales accounted for only 57% of production, and 43.5% if the current A.I.D. Bank order is excluded.

The differences between the Opening and Closing Stocks for this 10 months period show the following increases :

4 mm. type : 81%

6 mm. type : 470% (A.I.D. order excluded).

(as the 6 mm. quality is the type that sells less well, the problems of speculative production can be appreciated.

iv. Analysis of carpet, and carpeting - Stock
Situation, August 31, 1974.

4 mm. type - 20 'full-sized' rolls carpeting, i.e.
(all colours + 20 m. x 4 m.
including - 447 odd sized pieces of average size 6.5 sq.m.
black). (N.B. 39 pieces are smaller than 2.0 sq.m.)

6 mm. type - 65 'full-sized' rolls carpeting, i.e.
(all colours) + 20 m. x 4 m.
- 200 odd sized pieces of average size 13 sq.m.

The odd-sized pieces are primarily "off-cuts" remaining after :

- i) customers' orders have been cut from rolls,
- ii) standard sized carpets have been cut and sewn,
- iii) downgraded pieces with manufacturing faults.

The Company policy for disposing of remnants that was earlier agreed upon, but as yet not implemented, is for the Sales Department to sell remnants through garages and stores for car-mats, bed-side mats, etc...

v. Country-wide Carpet Production.

1. Debre Berhan is the sole industrial manufacturer of carpeting and carpets producing woven carpets.

Year	Debré Berhan Production * square metres.	
1970	4370	1092
1971	4680	1170
1972	+6000	1500
1973	6712	1678
1974 (1st 6 months)	7789	1947
1974 (July/ August - AID order)	+4900	1225

* Source :
Central Sta-
tistical Of-
fice and Debre
Berhan records.

2. Hand knotted carpets are produced by 10 Institutions within the country, i.e. Rehabilitation centres, prisons, Government Training Schools, etc..., and by some cottage schools.

The hand knotted carpets are made with local hand spun or machine spun yarns from Debre Berhan and retail at prices from E.£.55.- to E.£. 110.- per square metre.

From price considerations, these hand-knotted carpets which are sold primarily to foreign residents and tourists, are not competing for the same market as Debre Berhan production.

vi. Carpet Imports.

Imports are the only other source for retail sales and are offered by 3 stores. The principal retail store, who is also the importer, is Karibian who stocks carpets from world-wide sources that include the United Kingdom, Belgium, China, India as well as the Middle-East.

Karibian's stocks include :

- 1) carpeting - uni-colour, plain weave
- 2) " uni-colour, patterned weave
- 3) " printed, plain ground,
- 4) " printed, patterned ground
- 5) carpets and carpeting - coloured, woven Jacquards and tufted
- 6) carpets/scatter rugs - hand knotted
- 7) carpets and scatter rugs - raschel knitted, long loop.

The majority of the carpeting selection was in tufted qualities.

Prices for imported articles (1-7), which are competing for the same market as Debre Berhan Production, varied from E.£. 42.- to E.£. 56-per square metre.

Carpet width : Karibian offers carpeting up to 4 metres wide. Carpeting and carpets are made-up to the required size at no extra charge.

Remnants : The policy regarding remnants and off-cuts is to dispose of these at 50% of the standard unit area price for that particular quality.

Credit : Karibian does not offer credit facilities to customers.

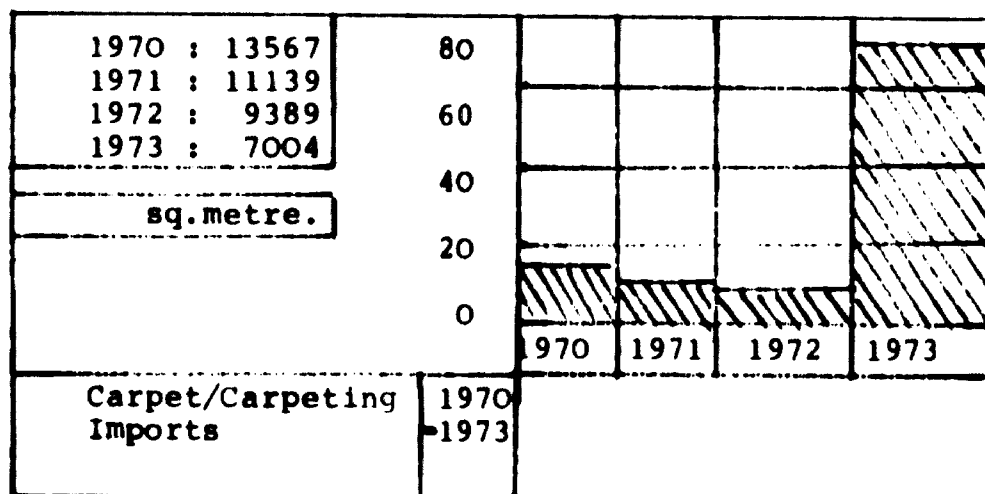
Volume of Imported carpets *

	1970	1971	1972	1973
Carpeting : sq. m.				
Knotted woollen	-	1260	17	18
Knotted cotton	98	1067	-	2992
Knotted other fibres	9619	2744	5958	60039
Woven woollen	-	1075	-	2737
Woven cotton	2591	2	-	92
Woven other fibres	1259	4991	3414	4063
Total :	13567	11139	9389	70011
Carpets : number	14405	25239	17337	24002
Rugs : number	2033	46	431	287

* Source : Customs House Annual Statistics.

The official statistics categorise carpets and carpeting as either knotted (hand/machine) and woven. No separate identification is made for tufted and knitted carpets and carpeting.

vii. Consumption.



Imports, and presumably Retail Sales, showed a small decline from 1970 to 1972 but a sudden increase in 1973. The 1973 imports of 70011 sq.metres represented a 640% increase over 1972.

During the same 4 year period imports of carpets fluctuated from year to year but in 1973, the total was 24,000 carpets. At an average size of 9 sq.metres, the amount of imported carpets totalled : 216,000 sq.metres.

Rugs (scatter rugs) have dropped consistently over the last years, so that the 1973 imported total represented only 14% of the volume for 1973. If the average sized rug is 2 sq.metres, then the area of imported rugs in 1973 = 576 sq.metres.

The total carpet/carpeting /rug imports in square metres

carpeting	: 70011
carpet	: 216000
<u>rugs</u>	<u>: 576</u>
Total	: 286587 square metres.
*****	*****

c. Recommendations.

Given the following basic criteria, we recommend that the company continue with the production and marketing of carpets and carpeting.

Basic Criteria.

- The market for carpet/carpeting /rugs is growing and will continue to do as the Gross National Product increases.
- the company has the production facilities for producing the dyed yarns, carpet weaving and finishing,
- the product cost has been calculated out exactly and shows that the production of carpeting can be profitable provided the problems of marketing can be overcome.
- the distributive means to wholesale and retail carpeting is established,
- the product is acceptable to the market.

Detail of Recommendations.

i. The manufacturing policy for carpets should be changed from a policy of speculative production to a policy which requires at least 50% of a warp length to be sold before any stage of manufacture is begun.

The purpose of this recommendation is to contain the possible stocks of unsold production to a reasonable volume.

We propose that customers, from both the contract and private sectors, should place orders with any one of the sales outlets and, when these orders totalled together for any one carpet type and colour amount to 50% of the production of one warp, manufacturing should proceed with the production of the whole warp length.

This activity will require careful planning, programming and forecasting by both the Sales and Production Departments to ensure that production proceeds with the maximum speed when a sufficient part of the warp has been sold.

ii. The Standard width of the carpeting should be reduced from 4 metres to 3 metres.

The standard carpet sizes are 3 m. x 2 m., 3 m. x 3 m., and 3 m. x 4 m. This move will restrict the numbers of stock remnants which are difficult to sell.

If customers order complete warps on a 4 metres width, there is no reason not to accept orders at that width.

The increase in product cost per square metre caused by manufacturing on a reduced width will not make a too significant difference to the selling price. Raw materials total 67% of the product cost, so that the new conversion cost cannot exceed $33\% \times \frac{4}{3} = 44\%$ i.e. an increase of 11% in the product cost per sq.m. This cost would be more than off-set by the reduction of remnants.

iii. Stocks of carpet remnants should be cleared as soon as possible. This policy should be adopted not only for the large stocks currently held but also for off-cuts as they occur in the future.

Present stocks. It is recommended that the present stocks be disposed through an aggressive selling policy directly to the end customer. The capital tied up in stocks should be converted into cash as soon as possible, even though the stock must be sold off at varying discounts. A target of 50% on the normal selling prices is

recommended. Although this will result in a "book" loss, the company will be strengthened through a much needed improved working capital position.

Future stocks. Through adopting the recommended manufacturing policy, the future stocks will be contained within smaller limits;

- a) because of the restriction on speculative production,
- b) if customers have to order, pay and await delivery, they will be tempted to buy stock items.

Small sized, odd pieces should, in the future, be sold below the normal price in order to effect a quick sale.

iv. Pricing. The same unit area price should not apply to all sizes of carpeting sold. If customers want a square of, say, 2.5 m. x 2.5 m., a 3 metre width x 2.5 metres length will be charged, i.e. the effective square metre price becomes for example, E. §. 30.- instead of E. §. 25.- That is, the price of 2.5 m. of 3 m. wide carpet = E. §. 187,50 and this is divided over 2.5 x 2.5 sq. metres.

If customers require carpets, say, 2.0 m. x 2.2 m. wide, where the remnant is a practical runner width of 1 m. or 0.8 m., your policy can be modified to allow for the improved sales chance for the off-cut.

v. Marketing.

We recommend that a positive direct selling policy be adopted in both the Contract and Private Sectors.

Contract Market : The policy should be to have a direct and regular contact with all agencies working in the contract market.

Private sector : Through the means of the Retail Store and, for the time being, through the Head Office Show Room to give

prominence to carpets. Eventually, during 1975, carpets can be offered also through the Mercato Depot and Asmara Wholesale Store.

Elsewhere in this report, we have recommended that the Retail Store be immediately re-vamped to stock a complete range of household textiles. This will include a limited range of imported carpets and carpeting to supplement the present range. At that time, we propose that you make a sales promotion/advertising campaign, be made that will have a two-fold value of raising interest not only in the Retail Store but also in Debre Berhan carpets.

vi. Carpet Production Capacity on a 2 shift activity at a width of 3 metres amounts to approximately 22,000 sq.metres per annum, at the present efficiency.

These production levels per shift are equivalent to the following percentages of 1973 imported levels :

	<u>Production sq.m.</u>	<u>% of 1973 imports.</u>
1 shift :	11,000	3.9
2 shift :	22,000	7.7
3 shift :	33,000	11.6

We do not believe that it will be difficult to sell the production, even from a full 3 shift operation, in view of the fact that this represents only a small fraction of the imported quantities.

All imported goods are more expensive than Debre Berhan's carpeting.

In order to achieve these sales, a publicised, direct selling operation has to be mounted in both the Contract and Private Sectors.

5. Handicraft Yarns.

a) Present Situation.

There is a growing demand for handicraft yarns for the production of hand knotted carpets and wall coverings. These products are manufactured in 10 different locations throughout the Country, e.g. prisons, training schools, re-habilitation centres, etc...

i. Size of Market.

We estimate that the market is currently worth 600-650 kgm of woollen yarn per day, i.e. 178 tons per annum. The market will continue to grow as the demand for these carpets, mainly from foreign residents and tourists, grows.

ii. Carpet prices.

The carpets retail at prices from E.£. 55.- per square metre to E.£. 110.- per square metre, according to the quality of the yarn used.

The cheaper quality of carpet is produced from hand-spun, un-washed, Ethiopian wool and hair yarns, whilst the more expensive quality is produced with mechanically spun, scoured, Ethiopian wool yarns. Carpet manufacturers are prepared to pay currently E.£.10;- per kgm. for the machine spun yarns rather than a lower price for the wool which they themselves hand spin and which contain large amounts of foreign matter.

iii. Yarn Requirements.

Carpet Manufacturers require 75% of white woollen yarns and the remaining 25% divided over 8 other colours. Debre Berhan cannot supply all the quantities of white yarns ordered

as the white wool is not available in sufficient quantities.

a) Recommendations.

We recommend Debre Berhan to continue to supply the carpet manufacturers subject to the following qualifications :

- the prices obtained for the yarns cover not only the production costs of the yarn itself but also the cost of weaving and finishing capacity made idle by diversion of the yarn from blanket production.
- that excessive orders for white woollen yarns, or colours are accepted, which would result in either falling short of the blanket and carpet requirements or letting the customer down.

6. Other Fabrics.

a) Idle capacity.

At the present time there is idle machine capacity on 10 looms which would make fabrics either for apparel or for curtains. There is complementary idle finishing equipment on which these cloths could be finished.

b) Recommendations.

i. Acrylic fabrics.

Our recommendation is that after 2 years time the introduction to the market of a small range of coarse weave, patterned cloths for skirts (women's wear) and curtains made from imported acrylic yarns be considered.

ii. Yarns.

We advise that acrylic yarns be purchased because the carding drawing and spinning capacity is not available to produce these yarns when woollen yarns for blanket and carpet production have priority demands on the equipment.

Acrylic yarns will be in greater demand in the future for both apparel and curtains because of their inherent easy-care properties.

iii. Timing.

The introduction of this range of cloths should not have priority in the re-organisation programme. We recommend it be placed on a low position in the list of priorities and to concentrate initially on re-organisation of the prime products, blankets, carpets.

Additional reasons for a delay in the introduction of this fabric range are :

- capital investment will be required to get the project off the ground.

This is estimated to be of the order of E.₡. 100,000 to cover :

- . investment in yarns
- . initial ranges (development work)
- . purchase of designs from European producers
- . re- equipping looms from which you have "borrowed" parts
- . operator training
- . designer time
- . promotion

- The Mill Technical people are at present fully occupied in producing the prime products and in achieving the increases in productivity that have been shown to be attainable. In order to produce this alternative fabric range, a newly trained team of personnel will be needed, as it would not be advisable to expect the existing team to perform well in all areas simultaneously.

iv. Selection of fabrics.

Our recommendations to produce curtain fabrics and women's skirt fabrics are based on :

- the loom speed of 125 p.p.m. is low. Low pick fabrics are required to obtain a good production rate. Skirt fabrics and curtains can be woven with coarse yarns in low pick constructions.
- the looms are suited to producing patterned and plain cloths which are in demand for both these end-uses.
- there is no competitive weaver in Ethiopia for this type of merchandise. When production is begun, all imported cloth will have to pay a higher total tariff than hitherto, i.e. with no local producer available, duties payable are E.₡. 0,60 per sq.m. (or 65% of value whichever is the higher), plus the same transaction tax (15%), municipality tax (1%) and excise tax (E.₡. 2.- per kgm).

- the market place has many stalls selling Dress Fabrics by piece length and our observations show that this was almost exclusively cloth that had been imported from Japan. Furthermore, this cloth was more than 99% knitted fabric (double jersey) in plains, prints and coloured knitted. Some woven cloth was available but had less than 1% share of the market. In Western Europe the demand for knitted fabrics is on the decline, so that the market share is a declining 45% - 50%. We believe, therefore, that a range of skirt fabrics could be marketed with no difficulty.
- the market place was not offering the type of loose weave acrylic curtain/drapery fabrics that we propose. Curtains being offered were the conventional cotton plains and prints, velvets, etc. We believe there is a good opportunity for the introduction of the new acrylic curtain fabric to the Ethiopian Market.

v. Market prices for woven fabrics ranged from E.£. 8.- to E.£. 12.- per linear metre on a width of 150 cm. The basis for the prices asked in the market were difficult to comprehend as the most simple fabric, which should have been the cheapest, was in fact the most expensive. These prices are not indicative of the true market price, but we believe these products can be marketed profitably.

vi. Distribution.

We propose that these cloths are stocked at the Mercato Depot and Asmara Wholesale Store. Additionally, some stock and a full range of samples should be available in the Retail Store.

7. Head Office Sales Department.

a) Current Activity.

The Head Office Sales Department is now operating as the Sales Office :

- orders and enquires received and replies given
- liaison with Edisco, current distributor of blankets
- liaison with Mill
- preparation of Sales Statistics : orders, value, deliveries
- controlling activities of Retail Shop
- Head Office Show Room Sales
- negotiate contract sales of blankets and carpets with Governmental Institutions
- solicits sales for carpets to be used in new buildings, contract with Architects measuring and fitting carpets, including delivery
- contacts for Sales of Handicraft Yarns
- investigation of market problems as reported by Edisco
- controlling movements of truck and lorry.

b) Recommended Activity.

i. Sales Administration.

The Head Office Sales Department should be re-styled as the Sales Administration activity of Debre Berhan Wool Factory concentrating on total marketing, i.e. sales development and distribution. We recommend that a smaller Show Room be retained to demonstrate products to visitors, as necessary, but that customers enquiring for retail sales should be referred to the Retail Shop in the City.

The activities carried out will be :

- receiving orders sales, enquiries from Mercato Depot, Retail Shop, Asmara Warehouse, Wholesale Dealers, etc. Preparing and issuing appropriate replies,
- preparing invoices for all sales effected,
- monitoring sales, deliveries statistics by volume and value per product type for each Depot or Dealer Preparation of monthly and annual records for management,
- direct management of Mercato Depot and Asmara Warehouse,
- investigating market requirements, problems and competition activities,
- anticipating changes in demand for all product types,
- aggressive selling of all products to ensure that production departments can operate to target capacities,
- liaison with Mill concerning revised production programmes, delivery schedules, customer problems,
- instruct Storeman in Mill to prepare shipments according to sales requirements, i.e. make up bales of blanket assortments as required and despatch to Addis Ababa according to Sales Department instructions.

(Note : Sales Department will prepare invoices to accompany each shipment received from Mill).

ii. Staffing.

Salary proposed E.S. per month

Sales Manager	1	1100
Asst. Sales Manager	1	500
Clerk	1	200
Secretary	1	200
Guard	1	70
<u>TOTAL :</u>	<u>5</u>	<u>2070</u>

iii. Head Office Sales Dept.- Estimated Operating costs * per annum.

	<u>1st Year.</u>	<u>2nd Year.</u>
Labour - Salaries	24840	24840
Rent (1/2 present Accdn)	8000	8000
Stationery/Phone	5000	5500
Travel, etc. (see Personal Travel expenses "iv")	6540	5290
Visits to wholesale dealers	-	13000
Advertising/Sales Promotion	2500	3000
Transport (Mill to Addis) **	18000	18000
Insurance	3000	3000
Bad Debt provision (0.5% Turnover)	25 000	25 000
Depreciation	1000	1000
Miscellaneous	1120	1370
<u>Total :</u>	<u>95000</u>	<u>108000</u>

* Excluding Transaction Tax.

** Part to be charged to production for transportation of raw materials to Mill from Addis Ababa.

iv. Analysis of Personal Travel Expenses.

These expenses will be incurred principally by the Sales Manager in the first year, visiting the Mercato Depot and Asmara Stores. The frequency of visits will necessarily be greater in the first months than later, e.g. it is expected that he would visit ASMARA every 2 weeks for the first 3 months and monthly from then on.

<u>Travel Costs to Asmara 1st year</u>	= 15 return flights :	E. \$ 3000
	36 nights hotel +	
	taxis	2000
	Total :	5000
<u>2nd year</u>	= 12 return flights :	2400
	24 nights hotel/tax's	1350
	Total :	<u>3750</u>

Travel Costs to Mercato Depot.

Frequency 5 days per week x 52 weeks per year by Sales Manager or, in his absence, by the Assistant Sales Manager.
 = 260 visits at cost of, day \$ 4.- per visit = \$ 1040.
 =====

Travel Costs to Wholesale Dealers.

When the decision has been taken to phase in Wholesale Dealers in selected areas, during 1976, regular visits will be made to each area. For the first two months of each agent's activity, he will be visited every 2 weeks but once the business is running smoothly, these visits can be reduced to monthly.

Considering the time, which in any case would not be until the second half of 1976, when 6 agents were visited monthly for 1 night's stay per visit, the expenses would be at a level of :

72 visits : return fare/flight	E.£. 8,640
hotel/taxis	3,600
Miscellaneous	760
	<hr/>
Total :	E.£. 13,000
	=====

Selling carpets/curtains in Addis Ababa.

5 day, 100 trips x £ 5.- per trip	E.£. 500
-----------------------------------	----------

Summary of personal Travel Expenses

during 1st year : ASMARA	E.£. 5000
MERCATO	1040
CARPETS	500
	<hr/>
Total :	E.£. 6540
	=====

Summary of Travel Expenses.

during 2nd year: ASMARA	3750
MERCATO	1040
WHOLESALE DEALERS	13000
CARPETS/CURTAINS etc.	500
	<hr/>
Total :	E.£. 18290
	=====

v. Present Operating Costs per annum based on the first 6 months of 1974 *

Excluding Retail Shop (Salaries, Rent and Services) :

Labour	E.₡.	17,600
Rent		11,000
Stationery/Phone		3,500
Advertising/Sales Promotion		1,250
Transport (Mill to Addis)		18,000
Insurance		2,150
Bad Debt provision		5,400
Depreciation		2,750
Handling charges		1,650
Miscellaneous		1,700
Edisco commission		165,000
Total :	E.₡.	230,000

* Excluding transaction tax.

vi. Total estimated operating costs of Debre Berhan Sales Departments with own distribution.

		<u>1st year</u>	<u>2nd year</u>
Head Office Sales Dept. (iv)	E.₡.	95,000	108,000
Asmara Wholesale Store (iv)		33,000	33,000
Mercato Depot		59,000	59,000
Total :	E.₡.	185,000	200,000
		*****	*****

vii. Estimated savings in operating costs to Company in first year of own Distribution.

difference in the calculated operating cost

<u>Edisco + present selling expenses.</u> as detailed above (v) E.£. 230,000	<u>Own Distribution 1st year.</u> as detailed above (vi) E.£. 187,000 <u>Savings: E.£. 43,000</u>
---	---

Conclusion.

With the present volume of blanket production and the restricted outlets during the first year, i.e. Mercato, Asmara and the Retail Store only, it is calculated that a saving in Distribution/Administration costs of E.£. 58,000 will materialise.

viii. Job Specification.

Title : Sales Manager

Responsible to : Company General Manager

Responsible for :

1. All sales and marketing activities of the Company with the exception of the retail store in H.S.I. Addis Ababa.
2. In order to meet these demands, the Sales Manager will be in control of : the Head Office Sales Administration; the Mercato Depot, the Asmara Wholesale Store.

(The functions of each of these sectors is detailed elsewhere in this report).
3. The Sales Manager will be responsible for the day to day running of each department, for the efficient operation and discipline within the departments and for budgetary control of these departments.
4. He will be especially responsible for ensuring that Target Sales in each area are achieved and will visit each area, as determined, on a regular basis.
5. He will ascertain, through discussions with wholesale agents and own personnel, and also through contacts with dealers in the market places and stores, changes in market trends concerning product styles, colours, prices, demands and activities of competitors. Monthly reports of market trends will be prepared and submitted to the General Manager for discussion.

6. Customer complaints will be investigated, resolved and reported back to the General Manager.
7. Liaison with Production Departments concerning :
 - Delivery Programme requirements
 - Customer complaints
 - Product Development/Market Sampling
 - Delays in delivery schedules.
8. Generation of carpet, curtain, handicraft yarns and apparel sales to enable carpet loom and 10 weaving looms to run at optimum efficiency. The policy of positive selling direct to the end user for carpets and, as required, for curtains will be the means by which this will be achieved.
9. Liaison, through the General Manager, with the Retail Shop to ensure adequate stocks of Debre Berhan Production is maintained. (The profitability of the Retail Store is the responsibility of the General Manager).

Where the imported household textiles are to be distributed through the Asmara or Mercato Depots or through other agents, the Sales Manager will be responsible for distribution, at agreed prices, through the depots.
10. Preparation of monthly and annual reports of sales and deliveries per product by value and volume according to each point of distribution and also globally.

Characteristics required of Sales Manager :

- : pleasing personality
- : personal drive
- : self motivation
- : ability to relate with people, customers, colleagues at all levels

- : leadership
- : confidence in the Company, its products and his own abilities.

8. Retail and Sales Shop, H.S.I. Addis Ababa.

a) Present Situation.

Purpose : The Sales Shop was set up 12 months ago by Debra Berhan as a retail outlet for its production of blankets and carpets. It has operated without any sales promotion and has not succeeded financially nor in terms of volume turnover.

In our view, the merchandise as presented has little appeal and the shop needs to be re-vamped or closed down.

b) Recommendation.

1. Complete range of household textiles.

We propose that the shop should be developed as a retail store offering a complete range of Household Textiles. The range of Debre Berhan products, blankets, carpets, curtain and apparel fabrics, would be supplemented with imported carpets and curtain fabrics outside Debre Berhan's scope and supplemented also by complementary household textiles such as bed-sheets, pillow-cases, towels, table linen, etc...

The complete range of household textile products will give character and personality to the Store that will attract the public to it and who will buy blankets when they come to buy sheets, for example, and vice-versa.

The quantities of imported goods should be strictly limited to the minimum required for an attractive product range and according to experience of turn-over per item. The Sales Shop will also handle the retail sales now handled by the Head Office.

ii. Status.

The Retail Shop should be established as a separate Sales Company with an apart Profit Centre. The shop should be a specific responsibility of the Company's General Manager. Merchandise should be purchased from Debre Berhan in the same manner as from other suppliers, so that the shop is responsible for its own profitability.

iii. Staffing.

The present staffing should be adequate for the increased volume turnover proposed, i.e.

		<u>Monthly Salary E.₡.</u>
Shop Manager	1	200
Sales Girl	1	70
Van Driver	1	200
Guards	2	2 x 70
<hr/>		
Total :		E.₡.610 *****

iv. Operational Costs.

The operational costs will remain as at present with the exceptions of the van driver and additional guard who are currently carried as Head Office charges.

Operational costs/annum :	E.₡.
Labour	7320
Rents	5400
Services	600
* Van Expenses/Deprec.	3080
<hr/>	
Total :	E.₡.16400 *****

* Where the van is used by the purchasing and other departments, part of these expenses and those of the driver should be re-allocated.

v. Start up costs.

Certain costs will be incurred in setting-up the shop as an Household Textiles Retail Store and also in making contact with overseas suppliers of merchandise.

Correspondence with Overseas Suppliers	: E.£.	400.-
Furnishings for shop		10,000.-
Provision		600.-
<hr/>		
Total :		E.£.11,000.-

- vi. The first priority for the shop is to sell off all the stocks of remnants and defective carpeting. Whilst this sale is proceeding, the initial contacts with potential suppliers can be made with a target date of January 1, 1975 as an opening date.

We recommend that the carpet remnants be sold at as good a price as possible but that Management should not be disappointed if only 50% on average of the current normal selling price (4 mm. quality at E.£. 25.- per sq.m. and 6 mm. quality at E.£. 35.- per sq.m.) are realised.

9. Details on proposed marketing organisation.

a) Market Depot (Mercato).

i. Purpose :

To act as the principal distribution and wholesaling depot for Debre Berhan. It is known that Edisco distributes 65% of all the blankets it handles from the depot in Addis Ababa and, as we do not propose having wholesalers or agents initially in the immediate adjacent towns, it is expected that the Market Depot will, when established, distribute approximately 70% of blanket sales of production volume of 300,000 blankets per annum.

ii. Status.

Department of Debre Berhan Sales Organisation.

iii. Responsibility :

Through the Sales Manager to the General Manager.

iv. Location :

Within the Addis Ababa Market Area :

Accommodation for unloading and loading lorries; bale storage area and racks for accommodation of blankets, carpets and curtain and apparel fabrics. Certain imported items of household textiles may also be stocked.

v. Timing :

The Depot has to be ready to take over the distribution of blankets as from July 1, 1975, when the current Edisco contract expires.

We recommend that the type of building required be studied and that the possibilities available in the area be investi-

gated within the next few weeks.

Contracts for the rental of the building should be signed by May 1975 latest for the tenancy to commence in June. During the month of June, the building has to be fitted out and the senior staff engaged, so that the business can be taken over promptly when the Edisco Contract expires.

During the last 2 weeks of June, dealers will be contacted to advise them of the planned change in distribution. (Edisco will have to be advised of the termination of their contract no later than May 31, 1975, i.e. 1 month's notice).

vi. Start-up Costs.

	<u>E.£.</u>
Provision	1,500
Persuader	1,000
Furnishings/Racking/Counter/Desk, etc..	4,000
Additional van to help transport goods locally	15,000
Provision	1,500
<hr/>	
Total :	E.£23,000.- -----

vii. Staffing.

		<u>Income/month E.£.</u>
Depot Supervisor/Salesman	1	1 x 500
Storekeeper	1	1 x 250
Asst. Storekeeper	1	1 x 200
Coolies	2	2 x 60
Guards	2	2 x 80
Truck Driver	1	1 x 250
Van Driver	1	1 x 220
Truck Driver's Asst.	1	1 x 180
<hr/>		
Total :	10	E.£1,880.- -----

viii. Operating Costs per Annum.

	<u>E.g.</u>
Labour	22,560
Rental of Building	18,000
Services	1,500
Truck Expenses/Depreciation	15,000
Provision	1,940
<hr/>	
Total :	E.g. 59,000.- *****

Note : Distribution costs from depot to customers will be payable by customers.

ix. Transportation :

The total cost of the truck has been included in the operating costs of the Sales Department and will be allocated as a selling expense. However, this truck will be used for transportation of raw material to Debre Berhan in addition to the delivery of blankets from the mill to the Mercato Depot. A share of the truck expenses should be allocated to the Production Department.

It is envisaged that blankets will be delivered from the depot to dealers in the immediate locality. Whenever additional transport is required, a delivery charge will be made to the dealer and transport will probably be by Natraco.

x. Carpet fitter :

Service to consumer. To assist in the consolidation of orders in the carpeting and curtain sectors, the Selling Policy should be one that offers consumers in both the Contract and Private areas the service of measuring, making to measure and fitting.

Initially, when the business is in the embryo stage, this can be handled on a contract basis. As the business volume increases, the time to appoint a full time employee for this post can be determined.

This man would handle orders received via the Retail Store as well as by the Mercato Depot.

xi. Introductory Lines.

At the same time as the marketing operation from the Mercato Depot is begun, we recommend that the opportunity be taken to introduce 2 or 3 new blankets. This will give greater impact to the total new approach to distribution.

Elsewhere in this report, under Product Development, we have discussed the need to introduce 2 new designs in the blanket range in order to retain the position as market leaders. The start-up of the new Organisation is a special case when some new designs, styles and qualities should be introduced.

One possibility is that a somewhat lighter weight but a better raised quality be placed onto the market in an attempt to break the established myth that a warm blanket has necessarily a heavy weight. The same weaving construction could be used.

If interest is generated in this way, a sufficient impact will be made on the market to create a demand that will be helpful through the transition period from EDISCO to the company distribution system.

b) Asmara Store.i. Purpose :

To act as Wholesale Depot for the Asmara area serving dealers with:

- blankets,
- carpets,
- curtains/other fabrics
- other imported retail goods.

ii. Status :

Department of Debre Berhan Sales Organisation.

iii. Responsible:

Through Sales Manager to General Manager.

Sales Manager will make regular visits, at least 2 x monthly initially.

iv. Timing :

The store should be prepared to take over the market in Asmara when the Edisco contract expires on June 30, 1975.

During April 1975, or latest May 1975, the General Manager should complete his initial investigation of the market to determine :

- accommodation
- dealers
- personnel interviews
- sales promotion required.

During June 1975, the General Manager and the Sales Manager should visit Asmara :

- to sign contract for accommodation
- to introduce Sales Manager to dealers
- to appoint main personnel
- to furnish store.

v. Start-up Costs.

	<u>E.₡.</u>
General Manager : initial visit - flight	200
accommodation/taxi (5 nights)	360
: second visit - flight	200
accommodation/taxi (4 nights)	300
Sales Manager : with the General Manager	
on his second visit - flight	200
accommodation/taxi (4 nights)	300
Sub-total : personal costs	<u>1560</u>
Furnishings	3000
Van	15000
Provision	1440
Total :	<u>E.₡. 21000-</u> *****

vi. Staffing :

		(income per month-E.₡.)
Senior Man : Store Manager	1	1 x 500
Store Keeper	1	1 x 250
Van Driver	1	1 x 220
Guards	2	2 x 80
Coolies	2	2 x 60
Total :		<u>E.₡. 1250</u> *****

vii. Operating Costs : per annum.

	<u>E.₡.</u>
Labour	15,000
Rental of Building	12,000
Services	1,500
Van Costs	2,000
Miscellaneous (local travel)	1,360
Provision	1,140
Total :	<u>E.₡. 33,000-</u> *****

viii. Transportation :

Of goods to Asmara (selling expense to Debre Berhan)
at contract price to be negotiated with Natraco :

Reported freight charge (Addis-Asmara) = E\$ 9.- per 100 kgm.
25 blankets weight 65 kgm, so that freight transport cost
of 39 blankets = \$ 9.-
(100 kgm) Per blanket freight = E.\$0,23.

ix. Target Sales :

It is recommended that an agreed volume of production be sold
through the Asmara Store. This volume should be higher than
the 1973 volume of 32,200 that Edisco has sold through his
Asmara branch. A reasonable target volume would be 50,000
minimum per annum (20% of production).

Carpets and other items : positive selling.

x. Transportation Addis Ababa - Asmara and vice-versa.

The question of transportation to Asmara of blankets, carpets, cloth and some imported goods to be distributed through the Asmara Wholesale Store, and of imported raw materials from Assab to Addis Ababa, has to be fully investigated.

The two choices lie between :

1. using a transport company under contract: e.g. NATRACO,
- or
2. operating company truck and trailer for this purpose (this would mean investment in a new truck and trailer).

The round trip Addis Ababa - Asmara - Addis Ababa (2300 km) would take 10 or 11 days according to the time of year including loading and unloading times.

The factors to be considered are :

NATRACO :-contract price
 -service offered
 -delivery times

OWN TRANSPORT :

- will one truck and trailer travelling 1 x 2 weeks have sufficient capacity for manufactured goods to be sold in Asmara ?
- will one truck and trailer travelling 1 x 2 weeks have sufficient capacity for raw materials to be transported Assab-Addis Ababa?(This is unlikely and alternative transport will have to be arranged for the major part of the incoming raw materials).
- cost/utilisation considerations.

<u>Investment</u> : truck and trailer	E.₡. 60,000
<u>Annual Costs</u> :	
<u>Labour</u> : Driver (E.₡ 450 per month)	5,400
Driver's mate E.₡.200 per Month	2,400
Living expenses (E.₡.13 per day, for driver and mate together)	4,500
Diesel Fuel (E.₡.0,50 per litre, 5 km/lit. 74,000 km/year)	7,400
Depreciation (truck - 5 years + interest)	13,200
Servicing (truck)	2,500
Provision	600
<u>Total</u> :	<u>E.₡. 36,000.-</u> *****

Conclusion.

Based principally on the factor of the relatively small share of imported raw materials that the company truck/trailer could transport to Addis Ababa and to the necessity for alternative arrangements to be made for the larger part of incoming raw materials, we would recommend that a satisfactory contract be negotiated with Natraco for the total transport of goods from Addis Ababa to Asmara and from Assab to Addis Ababa.

c) Wholesale Dealers in Country Areas.

We do not envisage that it will be necessary for Wholesale Dealers to be appointed in the country areas immediately that the distribution and wholesaling activity is taken over by Debre Berhan. The information available to us has shown that the present volume of sales could be maintained through the Mercato Depot, Asmara Store and Retail Shop.

It is confidently expected that those dealers who are unable to buy blankets in their particular localities will make their purchases when they come to Addis Ababa for other business purposes.

When the new distribution system is running smoothly during the second half of 1975 and the volume of production will have been stepped up with productivity improvements, the company will be in a position to appoint wholesale dealers in selected areas.

1. Areas.

We would recommend that the areas selected, in order of priority, be :

- Jimma
- Shashemene
- Mattu
- Dese
- Bahir Dar
- Dire Dawa

These 6 areas will give adequate coverage for those parts of the country where blankets are used.

iv. Selection of Wholesale Dealers.

The Wholesale Dealer selected for each area will be the one who :

- is centrally situated
- is prepared to deal only with Debre Berhan blankets
- has a reputation locally for fairness
- is known to and is known by all local dealers
- will buy blankets for his own account against cash or against bank guarantees. As a less desirable alternative, one who will sell blankets on commission but only if adequate bank guarantees are supplied
- will maintain adequate stocks of each blanket type to meet consumer demands i.e. who will re-order new stocks in anticipation of sales.

v. Servicing of Wholesale Dealers.

The Sales Manager will visit each area on a regular basis to ensure that each Area Dealer is being adequately served by the Mill Deliveries, that the Dealer's Orders are on target and to observe the local Market Conditions at first hand.

Initially, these regular visits should be 1 x per 2 weeks but, eventually, the frequency can be reduced to 1 x per month.

Head Office Sales Department will monitor all orders and deliveries made to each area per product type, so that the state of each Area Market can be studied continuously and delays in honouring orders can be followed up.

10. Product Development.

Continuous product development is the basis of a healthy company. It has the dual advantage :

- bringing new products into the market which will enable the company to retain its position as a leader in the various fields.

- will contribute to the ever-increasing efficiency of the production units who will be involved with working with new designs and materials and will not become bogged down with always producing the same items.

Product Development should be restricted to the introduction of one or two new designs per product group twice a year. To have more innovations is too expensive in terms of time of manpower and machines and also in yarns. Additionally, it will be too disruptive to the normal production-selling lines and could develop to a stage where dealers are holding back with buying as they expect many new designs at too frequent intervals.

At the same time, it should be reckoned that the competitors will not be standing still, if their product changes e.g. designs, colour, prices, presentation, blanket trimming, etc..., have an adverse effect on Debre Berhan sales, then the company will obviously have to respond.

The Sales Department should pick up information on the activities of competitors on a continuing basis and relay this to management.

For example, it could happen that demand for blankets shows a turn-down because of a poor harvest and the 1805 F is not

selling as well the Lazaridis quality, which is in any case slightly cheaper, the reason could be that Lazaridis has a more attractive trimming with a zig-zag sewing to hold it flat and, additionally, the trimming is on all 4 edges of the blanket. The trimming may then need to be modified and the blanket trimmed on all 4 sides in order to increase its appeal.

This will, of course, have to be played by ear. Response must be made to the dictates of the market.

Elsewhere, in this report, Introductory Lines, section 9, xi, we have recommended that some special new lines be developed to generate special interest in Debre Berhan blankets that will help the company through the transition stage when taking over the complete distribution operations. If an impact can be made on the market at this special time, dealers will seek out Debre Berhan in order to get supplies, so that the hard work of chasing dealers will be reduced.

As part of Product Development, we would recommend that new designs and styles be discussed with selected and respected dealers, in advance of going into production. In this way the company will initially benefit from their advice and recommendations and, secondly, their interest will be generated in advance of production and they will help to get new lines off the ground.

11. Exports.

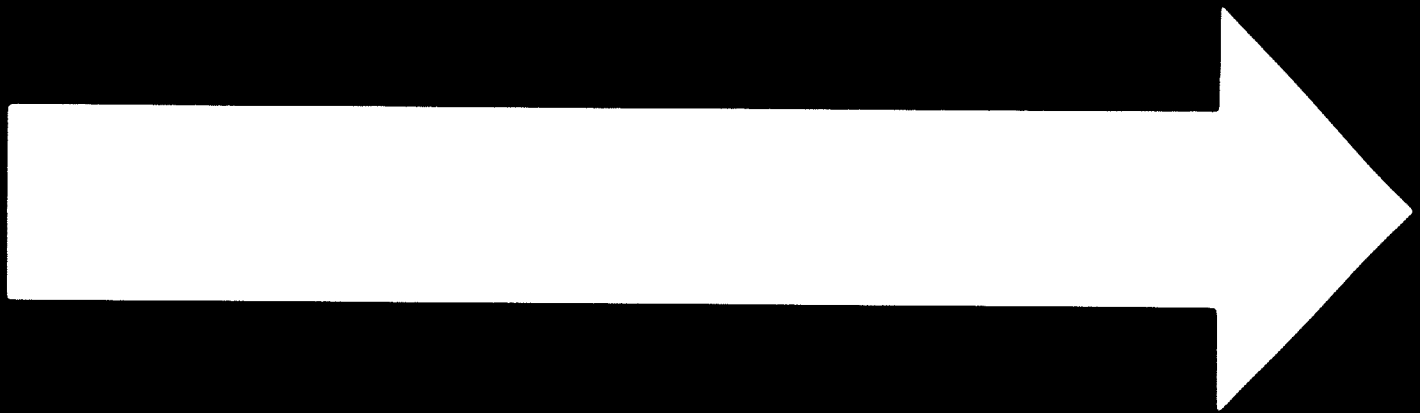
There is prestige to be earned for a company that exports - but often very little money.

We do not recommend that the export market be entered at the present time for the following reasons :

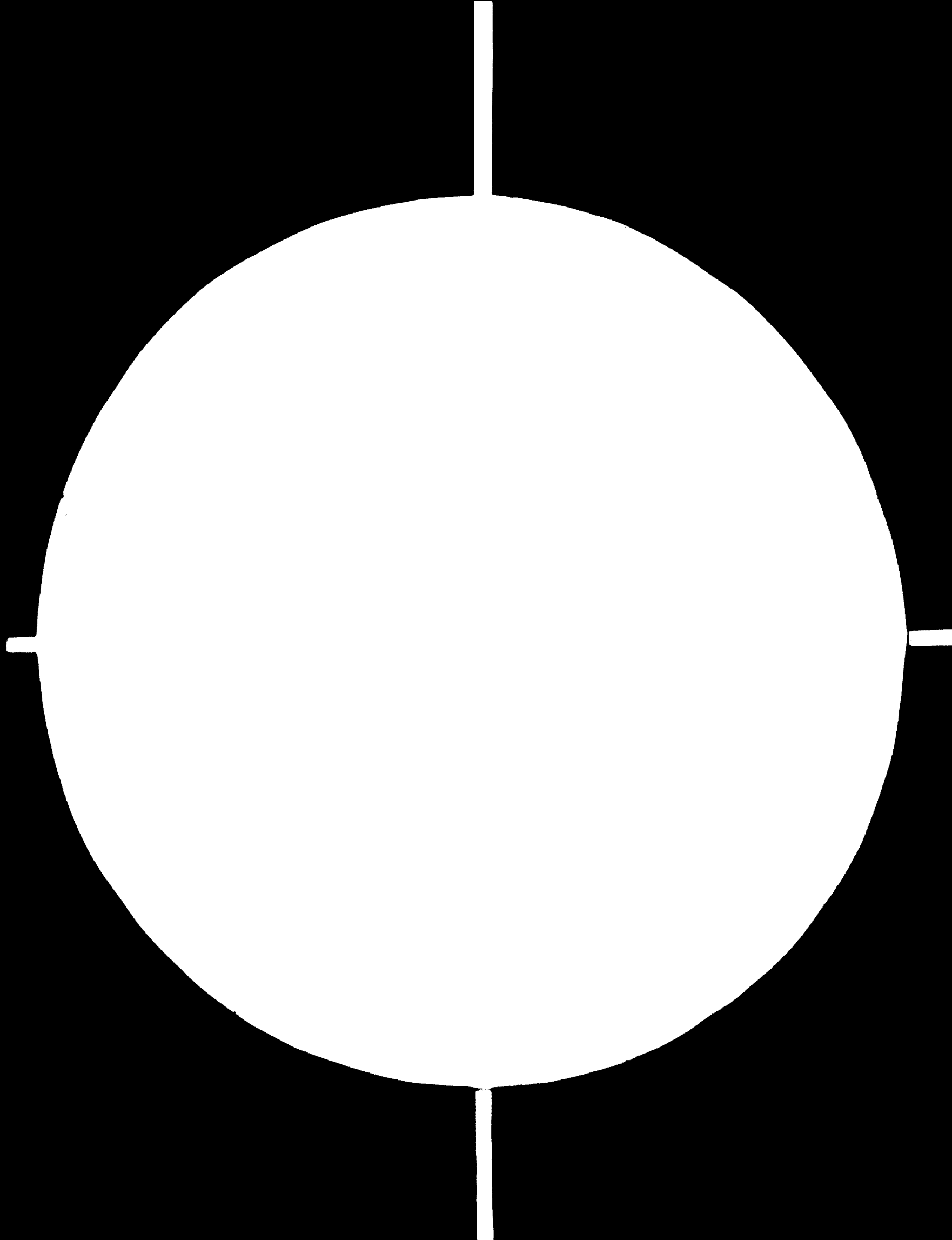
- The Home Market is not being fully satisfied and it is in the company's interest to exploit this fully before moving into other markets,
- it is unlikely that the profit margins in the Export Markets will be as high as those in the Home Market
- to develop an Export Market requires that the sales personnel investigate the market and build up the business at great expense, or you work with an Agent or directly with a Wholesaler in the other Country. In any case, the selling expenses per unit sold are going to be higher,
- competition in that market will be stronger than at home,
- transportation, which in any case is problematical within the country, will be more difficult to distribute to the borders and beyond,
- the additional demands on management are burdens they should not be asked to carry at this time and no increase in management staff is justified for the relatively small export trade that would be found. Management's time can be fully and usefully utilised in increasing Mill Efficiency and Home Market Sales.

At the same time, we do not suggest that any or all enquiries for Export Sales should be ignored. Any enquiry received is an opportunity to build up a library for future reference.

C-106

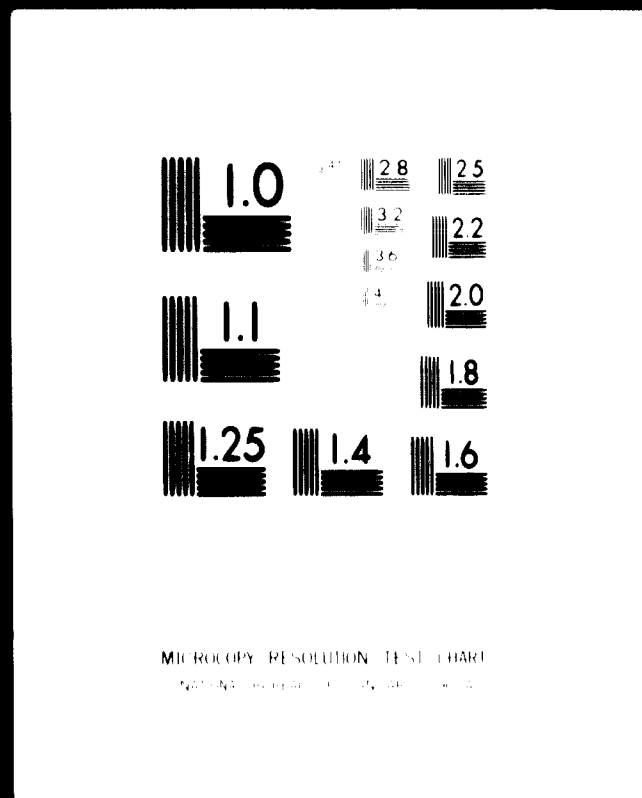


80.02.21



2 OF 2

08957



24x

C

The information should be recorded under the headings of :

Export Market
 Contact's name
 Market size
 Size of enquiry/frequency of orders/buying cycles
 Delivery times required
 Designs/colours
 Constructions
 Sizes
 Prices.

If an enquiry is found to be particularly interesting from a price and/or available stock point of view, the sales opportunity should be examined closely. However, there is always the chance an export order may demand a large slice of the capacity which, in honouring the export order, requires that the home trade be neglected. The following year large export orders may not be repeated and it may be difficult to become re-established in your home market. Alternatively, the export account may force the prices to be lowered to below cost and since there is no other market for the production, the order must be taken.

Method of Tackling an Export Market.

At some future date, the company could be in a position to tackle the export market in one of the neighbouring countries. We recommend the following procedure :

- select the particular market to be entered,
- the sales personnel should spend some time in that market to evaluate it.

Identify the following points :

- . demand, volume, price, quality, range.
- . local suppliers, names, capacity, performance, price, quality, delivery times.

- . importers, number, names, prices,
- . import regulations,
- . distribution channels,
- . wholesaling facilities required.

We would advise that large orders are never taken with one client as this :

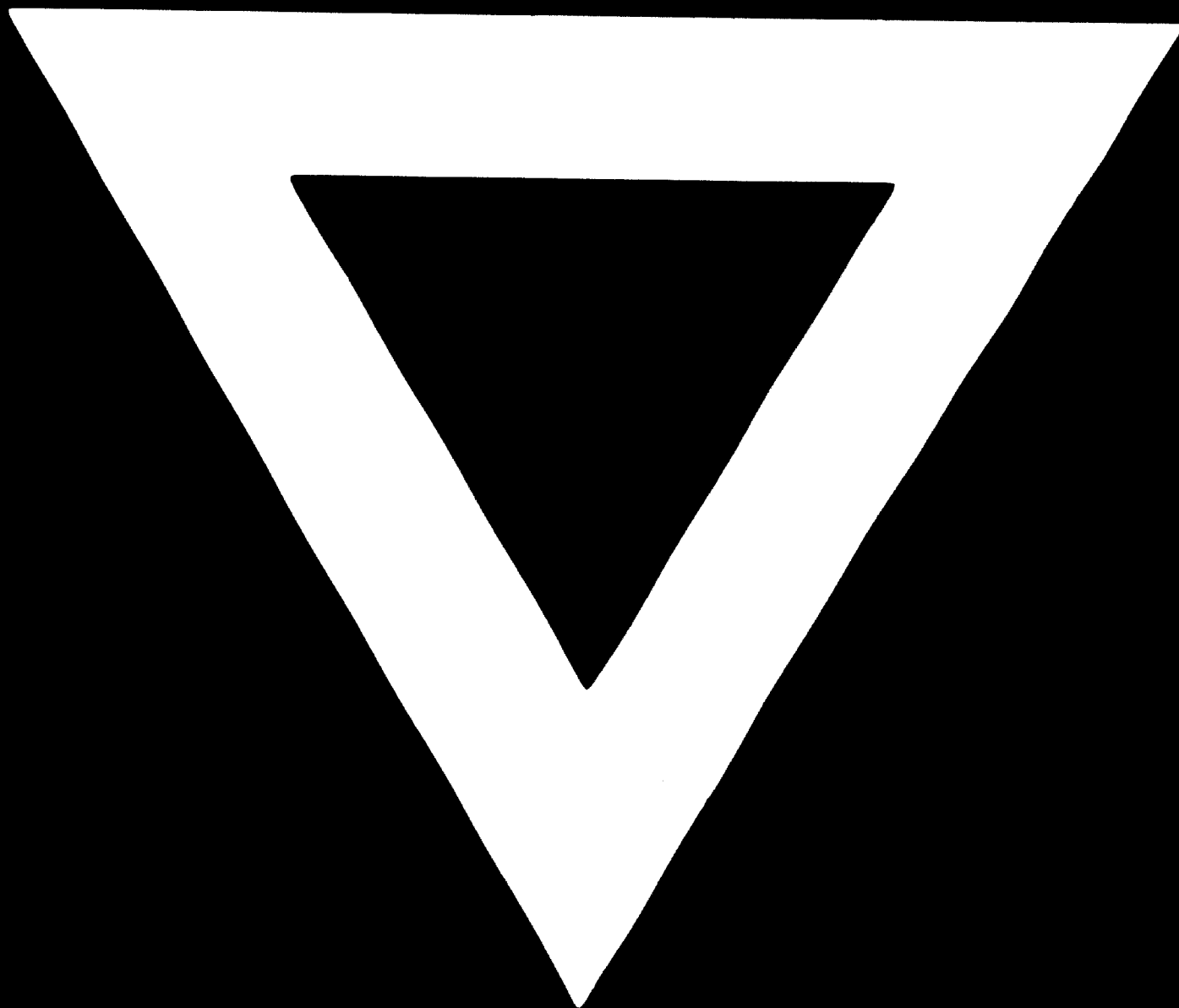
- ties up too much capacity,
- orders running for long periods on contract prices can lose money if raw material prices increase,
- a commitment of a large proportion of the capacity to any one client could result in a drastic situation if cancellation occurred or extremely low prices were forced for future contracts.

We are firmly convinced that the export market must be developed by the company.

12. Marketing Division : Recommended Timetable for Action.

Year	Month	Detail.
1974	Oct. Nov.	Dispose of existing carpet stocks and institute new production policy.
1975	Jan. Feb. Mar. Apr. May June July Aug. Sept. Oct. Nov. Dec.	<p>Preliminary studies for Mercato and Asmara Markets.</p> <p>Select buildings for Mercato Depot and Asmara Wholesale Store</p> <p>Advise Edisco officially that distribution contract will not be renewed.</p> <p>Appoint and train Mercato/Asmara staff. Furnish buildings. Introduce new blanket styles/designs.</p> <p>Commence own distribution.</p>
1976	Jan. Feb. Mar. Apr. May June July Aug. Sept. Oct. Nov. Dec.	<p>Phased appointments of wholesale agents in 6 country areas.</p> <p>Market other fabrics : curtains and skirt fabrics.</p>

C-106



80.02.21