

A MARKET STUDY ON CONSUMER ELECTRONIC EQUIPMENT IN LIBYA

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Objectives of Study

This study has been carried out to reach a real picture of the Libyan market for electronic equipment. It is interesting to see the growth of importation that has taken place in the electronic equipment as a reflection of the developing situation of the Kingdom of Libya.

It is more interesting to know that there is approximately one unit for every individual among the Libyan population, a ratio which is rarely found even among the most prosperous nations. Certain questions impose themselves on the scene. Is this assumption true? Is it possible that every inhabitant may possess one or another of electronic equipment ? Has the market reached any point of saturation ? What developments are expected in this trade ? We see these articles sold even by street vendors and hawkers : what then is the pattern of prices ? What is the structure of distribution ? Such questions aroused the interest to undertake such a study to find answers.

Another incentive encouraged us. In our market courses, we get refuge in case studies compiled in foreign countries or dealing with other Arab countries despite the differences of environment, problems and solutions. We have assumed to provide a trial in this field based on the available information.

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Procedure

We have studied the market in two steps : the first is to follow its development through the time chain of importation, as there is no national industry that interferes with importation to meet the national demand.

We have started with an introduction dealing with some geographical facts and some features of the population, settlement and housing to give an idea of the consuming groups.

Then, the second step followed to get a realistic picture of the market through two pilot surveys : one among traders and the other among a sample of users.

We have come to a very important fact that there are two distinctive markets ; one is based around Tripoli and the other around Benghazi. It is a pity that our study does not include the third territory of the country, namely, Fezzan because of the lack of relevant statistics and information.

Finally, we have reached certain findings corresponding to the different features of the Libyan market for consumer electronic equipment.

Geographical Facts

The Kingdom of Libya, consisting of the three territories Tripolitania, Cyrenaica and Fezzan, came into being on December 24, 1951, following a decision by the United Nations.

Libya has a land area of 1,760,000 square kilometers, but owing to the lack of water no more than 5 — 10 per cent of this can be put to economic use and possibly not more than about 1 per cent is suitable

for settled cultivation. Even so, on the basis of the existing population this would provide nearly $1\frac{1}{2}$ hectares of cultivable land per inhabitant, which is a good deal more than is at present being cultivated in most Middle East countries. Agriculture and animal husbandry always have been, and must clearly continue to be, one of the mainstays of the Libyan economy.

Only about 0.4 per cent of this country is at present under static farming, while a further proportion is used for shifting cultivation, grazing and forestry. Apart from the desert oases the present pattern of land use is largely dictated by the rainfall.

Most of the cultivated land is located in four main areas :

1. The coast of Tripolitania and Gefara plain.
2. The edge of the plateau surrounding the Gefara plain.
4. The Barce plain (close to the Cyrenaica coast).
4. The Cyrenaica highlands, the Gebel El-Akdar (The Green Mountain).

Although Libya is the fourth largest country in Africa, its present population is only about 1.6 million*. The population is heavily concentrated near the Mediterranean coast, two thirds living within a radius of 200 kilometers from Tripoli and one quarter in the coastal zone of Cyrenaica. The rest of Libya consists of almost entirely desert, and habitation is confined to widely scattered oases which support a population of about 100,000 in all. The settled areas of Tripolitania and Cyrenaica are separated by an extensive desert. Fortunately, that desert, in its silent vastness, is now the source of Libya's wealth of petroleum.

(*) 1964 Census, Ministry of National Economy, Tripoli. ,

Total Population

In a decade, namely from 1945 to 1964, the total population of Libya increased by 470,510 from 1,088,889 to 1,564,369. This was an increase of 43.7%, at an average annual compound rate of 3.6%.

If we go into details by region, we see that Tripolitania has increased by 295,751 from 738,338 to 1,034,089 at a percentage of 39.4, while Cyrenaica's population has grown by 159,718 from 291,236 to 458,954 at a percentage of 54.8. The third region, Fezzan, has grown by 20,011 from 59,315 to 79,326 at a rate of 25.8%.

Number of Households

The number of households in Libya increased by 91,441 from 240,549 to 331,990 at a percentage of 27.5. Since this increase is less than the population growth of 43.7%, it seems that there has been an increase in the number per household from an average of 4.5 in 1954 to 4.7 persons in 1964.

The number of households in Tripolitania is 224,099

The number of households in Cyrenaica is 89,973

The number of households in Fezzan is 17,918

Total : 331,990

Settlement

It might be of use to know the type of settlement prevailing as it has to be taken into consideration in studying the market capacity for electronics. We see the following statistics :

Type of settlement	No. of households
Settled	259,126
Nomadic	37,988
Semi-Nomadic	30,170
Not stated	4,706
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Total :	331,990
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About 80% of the population are classified as settled, 11% as seminomads and 9% as nomads.

It would probably be true to say that 25-30% of the total population are town dwellers and that 45-50% are settled in rural areas, the remaining 20% are nomads and semi-nomads.

There appears to be a gradual but fairly steady shift away from nomadic life to the town life.

This classification shows that the settled households represent the majority which usually buys the durable goods. The transistor radio has found its way into the propriety of the mobile households as well, taking the privilege of its cheapness, smallness of size and portability. Actually, the transistor radio has brought peoples of pastures and deserts into the world community sharing news, views, songs and social relationships. It has expanded the horizon of life for the nomad and his family.

Housing

The 1964 census shows the following types of housing divided by households, as follows :

Type	No. of households
Villas or flats	15,316
Native houses	171,797
Shanties	70,242
Tents	65,545
Caves in mountains	11,186
Not stated	2,131
Total :	331,990

If we group the first two types which have access to electricity, we find that the number reaches 187,113 households which is more than 56% while the other types, totalling 144,877, would be deprived of electric facilities. Thus transistor gadgets may cut across all types of housing while the electric ones have to be restricted to the availability of electric power. The number of tent households (65,545) corresponds very closely to the number of nomadic and semi nomadic households (68,158).

Another criterion to gauge the extent of urbanisation is the number of new construction licences issued by the municipality authorities as appears from the following table.

Licences for New Buildings (Benghazi)

Type of Licence	1965	1966
Flat	209	1,053
Villa	23	235
House	514	1,588
Total :	766	2,876

These interacting factors set the stage for our research work in this market study. We have got a little bit familiar with the background that would serve to draw the picture.

Importation

The following tables show the amount of importation of electronic equipment covering the period from 1965 up to June, 1968. Please note that figures for 1968 are covering the first six months only. *

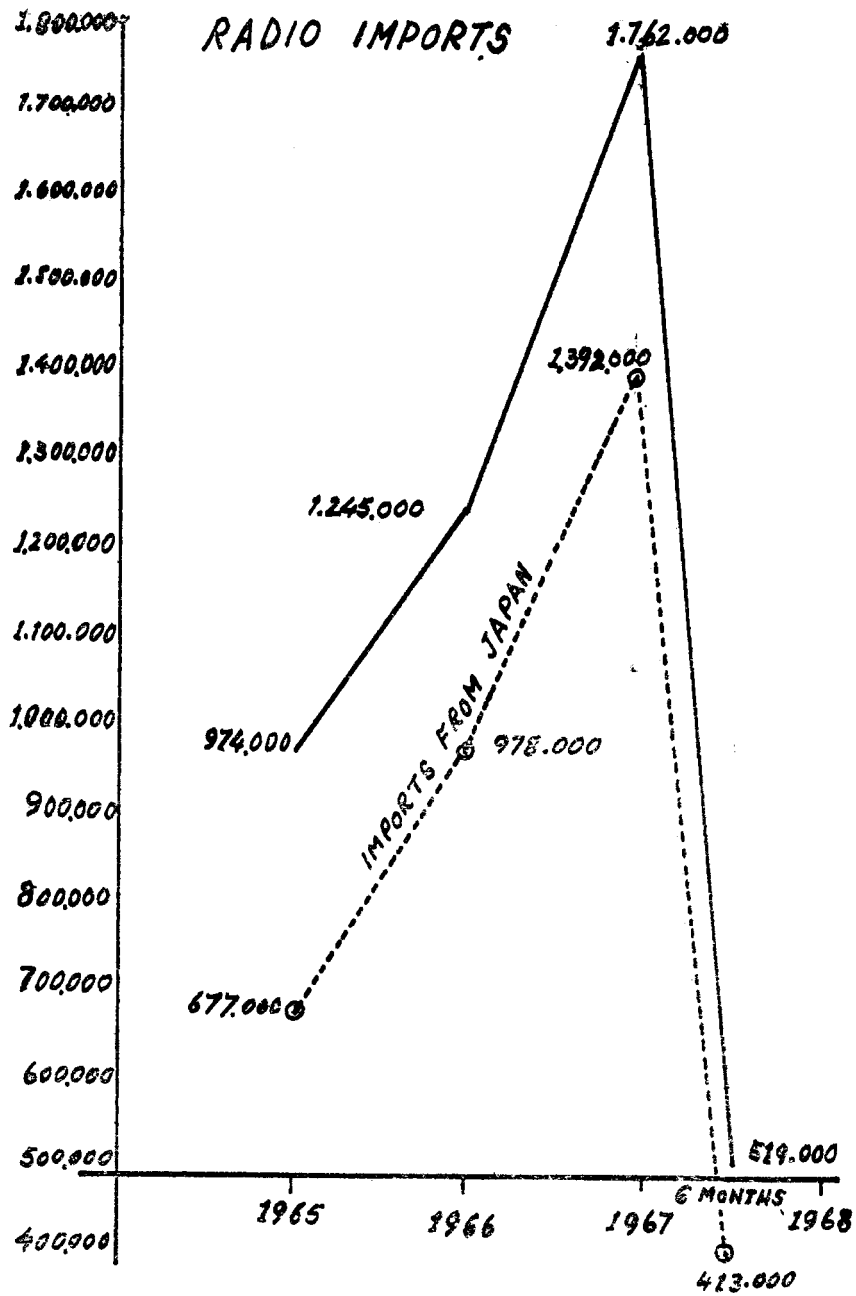
Summary of Importation of Electronic Equipment

	£ 1965	£ 1966	£ 1967	£ 1968 6 months
Radio sets	974,111	1,245,414	1,762,148	519,536
Gramophones & Tape recorders	101,421	151,471	252,306	99,833
T.V. Sets	86,284	243,861	207,345	27,808
Spare Parts				
Radios	3,552	3,601	14,800	1,260
Gram. & Tape-	3,552	3,601	14,800	1,260
Recorders	3,552	3,601	14,800	1,260
Valves-Tubes	16,703	52,843	68,046	11,849
Batteries	339,446	306,197	366,870	176,999

Radio Sets

According to foreign trade statistics we see that Japan comes at the top of the exporting countries with a lion's share of the total. It has

(*) Foreign Trade Statistics, Years 1965, 1966, 1967, 1968. Ministry of Finance.



preserved this rank along the years, and it is of special interest to note that imports from Japan in 1967 have reached a proportion of 79% out of the total of imports by value. Holland and Hong Kong exchange the second and third ranks with a great distance between them and Japan. Italy and West Germany follow and are still exchanging their ranks in the import volume.

If we look carefully into the 1968 figures which cover six months only up to June, they may show an apparent decline in importation, but it is premature to issue any judgement at this early stage.

Gramophones

As regards gramphones and tape-recorders, the same conclusion applies. Japan comes at the top with a proportion of 38.4% of the total value imported in 1967. It is a pity that the official statistics do not distinguish between radio only and radio-gramphones in combined units or classify them into electrical and transistor. They are shown under one code number, but from the interviews which took place with both consumers and retailers, we find that the combined units have a greater appeal for all generations. They may form a proportion of 3 to 4 apparti to every 10 radios. Following Japan in the list, come Holland and West Germany. Then comes Italy and here appear two other countries in this field, namely, U.S.A. and U.K. with small amounts.

We assume that the majority of Dutch and German imports are electrical equipment because of the general corporate images of Philips, Grundig, Blaupunkt, Telefunken and other brands.

Our study among consumers shows the overwhelming preference fro transistors to electrical equipment. But still, a growing demand on the radio-gramophone sets is anticipated since the market of radios has been saturated in the past few years.

When we come to the next item, which is T.V. sets, we find that

the quantities imported are rather small. This has been due to the absence of local transmission up till December 24, 1968 when the local T.V. transmission started. Previously, installing a T.V. set called for a very strong antenna which usually cost £ 100 added to and in some cases exceeded the price of the set, to make it ready to receive foreign transmissions from Italy, Malta, Greece and U.A.R. In such circumstances, buying T.V. sets was confined to the very well-to-do strata. But with the introduction of local services in both Benghazi and Tripoli, this difficulty is eliminated. Thus, a wider market for T.V. sets is anticipated. Competition will grow between different brands belonging to different countries.

In the importation of T.V. sets we find that West German and Italian products come before the Japanese ones, then U.K. and U.S.A. follow. Holland does not occupy a steady position while Japanese exports represent only a proportion of 11.3% of the total of imports of 1967.

It is imperative to cast a look at the imports of spare parts, valves and tubes. According to the classifications of the Customs Administration, we find them counted in two separate categories ; valves and tubes and spare parts for gramophones and recorders. The quantity is in kilogrammes and the value in Libyan pounds.

As for valves and tubes, we find Japanese goods fall rather back in the list preceded by West Germany, U.K., U.S.A., Italy and Holland. The Japanese quantities are rather trifling. This may be attributed to two factors ; one is the lack of repairing services and the other is the public conviction that it is cheaper to buy a new unit than to repair a broken-down one. The Japanese share is about 1% of the total importation of this item in 1967.

But as regards spare parts for gramophones and tape-recorders, the quantities in general are far too small in proportion to the quantities of equipment imported. This is also due to the same two factors

mentioned above. The Japanese imports here represent only 16.8% of the total imports in 1967.

We cannot disregard the importation of primary batteries in dealing with electronic equipment as it is a derived demand that shows the degree of use and the extent of acquisition. According to the statistics, we find out that U.K. comes at the top followed by Japan, then West Germany, Italy and Singapore. British batteries manufacturing companies keep hammering advertising their products.

In this respect we have to note that a local plant is under construction and is supposed to supply a large part of consumption.

Outlets of Re-exportation

This synopsis gives a bird's view of the quantities and value of the four items but the question arises "Does Libya really absorb them? Has it a market capacity as big as that?".

The total of radio imports since 1965 up till June, 1968 went up to 1,217,926 units. The fact that means that each of the 331,990 households owns an average of three units. This, of course, arouses our curiosity. Then we have to see if there are any outlets of drain.

By examining re-exportation and with reference to foreign trade statistics, it has been found that it constitutes very negligible amounts that do not exceed £ 2000 at maximum for any of the years covered by the survey. The countries that receive re-exported equipment are, as a rule, Algeria, Chad, Niger and the Sudan. So we did not bother about details of official re-exportation.

In this respect, we have come to the conclusion that there must be some sort of disguised re-exportation which does not appear in statistics. It goes in four direction ; the first to U.A.R., the second to Tunis and Algeria, the third towards south to Chad and Niger and the fourth to

the Communist countries : Yugoslavia, Bulgaria, Poland and Czechoslovakia.

Heavy traffic between Libya and Egypt is exercised by passengers of both countries. Here we can trace the human carriers of quantities that amount to an estimated figure of 60,000 units.

As concerns the Western Libyan border, the traffic is not so heavy. The Tunisian authorities are rather rigid. But towards the southern borders with Algiers, it is not heavily guarded, so quantities are carried towards the oases on the borders where they disappear into various outlets. Estimates of drainage through this outlet amount to 27,000 units.

A third outlet is towards Chad and Niger. Here we have to admit that the Fezzan territory is closely in contact with these two countries by camel caravans. Borders are not regarded by these caravans. Even the statistics of the Foreign Trade do not show the movements of goods to or from Fezzan. Chad and Niger have no coasts and the nearest ports to them are the Libyan ones on the Mediterranean Sea. Here is an outlet that cannot be gauged, except through mere guesswork, by estimation of population, income, state of culture and so on. It needs, too, a survey in Fezzan itself to get an estimate of drain.

A fourth outlet has appeared in the recent times through the Eastern European Communist companies which have taken an increasing part in construction in Libya. They could succeed in getting heavy tenders for roads, hospitals, housing, government offices and university campuses. It is estimated to have about 2000 nationals belonging to Yugoslavia, Bulgaria, Poland and Czechoslovakia working as technicians, administrators, doctors, labourers, of every metier. They form the second best buyers of electronic equipment, as our survey shows, especially during the Christmas and New Year occasions.

But, still, estimates for the figures do not point to a solution as they run around 100,000 units and the question is still standing : Is it reasonable for a country with 331,990 households to buy 1,217,926 radio units within three years ? The answer came with our consumer survey of a sample of 160 households, where we found that it was a common practice for a family to own a unit for every member and to see that even workshops, labourers and street workers, shopkeepers, street vendors all put on their radios while working or having tea. Maintenance is neglected ; whenever a receiver goes wrong, it is thrown away and a substitute is procured.

Distribution Structure

Is there a confusion in the distribution structure ? Our survey confirms this feature. We have conducted interviews with six agents out of seven, five wholesalers out of seven, thirteen retailers out of 30, and 5 street vendors out of 20. Concerning the agencies, there is only one that deals exclusively with Japanese goods, that is Sony. The Libyan Electronics Company (Libelco) has given up its agency for the National Group. Every wholesaler has the freedom to import any brand.

It is also true, that wholesalers do not refrain from selling directly to consumers.

This confusion had been prevailing even before the enactment of the Commercial Agency Law in July, 1967. The Law has only affected thirteen out of 101 importers in the whole of Libya. It is to be noted that most of the importation goes through commission agents. It seems that a new approach is required to have competent representation of foreign firms, complete supervision of prices, services, provision of spare parts, advertising and promotion strategies. We feel that with such saturation and with the advent of T.V. transmission, accompanied by inadequate services, it needs quite an effort to put the channels of distribution in order. This we have to point a finger to. As for prices, wholesalers or agents give retailers a discount (mark down) but

those are free to contend with a part of the discount. That is why we find different prices for the same item.

Wholesaling

It is true that wholesalers are selling to both retailers and general users, but the proportion is about 8 to 2. Reasonably, the prices are not the same. The mark up for the retailer is 10% while it is 35% for the general user in case of buying from a wholesaler, leaving the difference as a margin of profit for the retailer.

Of course, a retail price is maintained in transactions with retailers plus a quantity discount ranging between 1 and 2%.

Retailing

Our survey in Benghazi shows that there are about thirty retailers of whom twenty deal with electronics as well as other electric appliances. There are also about twenty stall vendors. We have conducted interviews with three retailers and five stall vendors. This is to be added to the wholesalers and agents who sell directly to general users.

Actual state of Retail prices :

1. Prices are generally indicated and they usually tend to maintain a uniform level, but we have to admit certain differences between traders according to the cost of merchandising.
2. Very small percentage of discount is given to consumers. It depends on the power of bargaining and it ranges between 1 and 5% at most.
3. Primarily, the system of instalment to consumers is not acknowledged. So there are no price charts to this effect to be given and we cannot give a model example. But, crediting is accepted in a very narrow limit according to confidence and friendship.

The structure of prices is formed along the following procedure. Purchase prices of Benghazi vary a great deal according to brands, country of exportation, sizes, bands, type of manufacture, electric or transistor, and cost of transportation. We have found that a number of details are to be considered. But the custom taxes that are to be added are as follows :

Custom duties	
Radio	20% of Cif value
Recorders	35% of Cif value
Gramophones	30% of Cif value
T.V. sets	5% of Cif value

Plus 5% of the duties imposed are collected for benevolence purposes, plus another 5% of the duties to be charged by the municipal authorities. Then a surtax of 3/1000 for amounts exceeding one thousand. Then clearing and forwarding is taken care of. The profit margin for the retailer averages from 25 to 30%.

1.5 Retail Prices for Consumers (Benghazi).

1. Transistor radio	}	£ 1.75—2.50
Pocket size		
one band		
2. Transistor radio	}	£ 3—12
Medium size		
Two bands		
3. Transistor radio	}	£ 15—24
Portable size		
Three bands		
4. Electric radio		£ 25—30

5. Gramophone (Transistor)	£ 5—25
6. Gramophone (Electric)	£ 8—55
7. Gramophone-Radio (Transistor)	£ 12—25
8. Car gramophone	£ 16—25
9. Recorders transistor	£ 5—12
10. Recorders transistor (Cassette)	£ 22—25
11. Recorders Electric	£ 24 -120
12. Tape-recorders for cars	£ 20—35
13. T.V. sets (transistor 19")	£ 50—60
14. T.V. sets (Electric 19"-23")	£ 60 -140

To reach the cost price, we have to deduct the profit margin for both the wholesaler and the retailer and the custom duties plus the expenses of clearing and forwarding.

Actual State of Financing

1. Importers : the rule is to effect payments according to Proforma invoices by L.C. through Banks. When confidence is established, two other steps can be followed. (1) to pay D.S.D. against documents ; (2) with more transactions and more confidence, terms may go for payment within 90 days. Of course, banks in Libya are willing to encourage traders by granting credits against guarantee. It is the general policy of the government to make fluent money easy.

The same rule applies to wholesalers when engaged in importation.

2. Financing institutions : in Libya, it is only Commercial Banks

that provide such services against an interest of $7\frac{1}{2}\%$.

3. Retailers tend to buy their supplies in cash or on credit but not in regular instalments. They undersign bills or even deal without bills according to the relationship with the wholesaler. We cannot say that they keep stock to make ratio possible between selling and requisition as long as demand is strong and does not permit long range stocking.

Comment : the concept of instalment in Libya is not adopted starting from the consumer back to the retailer and the wholesaler. It may be due to the absence of financing companies, or due to the surplus flow of money. But crediting part of the price is tolerated, and it is understood that funds credited can be easily collected.

After service

Retailers do not give any guarantee for any sort of equipment. Only agents when selling to general users grant a period of guarantee ranging from six months to one year. In this case they offer service to put right any set, free of charge, if it breaks down for any technical reason during the first two months. They keep a private workshop attached to their business and it is restricted only to their brands. When any item of their brand goes wrong they charge fees against labour and spare parts. Six agents with whom we conducted interviews confirmed their ownership of workshops. The service practised by most of the retailers is to give, free of charge, batteries needed, installation, testing, despatch, guidance, and available spare parts against price.

Concerning training of technicians, it is drastically lacking either on the public or private sectors. Thus, we cannot provide any details about training : its scope, outline, characteristics, programmes, or source of funds. They tend to employ technicians to carry on the job of repairing. In all of the six workshops in Benghazi there are ten technicians of whom two are of Libyan nationality. There are many other private workshops which do not specialize in a certain brand ; their performance is not dependable.

Spare parts are really scarce, especially for Japanese goods. This is reflected in the amounts of spare parts imported in proportion to the apparatus which hardly reach 2%.

Publicity, Advertising Media and Sales Promotion

Advertising in this country is poorly considered due to two main reasons : (1) a lack of advertising consciousness among the trader, the consumer, and the advertising media : (2) the market is flourishing with demand ; anything goes regardless of competition. The agent, the wholesaler, or the retailer asks himself why he should advertise as long as his goods do not stagnate on the shelves. It is a seller's market with all its features.

Of course, producing companies, especially the European ones insist upon a certain budget for advertising financed by the agents. That is why we do not find any advertising activity outside the sphere of agencies. In spite of this obligation, the budgets are very poor.

Philips	£ 400
Libelco	£ 360
(German brands)	—
Ghoneim (Pye)	£ 140
Sony	£ 150

The most effective advertising medium is the cinema (strips, slides, or films). The material is supplied by producers. Cinema houses charge £ 7 per week for every film of two minutes.

The audience reached in Benghazi is about 10,000 persons per day, calculated as follows :

5,000 chairs in 10 cinema houses \times 2 performances a day = 10,000.

The press readership is very limited, due to illiteracy, the isolation of women from public life, and the weakness of the press facilities

themselves. The widest circulation is 3,000 copies per day for only one of the 10 papers issued in Libya. Neither the trader nor the consumer holds a high opinion of the press as an advertising medium. There is no advertising service on the radio. Nobody knows whether the T.V. transmission would give any room for advertising. Posters are very weak due to the lack of the art of design of ads.

Thus we come to the predominance of the cinema media for both durables and non-durables. The audience is a cross-section of the society as a whole regardless of sex, education, income or language.

Second to the cinema, are folders and catalogues introducing new models. They are usually provided by the producing companies, in English, Arabic or German. The retailers enjoy distributing them as they cost them nothing. No other effort of promotion is given. Concerning television sets, before the inauguration of the Libyan service there were very few efforts to launch the sales. These efforts sprang from some retailers who tried to attract new buyers, but not sponsored by the exporting companies. There was a lag in marketing T.V. sets due to a rumour that the government had been about to issue a law exempting them from custom duties for a period of five years. This rumour caused hesitation among traders or consumers to make their decisions. Finally, this rumour has become a fact, taxing them 5% instead of 30%.

State of Diffusion

It has been suggested to reach an estimate of diffusion through either of the following methods :

1. By calculating the cumulative total of imports and subtracting the flow of smuggled products as it has been computed previously.
2. By studying the state of diffusion among households socio-economically rated. In this respect a survey of 160 households has been completed random.

The survey included 26 families of high income exceeding £ 5,000

per year, 124 middle class families with an income ranging between £ 1,200 and £ 5,000 and the number of 10 families with an income lower than £ 1,200. We have taken as criterion the sum of £ 258, the per capita income as calculated by the Ministry of Economy and Trade.

We have come to the following deductions :

The	160	families own	732	Electronic units.
	150	»	»	303 transistor radios.
	108	»	»	166 Electric radios.
	69	»	»	75 Transistor gramophones.
	51	»	»	55 Electric gramophones.
	33	»	»	36 Transistor tape-recorders.
	52	»	»	56 Electric tape-recorders.
	37	»	»	40 Electric T.V. sets.
	1	family owns	1	transistor T.V. set.

Total : 160 families own 732 electronic units with an average of 4.5 units per family.

It is obvious that transistor radios are far ahead of the electric ones. The same goes for gramophones. But when we come to tape-recorders, electric ones precede. Then with T.V. sets, electric ones are the most accepted. It is also clear that some families own more than one unit.

1. No family does not own one sort or another of electronic units.
2. Of Ten families, each owns one transistor radio only.
3. Two families own one electric radio each.
4. 26 families own more than 7 electronic units each.
5. Two families own 13 units each.
6. Four families own ten units each.
7. One family owns three T.V. sets.

Actual State of Users' Preference

We cannot say that any brand image has already permeated itself. No consumer has a preconceived idea to insist on buying a certain brand. When he has decided to buy a set, he usually examines, compares and then makes his choice taking into consideration factors such as price, performance, design, and adjustment to purpose. Boycotting any certain brand was not felt during the crisis of June, 1967, but fear of boycotting English products prevailed among their relevant agencies. But other European products such as German, Dutch, Italian, and American goods did not suffer any infliction. The soaring percentage of Japanese products, 1967, was due to this fear of boycott if it happened to be exercised by the people. It should be noted that Japanese transistor radios formed 79% of the total radio imports. But the first six months of 1968 show a decline in the amounts of importation from Japan and other countries.

European and American products are associated with characteristics of durability, heavy duty, performance and higher prices.

Japanese brands go for lower prices, and design. In respect to design, Japanese brands tend to diversify as they offer multiple sizes, colours, and outside appearance. Black and nickel are the favourite combination of colours among Libyan nationals. It inspires respectability, durability and fashion. Red or blue appeal to young buyers.

Concerning radio sets, the most popular items are those of medium size of two bands (M.W. and S.W.). This type's appeal to consumers depends on portability and possibility of getting local and foreign broadcasting for news and songs. The popular number of transistors is 8 which exceeds other categories of more or less number. It enjoys a moderate grade of weight, and less complication.

The most popular size of T.V. sets is 23 inches. It is bought through the belief that it gives a better and bigger picture, regardless of the space available. It also springs from instincts of pride and boasting. Retailers confirm this preference and they act accordingly.

Most of their displays show the 23" sets.

Concerning tape-recorders, the preference goes for Casette models as they have recently invaded the market. Transistor tape-recorders are seen in picnics, camps, parties, cars. They are tempting with their simplicity of handling, usage, portability and inexpensive price.

The reel drive tape-recorders are not a competitor. They draw a special strata of consumers who are particular about high quality of performance in voice and music. Users buy them to install at home to enjoy their hobbies. Here the brand image is self-imposed on certain types. Grundig is on top followed by Philips. Sony enjoys fame and people buy its units in the belief of strength, sensitivity and performance but it outweighs its parallels, the general appearance is less tempting added to the complications of buttons.

Concerning phonographs, the preference goes to the monoral because of price, complication of installation, and availability of records themselves. As we have shown, the radio gramophone is taking a larger part.

Consumer families usually acquire transistor radios first as soon as an increase of disposable income is felt. Transistor radios come first because of their appeal to all ages, the cheapness of their price, and no danger or technicalities are involved. When more increase of income happens, then desires go for equipment of more sophistication and higher price, for example, the gramophone and so on. Competition with other home electric appliance takes place when prices are close enough, for example, a T.V. set against a frigidaire or a washing machine. Here the utility of the commodity is the decisive factor for preference.

A Tale of Two Markets

At this stage of the study, it would be advisable to stress the fact that the Libyan market is not one. The same rule goes for any big country with extensive distances. Really the Kingdom of Libya consists of three territories — Tripolitania, Cyrenaica and Fezzan. The

last territory may be considered out of the scope of this study as statistics and findings do not include any effort towards revealing its characteristics. We have concentrated on the two coastal territories represented by Tripoli and Benghazi in accordance with the scheme of study and information available.

Market Features of Tripoli

The difference between Tripoli and Benghazi stems at the very root in geography and history and it extends to different aspects of life. We do not want to go back into history and show that the two cities passed through distinctive destinies. Still, the present day environment tries to smoothen them out, bringing the two cities into a homogeneous pattern.

Tripoli is a larger, more modern city, with a heavier population, longer contacts with European civilization, closer ties with Malta, Italy and Spain, and larger garrisons of foreigners. It acts as the centre of a larger plain studded with villages and towns. It stands on the top of a road system converging towards east, west and south. But Benghazi, till a very recent period, has been rather a pure Arab type of town, which is emerging from the Nineteenth century, recovering from war disasters, breaking away from tribal traditions, and emerging out of poverty, ignorance, and isolation. But the change is taking place so quickly and suddenly that people run aghast breathlessly to catch the pace of time.

Consumer

Thus, we find the consumer attitudes differ. The consumer in Tripoli is more cultured, more sophisticated in his preferences, more scrupulous in his choices and more particular about his money. Foreigners, in great number, cast a shadow of a different pattern of consumption. The consumers of Benghazi act as "nouveaux riches" buying, acquiring, spending and investing while those of Tripoli act according to balances of reason, capacity and emotions.

Distribution

The market in Tripoli has a rather distinctive feature. Its size, due to population number is thrice as large. The classical pattern of distribution channels is more relatively regarded by the licenced merchants whether wholesalers or retailers. Retailers usually contact the wholesalers who are tied to sole distributors or agents. Importation on commission is also practised through experienced agencies. From the interviews conducted with three agents in Tripoli, we have got the assurance that they keep direct contacts with the producing companies in their motherlands. However, the trade, here, had an established tradition till the June war when an upheaval took place. In Tripoli, the aftermath of war has been heavily felt, and has extended across a wider span of time. For instance, twelve firms have been ousted from the field with the expatriation of their owners. The reconstruction of such firms took a longer time than expected but still proper representation of foreign firms has not yet been resumed as it should be.

Retailing

As for retail prices in Tripoli, they are slightly cheaper than in Benghazi which is a common feature with other commodities as the cost of living indices are lower. The final consumers have to pay in cash for what they buy. Instalment is tolerated to a very limited extent, crediting is also permitted against bills. Retailers also enjoy facilities offered by wholesalers through bank services. Discounts run around 10%. Traders interviewed in Tripoli agree that their market is rather steady with lower fluctuations and it will continue growing steadily. The stress will move on from transistor radios to cassette recorders, gramophones, and T.V. sets. Competition takes an obvious shape reflected in efforts for promotion, advertising, window display and customers catering.

Philips' size of merchandising reaches about 1200 units monthly while National agency goes for 1,730 units approximately per month. The frequency of turnover ranges from 3 to 4 times per year.

Preferences

When we come to the customers' preferences, here there is a difference between the two cities. In Tripoli the brand name is regarded as one of the decisive factors of buying. Long reputation and efficiency of service inspire confidence in performance. The price factor here plays a bigger role. Fanciness of design is another element in buying decisions. The choice of the consumer is built on several considerations well-balanced.

Seasonal Fluctuations

The best periods of sales coincide with religious occasions such as Ramadan, Bayram, Christmas. It is also noticed that radios meet a heavier demand during the winter season, while gramophones and cassette recorders enjoy the peak of demand in spring and summer seasons. T.V. sets go on parallel lines due to the dependability of weather clearness. T.V. sets receive programs broadcasted by the American military base at Mellaha. Owners of sets do not have to install strong antennae as it is the custom in Benghazi.

However, it is anticipated that demand will grow heavier with the start of the local governmental service. Originally, the American programs appeal to foreigners and the cultured minority of Libyans, but with the initiation of Arabic programs, procurement of T.V. sets will grow deeper into classes of lower incomes.

Customers' categories

As for customers, Libyans in Tripoli form the best bulk in the purchasing capacity and numbers contradicting with Benghazi which, for the largest share of distribution, depends on foreign Arabs and nationals of Communist countries. The Italian garrison in Tripoli comes next followed by other foreigners especially the Pakistanis. Then Tunisians and Moroccans are the least. As Tripoli is the central residence of many oil companies and other economic activities, foreigners of all categories, technicians, labourers, visitors come for a short stay and form the non-recurrent category of customers.

After-service

Importers differ in extending an after-sale service. Philips, Sony and National have got workshops for repairing. There are numerous independent shops that cater for all kinds of brands without specialization. The problem of repair in Tripoli is not so acute as it is in Benghazi. Basic spare parts are more available. The consciousness of maintenance exists among both the trader and the user. Other services offered include a trifling discount in case of cash payment, packaging, home delivery, guarantee for periods ranging from two to six months, supply of primary batteries, installation of equipment.

Conclusion

Greater expectations are associated with the future prospects. The consensus of traders goes for a steady growth of demand, a shift towards recorders, gramophones and T.V. sets. T.V. sets will be on the wave for two or three years to come.

The June war and aftermath caused an urgent, unrelenting increase in demand that could exhaust all the stocks and inventories of supply. Prices went up for more than six months. Obsolete types and defected units moved from shelves into the ownership of users. But with the advent of 1968 circumstances did not come back to the normal level but to a certain recession, due to saturation or for reserved precaution. In the short run, 1969 may prove to be better than last year when normal and aspiring development prevails.

Industry

The Lybian market is too small and widely dispersed for the development of such industry. Quite a wide range of small factory industries has, nevertheless, been established in the past 16 years based mainly on the processing of local agricultural products. The majority of these industries are located in and around the city of Tripoli such as flour milling, olive oil refining, tobacco and salt, textiles, footwear, clothing, printing, vehicle repairs, fish processing, soap manufacture, fruit and vegetable canning, wine and soft drinks, matches.

These industries have expanded in response to the general increase

in demand. Apart from these, present conditions do not favour the development of industry on a large scale ; most industrial materials have to be imported and industrial skills have still to be cultivated.

As concerns consumer electronic and electric appliance industry, it does not come into the foreground of planning. Industrial development for the time being deals with those industries that help supplying the basic needs of consumption and that depend on local resources as raw material. The second five year plan is still under consideration. From what has been filtered as news, we understand, interest is being taken in agricultural industries, mineral ones and petro-chemistry. It is anticipated that plans for developing industry would go on the same lines to encourage the above mentioned ones. Building materials, cement, aluminium fixtures, sanitary installations, electric wiring, switches, locks, hinges are the next in order of demand. In the speech from the Throne delivered on the occasion of the fifth session of the Parliament on November 17, 1968, a paragraph asserts this tendency saying that "Research was being carried out to improve industrial output and utilize raw materials. Surveys were also under way to seek out the country's potential wealth."

Besides, we should acknowledge limitations for the initiation of any electronic assembly industry ; first, the small capacity of the anticipated market due to the light density of population. The present surge of electronic imports seen during the past three years has been due to the sudden petroleum boom. From our survey we can be sure to say that the market is about to reach a point of saturation. For the next few years, demand will grow at a normal pace to supply new households and replacement for the decayed units. This is expected unless Libya is taken as a depôt for other neighbouring countries.

The second limitation comes from the scarcity of skilled labour to deal with such delicate equipment which necessitates a high quality of technical training. Libya will continue for the next few years at least suffering a shortage in skilled labour to cope with the development at its present rate.

A third limitation would be the high wages earned now by the

labour force which would handicap the economic production of such highly technical apparatus. In the study of similar projects, it has been evident that they will suffer a two edged situation, a limited demand and a high percentage of a working capital. Haphazard personal suggestions spring up, now and then, insinuating the initiation of assembly industries such as fridges, washing machines and other appliances. But they only express some private notions rather than a response to a national need.

We have also to take into consideration the plans of the government to strengthen the present broadcasting transmission to 1,000 K.W.s to render it clear both inside and outside Libya.

The T.V. service has started on December 24, 1968 with two local stations covering Benghazi and Tripoli areas and extending to a radius of 50 kilometres. Then we expect a wide market for T.V. sets ; the matter that requires bigger efforts from the producing companies to launch their promotional campaigns. It would be a pity to miss this opportunity. There are no plans to restrict importation of such commodities, but we cannot guarantee the raising of custom duties as a weapon to limit consumption and encourage savings and investment. This idea is advocated by some zealous people, not paying attention to the danger of inflation in a country that has few resources to develop and cannot absorb the influx of capital.

Summary of the Basic Findings of the Study

Survey items

1. *Importation* : Really, electronic imports have been soaring through the three successive years from 1965-67. It arouses surprise that a country with approximately 332,000 households would import 1,200,000 units of radio sets only. It has been revealed that there are outlets of drain towards neighbouring countries. But, still, the survey shows that it is a common practice for every family to have more than one unit. Both the statistics and interviews about 1968 show there is a tendency for waiting and relaxing. There is a sense of saturation reached.

2. Certainly, there is confusion in the process of importation which is utterly not organised with the exception of a few producing companies who have established their procedure through reliable agencies. Thus wholesalers deal with general importers against a commission to process their demand.

3. The study shows the growing part of the Japanese exports. They are at the top in 1967 achieving 80% of the total imports of radio sets, and gramophones, while they come to the third rank in T.V. sets. Concerning spare parts, they occupy the third rank, too, but with valves and tubes, they are the sixth in the list of exporting countries to Libya.

4. The Law of Commercial Agencies is innocent of the confusion prevailing in importation and channels of distribution. The confusion had been existing before the enactment of the law and still is. The number of foreign firms affected by the law is 13 while the total number reaches 101. Those were given two years lapse of time to liquidate but they did so long before the expiry of the time limit.

The fault lies at the very root of the problem and that is the lack or the absence of adequate representation of the exporting companies.

5. *Drain outlets :*

A relatively considerable part of the drain whether to U.A.R., Algeria, or other countries takes the form of disguised re-exportation with passengers or as gifts.

6. *Distribution structure :*

There is no clear cut distinction between the functions of a wholesaler and a retailer in this field. Most wholesalers have grown with their business from retailing to wholesaling. Prices may be the same at the wholesaler and at the retailer but usually a retailer enjoys a discount. They differ slightly from one market place to another according to the fashionability of district and rate of expenditure. Importing agents normally observe the rule of keeping the consumer's price at a certain level and they tend never to go below. The whole distribution structure needs a re-adjustment which cannot be forced

by law or agreements but it will grow gradually with the advancement of education, business, and trading sense. The same phenomenon is noticed in Aden and Kuwait, Singapore where the wholesaler or the street vendor try to grab the utmost profit through the utmost turn-over regardless of the proper elements of merchandising.

7. *The retail prices :*

No rule governs the indication of prices, the mark up, or the discounts. There is no uniform price to prevail at all points of the market. The determination of the price differs at the two ends : the buyer and the seller, leaving the decision to the power of bargaining. Demand is strong in Libya, due to the high per capita income and subsequently the disposable part of it plays a role in unsettling the situation putting it in favour of the trader and letting him impose his price.

8. The high season for sales falls in Ramadan, Christmas, and religious festivals and by the ends of the months. The instalment system is not adopted. The trader does by no means conceive the idea at all. He believes when the customer has got the money, he must come and buy. But crediting part of the price is acceptable depending on the trust and confidence exchanged. Anyone who is credited feels it a shame if he does not fulfil his promise. Of course, these are personal attitudes but this will not act as the power to move goods from shelves regularly or, if the circumstances are changed, from boom to recession.

The situation is not so rigid between the wholesalers and retailers. They may deal through bills which are accepted by banks, this is to be added to the trust exchanged. As the rate of turn-over under the present circumstances is quick, every retailer is encouraged in dealing in this way with a very small proportion of a working capital to underly his business. This is a very dangerous situation but it has not yet undergone a serious recession. Every trader sees his colleagues as successful money-collectors and turn their profits into investment of houses and other properties.

As for wholesalers and importers, banks extend their facilities with letters of credits against a rate of interest of $7\frac{1}{2}\%$. This system still satisfies the present needs and no shortcomings are being felt.

9. *After-service :*

We have to say that it constitutes a regretful story. Apart from the agencies, there is no service conducted independently by retailers or wholesalers or by affiliated repair shops. This is reflected in the amounts of spare parts imported which do not reach 2% of the volume of imported equipment. The fact that repairing a broken down set may cost as high as its price, diverts the interest of people to ask and insist on such a service. The survey gives a sad picture of the situation.

As for training of technicians it is completely lacking. It needs an effort to drive home the concept, the scope, the benefits, the outlines, and the means of training.

10. *Publicity and Advertising :*

There is an absence of advertising consciousness among all parties, the trader, the user and the media. The sweeping advertising medium in Libya is the cinema which has superseded the press and posters. Its effectiveness in Benghazi has been roughly measured. The problem should be treated at the very source: that is, by the producing companies. They must supervise their advertising campaigns, whether they are to create demand, to secure a competitive situation or to retain fame. They should insist on a budget to be spent whether the market is flourishing or not. Now it is time to launch campaigns teaching about T.V. sets. With the exception of agents, the situation is very poor in both advertising and promotional efforts.

11. *State of Diffusion :*

Really, a transistorised electronic equipment has been propagated all through the country territories. It cuts a cross-section through social stratas and cultural levels regardless of geographic conditions or even material facilities of modern life. It is seen among nomads, semi-nomads, rural settlers or urban dwellers. The cheapness of price

is an incentive as well as other preference appeals which are dealt with in the study.

12. *The preference appeal :*

The European and American products enjoy a credibility of endurance, heavy duty, better performance, availability of spare parts but at a higher price. The Japanese brands are under the impression that they are fragile, delicate, short-lived and suffering the lack of spare parts. They enjoy the attractive appearance, colour, fancy accessories. Price and portability are their main characteristics. Performance is not always the asset of a Japanese transistor equipment, except for a few renowned ones.

Now, the mood of acquisition goes to gramophones combined with radios. The monoral is more popular because of feasibility of usage. Tape-recorders, especially the Cassette type, are on the high wave.

13. Plans to initiate an assembly electronic industry in Libya do not occur in these days as the country is rather interested in the more essential industries. The trend towards home appliances industry has not yet asserted itself.

14. The future of this trade is looked upon with optimism anticipating progress. The general consensus of the interviewed traders confirms the following tendencies :

1. There is an increasing demand on transistor equipments as a whole, because of their characteristics.

2. Competition will grow more acute as the market is now overcrowded with cheap undependable goods.

3. A good future awaits gramophones, tape-recorders and T.V. sets.

4. With the advent of T.V. transmission, radio sets will suffer a decrease in demand.

5. Confusion in distribution channels should be stopped by initiating reliable representation of exporting companies, to adopt policies regarding consumer prices, after sale service, promotional efforts, advertising campaigns, corporate image and publicity.