Cambridge

IGCSE

Business studies

CODE: (0450)

Section 03

Marketing

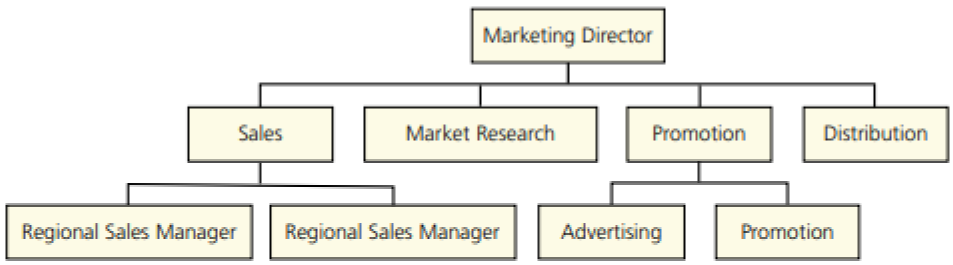
Chapter 10 - Marketing, competition, and the customer

The Marketing department

Most businesses, unless they are very small, will have a **Marketing department.**

Marketing is identifying customer wants and satisfying them profitably.

A **customer** is a person, business or other organisation which buys goods or services from a business.



▲ The structure of a typical Marketing department

Large businesses will have different sections within their marketing departments:

» The Sales team is responsible for the sales of the product. It will usually have separate sections for each region to which the product is distributed. If the product is exported, there may also be an Export team.

» The Market Research section is responsible for finding out **customers'** needs, market changes and the impact of competitors' actions.

» The Promotion section deals with organising the advertising for products. It arranges for advertisements to be produced.

» Distribution transports the products to the market.

The role of marketing

The central role of marketing undertakes the following:

» Identify customer needs

» Satisfy customer needs

» Maintain **customer loyalty** – by building customer relationships. This will be identified by maintaining close **customer relationships.**

» Build customer relationships to **gain information about customers** –

» Anticipate changes in customer needs

If the Marketing department is successful in identifying customer requirements and predicting future customer needs, it should enable the business to:

» Raise customer awareness of a product or service of the business.

» Increase revenue and profitability.

» Increase or maintain **market share.**

» Maintain or improve the image of products or a business.

» Target a new market or market segment

» Enter new markets at home or abroad.

» Develop new products or improve existing products.

Understanding market changes

Markets and marketing are constantly evolving, necessitating businesses to adapt their products and services to stay competitive. Rapid market changes, like mobile phones, are common, while slower ones, like breakfast cereals, remain relatively stable.

Why customer/consumer spending patterns change?

» **Consumer** tastes and fashions change – fashions may change for clothes and so consumers may want different styles of clothes to those they wore last year.

» Changes in technology – with new products being developed, such as iPads, tablets and smartwatches, sales of desk computer/standalone computers have fallen in many countries.

» Change in incomes – if an economy has high unemployment, then many consumers will buy cheaper products.

» Ageing populations – the age structure of the population in many countries is changing to a greater percentage of older people.

The power and importance of changing customer needs

Businesses must respond to customer needs to succeed, as they are 'kings' and must research and understand their changing needs to remain successful.

Why have some markets become more competitive?

» Globalisation of markets has meant that products are increasingly sold all over the world.

» Transportation improvements have meant that it is easier and cheaper to transport products from one part of the world to another.

» Internet/e-commerce has meant that consumers can search for products and buy from overseas markets.

How can businesses respond to changing spending patterns and increased competition?

» Maintain good customer relationships – this has a key role in continuing to meet customer needs and it also provides market research information about customers.

» Keep improving its existing product – this is especially true if its competitors improve their products.

» Bring out new products to keep customers' interest in the company rather than its competitors – this will help the business to maintain, or even increase, its market share.

» Keep costs low to maintain competitiveness – as this should help keep prices low.

What is meant by a market?

A market for a good or service comprises customers, potential customers, and sellers, measured by sales or sales value. It can be mass or niche markets.

Mass marketing

If a product has a very high level of sales, it is almost certainly being sold in a **mass market.**

The advantages of selling to a mass market are:

» Total sales in these markets are very high.

» The business can benefit from economies of scale.

» Risks can be spread, as often the business will sell several different variations of products to the mass market.

Niche marketing.

However, some products are sold only to a very small number of customers who form a small segment of a much larger market. This is referred to as a **niche market.**

Being able to identify and supply a niche market has advantages:

» Small businesses may be able to sell successfully in niche markets as larger businesses may not have identified them but concentrated on the mass markets instead.

» The needs of consumers can be more closely focused on, and therefore targeted, by businesses in a niche market. This may lead to high levels of consumer loyalty and good customer relations.

Market segmentation

Market segmentation is a strategy that breaks down a market into sub-groups based on similar characteristics.

Segmenting a market can help a business to:

» Make marketing expenditure cost effective by producing a product which closely meets the needs of these customers and targeting its marketing efforts only on this segment.

» Enjoy higher sales and profits for the business, because of cost-effective marketing.

» Identify a market segment which is not having its needs fully met, and therefore offers opportunities to increase sales.

Some of the most common ways a market can be segmented are shown in the table below.

<u>Ways of segmenting a market</u>

- By socio-economic group
- By age
- By region/location
- By gender
- By use of the product
- By lifestyle

Potential benefits of segmentation to business

Market segmentation helps businesses sell more products by creating different brands and targeting different market segments.

Which method of segmentation should be used?

Businesses segment markets based on lifestyles, gender, and income levels, such as gymnasiums using lifestyles, health and beauty product businesses using gender, and jewelry makers targeting affordable designs.

The factors a business will consider before choosing an appropriate method of segmentation include:

» Detailed analysis of the market and the 'size' of each potential segment in terms of consumers and likely sales

» Company image and brand image – a 'high-tech' business with an excellent reputation for innovation will not want to produce low-priced goods for low-income consumers.

» Cost of entering each segment

Chapter 11 -Market research

The role of market research

Market research is crucial for businesses to accurately determine the demand for their products, as a lack of a large market could lead to significant financial losses or even business failure.

Product-orientated and market-orientated businesses

Some businesses produce the product first and then try to find a market for it. This is known as being **product orientated.**

Market-orientation is a strategy where businesses conduct market research to determine consumer demand for new technologies, such as the iPad, before launching products on the market. This approach is risky for businesses in national or international markets, as it requires thorough testing and advertising.

A **marketing budget** is crucial for businesses to identify customer wants and desires, adapt to changes in customer tastes, and capitalize on new market opportunities. Market-oriented businesses thrive by launching new products with confidence, ensuring they meet customer needs before entering the market.

Market research

methods Market research can find out:

» Quantitative information, which answers questions about the quantity of something,

» Qualitative information, which answers questions where an opinion or judgement is necessary,

Both types of information can be gathered because of:

» Primary research, or field research

» Secondary research, or desk research

Primary research

Primary research, or field research, is the collection and collation of original data. It involves direct contact with potential or existing customers.

Advantages of primary research

» It is up to date and relevant to the business undertaking it.

» It is usually planned and carried out by the people who want to use the data; it is first-hand.

» It is most effective when it is used to gather information which will help the business with a specific problem,

» It is not available to other businesses (unless they undertake their own research).

Possible limitations

» It can be expensive, for example, individually interviewing many people.

» It is not available immediately – it takes time to collect.

There are various types of primary research methods, including:

» Questionnaires » Online surveys » Interviews » Focus groups

The process of primary research

To undertake primary research, a business will normally go through several stages, as summarised in the diagram below.

Methods of primary research

Questionnaires

Questionnaires are crucial for primary research, allowing respondents to provide their thoughts and opinions.

Advantages of questionnaires

» Detailed qualitative information can be gathered about the product or service.

» Customers' opinions about the product or service can be obtained.

» They can be carried out online – see section below.

» To encourage people to fill in the questionnaire, vouchers can be offered, or participants entered a 'prize draw'.

Disadvantages of questionnaires

» If questions are not well thought out, the answers to them will not be very accurate.

» Carrying out questionnaires can take a lot of time and money.

» Collating and analysing the results is also time-consuming.

Online surveys

Researchers can conduct surveys on specialized websites using internet-connected devices, including mobile phones, and send emails to participants to complete questionnaires.

Advantages of online surveys

» Fast, with quicker response times than other forms of survey.

» Cheaper than interviews or postal questionnaires.

» Easy to complete for the participant.

» Data collected can be quickly presented and analysed using IT tools.

Disadvantages of online surveys

» Absence of interviewer to explain open-ended questions or to ask follow-up question to gain more detailed information.

» Cannot reach potential respondents who do not have access to the internet.

» Scope for fraud – some people will just answer an online survey to gain any incentives being offered and not give honest answers, or they complete the survey carelessly.

Interviews

When interviews are used, the interviewer (the person asking the questions) will have ready-prepared questions for the interviewee (the person answering the questions).

Advantages of interviews

» The interviewer can explain any questions that the interviewee does not understand.

» Detailed information can be gathered about what the interviewees like and dislike about the product.

Disadvantages of interviews

» Whether consciously or unconsciously, the interviewer could lead the interviewee into answering in a certain way, resulting in inaccurate results due to interviewer bias.

» Interviews are very time-consuming to carry out and, therefore, they are often an expensive way of gathering information.

Focus groups.

Focus groups involve group discussions with a researcher, discussing specific products or advertising campaigns, to aid businesses in making future marketing decisions and test new products, revealing their preferences and dislikes.

Advantages of focus groups

» They provide detailed information about consumers' tastes and preferences.

» Interaction between members of the group can help the business understand the reasons for people's opinions.

» Quicker and cheaper than individual interviews.

Disadvantages of focus groups

» They can be time-consuming and expensive if conducted by a specialist market research agency.

» Discussion could be biased if some people on the panel are influenced by the opinions of others.

» Can be dominated by just a few people so the researcher will need to be experienced to deal with this.

The need for sampling

When deciding whom to ask to fill in a questionnaire or survey or whom to interview, a **sample** must be selected.

There are two common methods of sampling:

» **A random sample** – every member of the population has the same chance of being selected. People are selected at random (often by computer), for example, every hundredth name in a telephone directory.

» **A quota sample** – people are selected based on certain characteristics, for example, age, gender, or income. Researchers are given a quota.

Secondary research

Secondary research, or desk research, is the use of information that has already been collected and is available for use by others.

Advantages of secondary research

» Often a much cheaper way of gathering information than primary research, as the data collection has already been done by others.

» It can be used to help assess the total size of a market by finding out the size of the population and its age structure.

» Newspapers may carry vital economic forecasts if you are trying to assess when a recession is coming to an end and your sales are likely to increase again.

Disadvantages of secondary research

» Data may have been collected several years ago and be out of date.

» Data is available to all businesses – not just collected for the sole use of one business.

» Data may not be completely relevant as it was not collected with the needs of one business in mind.

Internal sources of secondary data

Business records provide valuable quantitative and qualitative data, including product sales, manufacturing costs, and sales trends, making them easily accessible and cost-effective.

External sources of secondary data

External sources provide diverse and general information based on the product type being researched, but their general nature can still be useful if limitations are considered.

Who carries out market research?

Businesses can conduct their own market research for existing or new products, using secondary research for cost-effectiveness.

Factors influencing the accuracy of market research data.

The reliability or accuracy of the data that has been collected depends largely on:

» How carefully the sample was drawn up.

» The way in which the questions in the questionnaire were phrased to ensure honest responses.

» The sample selected

» The size of the sample is also important. It is not possible to ask everyone in a population, which is why a sample is used.

» The wording of the questions

» Who carried out the research

» Bias – articles in newspapers sometimes have a bias and important information may be deliberately left out.
» Age of the information

How to design and use a questionnaire

Writing the questions

» When deciding what questions to ask, it is advisable to ask no more than 12 questions.

» Keep the questions short and clear. It is a good idea to keep the answers simple too,

» If you want to know the age of the interviewee, given a choice of age groups.

» Avoid open-ended questions unless people's opinions are sought.

» Be careful not to lead the interviewee into an answer that may not be true by asking too direct a question.

» Think about the order in which you ask the questions. Be logical!

Carrying out the questionnaire

Before going out and asking the questions, think about how you will ask the questions and how you are going to record the results. You may need to create a grid to put the respondents' replies on.

» How many people are you going to ask?

» At what time of the day are you going to carry out the questionnaire? Will this affect who will answer the questions?

» Where are you going to carry out the questionnaire? Will this have an influence on whom you ask?

Presentation of data from market research

The type of data that has been collected and what it is to be used for will affect the form of presentation which will be used. Information can be displayed in different forms:

» A table or tally chart – usually used to record the data in its original form; however, it is often better to convert the data into a chart or graph.

» A chart – shows the total figures for each piece of data or the proportion of each piece of data in terms of the total number.

» A graph – used to show the relationship between two sets of data.

Chapter 12 -The market mix product

The marketing mix.

The marketing mix encompasses all activities involved in marketing products, including goods and services

The four Ps of the marketing mix

» Product.

» Price.

» Place. This refers to the channels of distribution that are selected.

» Promotion.

The role of product decisions in the marketing mix

The marketing mix is a strategic approach to achieving marketing success, focusing on the product as the primary element.

Types of products.

» Consumer goods. These are goods which are bought by consumers for their own use.

» Consumer services. These are services that are bought by consumers for their own use.

» Producer goods. These are goods that are produced for other businesses to use.

» Producer services. These are services that are produced to help other businesses.

Producing the right product at the right price is an important part of the marketing mix.

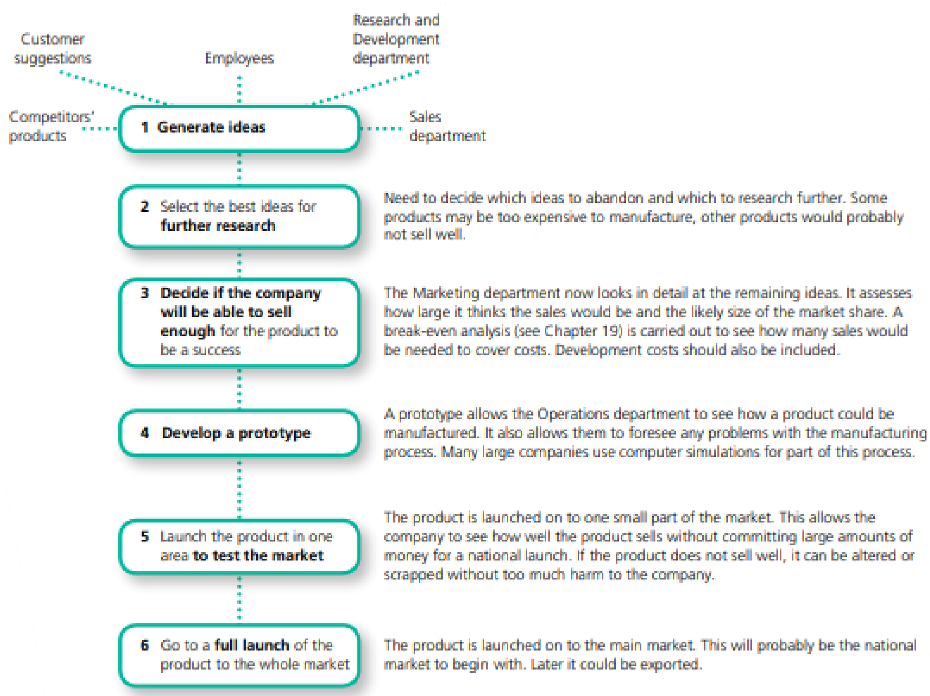
» The product needs to satisfy consumer wants and needs. If it does not, then it will not sell.

» The product also needs to be of the right quality.

» The product must not be so difficult to make that the costs of production are greater than the price charged for it – as this will mean the business makes a loss.

» Design of the product is very important. The quality needs to be appropriate for the brand image.

Product development



The costs and benefits of developing new products.

There are various benefits for the business when developing new products. These are as follows:

» Unique Selling Point (USP) will mean the business will be first into the market with the new product.

» Diversification for the business, giving it a broader range of products to sell.

» It allows the business to expand into new markets.

» It may allow the business to expand into existing markets.

However, there are also costs for the business when developing new products. These are as follows:

» The costs of carrying out market research and analysing the findings.

» The costs of producing trial products, including the costs of wasted materials.

» The lack of sales if the target market is wrong.

» The loss of company image if the new product fails to meet customer needs.

The importance of brand image

However, today, manufacturers often sell products to retailers, creating a brand with a unique name. Advertising and promotions constantly refer to this **brand name**, making consumers aware of the product's qualities.

Businesses use brands for their products to encourage consumers to keep buying their products and not those of their competitors. Consumers may have **brand loyalty,**

Brand image is important. The brand is more than just an assurance of quality.

The role of packaging

Packaging is crucial in marketing as it provides protection, ease of use, and transportability for products. It should be suitable for the product, not too delicate, and appealing to consumers.

The product life cycle

Products do not last forever. A typical cycle for a product is as follows.

1. First, a product is developed. The prototype is tested, and market research carried out before the product is launched on to the market. There are no sales currently.

2. It is then introduced or launched on to the market.

3. Sales start to grow rapidly.

4. Maturity. Sales now increase only slowly.

5. Sales reach saturation point and stabilise at their highest point. Competition is high but there are no new competitors. Competitive pricing is used.

6. Sales of the product decline as new products come along or because the product has lost its appeal.

This process of what happens to a product is called the **product life cycle.** It is usually drawn as a graph.

How stages of the product life cycle influence marketing decisions

Knowing the stage of the life cycle that a product is in can help a business with pricing and promotion decisions.

Pricing

» A branded product is likely to be sold at a high price when it is first introduced to the market – as a low price could give the wrong message about quality.

» Prices are likely to be relatively higher than those of competitors in the growth stage as the product may still be 'newer' than those of rivals.

» In the saturation or maturity stage, when the business will want to try to stop sales declining, the price is likely to be reduced as competitors may have launched newer versions of their own products.

» Some substantial price discounts might be offered during the decline stage – especially if the business does not plan to 'extend its life'.

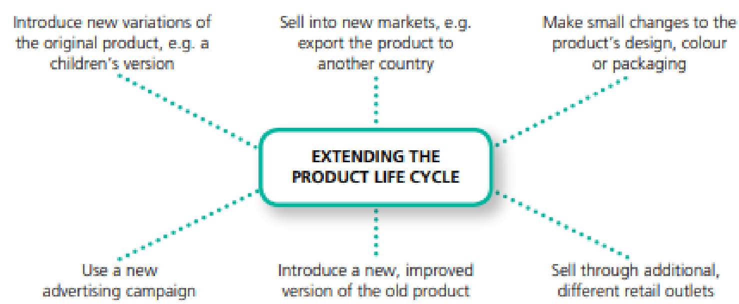
Promotion

» Spending on promotion will be higher at the introduction stage than in other stages as the business must inform consumers of the product.

» Advertising would probably be reduced in later stages, either because the product is already well known or because the business wants to use its marketing budget on other, newer, products.

» Promotion spending might be increased again if the business decides to adopt an extension strategy.

Extending the product life cycle



▶ Product life cycle extension strategies

Chapter 13 -The marketing mix price

The role of pricing decisions in the marketing mix

Packaging plays a crucial role in determining the price of an existing or new product. It should align with the marketing mix, ensuring the product's quality and appeal to high-income consumers.

Pricing strategies

If a product has many competitors in its market, the price it charges will be very important.

A business can adopt new pricing strategies for several reasons, including:

» To try to break into a new market.

» To try to increase its market share.

» To try to increase its profits.

» To make sure all its costs are covered, and a target profit is earned.

The main methods of pricing

Cost-plus pricing

Cost-plus pricing involves:

» Estimating how many units of the product will be produced. » Calculating the total cost of producing this output.

» Adding a percentage mark-up for profit.

Benefits

» The method is easy to apply. » Different profit mark-ups could be used in different markets.

» Each product earns a profit for the business.

Limitations

» Businesses could lose sales if the selling price is higher than competitors' prices.

» A total profit will only be made if sufficient units of the product are sold.

» There is no incentive to reduce costs – any increase in costs is just passed on to the customer as a higher price.

Competitive pricing

Competitive pricing involves setting prices in line with your competitors' prices or just below their prices.

Benefits

» Sales are likely to be high as the price is at a realistic level and the product is not under- or over-priced.

» Avoids price competition, which can reduce profits for all businesses in the industry.

» Often used when it is difficult for consumers to tell the difference between the products of different businesses.

Limitations

» If the costs of production for a business are higher than those of competitors.

» A higher quality product might need to be sold at a price above competitors' prices to give it a higher quality image.

» To decide what this price should be, detailed research would be needed into what prices competitors are charging, and this research costs time and money.

Penetration pricing

Penetration pricing means the price would be set lower than the competitors' prices.

Benefits

» Often used for newly launched products to create an impact with customers.

» It should ensure that sales are made, and the new product enters the market successfully.

» Market share should build up quickly.

Limitations

» The product is sold at a low price and therefore the profit per unit may be low.

» Customers might 'get used' to low prices and reject the product if the business starts to raise the price after the product's early success.

» Might not be appropriate for a branded product with a reputation for quality.

Price skimming

With **price skimming**, the product is usually an invention, or a new development of an old product.

Benefits

» Skimming can help to establish the product as being of good quality.

» High research and development costs can be rapidly recouped from the profit made on the product at the high price.

» If the product is unique, a high price will lead to profits being made before competitors launch similar products.

Limitations

» The high price may discourage some potential customers from buying it.

» The high price and high profitability may encourage more competitors to enter the market.

Promotional pricing

Promotional pricing would be used when a business wants to price a product at a low price for a set amount of time to increase short-term sales.

Benefits

» It is useful for getting rid of unwanted inventory that will not sell.

» It can help to renew interest in a product if sales are falling, for example during an economic recession.

Limitations

» The revenue will be lower because the price of each item will be reduced.

» It might lead to a price competition with competitors – so the business might have to reduce prices again.

The impact of psychology on price decisions

The price of a product can have a significant psychological impact upon consumers' perceptions of the product.

» A very high price for a high-quality product may mean that high-income customers wish to purchase it as a status symbol.

» If a price for a product is set just below a whole number,

» Supermarkets may charge low prices for products purchased on a regular basis, which will give customers the impression of being given good value for money.

» Repeat sales are often made when the price reinforces consumers' perceptions of the product –

Using different pricing methods for the same product

Dynamic pricing is a strategy used by businesses to charge customers based on their ability to pay or product availability. This pricing strategy can be used to differentiate between different groups of customers, such as airlines charging different prices for flights at different times of the day or year.

Price elasticity of demand

Price-elastic demand refers to a product's responsiveness to price changes, influenced by the number of close substitutes. If a product's price rises, consumers may buy alternative products, causing a larger percentage decrease in demand for the original product.

Consumers are very sensitive to changes in price.

» Prices increase by 5% then sales decrease by 15% = falling revenue for the business

Price-inelastic demand refers to products with no close substitutes, such as electricity, where a 15% price increase may not significantly impact sales, as most consumers continue to purchase the product at the higher price.

Consumers are not sensitive to changes in price.

» Prices increase by 15% then sales decrease by 5% = increasing revenue for the business.

Chapter 14 -The marketing mix place

The role of place decisions in the marketing mix

The price of a product is crucial for its success. It should be available where and when customers want to buy it, as this affects its sales.

Distribution channels

Businesses must decide where to sell their products. They also must decide whether to sell directly to consumers or use other businesses to do this. This means deciding on the best **distribution channel** to use.

Distribution channel 1 – Direct to consumers

Advantages

» This distribution channel is very simple. It involves manufacturers selling their products directly to the consumer.

» It is suitable for products, such as certain types of food products, which are sometimes sold straight from the farm.

» There is a lower price if sold direct to customers – cuts out wholesaler/retailer.

» Products can be sold by mail order catalogue or via the internet.

Disadvantages

» This is usually impractical for most products because the consumers probably do not live near to the factory and could not go there to buy the products.

» This method may not be suitable for products which cannot easily be sent by post.

» It can be very expensive to send products by post or courier and therefore it may not be cost effective.

Distribution channel 2 – Using a retailer as the only intermediary.

Advantages

» Producer sells large quantities to retailers.

» Reduced distribution costs compared to selling directly to consumers

Disadvantages

» No direct contact with customers.

» The price is often higher than 'direct selling' as the retailer must cover its costs and make a profit.

Distribution channel 3 – Using a wholesaler and retailer as intermediaries.

Advantages

» Wholesaler saves storage space for small retailer and reduces storage costs.

» Small retailers can purchase fresh products in small quantities from wholesaler because they have a relatively short 'shelf life' before they deteriorate.

» Wholesaler may give credit to retail customers so they can take the goods straightaway and pay later.

» Wholesaler may deliver to the small retailer thus saving on transport costs.

» Wholesaler can give advice to small retailers about what is selling well.

Disadvantages

» May be more expensive for the small shop to buy from a wholesaler than if it bought straight from the manufacturer. » Wholesaler may not have the full range of products to sell.

» Takes longer for fresh produce to reach the shops, so may not be as good quality.

» Wholesaler may be a long way from the small shops.

» The consumer price is often higher than 'direct selling' as both the wholesaler and retailer must cover costs and make a profit.

Distribution channel 4 – Using an additional intermediary such as an agent.

When products are exported, the manufacturer sometimes uses an **agent** in the other country.

Advantages

» Manufacturer may not know the best way to sell the product in other markets.

» Agents will be aware of local conditions and will be in the best position to select the most effective places in which to sell.

Disadvantage

» The producer has less control over the way the product is sold to customers.

Methods of distribution

The methods of distribution used can include the following.

Method of distribution	Description
Department stores	Large stores, usually in the centre of towns or cities, which sell a wide variety of products from a wide range of suppliers.
Chain stores	Two or more stores which have the same name and the same characteristics.
Discount stores	Retail stores offering a wide range of products, many branded products, at discount prices. Often the product ranges are of similar types of products, for example, electrical goods.
Superstores	Very large out-of-town stores which sell a wide range of food and non-food products.
Supermarkets	Retail grocery stores with dairy produce, fresh meat, packaged food and non-food departments.
Independent retailers	Single shops, often small, that offer a local, personalised service. Prices are often high.
Direct sales	Products are sold directly from the manufacturer to the customer – who may be a consumer or another business (distribution channel 1).
Mail order	Customers look through a catalogue or magazine and order by post. Orders can also often be placed by telephone or internet.
Internet/e-commerce	Instead of looking at a catalogue, consumers view the goods on the business's website and then order on the internet or possibly by telephone or mail. Business can sell through other specialist websites such as eBay and Alibaba.com.

Selecting the distribution channel to use

» What type of product is it?

» Is the product very technical?

» How often is the product purchased?

» How expensive is the product?

» How perishable is the product?

» Where are the customers located? If most of the customers are in cities, it is no good selling the product only in rural areas.

» Where do the competitors sell their products? The retail outlets that competitors use will need to be considered.

Chapter 15 -The marketing mix: promotion

The role of promotion decisions in the marketing mix

Promotion gives the consumer information about the rest of the marketing mix

Promotion is essential when a brand image, especially for consumer goods, is being created for a product. Promotion as part of the marketing mix includes the following:

» Advertisements – this involves 'above-the-line' promotions.

» Sales promotion – this involves 'below-the-line' promotions.

The aims of promotion

Advertising

Advertising communicates to potential customers to encourage them to buy a product. This is sometimes known as 'above-the-line' promotion.

Different types of advertising

Advertising can be either **informative** or **persuasive**. '1 million' by Paco Rabanne is an expensive aftershave. It is not sold by telling people all about what it will do for the skin.

The advertising processes.

1 Set objectives

The business will have to decide the purpose of the advertising. Is it to capture a new market? Is it to increase market share? Is it to improve the image of the company? Is it to create or improve a brand image?

2 Decide the **advertising budget**

The business will need to decide how much to spend on advertising. This is a difficult task – too much and money is wasted, too little and the advertising will not be effective. One way, used most often, is to predict how much sales will be in the future and then spend a certain percentage of the predicted sales on advertising the product. This way the expense of advertising is related to the revenue brought in by sales of the product. The percentage used is usually between 2 and 10 per cent of sales revenue. Sometimes the budget will be set by how much competitors are spending on their advertising. Or sometimes it is simply what the business can afford to spend. This is particularly true of small businesses.

3 Create an **advertising campaign**

The business will need to decide what sort of advertising campaign to run. For example, will the adverts need to attract young people? The target audience (the people who the advertisers think might buy the product) and the purpose of the advertising must be kept in mind when creating the campaign.

4 Select the media to use

The business will need to decide which is the best type of advertising media to use. The target audience will determine the most suitable forms of media to use to make sure that the adverts are seen by the people intended. The business will also need to decide how often the adverts will appear in order to make sure the target audience sees them and is encouraged to buy the product. The type of media selected has to be *cost effective*. It is pointless spending a lot of money on television advertising when the business is not trying to reach a mass audience, but only wants to target bicycle riders. It would be more cost effective to advertise in bicycle magazines which would be cheaper and seen by the people who are the potential customers and no one else.

5 Evaluate the effectiveness of the campaign

The business needs to see if sales have increased as a result of the advertising campaign or see if the product's brand image has improved, i.e. has the advertising campaign met its objective?

Sales promotion

Different types of sales promotion

Sales promotion is used in the short term to give a boost to sales, but it is not used over long periods of time.

After-sales service

Offering after-sales service for expensive products like cars or computers can reassure customers that they can return the product for repair without additional cost, potentially encouraging them to buy from a shop with such service.

Gifts

Small gifts and coupons are often placed in product packaging to encourage purchases, often aimed at children.

BOGOF

This is where multiple purchases are encouraged

Price reductions

Shop discounts, money-off coupons, and flash sales are strategies used to encourage customers to try products and become regular customers.

Competitions

The packaging of a product may include an entry form which allows the customer to enter a competition.

Point-of-sale displays and demonstrations.

Point-of-sale is the place where the product is being sold – usually a shop. In the shop, there may be a special display of the product.

Free samples

Free samples are often given away in shops, delivered to people's homes, or included with other products,

Product placement

Branded goods and services are featured in TV programs, movies, or music videos, targeting specific audiences.

The advantages of sales promotion

» It can promote sales at times in the year when sales are traditionally low (off-season purchases).

» It encourages new customers to try an existing product.

» It encourages consumers to try a new product.

» It encourages existing customers to buy a product more often or in greater quantities, increasing consumer loyalty.

» It encourages customers to buy your product instead of a competing brand.

The importance of the marketing budget

The marketing budget is a crucial factor in deciding the most suitable promotion methods for a product. It specifies the available funds for marketing, allowing the marketing department to allocate funds effectively.

Which type of promotion should be used?

The following points also need to be considered when deciding on the type of promotion to use:

» The stage of the product life cycle that has been reached. If the product is new and has just been launched the advertising may be more informative, but if the product is well established and is at maturity then the advertising may be persuasive.

» The nature of the product itself. If the product is a producer good, the type of promotion that would be used when promoting the product to other producers would be quite different to the methods used with consumer goods.

» The cultural issues involved in international marketing. If the product is to be sold abroad then different types of promotion may be appropriate.

» The nature of the target market – whether it is local, national, or international and its size – a local market will require different media to a national or international one.

Public relations/sponsorship

Public relations focus on promoting a positive image for a business and its products. This can involve sponsoring events, participating in publicity stunts, or donating products to charity.

Chapter 16- Technology and the marketing mix

How technology influences the marketing mix

The **product** part of the marketing mix may be changed to respond to new technology.

Twitter, pop-ups, sponsored links, paying search engines to put your websites at the top of searches, posting reviews on own websites, blogs, to name but a few, are all new ways businesses are using to **promote** their business or its products on the internet using **social media marketing** and **viral marketing.**

The internet allows businesses to gather information about customer purchasing habits which means dynamic **pricing** can be used to increase revenue by changing prices frequently depending on the level of demand for a product on the internet.

Finally, the internet has facilitated the widespread use of online purchasing, e-commerce, and created new opportunities for the **place** part of the marketing mix.

Use of the internet and social media networks for promotion

There are several benefits to a business of advertising on social media networking sites such as Facebook, including:

» Targets specific demographic groups who will share product information through viral marketing.

» Target customers will see the advert when they go on Facebook.

» Speed in response to market changes – information can be updated regularly.

» Cheap to use – it has low costs if just placing advertisements.

» Reaches groups that are difficult to reach any other way.

However, there are disadvantages too:

» It can alienate customers if they find the adverts annoying.

» Businesses must pay for advertising if using pop-ups.

» Potential customers may not use social media networks.

» There is a lack of control of advertising if used by others.

» Messages may be altered or used in a bad way and forwarded on to other users, giving the business bad publicity.

If a business advertises on its own website, it will enjoy the following benefits:

» No extra cost if own website is already set up.

» Control of advertising as it is on your own site.

» Can change adverts quickly and update pictures/prices, and so on.

» Interactive adverts can be more attractive than those in other forms of advertising media such as magazines and posters.

» Can provide more information in adverts and link to other pages with further information and pictures.

» Attracts funds/payments from companies that want to advertise or be associated or linked with your website.

However, there are disadvantages too:

» Potential customers may not see the website as the page may come up in a long list of results when using a search engine such as Google.

» Relies on customers finding the website.

» Design costs of the website may be high.

e-commerce

When was the last time you purchased a product by computer or mobile phone linked to the internet? Some people will answer 'I never have' to this question but others will say 'Five minutes ago!' The growth of internet selling has been incredible in recent years.

Chapter 17 -Marketing strategy

Marketing strategy A marketing strategy is a plan to combine the right combination of the four elements of the marketing mix for a product or service to achieve a particular marketing objective(s).

The marketing objective could include:

» Increasing sales of an existing product/service by selling to new markets or selling more to the existing market

» Increasing sales of a product or service by improving it.

» Achieving a target market share with a newly launched product.

» Increasing market share.

» Maintaining market share if competition is increasing.

» Increasing sales in a niche market.

Importance of the marketing mix in influencing consumer decisions

The four elements of the marketing mix are important in influencing consumer decisions when developing a marketing strategy aimed at a specific target market.

Recommending and justifying a marketing strategy in given circumstances

If you are asked to recommend and justify a marketing strategy for a business, consider and develop these points in your answer:

» Marketing objective,

» Marketing budget,

» Target market,

» Balanced marketing mix,

Legal controls on marketing

In the UK, the laws on consumer protection are typical of those existing in most countries and include some of the following forms of consumer protection:

» Weights and Measures. Retailers and producers commit an offence if they sell underweight goods or if the weighing equipment,

» Trade Descriptions. It is illegal to give the consumer a deliberately misleading impression about a product.

» Sale of Goods. It is illegal to sell products which have serious flaws or problems, that is they are not of a satisfactory quality;

Growth potential of new markets in other countries

Opportunities

These days many businesses market their products in many different countries. Why has there been this trend towards more globalisation of business?

» Markets in other countries might have much greater growth potential than existing markets. Countries in different parts of the world are now developing and seeing their populations enjoying rising incomes.

» Home markets might be saturated, and these new markets give the chance for higher sales.

» There is a wider choice of location to produce products, and this encourages businesses to sell as well as produce in these countries.

» Trade barriers have been lowered in many parts of the world, making it easier and more profitable now to enter these markets.

Problems of entering foreign markets

» Lack of knowledge – the business may not be aware of competitors or the habits of consumers in these markets.

» Cultural differences – religion or culture may mean that some products won't sell in another market.

» Exchange rate changes – if the exchange rate is not very stable then exchange rate changes can mean the prices of imported goods change and the products can become too expensive to sell in the new market.

» Import restrictions – if there are tariffs or quotas on imported products then the prices of these products may be higher than domestically produced goods – reducing sales or profits or both.

» Increased risk of non-payment – methods of payment may be different in these new markets, and it may be more difficult to be certain that payment for imported goods will be made.

» Increased transport costs – as products must be transported over long distances the costs of getting products to market will increase.

Methods to overcome the problems of entering new markets abroad.

» Joint ventures

Main limitations:

• Management conflict between the two businesses

• Profits shared.

» Licensing

Main limitations:

• Quality problems caused by an inexperienced licensee could damage brand reputation.

• Licensee now has access to information about how the product is made – could develop a better version and become a competitor.

» International franchising

Main limitations:

• Quality problems or poor service offered by franchisees could damage brand image.

• Training and support will need to be provided by franchisor.

» Localising existing brands.

Main limitations:

• May be less successful than a new product made to meet local cultures and market conditions.

• Expensive to change packaging, promotion, and so on for each market the product is sold in.