

*Edexcel*  
*AS Level*  
*Business studies*  
*(Code: WBS11/01)*  
*Section 03*  
*Marketing mix and strategy*



## Chapter 09

### 3.9 Marketing objectives and strategy

#### Marketing objectives

The marketing activities of a business are likely to be more effective if there are clear marketing objectives. These are the goals that a business is trying to achieve through its marketing. The key marketing objectives might include the following.

**Increase market share** - To gain a larger market share, businesses must produce more output, exploit economies of scale, and adjust their pricing strategy. This can lead to better prices from suppliers and influence market prices. To achieve this, businesses may invest in advertising campaigns or adjust their pricing strategy.

**Increase revenue** - Increase revenue: Businesses often introduce specific marketing activities to boost their revenues. If revenues are higher, likely, profits will also be higher. If a business sets out to increase revenue, several marketing activities could be used to achieve this objective.

**Build a brand** - Many businesses want to establish the name of their company or their products. They can do this by giving products brand names.

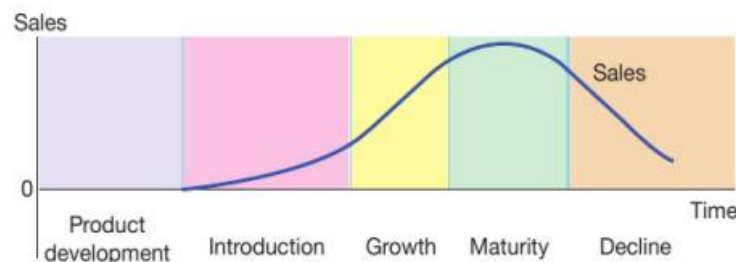
#### The product market cycle

Product is one part of the marketing mix. For marketing to be effective, a business must be aware of its product life cycle. The product life cycle shows the different stages that a product passes through over time and the sales that can be expected at each stage. By considering product life cycles, businesses can plan.

Most products pass through six stages, these are illustrated in Figure 2.

- Development
- introduction
- maturity/saturation
- decline.
- growth

**1) development** - During the development stage, a product is researched, designed, and tested. If deemed viable, a prototype is produced. The decision to launch the product is made. Many new products fail due to businesses' reluctance to take risks. High costs and initial spending without revenue are common.



▲ Figure 2 The product life cycle

**2) introduction** – The introduction stage of a new product involves launching it, which may lead to slow sales and high costs. The product may require new production lines, promotion, and distribution, potentially making it unprofitable. Prices may be set high or low to cover these expenses. The introduction stage can be long for new technical products or instant hits, such as fashion products or fast-moving consumer goods.

**3) growth** - Once the product is established and consumers are aware of it, sales may begin to grow rapidly, new customers buy the product and there are repeat purchases. Unit costs may fall as production increases. The product then becomes profitable.

4) **Maturity and saturation** - are crucial stages in the product life cycle, where sales reach their peak, competition enters, and businesses face forced exit. To extend product life, businesses often use extension strategies during these stages, ensuring a stable market share.

5) **decline** - Sales of most products will eventually decline due to changing consumer tastes, new technology, or product introductions. Despite potential withdrawal or sale, profit can still be made with high prices and minimal promotion costs.

## EXTENSION STRATEGIES

Extension strategies, ways to prolong the life of a product before it starts to decline, are popular with businesses. This is because the costs of product development are high and extension strategies help a product to generate more cash. Two general approaches are often used.

### 1) **product adjustments**                      2) **promotion**

**Product adjustments:** Many companies try to prolong the life of the product by 'freshening' it up. This might involve making improvements, updating the product, repackaging the product or extending the range.

- Updating is quite a common approach for technical products and certain types of consumer durables. For example, in the car industry firms are keen to bring out updated versions of their successful models.

- Some businesses add value to their products by making improvements.

- Another common approach is to extend the product range.

- Some businesses give the impression that the product has been modified by changing the packaging.

**Promotion:** Some businesses prefer to leave the product unchanged but give a boost to falling sales by investing in promotion campaigns.

- One approach is to find new uses for a product.      • Some businesses try to find new markets for their products

- Investment in an advertising campaign can sometimes boost sales. A big advertising campaign on television.

## Boston matrix and the product portfolio

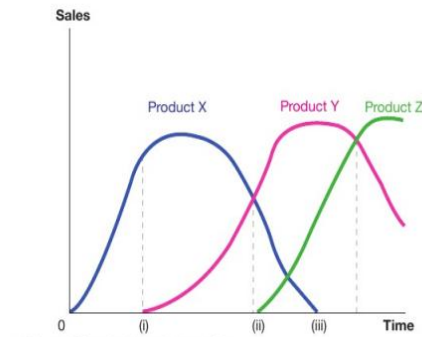
Product life cycle analysis shows businesses that sales of products eventually decline. A well-organized business with one or more products will attempt to phase out old products and introduce new ones. This is known as managing the **product portfolio or product mix**.

**The product portfolio** - A product portfolio is a group of similar products, such as televisions, that a business can manage by launching new products regularly. This ensures no gaps are created as products reach the end of their life. By launching new products as they become more popular, the business can maintain a steady supply of products. In practice, a business may have many products, hoping to maintain their maturity and use the profits to fund new product launches.

**The Boston matrix:** One problem for firms when planning their product portfolios is that it is very difficult in practice to tell what stage of the life cycle a product is at.

A useful technique for allowing firms to analyse their product portfolios is the Product Portfolio Matrix developed by the Boston Consulting Group. It is sometimes called the Boston Matrix or the Growth Share Matrix. This is shown in Figure 5. Products are categorized according to two criteria.

- **Market growth.** How fast is the market for the product growing? The market may be declining, or it may be expanding. Sales of a product in a fast-expanding market have a better chance of growing than a product in a mature or declining market.



▲ Figure 4 Managing the product portfolio

- **Relative market share** - The relative market share of a product is determined by its strength within its market, whether it is a market leader or 12th in terms of sales. It is measured by comparing it to the strongest rival product. For example, if a product has a 10% market share and a 40% market leader, its relative market share is 0.25. If a product has a 50% market share and a 25% market leader, its relative market share is 2.0.

- **Stars:** A star is a product with high market growth and a relatively high market share. Stars are valuable to businesses. The product will be in a strong position in its market as it has a high market share, and the business can take advantage of a fast-growing market.

- **Cash cows:** A cash cow is a product with a relatively high market share. It is therefore well positioned in the market and likely to be profitable. But the market it is in will have weak growth. So, there will be little chance of increasing sales and profits in future. There will be little need for investment. With slow growth in sales, there should be little need for new premises

- **Question marks:** Question marks, also known as problem children, are products with low market share in a fast-growing market. These products pose a challenge for businesses as they are unclear about their future. Despite their weak performance, they have the potential to become profitable in a fast-growing market.

- **Dogs:** These are products with a relatively low market share in a market with low growth. Dogs have poor prospects for future sales and profits. They may generate some positive net cash flow because they will need little investment but may earn some profit. But if they make little or no profit, net cash flow may be zero or even negative.

- **Balancing product lines** is crucial for businesses to avoid overstocking each category with too many items. Products on the top of the Boston matrix are in the early stages of the product life cycle and are in growing markets. Balancing these with cash cows allows for a positive net cash flow to support products in a growing market.

- **Taking appropriate decisions** - The matrix presents various product categories that require different approaches. Stars, cash cows, can be built to increase sales and combat competition. Cash cows can be milked for cash, used for product development, or spent on promotion. For question marks, businesses can build the brand, raise prices, or divest if profits aren't high.

## THE CONCEPT OF 'MARKETING MIX'

To market its products effectively a business must consider its marketing mix. The marketing mix refers to those elements of a firm's marketing strategy that are designed to meet the needs of its customers.

**Product:** Products must meet customer needs. This means that businesses must address several features relating to the product.

- How consumers use the product. A lady's shoe manufacturer.
- The appearance of a product. Businesses need to consider the different colours, sizes, shapes and styles when designing products.
- Financial factors. Businesses need to develop products that customers can afford to buy. There is no point in developing an attractive and highly.
- The product's life cycle. Earlier in this chapter it was shown that sales for a product rise at first and then eventually fall. A business must decide whether to allow a product to decline or try to refresh it in some way. In 'Getting Started', Karrandore decided not to withdraw Patagonia Cruises.
- A product's unique selling point (USP). This is the aspect or feature of the product which distinguishes it from that of a rival. If a business can develop a USP it may gain a competitive edge in the market.
- Price: The pricing policy of a business is often a reflection of the market at which it is aiming. Prices will not always be set at the level which will maximise sales or short-term profits.
- Promotion: Customers must be given information about products and encouraged to buy them. Businesses can choose from a wide range of different promotional methods. They can advertise on television, online or in newspapers and magazines.
- Place: Products must be made available at convenient locations at times when customers want to buy them. This means that a business has to make decisions about how products will be physically distributed,

## MARKETING STRATEGIES

A marketing strategy is a set of plans that aim to achieve a specific marketing objective. Its strategy to achieve this objective might be to:

- Improve the quality of customer service by delivering cars to people's homes
  - Contact all previous customers offering them a half-price deal
  - Offer a 3-day weekend rental for the price of 2 days
  - Invest £500 in a local newspaper advert
  - Donate a vehicle to a local community group to get some PR
  - Set up a website to promote the business and take online bookings.
- This strategy involves all aspects of the marketing mix and several different promotional methods.

**Strategies for mass markets:** Mass markets, with millions of potential customers, are a competitive environment for businesses like Procter & Gamble, Kraft Heinz, Kellogg's, Coca-Cola, and General Motors, offering significant rewards for success. A wide range of different marketing strategies can be used in a mass market, but some general similarities are as follows.

- Product. In a mass market, there will be many products competing for customer attention. Most of these products will be very close substitutes for each other.
- Price. The prices charged by businesses in a mass market are likely to be very similar. All businesses in the market are likely to fear a price war because they usually reduce revenue for every competitor. This helps to explain why businesses are happy to charge the 'going rate' in the market.

- **Promotion.** In the absence of price competition, firms look to non-price competition to help gain an edge. This means they are prepared to invest heavily in advertising and promotion because it is such an important part of the marketing mix in mass markets.

- **Place.** Businesses serving mass markets will often use multiple channels to distribute their goods. Businesses selling fast-moving consumer goods will target supermarkets, wholesalers, independents and any other outlet that is suited to their product.

**Strategies for niche markets:** Customers in niche markets have very particular needs, which are sometimes neglected by larger firms. Consequently, there is a gap in the market for a business that is prepared to produce goods or services for this small customer group.

- **Product** - In niche markets, products often have significant differences from competitors. For instance, four UK eating-out restaurants have received three Michelin stars for their exceptional food quality and service. These restaurants cater to a specific customer group, offering exceptional dining experiences. The product is a crucial element in the marketing mix.

- **Price.** Businesses selling in niche markets have more flexibility in their pricing. There is less competition in niche markets so higher prices can be charged without losing significant market share to rivals. Also, customers may be prepared to pay higher prices if their specific needs are being met effectively.

- **Promotion.** In niche markets promotion and advertising will tend to be more targeted. Since niche markets are smaller there is less needed to use national media when advertising.

- **Place.** Businesses selling into niche markets are often more selective when choosing distribution channels. They are more likely to use exclusive distributors or to handle distribution privately. They will also use the Internet if it is practical.

## Strategies for business-to-business (B2B) and business-to-consumer (B2C) markets.

**Outbound marketing strategies:** Outbound marketing strategies, such as direct mail, email, telephone marketing, sponsorship, and targeted ads, direct potential customers without their knowledge, but have drawbacks such as ignoring ads, annoying calls, damaging a brand's reputation, acquiring poor quality customers, and costing more to acquire than inbound marketing leads.

**Inbound marketing strategies:** This involves attracting potential customers to websites when they are looking for suppliers or solutions to problems. Some of the common inbound marketing techniques are summarized in Table 1.

Method	Description
Blogging	Provide content on company blogs to help draw in potential customers
Social media marketing	Develop a following on social media, such as Twitter, LinkedIn and Facebook
Search engine optimisation	Increase website traffic by getting a high-ranking placement in searches
Free e-books	Offer useful, in-depth information for website visitors to download
Video marketing	Produce short and informative video clips for website visitors
Targeted email marketing	Send personalised emails targeted to people – for example, those who have downloaded a free e-book

▲ Table 1 Common inbound marketing techniques

**Hybrid strategies:** Combining outbound and inbound methods, with inbound strategies taking 6 months to generate results, can be used in the short term, while dropping fewer effective ones reduces costs.

### How businesses develop customer loyalty

**Communication** - Effective communication is crucial for businesses to keep customers informed, fostering a strong relationship. This can be achieved through national advertising campaigns, reassuring adverts, and regular newsletters, ultimately boosting customer loyalty and repeat business.

**Customer service** - Customer service is crucial for business success, requiring professionalism, reliability, and honesty. Refreshments are a reliable way to enhance the service, ensuring a pleasant and efficient transaction experience.

**Customer incentives** - are crucial for businesses to retain customers, often offering discounts, cash vouchers, or free goods as rewards. Despite declining loyalty programs in some countries, a survey of 1,524 respondents in China, Hong Kong, and Singapore revealed that 72% of mainland Chinese consumers consider themselves engaged members of loyalty programs.

**Personalization** - is a strategy used by businesses to enhance customer relationships, focusing on building personal connections and addressing individual needs.

**Preferential treatment** - is a popular concept in businesses, such as VIP lounges at airports offering free refreshments, Wi-Fi, satellite television, comfortable seats, and showers, aiming to encourage customers to return for more.

#### SUBJECT VOCABULARY

**Boston matrix** a 2x2 matrix model that analyses a product portfolio according to the growth rate of the market and the relative market share of products within the market.  
**extension strategies** methods used to prolong the life of a product.  
**marketing mix** the mix of marketing elements used by a company, which are usually known as the 4Ps: product, price, place, and promotion.  
**marketing objectives** goals that a business attempts to achieve through its marketing activities.  
**marketing strategy** a set of plans that aim to achieve a specific marketing objective.  
**product lines** a group of products that are very similar.  
**product portfolio** the collection of products a business is currently marketing.  
**unique selling point** the aspect or feature of the product that differentiates it from those of rivals.

## Chapter 10

### 3.10 Product/service design

#### Product/service design

Many businesses are keen to bring new products and services to the market. New products and services help to generate more revenue and ensure that businesses remain competitive. The process of creating a new product or service is called **product design**.

When designing the new travel iron they may consider:

- The shape and appearance of the iron
- Whether it fits the intended need
- How easily and cost-effectively it can be produced from the design
- The dimensions and preferred materials to be used
- The image it gives when displayed
- Whether the design should create a 'corporate identity', saying something about the image of the company.



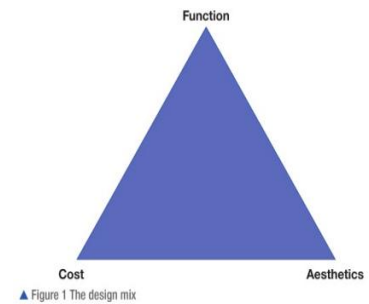
## Design mix

**Function:** A product must be fit for purpose, which means that it must be capable of doing the job that it is sold to do. The manufacturers of many consumer durables offer long warranties to show that they have confidence in the reliability and durability of their products.

Some products are designed with **ergonomics** in mind. This means that they are designed so that people can interact with them safely and without using unnecessary effort.

**Aesthetics:** Products and services should stimulate people's senses in addition to performing a function. This is the product or service's aesthetic appeal. Designers must consider elements of a product, such as its size, appearance, shape, smell or taste, or the presentation of a service because it has an impact on the choices that consumers make.

**Cost economic manufacture:** A well-designed product or service is economically viable, requiring designers to choose materials and processes that minimize costs. Businesses often compromise between design and cost, with high costs potentially leading to product or service discontinuation.



## The design mix and social trends

### THE DESIGN MIX AND SOCIAL TRENDS

Product designers need to be aware of changes in social trends. For example, people have become increasingly aware of the effects their lifestyles have on the environment. Worries about global warming, resource depletion and pollution have encouraged many to adopt more environmentally friendly lifestyles.

**Design for waste minimization:** Firms are under increasing pressure to design products that minimize waste. Waste minimization can take place in several ways.

- Products that use a lot of energy and other resources in manufacturing should be designed to be more durable by designing products that might last a lifetime. This could be achieved by including components in a design that can be replaced or repaired.
- Products could be designed to be smaller and lighter. This will help to save the amount of material used in production. Resources used in handling, packaging and transport will also be reduced.
- Designers could be discouraged from designing single-use, disposable products. Products such as disposable razors, plastic spoons, cardboard plates and paper cups can be replaced with durable equivalents. There is probably a lot more scope here for businesses to make improvements.
- In the restaurant industry, dishes and menus could be designed to reduce food waste, such as meat offcuts.

**Design for re-use:** Resources can be saved if products are designed so that they can be reused.

- Businesses should promote re-useable packaging, as seen in countries like Holland and Germany where customers can return empty bottles for refunds and washes, promoting sustainable practices.
- Another approach is to design products so that components can be easily re-used.



**Design for recycling:** Businesses are making increasing use of recycled materials in their designs.

- Some businesses are adapting their production methods so that newly designed products can be produced using recycled materials.
- Some businesses specialize in the sole use of recycled materials in their manufacture.
- Some firms make use of waste discarded by other businesses in their designs.
- In the media, it may be possible to recycle material to save time and effort.

**Ethical sourcing:** To reflect social trends, some businesses use ethically sourced resources in their designs. Ethical sourcing means that businesses only use materials, components and services from suppliers that respect the environment, treat their workforce well by paying them a fair wage and providing a safe working environment, and generally trade with honesty.

## BENEFITS OF ADAPTING PRODUCT DESIGNS TO CHANGES IN SOCIAL TRENDS

Although businesses may have to try to reflect social trends in their designs, which could increase costs, there are likely to be some lucrative benefits.

- If businesses can reduce waste they will use fewer resources. This will result in lower costs and higher profits.

• If designs reflect social trends, products are likely to be more popular and sell in larger quantities. This will raise revenue and improve profits.

• Some businesses use their design features as a USP. This will help them to market their products more effectively.

• Businesses that adopt some of the emerging design features relating to social trends are more likely to be viewed as good corporate citizens. Many businesses attempt to emphasize corporate social responsibility in their marketing strategy

### SUBJECT VOCABULARY

**consumer durables** goods that can be used repeatedly over a period of time, such as cars and household appliances.  
**design mix** the range of features that are important when designing a product.  
**ergonomics** the study of how people interact with their environment and the equipment they use – often in the workplace.  
**ethical sourcing** using materials, components and services from suppliers that respect the environment, treat their workforce well and generally trade with integrity.  
**product design** the process of creating a new product or service.  
**recycling** making use of materials that have been discarded as waste.  
**resource depletion** the using up of natural resources.  
**waste minimisation** reducing the quantity of resources that are discarded in the production process.

## Chapter 11

### 3.11 Promotion and branding

#### WHAT IS PROMOTION?

An important element in the marketing mix is promotion. This involves businesses drawing attention to their products, services or companies. Generally, businesses use promotion to obtain and keep customers. However, promotion is also likely to be used to achieve some specific aims.

- Tell consumers about a new product.
- Remind customers about an existing product.
- Reach a target audience that is spread over a wide area.
- Reassure customers about products.
- Show consumers that rival products are not as good. Improve or develop the image of the business.

## ABOVE-THE-LINE PROMOTION

Above-the-line promotion involves advertising in the media. Businesses pay television companies or newspapers, for example, to have their adverts broadcast or printed. Advertising may be placed into different categories.

- **Informative advertising.** This means that the adverts are designed to increase consumer awareness of products. They may give clear information about the features of a product.

- **Persuasive advertising.** Some advertising is designed to put pressure on consumers to buy a product. Persuasive advertisements often try to convince consumers to buy a particular brand rather than that of a competitor. They are often designed to appeal to people's emotions, such as fear and pity.

- **Reassuring advertising.** This advertising is aimed at existing customers. It is designed to be comforting and suggests to consumers that they are 'right' to buy a particular product and that they should continue to do so. Table 1 shows the advantages and disadvantages of the main advertising media.

Media	Advantages	Disadvantages
<b>Television</b>	Huge audiences can be reached The use of products can be demonstrated Sound and movement can be used Scope for targeting groups with digital television	Very expensive Message may be short lived Some viewers avoid television ads Delay between seeing ads and shopping
<b>Newspapers and magazines</b>	National and local coverage Reader can look back Ads can be linked to articles and features Vouchers can be used Scope for targeting with specialist magazines Relatively cheap	No movement or sound Individual ads may be lost in a 'sea of ads'
<b>Cinema</b>	Big impact with a big screen Can be used for local and national advertising Specific age groups can be targeted Sound and movement can be used	Limited audience Message may only be seen once Message is short lived
<b>Radio</b>	Sound can be used Minority audiences allow targeting Cheap production Can target youngsters	Not visual May be ignored May lack impact Can be annoying or disrupting to listen to
<b>Posters and billboards</b>	Can produce national campaigns Seen repeatedly Good for short sharp messages Large posters can have big impact	Posters can be deliberately damaged by vandals Only limited information can be shown Difficult to evaluate effectiveness
<b>Internet</b>	Can be updated regularly Can be targeted Hits and response can be measured Can be sent to mobile devices For goods available online, there is no delay between seeing ads and shopping for the product online	Some ads such as pop-up ads are irritating Possible technical problems

▲ Table 1 The advantages and disadvantages of selected advertising media

## BELOW-THE-LINE PROMOTION

Below-the-line promotion refers to any form of promotion that does not involve advertising. It can take many forms.

**Sales promotions:** Incentives used to encourage people to buy products are called sales promotions. They are used to boost sales in the hope that if new customers are attracted, they will continue to buy the product. They might be used to break into a new market. They may also be used to reward loyal customers and allow businesses to measure the impact of promotion, by counting the number of returned coupons.

- Free Gifts
- Loyalty cards
- Competition
- Coupons
- BOGOF offers
- money-off deals

**Public relations:** Some businesses communicate with stakeholders using public relations (PR). The main purpose of PR is to increase sales by improving the image of the business. Several approaches might be used by businesses to attract publicity.

- **Press releases.** Some information about the business may be presented to the media. This might be used to write an article or feature in a television programme.

- **Press conferences.** This is where representatives meet with the media and present information in person. This allows for questioning and other feedback. The press might be invited to a product launch, for example.

- **Sponsorship.** Sponsorship is when businesses attract publicity by linking their brands with events, particularly sporting events, television programs and films.

- **Donations.** Donations to charities and the local community might be used by businesses to improve their image. A large donation from a business is likely to be reported in the media, which is good publicity. The main advantage of PR to businesses is that it is often a cheap method of promotion. Some businesses have been known to deliberately seek bad publicity by being controversial. This can raise the profile of a business very quickly, sometimes at no cost.

**Merchandising and packaging:** Some businesses may arrange the **point of sale** so that it is interesting and eye-catching, and likely to encourage sales. This is called **merchandising**.

**Direct mailing:** This is where businesses mail out leaflets or letters to households. Sometimes personal letters are used. They may contain information about new products or details of price changes.

**Direct selling or personal selling:** This might involve a 'sales rep' calling households or businesses hoping to sell products. It could also be a telephone call from a call centre where sales staff are employed to sell over the telephone. One advantage of this approach is that the features of the product can be discussed. However, people are often irritated by this approach because the callers have not been invited.

**Exhibitions and trade fairs:** Some businesses attend trade fairs or exhibitions to promote their products. Businesses set up a stand and promote their products face-to-face. Trade fairs can be attended by commercial buyers' consumers, or both.

## CHOOSING METHODS OF PROMOTION

Many businesses use a range of different promotional methods. However, these must be coordinated so that they support each other. Small businesses often have limited budgets so careful consideration is needed when choosing a method of promotion.

### What affects the choice of promotion?

- **Cost.** Not all businesses can afford to advertise on television and in national newspapers, so they must find other more cost-effective, and often more appropriate, means.
- **Market type.** Local businesses often rely on adverts in local newspapers and listings in business phone directories. In contrast, businesses aiming their products at mass markets are more likely to use television national newspapers, or specialist magazines.
- **Product type.** Certain products are better suited to certain methods of promotion.
- **Stage in the product life cycle.** It is common for promotional methods to change as a product gets older.
- **Competitors' promotions.** It is common for businesses to copy successful methods of promotion used by rivals. Once one business comes up with a successful promotion, others soon bring out their versions.
- **Legal factors.** In many countries laws designed to protect consumers can affect the method and style of promotion.

## TYPES OF BRANDING

Many businesses aim to build a powerful brand. Branding involves giving a product a name, sign, symbol logo, design or any feature that allows consumers to instantly recognize the product and differentiate it from those of competitors.

### Brands can come in several forms.

- **Manufacturer brands.** Manufacturer brands are brands created by the producers of goods and services. The goods or services bear the producer's name.
- **Own-label brands.** Own-label brands are products manufactured by other businesses for wholesalers or retailers, sold under their name.
- **Generic brands.** Some generic brands are products that only contain the name of the actual product category rather than the company or product name.

## THE BENEFITS OF STRONG BRANDING

If a business can establish a strong brand, it will enjoy several benefits.

**Added value:** A strong brand may add value to a product in the eyes of customers.

**Ability to charge premium prices:** Products with strong brands can be priced higher than those of competitors. This is because of the customer loyalty that has been built up over some time. People are less likely to switch to cheaper brands if they have developed the habit of buying a 'favorite' brand.

**Reduced price elasticity of demand:** The strength of a brand may be reflected in the price elasticity of demand for a product. Firms would prefer their brands to be inelastic in demand. This means that a price increase will have less impact on demand.

## WAYS TO BUILD A BRAND

Different companies may use different methods to build a brand.

**Exploiting a unique selling point:** Building a brand involves creating a unique selling point (USP) for a product, which can be achieved through special features or customer promises. Luxury brands like Prada and Gucci use their affordability to differentiate themselves from competitors.

**Advertising:** Advertising is a crucial tool for businesses to introduce new brands, maintain market power, and reassure customers. It spreads brand awareness, boosting brand recognition. Advertising also serves as a source of pride for customers. In 2013, businesses spent over \$500 million on advertising, with the top ten global advertisers in 2016.

**Sponsorship:** Some companies favour the use of sponsorship to help build their brands. Many argue that sponsorship is a cheaper method of promotion than advertising- although many companies use both. Most of the sponsorship spending is in sports. Companies sponsor both national and international sporting events.

Sponsorship helps to:

- Raise brand awareness, create preference and develop brand loyalty
- Create positive PR and raise corporate awareness
- Build brand positioning by linking the product to attractive images at events
- Support other promotional campaigns
- Create emotional commitment to the brand
- Promote good relations with customers because sponsors often provide corporate hospitality at events.

**Using social media:** An increasing number of businesses are switching marketing resources to social media. Social media can be used in more than one way.

## Changes in branding and promotion to reflect social trends

**Viral marketing:** Viral marketing is a strategy that encourages people to share electronic messages about a product or business, resulting in rapid growth in exposure. This strategy exploits the process of rapid multiplication, allowing people to send messages to family, friends, and colleagues.

**Social media:** Marketing leaders are increasingly dedicating 10.5% of their budgets to social media, with businesses increasingly developing their networks linked to main platforms. While Facebook is effective for customer discovery and brand awareness, many users never revisit a brand page, leading to the development of unique social networks.

**Emotional branding** is the use of a consumer's emotions to build a brand, aiming to appeal to their emotions, human needs, or perceived ambitions. It aims to develop a strong emotional attachment between a consumer and a brand, like how football supporters bond with their chosen clubs. Apple effectively uses emotional branding by connecting with younger customers and creating a cool product image, creating an emotional attachment that transcends commerce.

#### SUBJECT VOCABULARY

**above-the-line promotion** placing adverts using the media.  
**advertising** communication between a business and its customers where images are placed in the media to encourage the purchase of products.  
**below-the-line promotion** any promotion that does not involve using the media.  
**emotional branding** the practice of using the emotions of a consumer to build a brand.  
**generic brands** products that only contain the name of the product category rather than the company or product name.  
**manufacturer brands** brands created by the producers of goods or services.  
**merchandising** a promotion specifically at the point of sale of a product.

**own-label, distributor or private brands** products that are manufactured for wholesalers or retailers by other businesses.  
**point of sale** any point where a consumer buys a product.  
**promotion** an attempt to obtain and retain customers by drawing their attention to a firm or its products.  
**public relations** an organisation's attempt to communicate with interested parties.  
**sales promotions** methods of promoting products in the short term to boost sales.  
**sponsorship** making a financial contribution to an event in return for publicity.  
**viral marketing** any strategy that encourages people to pass on messages to others about a product or a business electronically.

## Chapter 12

### 3.12 Pricing strategies

#### Pricing strategies

A pricing strategy is a set of plans within a business's marketing strategy, which includes product and distribution strategies. It helps a business achieve its marketing and corporate objectives, such as doubling in size or 'upmarket' products. The strategy involves developing plans to increase the average price of products.

- Some pricing strategies can be used for new products, such as market skimming or penetration pricing (these strategies will be discussed on the next page).
- Some strategies may be more suitable for existing products.

#### Cost plus pricing

Cost plus pricing is a method used by businesses to cover all costs, adding a mark-up to unit costs. However, it may overlook market conditions and make it difficult to identify costs for multi-product businesses, potentially leading to low sales.

#### Price skimming

Skimming is a strategy where businesses charge high prices for a limited period to generate high revenue before competitors arrive. This strategy is common in technical products like laptops and pharmaceuticals, where high prices initially help recover development costs. Skimming can be used if demand is price-inelastic and attracts competitors. However, it can only be used if the demand is price inelastic and the product is unique.

#### Penetration pricing

Penetration pricing has several benefits.

- It is particularly beneficial when products are targeted at middle- or low-income consumer groups. This is because such groups are more likely to be responsive to low-price introductory offers.
- It can grow sales of new product lines very quickly. Usually, the lower the introductory offer the faster the growth in sales.

- Fast growth in sales may allow a business to lower production costs by exploiting economies of scale.
- This strategy can put pressure on rivals. They may have to lower their prices or try to differentiate their products. Either way financial pressure is applied.

### Predatory pricing

Predatory pricing is a strategy where businesses charge low prices until rivals leave the market. It is illegal in many countries and can lead to a lack of competition. However, low-cost businesses can use this strategy to sell unsold stocks or break into new markets. In 2016, India's ride-hailing app Ola accused Uber of predatory pricing, suggesting that the Indian government should impose regulations to prevent such operators from setting prices below cost.

### Competitive Pricing

Competitive pricing involves businesses closely monitoring their rivals' prices to set their own. This strategy can be either charging the same price as competitors, avoiding a price war, or having the market leader set the price and all others follow, often due to low costs or strong brand presence.

### Psychological pricing

One common pricing strategy is to set the price slightly below a round figure - charging US\$99.99 instead of US\$100. **This is called psychological pricing.**

## FACTORS THAT DETERMINE THE MOST APPROPRIATE PRICING STRATEGY FOR A PARTICULAR SITUATION

Setting the right price is an important marketing decision for businesses. Several factors must be considered before the price is set.

**Differentiation and USP:** A business can generally charge a higher price if its product has a USP or is sufficiently differentiated from those of its rivals. This is because many consumers are prepared to pay more for products with some individuality or additional features.

**Price elasticity of demand** refers to the degree to which a firm's product's demand can be influenced by price changes. If a firm's demand is price inelastic, price increases can be made without negatively impacting demand. Conversely, if a firm's product is price elastic, price cuts can increase demand, benefiting the company.

**Amount of competition:** The amount of competition in a market will have a big influence on pricing. If there is very little competition in the market, a business can charge much higher prices because consumers cannot switch to a rival.

**Strength of the brand:** Strong brands, like Coca-Cola and Unilever, can charge higher prices due to their extensive advertising efforts. They can use price skimming and predatory pricing to introduce new products and discourage competitors.

**Stage in product life cycle** - The product life cycle is a series of stages a product goes through, starting with development and ending with market withdrawal. Businesses can adjust prices based on these stages, such as using penetration pricing to establish market presence, increasing prices as sales grow, reducing prices as the product matures, or using price skimming for new products with few competitors.



**Costs and the need to make a profit-** Businesses often use cost-plus pricing to cover production costs and generate profit. However, customers prioritize value for money, so underpricing can hinder revenue. Businesses must consider product value in addition to costs to maximize potential revenue from consumers.

### Changes in pricing to reflect social trends

**Online sales:** Businesses are having to adapt to selling goods online. Many businesses use traditional pricing strategies, such as cost-plus pricing.

**Dynamic pricing:** Often used in the travel industry.

**Auction sites:** Avabid, eBayR and Serukuru, for instance, sell goods to the customer who offers the highest price. This allows sellers to get the best possible price for goods.

**Personalized pricing:** The use of purchase history, demographic data, and operating system data allows businesses to set a unique price for a specific online shopper, enabling them to charge higher prices to those willing to pay more.

**Subscription pricing:** Usually involves charging customers a regular monthly fee for the use of a service or access to a specific product range.

**Price comparison sites:** Many online shoppers make use of comparison websites. The sites simply compare the prices of goods and services from a range of suppliers. Some sites are general, but an increasing number are specialists

#### SUBJECT VOCABULARY

**competitive pricing** pricing strategies based on the prices charged by rivals.  
**cost plus pricing** adding a percentage (the mark-up) to the costs of producing a product to get the price.  
**mark-up** the percentage added to unit cost that makes a profit for a business when setting the price.  
**penetration pricing** setting a low price when launching a new product in order to get established in the market.  
**predatory or destroyer pricing** setting a low price forcing rivals out of business.  
**pricing strategy** the pricing policies or methods used by a business when deciding what to charge for its products.  
**psychological pricing** setting the price slightly below a round figure.  
**skimming or creaming** setting a high price initially and then lowering it later.  
**unit costs** the same as average cost (total cost divided by output).

## Chapter 13

### 3.13 Distribution

Distribution of products is crucial for marketing success. Businesses must ensure products are available in convenient locations, as consumers may not have time to search for them. For example, motorway service stations and supermarkets are essential for survival.

#### DISTRIBUTION CHANNELS

The route taken by a product from the producer to the customer is called a distribution channel. Businesses can choose from several different distribution channels. Some of the main channels used for consumer goods are shown in Figure 1.



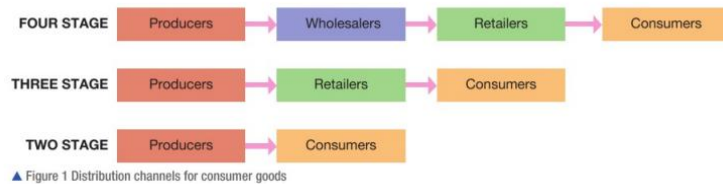
## WHOLESALE

The four-stage channel of distribution involves the use of wholesalers.

Wholesalers usually buy from manufacturers and sell to retailers.

Wholesalers may break bulk, repack goods,

redistribute smaller quantities, store goods and provide delivery services. A wholesaler stocks goods produced by many manufacturers. Therefore, retailers get to select from a wide range of products.



▲ Figure 1 Distribution channels for consumer goods

## RETAILING

Both the four-stage and three-stage distribution channels use retailers. These are businesses that buy goods and sell them straight to consumers. They provide several services.

- They buy large quantities from manufacturers and wholesalers and sell small quantities to customers. This is called **breaking bulk**.
- They sell in locations that are convenient to consumers. Most supermarkets.
- They may add value to products by providing other services. These might include help with packing or delivery, repair services, information about products, warranties and wrapping products as gifts. Table 1 summarizes the main forms of retail outlets used around the world.

Retailer	Description
Independents	Mainly small shops, though some can be quite large, such as convenience stores, grocers and specialists (e.g. jewellers).
Supermarkets	Large chain stores selling up to 20,000 lines, including food and non-food products, e.g. Mercardo in Spain and Carrefour in France.
Department stores	Large stores divided into separate departments, such as mens clothes, electricals and cosmetics.
Multiples	Chains of stores selling common goods, e.g. Croma and Big Bazaar in India and Casa Ideas and Mall Sport in Chile.
Online retailers	Wide-ranging, from giants such as Amazon and Alibaba selling many goods, to small independents.
Superstores	Sometimes called hypermarkets – very large stores selling a wide variety of goods, often very cheaply.
Kiosks/street vendors	Small outlets, usually specialists, selling limited ranges in airports, stations, malls, etc.
Market traders	Usually small businesses selling from market stalls in streets, squares and market halls – can be temporary or permanent.

▲ Table 1 Common types of retail outlet around the world

## TWO-STAGE DISTRIBUTION

- **The Internet.** A rapidly growing number of retailers sell their products online. Some manufacturers also have their websites. Online distribution is discussed in more detail later in the unit.
- **Direct mail.** This is where suppliers send promotions through the post directly to customers inviting them to buy products. The utility industry (water, electricity and gas, for example) spent £11.9 million on direct mail in 2010, while almost 25 per cent of all direct mail is sent by financial services companies.
- **Door-to-door selling.** This is where salespeople visit households directly, inviting people to buy products or services. Energy providers have used this method to try and persuade customers to change their supplier.
- **Mail order catalogues.** This is where catalogues are distributed to customers who may buy the products illustrated – sometimes on credit. Traditionally people would fill in an order form and post it back to the company.
- **Direct response to adverts.** Some businesses place adverts in newspapers, magazines or on television inviting people to buy goods and services.
- **Shopping parties.** Representatives organise parties and invite people to attend for an enjoyable social occasion while having the opportunity to buy products such as jewellery, cosmetics, kitchenware and fashion accessories.

• Telephone selling. Although many people do not welcome telephone calls from businesses trying to sell them goods and services, the practice is still widespread. In some countries, suppliers of insurance, home improvements, legal services (to help you make claims from the mis-selling of financial products, for example), energy-saving improvements and energy providers are often associated with this method of distribution.

## AGENTS OR BROKERS

Some producers using four- or three-stage channels of distribution may use agents or brokers in the distribution process to link buyers and sellers. They are used in a variety of markets.

## Choosing the appropriate distribution channel

**The nature of the product:** Different types of products may require different distribution channels.

**Cost:** Businesses typically opt for the cheapest distribution channels and direct sales, as intermediaries take a share of profits. Supermarkets buy directly from manufacturers, independents buy from wholesalers, and producers sell directly online.

**The market:** Producers selling to mass markets are likely to use intermediaries. In contrast, businesses targeting smaller markets are more likely to target customers directly.

**Control:** Producers of exclusive products may prefer complete control over distribution, avoiding less prestigious outlets and ensuring expert installation for products like heating systems, which may require direct customer interaction for safety.

## Changes in distribution methods

**Online distribution:** The most important new trend is probably the development of online distribution. It is often called e-commerce because it involves the use of electronic systems to sell goods and services. There are two main types.

• Business to consumers (B2C). This is the selling Web-based retailing involves ordering goods online and taking delivery. New 'click & collect' services are being developed, with tube stations in London and Amazon partnering with Spain's postal service for pick-up points. Most large retailers now offer online services.

• Business to business (B2B). This involves businesses selling to other businesses online. Businesses can also use specialist software to purchase resources. The software helps to find the cheapest supplier and carries out all the paperwork. The benefits to consumers and businesses of online distribution are summarized in Tables 3 and 4, respectively.

• It is cheaper because online retailers often have lower costs
• Consumers can shop 24/7
• There is generally a huge amount of choice
• People can shop from anywhere if they have access to the Internet

▲ Table 3 Benefits to consumers of online distribution

• Online retailers may not have to meet the costs of operating stores
• Lower start-up costs – both fixed and variable costs are lower
• Lower costs when processing transactions – many systems are automated
• Less paper is needed for documents, such as invoices and receipts
• Payments can be made and received online using credit cards or PayPal®
• B2C businesses can offer goods to a much wider market – e.g. global
• Businesses can serve their customers 24/7
• Businesses have more choice of where to locate their operations

▲ Table 4 Benefits to businesses of online distribution

## SUBJECT VOCABULARY

**agent or broker** an intermediary that brings together buyers and sellers.  
**breaking-bulk** dividing a large quantity of goods received from a supplier before selling them on in smaller quantities to customers.  
**direct selling** producers selling their products directly to consumers.  
**distribution** the delivery of goods from the producer to the consumer.  
**distribution channel** the route taken by a product from the producer to the customer.  
**intermediaries** links between the producer and the consumer.  
**retailer** a business that buys goods from manufacturers and wholesalers, and sells them in small quantities to consumers.  
**wholesaler** a business that buys goods from manufacturers and sells them in smaller quantities to retailers.

**Changing from product to service:** In most Western economies the size of the tertiary (service) sector has grown at the expense of the primary (agriculture and mining) and secondary (manufacturing and construction) sectors. Consequently, businesses have had to focus more on the distribution of services. Most services are sold directly to consumers, so businesses must consider more carefully the range of direct distribution channels that are available.

## Exam-style questions

### **2022 October and November 1. (p1)**

- c) Analyze two elements of the design mix, which may be important to the success of electric scooters.
- d) Electric scooter manufacturers sell their products directly to businesses (B2B) and directly to consumers (B2C). Discuss the likely differences in the marketing strategy for B2B and B2C sales of electric scooters.

### **2022 October and November 2. (p1)**

- 2)e) Assess the usefulness of the product life cycle to Birkenstock when making decisions about its product portfolio.

#### **Extract A**

##### The growth of the electric scooter market

Over recent years, there has been a large increase in the popularity of electric scooters. These scooters are now a common sight on the streets and pavements of many cities around the world. They are used, mainly by younger people, for leisure use as well as by people travelling short distances to work. The scooters provide an alternative to electric bikes which have grown in popularity.

Supporters of electric scooters say they will help reduce the use of cars, buses and trains, giving cities cleaner, quieter and safer streets. Opponents argue that they offer limited health benefits and can be a safety hazard.

Manufacturers of electric scooters are currently competing for market share. They sell business-to-business (B2B) to rental companies and business-to-consumer (B2C) for private sales. Globally, the supply of electric scooters is expected to peak in 2025 with a revenue value of £20bn.

In 2020 the UK Government allowed the trial of electric scooters by rental businesses. These businesses hire scooters for the public and charge an hourly fee. Unlike many countries, the use of privately owned scooters remains illegal on roads and pavements in the UK. There has been an increase in the number of start-up businesses renting scooters in major cities of the UK.

**Extract B**Total number of electric scooters available for hire in the UK**Extract C**About Birkenstock

Birkenstock is a German family-owned business founded in 1774. It produces high-quality footwear that is sold globally at premium prices.

Birkenstock produces shoes, sneakers, boots and sandals for adults and children. They are used for leisure, walking and fashion. It has a wide range of designs in many colours and materials. The product portfolio includes a vegan collection of shoes which are made from plant-based materials. Its best-selling footwear is the Arizona sandal which has remained unchanged since 1973.

The high level of quality is the result of carefully selected materials. Birkenstock is known as the inventor of the footbed which refers to a unique shape to the sole of the shoe. The footbed provides a high level of comfort and has given Birkenstock a unique selling point (USP).

The business has received positive advertising from celebrities photographed wearing Arizona sandals, which has contributed to the increase in revenue for the business. It was awarded footwear brand of the year in 2017 and 2020.

**Extract D**Employees at Birkenstock

Birkenstock has 5,500 employees. It continues to recruit staff to meet the increasing demand for its footwear. Most employees work in Germany where most of the shoes are manufactured. Birkenstock introduced a scheme to allow consultation with its employees. The scheme allows the employees to elect two representatives from the workforce who will be involved in key decisions made in the business.

**2022 May June question number 2 (p1)**

- 2)a) Define the term 'unique selling point' (USP). (Extract E, line 6)
- c) Analyse two benefits that a business, such as GoPro, may gain from the use of social media.
- e) Assess the benefits of using a product orientation approach for a business such as GoPro.

### Extract E

#### About GoPro

GoPro was started by Nick Woodman in 2002. He was looking for a way to film himself and his friends when they were surfing. He designed a small camera, which he fixed to a strap on his wetsuit. The business has grown internationally and now sells GoPro cameras in over 100 countries. The cameras attach to helmets and sports equipment. This gave GoPro a unique selling point when it was first launched.

GoPro is committed to ethical sourcing. It requires suppliers to treat workers with respect by paying fair wages and providing safe working conditions. It does not allow the use of underage workers and requires that the manufacturing processes used do not damage the environment.

### Extract F

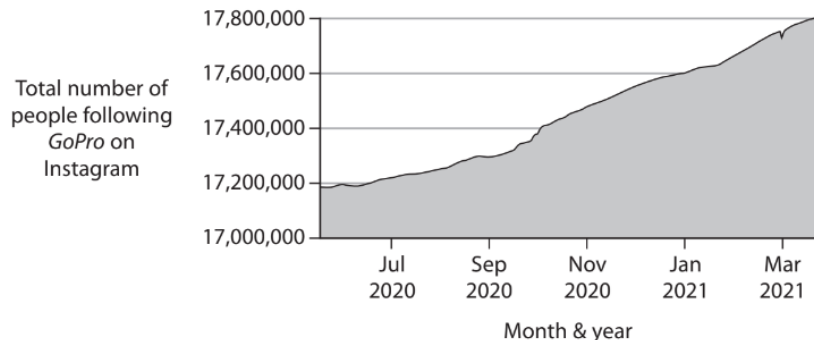
#### From Product Orientation to Consumer Orientation

When GoPro started it used a product orientation approach. However, GoPro soon faced competition from other businesses such as Sony and DJI. Less expensive cameras became available in the market, and some customers were opting to simply take videos with their smartphones. In response to falling sales, GoPro conducted market research and developed a new range of cameras. These were aimed at a wider market, including firefighters, musicians, new parents and television broadcasters.

### Extract G

#### Social Media

Users of GoPro cameras share their adventures and experiences on social media sites such as Instagram, YouTube and Facebook. GoPro organizes sporting events around the world and participants upload their videos. The most viewed GoPro video, of a bicycle backflip, had over 134 million views.



#### **2022 January question number 02 (p1)**

- 2)d) Assess the benefits for Aldi of sponsoring the UK Olympic team.
- e) Assess the likely impact of price comparison websites on supermarkets in the UK.

#### **2022 January question number 02 (p1)**

- 3) Evaluate the extent to which Nike's distribution strategy is likely to contribute to its future success.

### Extract C

#### About Aldi

Aldi was founded by the Albrecht family in Germany. The family had owned grocery stores since 1914 when Anna Albrecht opened a small store. Aldi remains a family business and is now run by brothers Theo and Karl Albrecht.

Aldi believes that great quality should not come at a high price, rather that great quality should come with everyday low prices. Aldi focuses on giving customers quality food, good customer service, low prices and a quick and easy efficient shopping experience with only four to five store aisles but with all grocery essentials. Aldi sources much of its produce from local suppliers. The stores partner with local growers and farmers to offer a wide variety of fresh produce, including organic fruits and vegetables.

There are thousands of Aldi stores throughout Europe, and it has expanded into the US. Aldi is one of the UK's fastest-growing supermarket chains and plans to have 1,200 stores in the UK by 2025. Aldi has won numerous awards for offering competitive rates of pay and excellent working environments for all its employees.

In the UK Aldi is known for promoting its 'Super 6 fruit and vegetables'. Each week there are six types of fruits or vegetables offered at a reduced price. Aldi sponsors the UK Olympic team to promote a healthier lifestyle and advertises its Super 6 products using TV and other media.

### Extract D

#### What does the future hold for the UK grocery industry?

In response to changing social trends in the UK, supermarkets are having to adapt. The rise of the German-based stores, Aldi and Lidl, which both sell at low prices, have forced the UK's largest supermarkets (Tesco, Asda, Sainsbury's and Morrisons) into changing how they operate.

The way that people in the UK shop for groceries is changing. People are shopping more frequently for fresh groceries and using online services. Tesco is planning to offer a one-hour delivery service. Fewer shoppers are loyal to a specific supermarket as more are using price comparison websites to compare supermarkets.

### Extract E

#### Market share (by sales revenue) of the top 10 UK Supermarkets

UK Supermarket	% share January 2019	% share January 2020
Tesco	26.7%	26.5%
Sainsbury's	14.9%	14.8%
Asda	13.9%	13.6%
Morrisons	9.9%	9.6%
Aldi	8.5%	9.0%
Lidl	6.0%	6.6%
Co-operative	4.6%	4.6%
Waitrose	4.3%	4.2%
Marks and Spencer	3.5%	3.5%
Iceland	2.4%	2.4%

**Extract F**Nike's New Consumer Experience Distribution Strategy

Nike is currently the largest global sports footwear and clothing brand. It has a growth plan called the Triple Double Strategy. Through this, Nike plans to double its speed of innovation, double its speed to market and double its connections with consumers.

This is based on changes to its distribution strategy by reducing the number of wholesalers and retailers. At present Nike sells its products through a variety of large and small businesses. It now plans to reduce the number of businesses it sells through and concentrate on those larger businesses that offer quality service and superior customer experiences.

While the company has not yet revealed the full list of these larger businesses, there are reports that Foot Locker, JD Sports, Amazon, Zalando, Tmall, and Asos, are among the chosen businesses. These businesses are expected to offer exclusive services for Nike products and employ Nike experts to give personal advice to customers. Currently, over 60% of its North American sales are from smaller retailers that may no longer be able to sell Nike products.

The strategy aims to increase the number of online sales. A new app has been developed by Nike that improves the shopper experience and gives access to the Nike Plus rewards program. This loyalty program offers members exclusive products, access to Nike advisers, personalized workouts and free delivery. Nike continues to open new stores in major cities. In 2020 it opened flagship stores in New York, Los Angeles and Shanghai.

**2021 October November question number 01 p1**

1) e) During its market research, Oppo used two primary research methods, interviews and product trials. Assess the advantages to Oppo of using these methods when developing its brand.

**2021 October November question number 02 p1**

- a) Define the term 'social media'. (Extract E, line 5)
- d) Deutsche Bank launched the Positive Impact marketing campaign to promote its business. Discuss the advantages for Deutsche Bank of using television advertising in its marketing campaign.

**Extract A**The Ice Cream Market

The global ice cream market value is expected to reach \$89bn by 2023 and is attracting many new businesses to the market. Unilever dominates the global market with a 22% share. It owns 8 of the 15 top-selling brands. Its brands include Magnum, Cornetto and Ben & Jerry's. Nestlé is Unilever's closest rival having 4 brands in the top 15.

The sales of low-quality ice cream have been declining, due to the increased demand for premium ice cream. There are many factors contributing to the growth of the ice cream market. These include innovative flavors and the rise in incomes. Niche markets are developing to cater for an increase in demand for organic and naturally sweet desserts. There is an increase in demand for ice cream from consumers above the age of 50.



### Extract B

#### Oppo Ice Cream

Everyone loves ice cream. We all know it is a delicious treat but know it is not a healthy one. However, a business called Oppo has created an ice cream with 60% fewer calories and less sugar than standard ice cream. Oppo claims that one portion of its ice cream contains fewer calories than an apple. Brothers Charlie and Harry Thuillier came up with the idea while on holiday in Brazil. When they returned home, Charlie left his graduate job to dedicate himself full-time to developing a healthier ice cream.

During their primary market research, the brothers used two methods, interviews and product trials. They interviewed people who worked in the ice cream industry including a leading industry professional named Gary Martin who had worked on the Haagen-Dazs ice cream brand.

After months of experimenting with different recipes, Charlie and Harry developed a winning recipe that replaced cream and sugar with fresh milk, coconut oil and stevia leaf. Oppo initially conducted product trials in a few supermarkets to test if the product would sell, and now the ice cream is stocked in over 1,600 UK stores. After two years of hard work in Harry's kitchen, the brothers had achieved what they set out to do. Even though they were told by some industry professionals that they would not succeed, the pair persevered and their determination paid off. The business is now continuing to grow and is expanding internationally.

### Extract C

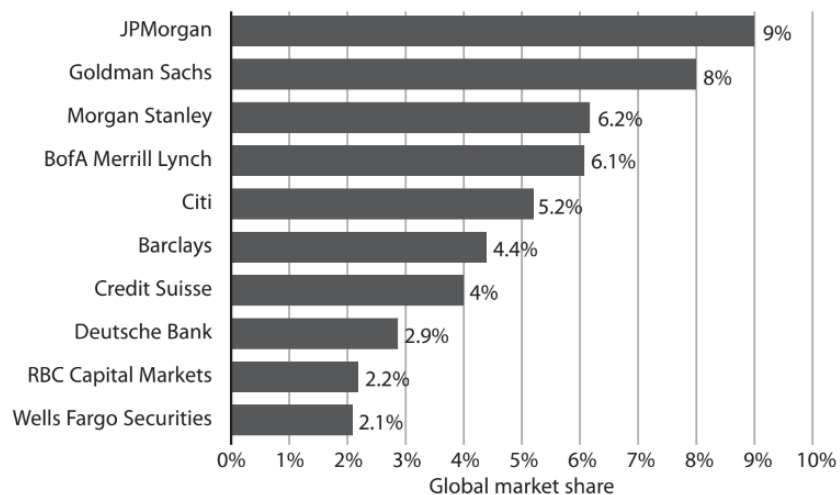
#### Redundancies and organizational changes at Deutsche Bank

Deutsche Bank was founded 150 years ago in Germany. Today it is a leading global bank. In 2019, 18,000 Deutsche Bank employees, working in Hong Kong, New York and London, were made redundant as part of a restructuring plan. This plan included drastically reducing its investment banking division and removing layers of management to make a flatter organizational structure. A Deutsche Bank spokesperson said: "We have decided to focus our resources on areas of the business where customers need us most."

The bank used collective bargaining to agree on redundancy payments for employees who lost their jobs. These agreements were put in place to protect its reputation and limit the number of unfair dismissal cases.

### Extract D

#### Global market share by % revenue of the 10 leading investment banks in 2019



**2020 January question number 02 p1**

d) Discuss how the product life cycle may help Skechers develop its product portfolio.

**Extract C**About Skechers

Skechers is a global footwear company that designs and develops shoes for men, women and children. It sells its products online and in more than 2,700 shops in 170 countries through its established distribution channels. The annual sales revenue of the business increased from \$3.52bn in 2016 to \$4.16bn in 2017.

Skechers' marketing department uses both primary and secondary market research. Focus groups and interviews are used during the design stage to collect opinions on new shoes before they are launched onto the market. Focus groups are also used to gain feedback on the performance and comfort of existing styles of shoes. Since 1992 when it launched its first shoe, the company has diversified into several new lines, targeting different market segments and different activities.

The range is updated regularly and includes shoes for walking, work and casual wear. The portfolio includes 3,000 different styles of footwear for all ages that offer quality and comfort. Its best-selling shoe is the Go-Walk brand, sold globally. More recently the company has designed and sold shoes for athletes and is now competing with companies such as Nike and Adidas.

**2019 October November question number 01 p1**

1)c) Analyze two benefits of strong branding for Coca-Cola.

**2019 October November question number 01 p1**

2)a) Define the term 'competitive pricing'. (Extract C, line 4)

b) Explain one reason why a product may be considered the most important element of the marketing mix for Emirates.

c) Many businesses now recognize the importance of social media as a way of building a brand.

Analyze two benefits for a company, such as Emirates, of using social media.

e) Assess the extent to which market mapping may have been useful to Emirates in growing its business.

**Extract A**The soft drink industry is dominated by Coca-Cola and PepsiCo

Two brands of soft drinks, Coca-Cola and PepsiCo, have dominated the non-alcoholic drinks market for many years. The brands are well known and recognized around the world. Coca-Cola is the larger of the two companies with more than 500 brands. The companies do not have major threats from competition because they both have high levels of brand loyalty, extensive distribution networks and huge economies of scale. They spend enormous amounts of money on innovation, advertising, marketing, and strengthening their distribution channels.

**Extract B**Coca-Cola: Who we are

We are the world's largest soft drinks company. Our brands include Diet Coke, Coca-Cola Zero, Fanta, Sprite, Dasani, Powerade, Minute Maid and Gold Peak. Over 1.9 billion of our drinks are enjoyed by consumers in more than 200 countries each day.

### Our market research on Diet

Coke focuses on the needs of our consumers by going into the market to listen to their views and collect feedback on new drinks.

One of our recent research projects focused on Diet Coke, known as Coca-Cola Light in most international markets. The drink is sold in more than 110 countries. We aim to offer new flavours and a modern look to the product to attract new consumers as well as maintain the brand loyalty of our current fans. As part of the research, we used face-to-face surveys to gather data from more than 10,000 people. We wanted their ideas and views on new packaging and new flavours, including Ginger Lime and Twisted Mango. These new products will be available in 2019.

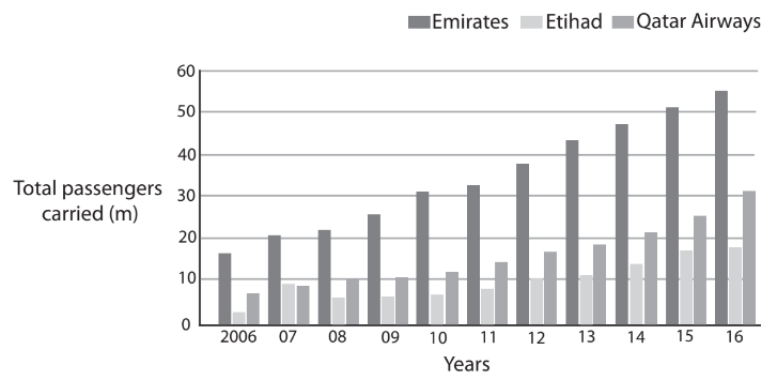
### Our rewarding work environment: benefits and rewards

We value our workers and understand working is not just about pay and benefits. We provide a positive working environment to enable staff to build a career and maintain a good work-life balance. We regularly assess our benefits programs to ensure employees receive the benefits they value. The financial benefits include competitive pay, annual bonuses and performance-related pay.

### Extract C

#### Airline Companies in the Middle East

Over the past 10 years airline companies based in the Middle East have significantly increased the number of passengers they carry each year. Competitors, Emirates, Etihad Airways and Qatar Airways have attracted travelers with competitive pricing, superior service and luxurious premium cabins. Whilst passenger numbers are increasing, these airlines are facing competition from low-cost airlines, such as Norwegian Air Shuttle and Singapore-based Scoot. These airlines are attracting customers with low-priced fares on some of the same routes.



### Extract D

#### Emirates: Our story

We started operations in 1985 in Dubai with two aircraft and we have increased the number of aircraft and destinations each year. Today, with more than 265 aircraft, we fly to 155 destinations in 80 countries. We provide industry-leading in-flight entertainment, excellent in-flight food and world-class customer service. We are known all over the world for our commitment to quality, which we continually seek to improve.

Our achievements in 2017 included:

- Three new destinations; Newark in the US, Phnom Penh in Cambodia and Zagreb in Croatia
- Our advertising campaign for our improved first-class service, using television celebrity and motoring expert Jeremy Clarkson

- We became the world's first airline with one million followers on the social media site Instagram. This helps us to monitor the experiences and feedback from our customers
- In a recent study of the top 100 brands most visible on social media, we were ranked fifth after McDonald's, Nike, Adidas and Coca-Cola.

**2019 May June question number 01 p1**

1)e) T-shirts and hooded tops are Superdry's cash cows.

Assess the extent to which the Boston Matrix may help Superdry compete in the clothing market.

**2019 May June question number 02 p1**

2)d) Discuss the extent to which Ocado has been successful in adding value to its business.

e) Ocado sells products online that are delivered to customers' homes. Place is one element of the marketing mix.

Assess the importance of place in Ocado's marketing mix.

**2019 May June question number 03 p1**

3)Function, aesthetics and cost of manufacture are elements of the design mix.

Evaluate which of these is the most important element for manufacturers of smartphones.

**Extract A**Superdry

The Superdry brand focuses on high-quality clothing combined with Japanese-inspired graphics and logos. Its clothes are sold in more than 180 countries.

Superdry offers a wide product range, including t-shirts, hooded tops, dresses, jackets, shirts, footwear, bags and accessories, which are continually updated with new designs and logos. A sportswear range has recently been added to the product portfolio.

Ongoing qualitative and quantitative research, using questionnaires, interviews and focus groups provide Superdry with an understanding of its customers to enable it to meet their needs. From the research, Superdry knows its customers are focused on quality and value for money, not price. Using customer feedback Superdry has designed a more feminine range for female customers and introduced sports and snow ranges.

**Extract B**Superdry launches a profit share plan for all employees

In 2016, Superdry launched a three-year profit share plan under which it will share some of its earnings with all 4,500 employees in the business worldwide. The plan is part of a strategy to attract, retain and reward the best employees.

At the end of the three-year plan, full-time employees in the shops are predicted to be awarded a total of £2 000. Shop managers are expected to be awarded £28 000, senior leaders up to £75 000 and executive team members £300 000, over the three years.

In 2017, at the end of the first year of the plan, £30m was shared amongst the 4,500 employees.

### Extract C

#### Ocado: Our online retailing service

In 2000, we started the business in the UK, and we are now the world's largest online grocery retailer with over 580,000 customers. We stock 46,000 different food and drink products in our distribution centres, as well as non-food products. In 2016, we extended our services into Europe.

We aim to be cost-efficient in all we do. We receive orders online, pack the shopping bags in our distribution centres and deliver directly to customers using a network of brightly-coloured vehicles. Service features include colour-coded bags to separate fresh food, frozen food, tinned food and non-food items. We send our customers texts with the driver's name, and we offer hourly delivery times to provide choice and convenience to our customers.

#### **Our Market**

The grocery market is very price-competitive and driven by changing shopping habits and new technology. Online grocery represents approximately 6% of the UK grocery market and is predicted to grow to 9% by 2021. The growth of online shopping has resulted from improved technology, faster internet services, and better mobile phones and other devices. We have developed our service using in-house designed software and technology to take advantage of these changing trends and to allow us to expand internationally in this growing market.

### Extract D

#### Ocado's Performance Measurements 2012–2016

	2012	2013	2014	2015	2016
Revenue	£680m	£792m	£948m	£1 107m	£1 258m
Average number of orders per week	120,000	143,000	167,000	195,000	230,000
Percentage of customer orders delivered on time	92.7%	95.2%	95.3%	95.3%	94.9%

### Extract E

#### The first smartphone

The first smartphone was created in 1992 by IBM. It combined the functions of a mobile (cell) phone and a personal organizer. Functions of the smartphones are being continually developed and are used to send and receive emails, take photographs, download applications from the internet and much more. Today mobile phones are viewed as a necessity by many people. In 2016, around 1.5 billion smartphones were sold worldwide.

### Extract F

#### Slower growth of smartphones

The growth in sales of smartphones decreased in 2016, and Apple saw the sale of its iPhones fall for the first time since its launch in 2007. One reason is that the market is saturated with many people already owning a smartphone, and the quality is so good that users do not need to change phones as often.

Samsung, a South Korean company, continues to lead the market despite having to suspend sales of its Galaxy Note 7 range after reports that the phones were exploding and catching fire while in the hands of users. One reason for Samsung's success is because it offers a wide choice of smartphones with differing functionality at different prices.

Smartphone businesses, Huawei, Oppo and Vivo, all increased their market share in 2016. They have lower costs of manufacture and sell smartphones for less than \$250, which is significantly cheaper than the price of Samsung or Apple smartphones.

**Extract G****Global smartphone market share 2016**