

Chapter 16: The Market & Marketing

A **market** is where buyers and sellers come together to exchange products for money; this will not usually be a single location.

A **product-oriented** business is one whose main focus of activity is on the product itself.

A **market-oriented** business is one which carries out market research to find out consumer wants before a product is developed and produced.

A **marketing budget** is a financial plan for the marketing of a product or product range for some specified period of time. It specifies how much money is available to market the product or range, so that the Marketing department know how much they may spend.

Marketing is the management process which identifies customer wants, anticipates their future wants and then goes about satisfying them profitably.

* **Market Share** is the percentage of total market sales held by one brand or business.

The objectives of marketing:

- to increase sales revenue & profitability.
- to increase or maintain market share.
- to maintain/improve image of product/business.
- to target a new market or market segment.
- to develop new product or improve existing products.

SWOT analysis:

Strengths

Weaknesses

Opportunities

Threats.

Market segmentation is where the market has been divided up into groups of consumers who have similar needs.

* **Mass market** is where there is a very large number of sales of a product.

* **Niche market** is a small, usually specialised segment of a much larger market.

Ways of segmenting a market:

→ by income

→ by age

→ by region

→ by gender

→ by use of product

→ by lifestyle.

* The marketing mix:

Product

Price

Promotion

Place.

Chapter 17: Market Research

Why is market research needed?

- identify customer needs
- competition in market

Types of information.

- quantitative information: questions about quantity
- qualitative information: questions about opinion/judgement

* Primary research is the collection and collation of original data via direct contact with potential or existing customers. Also called field research.

1) Questionnaires.

- Detailed qualitative info gathered.
- Customer's opinions obtained
- If questions are not well framed - answers inaccurate/misleading
- Time and money consuming.

2) Interviews

- Questions explainable
- Detailed info
- interviewer bias - lead the interviewee to answering in a certain way
- Time and money consuming

Samples

* A random sample is when people are selected at random as a source of information for market research.

* A quota sample is when people are selected on the basis of certain characteristics as a source of information for market research.

3) Consumer Panels

Consumer panels are groups of people who agree to provide information about a specific product or general spending patterns over a period of time.

- detailed info about consumer's opinions
- time consuming, expensive or sometimes biased.

4) Observation

- reading - watching - audits - recording.

- inexpensive
- only basic figures

5) Experiments.

- Easy to set up and gathering first reactions
- might not get real feelings
- Many potential customers / consumers may not be asked as they don't shop there.

* Secondary research is data that has already been collected and is available for use by others. Also known as desk research.

Internal sources

- Sales records
- pricing data
- customer records
- sales reports
- opinions of public relations personnel
- finance department
- Customer service department

External Sources

- internet
- employer associations
- specialist journals
- research reports
- newspapers
- government reports & stats
- media reports
- market research agencies' reports

Chapter 19 : The Marketing Mix: Product

Types of Product

- Consumer goods
- Consumer services
- Producer goods
- Producer services.

A prototype allows the Production Department to see how a product could be manufactured

A successful product:

- satisfies existing needs & wants
- not too expensive to produce
- capable of stimulating new wants
- distinctive and so appears different.
- design, performance, reliability, quality is consistent with brand image.
- first business to produce the new product or introduce new changes to the original product before its competitors.

Product development

1. Generate Ideas →
2. Select the best ideas for further research →
3. Decide if the company will be able to sell enough for it to be a success ↓
4. Develop a prototype. ←
5. Launch the product in one part of the country to test market ←
6. Go to a full launch of the product ←

The brand name is the unique name of a product that distinguishes it from other brands.

Brand loyalty is when consumers keep buying the same brand again and again instead of choosing a competitor's brand.

Brand image is an image or identity given to a product which gives it a personality of its own & distinguishes it from its competitors' brands.

The role of packaging

Packaging is the physical container or wrapping for a product. It is also used for promotion & selling appeal.

Product life cycle

The product life cycle describes the stages a product will pass through from its introduction, through its growth until it is mature and then finally its decline.

Development: Prototype tested; no sales.

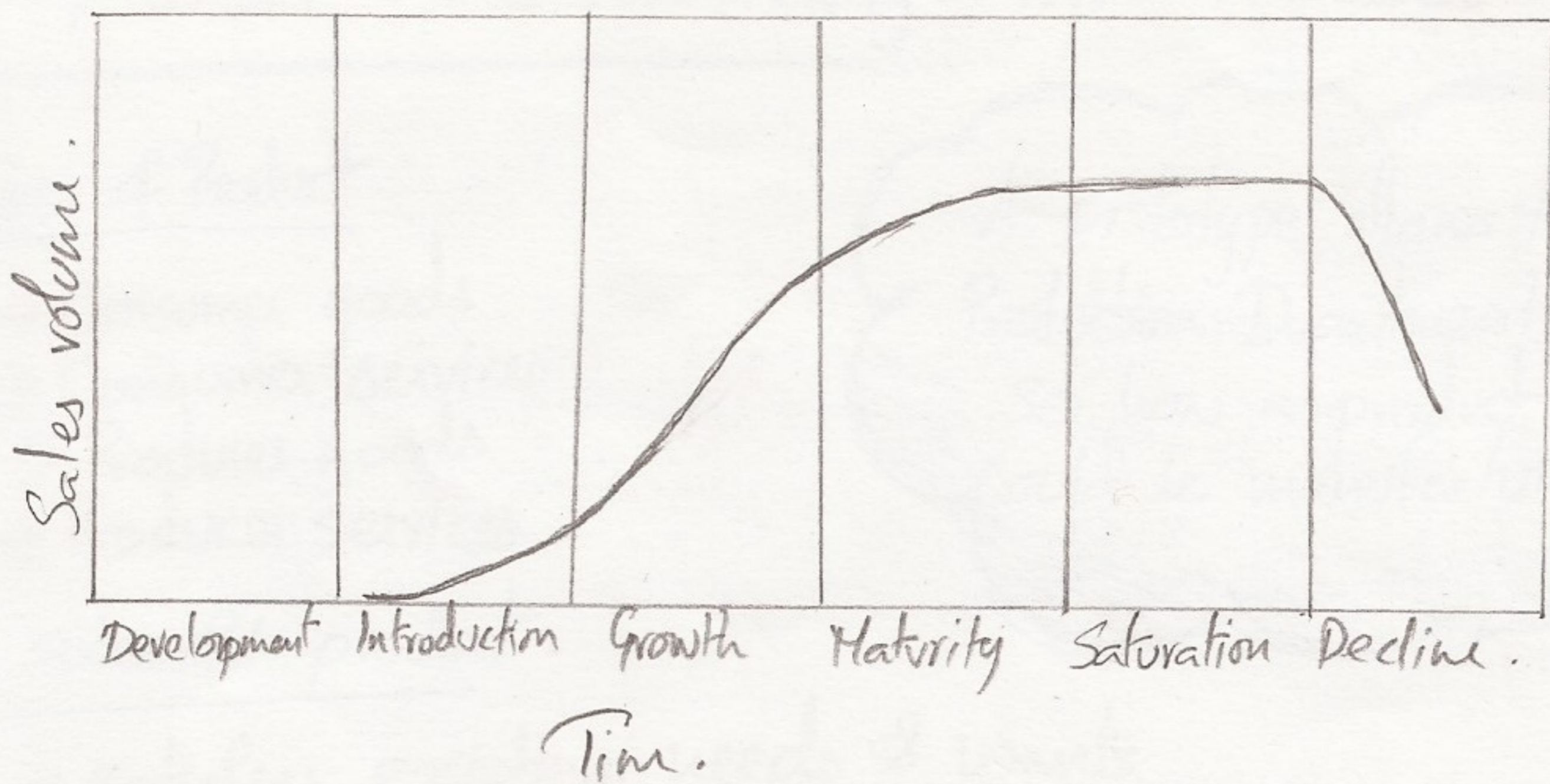
Introduction: Launched into market; sales slow at first.

Growth: Persuasive advertising; sales grow rapidly.

Maturity: Competition becomes intense; sales increase slowly.

Saturation: High competition; sales stabilise at the highest.

Decline: Product has lost appeal; sales decline.



Extending the product life cycle

- introduce new variations.
- new advertising campaign.
- sell into new markets.
- changes in design, colour & packaging
- new, improvised version.
- additional / different retail outlets.

X ——— X

Chapter 20: The Marketing Mix: Price

Pricing Strategies

Cost-plus pricing is the cost of manufacturing the product plus a profit mark-up.

- Easy to apply.
- Could lose sales if pricing is a lot higher than competitors'

Penetration pricing is when the price is set lower than the competitors' prices in order to be able to enter a new market.

- ensures sales are made if new product enters the market.
- product is sold at a low price and so revenue might be low

Price skimming is where a high price is set for a new product on the market.

- can help to establish the product as being of good quality
- may put off potential customers - high price.

Competitive pricing is when the product is priced in line with or just below competitors' prices to try to capture more of the market.

- likely to be high as your price is at a realistic level and the product is not under- or over-priced.
- have to research competitor's prices.

Promotional Pricing is when a product is sold at a very low price for a short period of time.

- Useful for getting rid of unwanted stock that will not sell
- can help renew interest in a business if sales are falling.
- revenue lower as price of each is low.

~~Psychological~~ Psychological pricing is when particular attention is paid to the effect that the price of a product will have upon consumers' perceptions.

eg: \$99

Chapter 21 : The Marketing Mix : Promotion

The aims of promotion:

- to inform people about particular issues, often used by government
- to introduce new products on to the market
- to compete with competitor's products
- to create a brand image
- to increase sales
- to improve the company image.

Informative advertising is where the emphasis of advertising or sales promotion is to give full information about the product.

Persuasive advertising is advertising or promotion which is trying to persuade the consumer that they really need the product and should buy it.

The target audience refers to people who are potential buyers of a product or service.

Advertising Media

Television

- Millions of people
- Can be made to look attractive

Very expensive.

- reaches the biggest number of consumers

Radio

- Cheaper than TV
- Reaches a large audience using a memorable song/tune
- no visual image
- relatively expensive.
- needs to be remembered; no hard copy
- Not as wide as TV.

Newspapers

- Ad can target particular ppl
- large no. of people reached.
- relatively cheap & cost effective
- Ads are permanent
- Lot of info can be put
- often only in black and white.
- may not be noticed if too small.

Magazines

- Ad reaches target audience
- colourful & attractive
- weekly or monthly
- more expensive than newspapers.

Posters/Billboards

- Permanent
- Relatively cheap
- Seen by everyone who passes by.
- can be easily missed.
- no details.

Cinemas

- visual image.
- relatively low cost.
- effective if target audience see the films.
- seen by only a limited group of people.

Leaflets

- Cheap
- Given to a range of people
- Street, door-door, mail.
- may contain vouchers
- permanent.
- may not be read.

Internet

- ✓ Large amount of info
- ✓ seen by many people.
- ✓ orders via net.
- ✗ searches may not highlight website.
- ✗ internet access is limited.
- ✗ lot of competition.
- ✗ Security issues may discourage customer.

Types of Promotion

- price reductions
- money-off coupon
- free gifts
- free samples
- point-of-sale displays
- point-of-sale demonstrations
- competitions
- after-sales service.

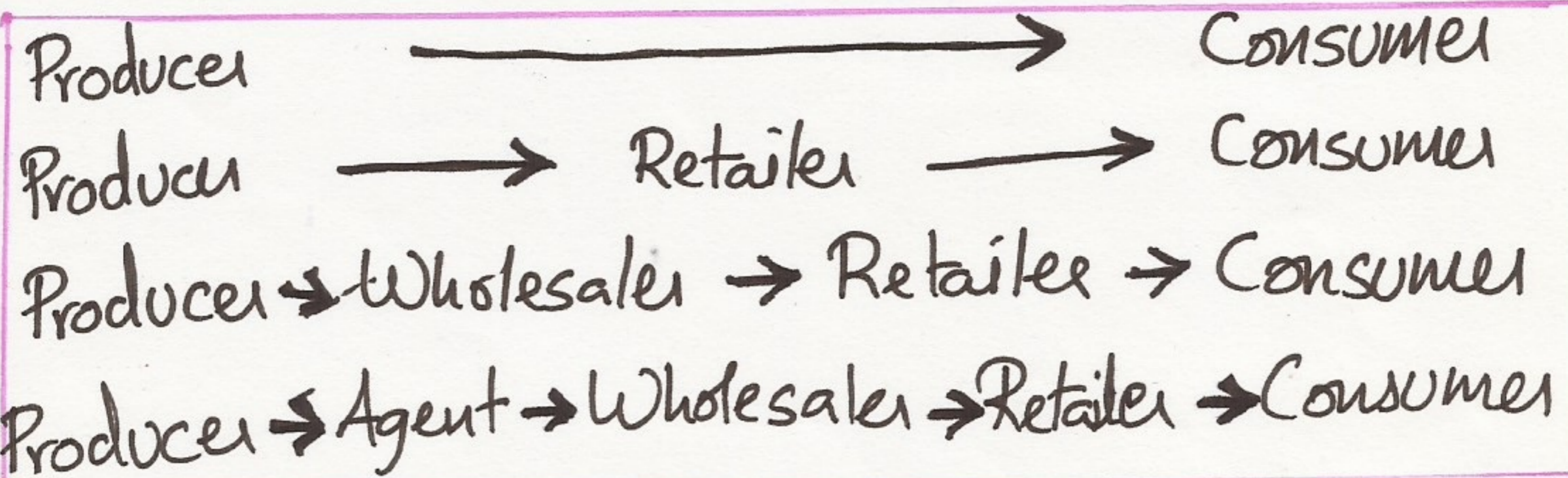
Advantages of promotion

- ✓ can promote sales when sales are usually low
- ✓ encourages new customers to try an existing product
- ✓ encourages customers to try a new product.
- ✓ encourages customers to buy in large quantities.
- ✓ encourages customers to buy your product instead of a competing brand.

x — x

Chapter 22: The Marketing Mix: Place

A channel of distribution is the means by which a product is passed from the place of production to the consumer or the retailer



Wholesaler

- Breaking bulk - buys large sells small
- reduces storage costs for manufacturer
- cheaper for manufacturer
- Credit to small retailer
- saves transport cost for retailer
- Promotion carried out by wholesaler
- Wholesaler gives advice to both.

- more expensive for retailer
- not have full range of products
- longer time taken to reach shops so may be of not good quality.
- long way away from retailers.

x — x