# Marketing (AS)

What marketing is and how markets are described, market research methods, sampling and market segmentation, and the marketing mix of product, price, promotion and place.

**Marketing** is the **management process that identifies, anticipates and satisfies customer needs profitably**. It links the business to its market.

## 3.1 The nature of marketing

### Marketing objectives and market orientation

A **market-orientated** business finds out what customers want and then produces it. A **product-orientated** business makes what it can and tries to sell it. Market orientation reduces the risk of failure but depends on **good research**.

**Marketing objectives** support corporate objectives: **increase sales or market share**, **launch a new product**, **build the brand**, enter a **new market**.

### Types of market

- **Mass market:** large volumes of standardised products at lower prices.
- **Niche market:** a **small, specialised segment** with specific needs, often at **higher prices**.

### Market measures

> **Market growth (%) = (change in total market sales ÷ original sales) × 100. Market share (%) = firm's sales ÷ total market sales × 100.**

Example: if market sales rise from $80m to $92m, growth is $12m ÷ $80m × 100 = **15%**. If the firm sells $23m, its share is $23m ÷ $92m × 100 = **25%**.

### Demand and its causes

**Demand** depends on **price**, **income**, **consumer tastes**, **prices of substitutes and complements**, **population** and **advertising**. **Price elasticity of demand (PED)** measures how far **quantity demanded changes when price changes**.

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**PED = % change in quantity demanded ÷ % change in price. Demand is elastic if PED is greater than 1 in size (price cuts raise revenue) and inelastic if less than 1 (price rises raise revenue).**

**Factors affecting PED: availability of substitutes**, whether the product is a **necessity or luxury**, the **time** available to adjust, the **proportion of income** spent and **brand loyalty**.

## Consumer and industrial marketing

**Consumer (B2C)** marketing sells to **individuals**: mass markets, **emotional** appeals, **brands**, advertising and retail. **Industrial (B2B)** marketing sells to **other businesses**: **fewer, larger** buyers, **technical** information, **personal selling**, **long-term relationships** and negotiated prices. Products may be classified as **consumer goods** (durable, non-durable) or **industrial goods** (machinery, components).

## Mass and niche markets

A **mass market** has **large sales of a standard product** to many customers (lower prices, economies of scale, but strong competition); a **niche market** serves a **small, specialised segment** (higher prices and less competition, but limited size and risk if the niche shrinks).

## Customer relationship marketing (CRM)

**CRM** builds **long-term relationships** with customers using **data** about their preferences, to **increase loyalty and repeat purchases**. **Costs: systems, data collection and staff training**. **Benefits: higher retention**, better-targeted offers and more **customer lifetime value**.

## Market segmentation

**Market segmentation** divides a market into **groups of customers with similar characteristics**, so marketing can be targeted. The main methods are:

| Method | Basis |
|---|---|
| **Geographic** | **where** people live: country, region, city, urban or rural, climate |
| **Demographic** | **who** they are: **age, gender, income, occupation, family size, education** |
| **Psychographic** | **how they think**: **lifestyle, values, attitudes, personality, interests** |

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> A bank wants to launch a student account. Name two ways it could segment its market and one research method.
>
> Segment by **age** and by **income**. Research by an online **questionnaire** of students, or **secondary** data from a student survey.

### Demand, supply and types of market

The **demand** for a firm's product depends on **price, income, tastes, advertising, prices of substitutes and complements, and population**; **supply** depends on **costs, technology, the number of firms and the price offered**. Where they meet sets the **market price**; a rise in demand or fall in supply **raises price**. Markets can be **consumer** or **industrial**, and **local, national or international**.

## 3.2 Market research

**Market research** is the process of **gathering, recording and analysing data** about customers and the market to reduce risk and guide decisions.

| | Primary research | Secondary research |
|---|---|---|
| **Meaning** | **new data collected first-hand** | **existing data** collected for another purpose |
| **Methods** | **surveys and questionnaires**, **interviews**, **focus groups**, **observation**, **test marketing** | **government statistics**, **trade reports**, the **internet**, company records, **market reports** |
| **Advantages** | **specific** to the need, up to date, **confidential** | **cheap and quick**, wide coverage |
| **Disadvantages** | **costly and time-consuming**, risk of **bias** | may be **out of date**, **not specific**, others can see it |

**Quantitative** data are **numerical** (how many, how much); **qualitative** data are **opinions and attitudes** (why).

### Sampling

A **sample** is a **small group chosen to represent the target market**. Larger samples are **more reliable** but cost more.

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| Method | How |
|---|---|
| **Random** | everyone has an equal chance of selection |
| **Systematic** | every *n*th person from a list |
| **Stratified** | the sample matches **proportions** of groups (age, gender) in the population |
| **Quota** | interviewers find a set number of people in each category |
| **Cluster** | choose areas or groups, then sample within them |

The **reliability** of research depends on **sample size**, **sampling method** and the **quality of questions**; a **biased** sample gives **misleading** results.

## Purposes and use of market research

Research aims to find the **main features of a market**: its **size**, **growth rate** and **competitors**, and the **characteristics, profiles, wants and needs of customers**. **Primary data** is useful because it is **specific and up to date**; **secondary data** is **cheap and fast** but may be **out of date or not specific**. **Sampling** is needed because **asking everyone costs too much**; its limit is that a **small or biased sample** can mislead. Interpreting **tables, charts and graphs** means finding **trends, comparing groups** and noting **averages**; the **reliability** of conclusions depends on **sample size** and **question design**.

# 3.3 The marketing mix

The **marketing mix** is the combination of **product, price, promotion and place** (the **4Ps**) used to meet customers' needs. The mix must be **consistent** and suited to the **target market**.

## Product

**Design, quality, features, branding, packaging, after-sales service.** A **brand** is a **name, logo or design** that identifies a product and gives **recognition and loyalty**, allowing higher prices.

**Product life cycle: development → introduction → growth → maturity → decline**. **Extension strategies** (new packaging, new markets, new uses, price changes, adding features) prolong the maturity stage. The **Boston Matrix** (see Chapter 8) analyses a **portfolio** of products.

**Product development** can be a **new product** or an **improvement**: it costs **research and development** (R&D) and carries **risk** but can bring **competitive advantage**.

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## Price

| Method | Description |
|---|---|
| **Cost-plus** | **unit cost + mark-up**; simple, but ignores the market |
| **Penetration** | **low price** to win market share quickly |
| **Skimming** | **high initial price** for new, innovative products, lowered later |
| **Competitive** | based on **rivals' prices** |
| **Psychological** | **$9.99-type** pricing, **prestige** pricing |
| **Loss leader** | below cost to attract customers to other goods |
| **Price discrimination** | different prices to different groups |

**Cost-plus: selling price = unit cost + mark-up. A unit costs $20 with a 40% mark-up, so price is $20 × 1.4 = $28.**

Pricing depends on **costs**, **competition**, **demand and elasticity**, **brand strength**, **objectives** and the **stage in the life cycle**.

## Promotion

| Type | Examples |
|---|---|
| **Advertising** | TV, radio, press, online, outdoor: reach large audiences |
| **Sales promotion** | discounts, **BOGOF**, free samples, **loyalty cards** |
| **Public relations** | press releases, **sponsorship**, events |
| **Personal selling** | face-to-face selling, **trade fairs** |
| **Digital and social media** | **online adverts**, **influencers**, **viral** campaigns |

Choice depends on the **budget**, **target market**, **product**, **competitors** and whether the aim is **to inform, persuade or remind**.

## Place

**Place** is **how the product reaches the customer** through **distribution channels**: **producer → customer** (direct, including **online** and **e-commerce**), **producer → retailer → customer**, or **producer → wholesaler**

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→ **retailer** → **customer**. Shorter channels give more **control and profit** but need more **resources**; longer channels give **wider reach** and cost less to manage but **share the profit**.

## Integrating the mix

The mix must fit together and fit the **target market**: a **luxury** product needs **high price**, **premium** distribution and **image-based** promotion. Effective marketing is **coherent** across the 4Ps and adapts as the **product life cycle** moves on.

## More on the mix

**Goods** are **tangible** (can be touched, stored) and **services** are **intangible** (cannot be owned, produced and consumed together, vary by provider). **Tangible attributes** are **features and design**; **intangible attributes** are **brand image and reputation**.

Further **pricing methods**: **dynamic pricing** (prices **change frequently with demand**, as in airline and ride-hailing prices), **cost-based pricing** (cost-plus), and **psychological** pricing such as $9.99-style endings. **Promotion**: **advertising** (paid, mass media), **sales promotion** (short-term offers), **direct promotion** (to individuals by email, mail or telephone), **digital promotion** (search, social media, influencers, apps), plus **packaging** (protects and attracts the buyer, shows the brand) and **branding** (builds recognition and loyalty). **Place** may use **physical** channels (shops, wholesalers) and **digital** channels (own website, marketplaces), or both.

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