Marketing

The role of marketing, changing markets, niche and mass marketing, segmentation, market research, the four Ps (product, price, place, promotion), e-commerce, marketing strategy, legal controls and entering foreign markets.

Marketing is identifying, anticipating and satisfying **customer needs** profitably. A business that gets its marketing right sells more, builds loyalty and survives competition.

3.1 Marketing, competition and the customer

The role of marketing

Marketing does four jobs:

1. **Identify** customer needs (through research).
2. **Satisfy** them with the right product at the right price, place and promotion.
3. **Maintain customer loyalty** (so customers come back).
4. **Build customer relationships** (customer service, loyalty schemes, after-sales support).

Market changes

Why spending patterns change: changes in **income** (a recession reduces spending), **fashion and tastes**, **age structure** of the population, new **technology**, **prices** of substitutes, and **advertising**.

Why changing customer needs matter: a business that does not keep up **loses customers** to competitors.

Why some markets have become more competitive: **globalisation** (foreign firms entering), **technology and the internet** (easy price comparison, online sellers), **deregulation**, and lower barriers to entry.

How businesses respond: change or improve products, **cut prices** or offer promotions, **improve customer service**, **innovate**, **cut costs**, or enter new markets.

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Niche and mass marketing

	Niche marketing	Mass marketing
Meaning	selling to a **small, specialist** part of a market	selling the same product to the **whole market**
Benefits	less competition, can charge **higher prices**, loyal customers	**large sales volumes**, economies of scale
Limitations	small market and sales, **risky if the niche disappears**	**high competition**, lower prices and profit per item, high promotion costs

Market segmentation

Market segmentation is dividing a market into **groups of customers with similar characteristics**.

Ways to segment: **age**, **socio-economic grouping** (income and occupation), **location**, **gender**, lifestyle and religion.

Benefits: the business can **target** each group with a suitable product, price and promotion, which gives **more efficient advertising**, **higher sales** and a better chance of beating competitors, and **spots gaps** in the market.

> **Recommend and justify a segmentation method: choose the method that fits the product (a children's toy: segment by age; a luxury car: by income; a restaurant chain: by location) and give a reason.**

3.2 Market research

Market research is collecting and analysing information about **customers, competitors and the market**.

Why do it? A **market-orientated business** finds out what customers want **before** producing. Research tells it: who the customers are, what they would pay, what they like, what **competitors** do, and **how big the market is**. It **reduces risk** and helps set the product, price and promotion.

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Primary and secondary research

	Primary (field) research	Secondary (desk) research
What	new data collected **first-hand** for this purpose	data that **already exists**
Benefits	specific, up to date, **under the business's control**	**cheaper and quicker**, large amounts
Limitations	**expensive and slow**	may be **out of date**, not specific, others can see it

Primary methods: **postal questionnaire**, **online survey**, **interviews** (face to face or telephone), **focus groups** (a small group discusses a product), **observation**, product trials.

Secondary methods: **internet research**, **government sources** (census, trade statistics), **commercial market research reports** (bought), company records, newspapers and trade journals.

Sampling: it is usually impossible to ask everyone, so a **sample** is chosen. It must be **representative** (the right mix of age, gender, income), and a **larger sample** is more reliable.

Factors influencing accuracy: **sample size and selection** (bias), **how questions are worded** (leading questions), **honesty** of respondents, **out-of-date data**, **interviewer bias**, **timing** and **response rate**.

Using the results

Be able to **read graphs, bar charts, pie charts and tables**, pick out the **largest or smallest** value and **trends**, and **draw simple conclusions** ("60% of respondents prefer Product B, so the business should focus on it"). Remember to mention the **limits** (a small sample).

3.3 Marketing mix

The **marketing mix** is the combination of **product, price, place and promotion** (the "four Ps"). The best mix depends on the market and must **fit together** (a luxury product has a high price, an exclusive place and prestige promotion).

Product

- **Developing new products**: **benefits** (new customers, higher sales, an edge over competitors, **extension of the life cycle**) and **limitations** (**costly research and development**, may fail, takes time).
- **Brand image** is how customers see a product's name and logo. A strong brand allows **higher prices**, **repeat purchases** and **customer loyalty**.

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- **Packaging protects** the product, **attracts attention**, **informs** (ingredients, instructions), builds **brand image** and sometimes helps with **convenience**. **Limitations**: cost and environmental impact.

The product life cycle shows the **sales of a product over time**:

Stage	Sales	Typical marketing
Development	none	costs, no sales
Introduction (launch)	low	heavy **promotion** to make people aware; often a high or **penetration** price
Growth	rising fast	competitors enter; promote the brand, keep quality
Maturity	highest, levelling off	defend market share; price competition
Decline	falling	cut costs, reduce promotion, or use an **extension strategy**

Extension strategies try to **lengthen the life** of a product: **new packaging**, **new features or variations**, **price cuts**, **new markets**, **advertising**. (When you draw the cycle, sales are on the vertical axis and time on the horizontal, a curve that rises, levels and then falls, with extension strategy shown by a rise on the decline.)

Marketing decisions at each stage: at **launch** spend heavily on promotion; in **growth** build the brand; in **maturity** compete on price and promote; in **decline** reduce promotion or use extension strategies.

Price

Pricing method	How it works	Benefit	Limitation
Cost-plus	add a **mark-up (percentage)** to the cost per unit	simple, guarantees a margin	ignores competitors and what customers will pay
Competitive	price **similar to competitors**	avoids price wars, simple	profit depends on costs, may not reflect quality
Penetration	**low price at launch** to gain market share, then raise it	quickly wins customers	low profit at first, may harm brand image
Skimming	**high price at launch** (new, unique products), then lower it	high profit from early buyers	few customers, attracts competitors
Promotional	**temporary price cuts** (sales, "buy one get one free")	boosts short-term sales, clears stock	reduces profit, customers may wait for sales

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Recommend and justify a pricing method: consider the **type of product**, **competition**, **costs**, **customer income** and **the stage of the life cycle**.

Price elasticity: **price-elastic** demand means that a **price change causes a bigger percentage change in quantity demanded** (for most non-essential products; a price **rise** reduces revenue); **price-inelastic** demand means the quantity changes **less** than the price (for necessities with few substitutes; a price **rise** raises revenue). A business that knows its product is **inelastic** can raise prices more safely. (The formula and calculations are not assessed.)

Place (distribution channels)

Channel	How it works	Advantages	Disadvantages
Producer → consumer (direct)	selling directly (own shop, website)	keeps all profit, control over service, contact with customers	the business must deal with sales and delivery itself
Producer → retailer → consumer	retailer sells to the public	wide reach, shop displays, lower storage	retailer takes a mark-up
Producer → wholesaler → retailer → consumer	wholesaler **buys in bulk and breaks it down**	reduces storage and transport costs for the producer, reaches many small shops	more people take a share of the price, less control

Recommend and justify: **perishable or luxury** products suit shorter channels; **mass-market** goods suit longer channels.

Promotion

Aims: **inform** customers, **persuade** them to buy, **create or maintain a brand image**, **increase sales** and **remind** people of the product.

Form	Examples
Advertising	TV, radio, newspapers, posters, online
Sales promotion	discounts, free samples, **buy-one-get-one-free**, competitions, loyalty cards
Others	sponsorship, personal selling, public relations

Cost-effectiveness: the **marketing budget is limited**, so the business must check that the **extra sales (revenue)** from promotion are **greater than its cost**, and choose the medium that reaches the **target market** cheaply.

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Technology and the marketing mix

- **E-commerce** is **buying and selling goods and services over the internet**.
- **Opportunities for business**: a **global market**, **lower costs** (fewer shops), **open 24 hours**, easier collection of customer data. **For consumers**: choice, convenience, price comparison.
- **Threats**: **security and fraud**, **intense competition**, delivery costs and returns, and customers with **no internet access**; **for consumers**: no chance to see or try the product, risks to privacy.
- **Use of the internet and social media** for promotion: **cheap, targeted** advertising, **viral** sharing, direct contact with customers. **Limitations**: negative comments spread fast, constant updating needed.

3.4 Marketing strategy

Justifying a marketing strategy

The **importance of each element** of the mix varies: for a **luxury product** brand and promotion matter more; for a **commodity** (sugar, petrol), price matters; for a **convenience product** (snacks) place and availability. A **marketing strategy** is the plan that combines the elements for a **target market**. To **recommend and justify** one: identify the **target customers**, choose the **most important element**, say how the **others support it** and **why alternatives are weaker**.

Legal controls related to marketing

Laws protect consumers: **misleading promotion** (false advertising claims are illegal), **faulty or dangerous goods** (must be of satisfactory quality and safe), **weights and measures**, and **product labelling**. **Impact**: higher costs (testing, quality control), restrictions on advertising claims, risk of **fines and loss of reputation**, but better customer trust.

Entering foreign markets

Opportunities: **new customers** and **higher sales**, spreading risk, **growth potential** in countries with a growing middle class, economies of scale.

Problems: **cultural differences** (language, tastes, religion), **lack of knowledge** of the market, **legal differences**, **import tariffs**, **exchange rate** risk, competition from local firms.

Methods to overcome such problems:

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Method	Benefit	Limitation
Joint venture with a local business	local knowledge, shared risk and cost	shared profits, possible disagreement
Licensing (a foreign business pays to make and sell the product)	low cost and risk, quick entry	loss of control over quality, the licensee may become a competitor
Local agent or distributor	uses local contacts	commission costs
Adapting the product and promotion	fits local tastes	higher costs

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