



Marketing

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Learning objectives

In this chapter you will learn about:

- 1 The main features of the marketing plan
- 2 The elements of the marketing mix for a product/service

Marketing strategy/ plan

Marketing is the process of identifying the needs of consumers and producing and selling products to satisfy those needs profitably.

The **marketing concept** requires the firm first to identify the needs of the consumer and then develop products to satisfy those needs in a way that will be profitable for the firm.

Elements of the marketing strategy/plan

- **Market segmentation:** Within each market there may be a number of different market segments: young children, golfers, parents, retired people, etc.
- **Target markets:** This may be defined by characteristics such as age, gender and income level.

- **Product portfolio:** The range of products marketed by a firm is called a product portfolio.
- **Product positioning:** Choosing the product's image relative to its competitors in the marketplace. Once the product's positioning in the market has been decided, all of the elements of the marketing mix are chosen to support that position.
- **Marketing mix:** The combination of product, price, place and promotion.
- **Niche market:** This is a very specific market which is identified and where a product is developed specially to meet the needs of consumers in that market, e.g. a backpack baby carrier which can be used by parents who want to go hill walking.

Top Tip!

The marketing concept is a key idea that you should be able to explain and refer to in your answers on marketing.

Marketing mix

The marketing mix has four elements that are aimed at achieving the firm's marketing goals:

- **Product**
- **Price**
- **Place**
- **Promotion**



Product

The product is what the consumer buys to satisfy their needs. There are many different aspects to the product in marketing terms.

- **Core of the product:** The main function of the product.
- **Augmented product:** Includes all of the extra features which help to sell the product, e.g. brand name, image, style, reputation, packaging, quality, service and guarantee.
- **Unique selling point (USP):** A feature that distinguishes the product from its competitors.
- **Design function:** The product must be designed to reliably do what it is supposed to do in order to satisfy the core needs of its target market.
- **Design form:** The product must also satisfy the target market's augmented needs in terms of shape, style, colour and image.
- **Branding:** this gives a product/service a distinct identity which includes its name, logo, slogan and colour theme, all of which the consumer will recognise. A strong brand differentiates the product from other competing products.
- **Packaging:** Good packaging design will protect the product; it will advertise the product and attract consumer interest; it will provide information for the consumer and will build the brand identity of the product

Product life cycle

The product life cycle illustrates how the sales of a product rise and fall over its lifetime, from its initial introduction to decline and eventual withdrawal from the market. The timescale of a product's life cycle can vary greatly, from a few weeks to many years.

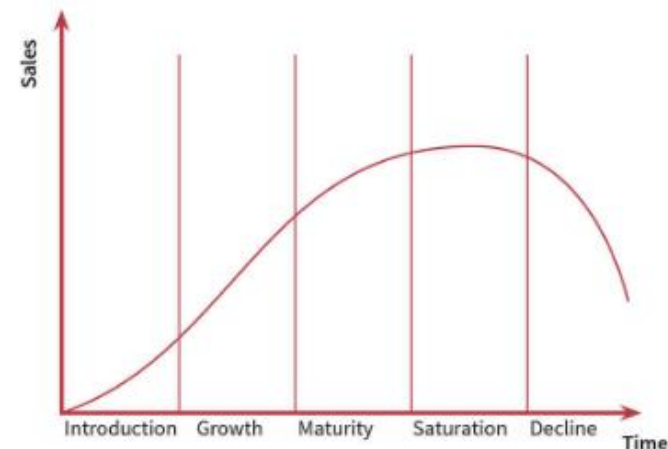
Stages in the product life cycle:

- **Development:** When a new product is being prepared for introduction to the market, no income is earned but money is spent on research and development, prototypes and market research.
- **Introduction:** The product is launched onto the market. Sales are usually slow until the product becomes well known.
- **Growth:** As the advertising campaign takes effect, sales of the product increase rapidly.

- **Maturity:** The rate of increase in sales starts to slow down.
- **Saturation:** Sales have levelled off because most consumers in the target market are already buying the product.
- **Decline:** The product has outlived the market demand for it and sales fall.

Top Tip!

You must be able to reproduce the diagram on the product life cycle and explain each stage.



Price

The price of a product must cover all the firm's costs and also earn profits. It must be competitive with other products on the market so that they can get a high level of sales. The price chosen is also part of the product's image and its positioning in the market.

Pricing strategies and tactics

- Cost plus pricing
- Loss leaders/below-cost selling
- Penetration pricing
- Predatory pricing
- Premium pricing
- Price discounting
- Price discrimination
- Price skimming

Factors that determine price

- Cost of production
- Demand for the product
- Pricing strategy
- Competitors' prices
- Stage in the product's life cycle

Place

This element of the marketing mix relates to the range of market mechanisms and distribution channels that are used to ensure that the product is available to the consumer in as many different locations as possible so that they can conveniently purchase it.

Channels of distribution

This is the network of firms that distribute and deliver goods from manufacturer to consumer.

- **Producer → wholesalers → retailers → consumers:** Producers sell in large quantities to wholesalers, who store the goods in warehouses and sell a wide range of products to retailers. Retailers then sell the goods to individual consumers.
- **Producer → retailers → consumers:** The retailer buys large quantities of products directly from the producers at relatively cheap prices. This channel suits mail-order retailers that issue catalogues, e.g. Argos.
- **Producer → consumers:** Producers sell their products directly to consumers, e.g. fitted kitchen manufacturers, craft manufacturers who sell from their workshops, factories that sell direct from factory shops or producers who deliver products like bread and vegetables direct to customers.

Top Tip!

You must be able to illustrate three different channels of distribution with simple diagrams and identify a product each channel would be suited to.

Wholesalers

Traditional wholesalers are companies that buy goods in large quantities from manufacturers, store them and sell them in turn to retailers.

Cash and carry wholesalers are businesses where the retailers come and select their own goods, pay for them immediately and transport them home in their own vehicles. Prices in cash and carry wholesalers are usually lower than in traditional wholesalers.

Promotion

Promotion involves a range of activities, e.g. **advertising**, **sales promotion** and **public relations**, whereby the firm tries to influence the target market to purchase its product.

Advertising

Advertising is a direct communication to a target market, usually with the aim of persuading them to buy a product.

Functions of advertising

- Compete
- Create consumer loyalty
- Increase the market
- Inform
- Persuade
- Remind

Advertising media

- Television
- Radio
- Newspapers
- Magazines
- Posters
- Internet
- Cinema
- Direct mail

In order to be successful, an advertisement must take the consumer through four stages: **attention**, **interest**, **desire**, **action (AIDA)**.

Sales promotion

'Sales promotion' is the term used to describe a wide range of activities that aim to boost the sales of products in the short term. In particular, they try to attract customers who usually use other brands with a view to convincing them to change brand permanently.

Sales promotion methods

- Free samples
- Reduced-price offers (50c off)
- Bonus offers (20% extra free)
- Competitions
- Free draws
- Stamp or coupon saving schemes
- Money-off coupons
- Merchandising: in-store product displays attract attention
- Joint promotions: two products are sold together
- Direct marketing: promotional materials sent direct to individual customers

Public relations

The aim of public relations is to create and maintain a good image of the firm and its products. The person in the business who manages public relations is usually called a **public relations officer (PRO)**.

Public relations methods

- Company magazines
- Corporate identity, e.g. company logo, corporate colours, staff uniforms or dress code

- Corporate websites
- Factory visits by tourists or school groups
- Press conferences
- Press releases
- Sponsorships

Top Tip!

You should be able to illustrate the application of the four elements of the marketing mix to a product or service of your choice.

Exam question

1. Analyse, for a product or service of your choice, the elements of the marketing mix. (2003, 35 marks)

Sample answer

Elements of the marketing mix

Product

The product is made up of the detailed characteristics of the item on offer, e.g. its distinctive features, its form, shape, colour and brand identity

Price

Price is what one pays for a product. It is also the representation of the value of the product to the buyer. The price of a product on the market will be determined by: the product's unique properties, the cost of manufacture, the level of competition, etc. Enterprises may keep the price of a newly launched product a little lower than the competitor price in an attempt to gain market share.

Place

Channels of distribution must be set up to ensure the customer can access the product in order to purchase it. The use of agents, distributors or direct sales online are possible channels.

Promotion

All efforts to generate sales of the product, including advertising, sponsorship, merchandising, public relations, direct selling, etc.

Any product or service

Product

Mercedes Benz coupé

- High-specification luxury German car, featuring airbags, ABS, anti-rust warranty, many safety features, high resale value

Price

- Luxury car with a high price; competitive on price in its class; finance available; large discounts for cash customers; includes many extras

Place

- Existing Mercedes sales and service network (worldwide); direct purchase from Germany; international motor shows

Promotion

- Stress brand loyalty; target market of high-earning people; sponsor prestige events; free car testing; advertise in niche media to reach wealthy customers

Marking scheme

- Product, Price, Place, Promotion: (9 + 9 + 9 + 8)

Questions

Higher Level long questions

- 1 (a) Outline the factors a business should consider when choosing a suitable channel of distribution. Provide examples to illustrate your answer. (20 marks)
(b) Within the product element of the marketing mix, evaluate 'product design' and 'product packaging'. (2012, 20 marks)
- 2 (a) Evaluate 'sales promotion' and 'public relations' as forms of promotion. (20 marks)
(b) Illustrate the benefits of branding for the business and the consumer. (2010, 25 marks)
- 3 How might a business decide where to advertise a product? Illustrate your answer with suitable examples.

Key-points!

- Marketing concept
- Marketing strategy
- Marketing mix (product, price, place, promotion)
- Product life cycle (including the diagram)

Key-definitions!

advertising: Communication in written or visual form aimed at consumers to persuade them to buy a product or service.

channels of distribution: The various routes which are used to transfer goods from manufacturers to wholesalers, to retailers and finally to consumers.

market segments: The total market for a product can be divided into different groups or market segments whose needs as consumers are different from other groups.

marketing mix: These are the four main elements of a marketing effort to sell a product successfully, namely the product design, the pricing of the product, the place through which it will be sold and the promotion for the product (four Ps of marketing).

niche market: A small segment in an overall market.

price discrimination: When companies charge different prices to different consumers for the same product in order to maximise their profits.

product life cycle: Describes five stages in the life of a product from its introduction to the market to its withdrawal (usually illustrated with a diagram).

product portfolio: Refers to a range of different products which a company may sell to various markets. **product positioning:** Refers to how a firm will place its product among other competing products in the market in terms of quality, image, price, etc.

public relations: Activities of a business aimed at enhancing the image of the firm with its customers and the general public. Activities may include press releases, press conferences, sponsoring charity events, company magazines, etc.

sales promotion: This covers various methods of encouraging people to buy a product, e.g. price reduction, free gift, saving stamps, free samples.

sponsorship: When companies provide money for sporting or charitable organisations in return for advertising or being publicly associated with their activities.

target market: A defined group of consumers at whom particular product is aimed.