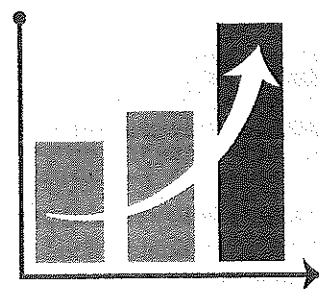


Getting started

To generate customer interest and awareness businesses must market their products and services. List your recent purchases and identify the reasons why you chose them. List the reasons why you did not choose other businesses or services from which to purchase the same types of products. During this unit, expand your list by adding the different marketing methods used and whether categories of businesses choose the same marketing techniques.



Introduction to the principles and purposes of marketing that underpin the creation of a rationale for a marketing campaign

Marketing is a means of promoting a business and what it offers, whether this is telecommunications, value food products, properties for sale or rent or a service such as car maintenance. Marketing is closely linked to sales with the intention that a successful marketing campaign will pay dividends in sales generated, for example the John Lewis Christmas adverts and those for M&S food.

The role of marketing

Without marketing, customers will not be aware of the product or service the business offers. The oldest form of marketing is by word of mouth which can be extremely effective but cannot be controlled by a business. Marketing aims to spread the word to potential customers and turn them into paying customers.

Principles and purposes of marketing

The principles of marketing are to generate customer satisfaction by:

- ▶ identifying needs
- ▶ promoting products (or services) or contributing to **brand** development
- ▶ pricing of the brand
- ▶ promoting the brand by various means
- ▶ distributing the brand in the right locations or by the appropriate means (such as online).

The purpose of marketing is to generate interest in a product or service resulting in a sale, by:

- ▶ anticipating demand – an ice cream manufacturer will expect marketing staff to study long range weather forecasts to anticipate demand on sales, just as a lettuce farmer will need to anticipate the demands for salad during hot weather and a department store will be prepared for Christmas sales of the latest toy craze generated by blockbuster films such as Star Wars and Frozen
- ▶ recognising demand – keeping up to date with what competitors are selling is one way to recognise demand for products and trends in consumer behaviour (for example, Lego kits after the release of the latest Jurassic Park film)

Key term

Brand – the identification eg logo of a product or service which is instantly recognisable without explanation (such as the Kellogg's cornflake cockerel!).

Key terms

BOGOF – buy one, get one free.

Happy hour – reduced price items at a predetermined time of the day or week.

- ▶ stimulating demand – finding ways to promote the brand such as:
 - advertising on billboards, in newspapers and online
 - offering **BOGOFs**, such as cinema tickets, pre-packed oranges or packs of socks or washing powder
 - **happy hour** which sells products at reduced prices, perhaps to fill empty tables in a restaurant or to encourage customers to stay and eat when buying a cheaper drink
 - offering vouchers for product lines which are poor sellers or where the business is over-stocked
- ▶ satisfying demand – ensuring stocks or capacity to deliver a service are sufficiently available to meet any demand generated, for example making sure there is enough stock to cover popular toys in the lead up to Christmas.

Marketing aims and objectives

Effective marketing strategies require careful planning and structuring into overall aims to identify the purpose, followed by the objectives to identify how the aim(s) will be achieved. Successful marketing is made up of the following aspects.

- ▶ Understanding customer wants and needs (which are not necessarily the same thing) – customers may think they know what they want but in fact need something different. For example, a customer may think they want a tablet when they might actually need a laptop to play their collection of DVDs. Therefore the person doing the marketing (the marketer) will need to differentiate between needs and wants in order to promote their products effectively and identify the key features they should be marketing.
- ▶ Developing new products – marketing can provide a business with customer ideas to help them expand their range. A business could do this by asking for customer feedback; such as Walkers Crisps did to generate new flavours. Once a business has developed a new product to sell to existing customers, for example a PlayStation, the business will develop new games and accessories to increase their sales.
- ▶ Improving profitability by reducing costs – for example, a Lincolnshire baker delivers fresh baked bread to predetermined central locations such as schools, for customers to purchase and collect. This not only reduces transport costs for the baker but also reduces his **carbon footprint**.
- ▶ Increasing **market share** – businesses strive to become market leaders and start to achieve this by increasing their market share. Market share can be measured by either the volume of goods sold or the value of those goods. For example, in early 2015 Tesco was reported as having the greatest market share in the UK supermarket marketplace in terms of value of goods sold despite reports of losses during 2015, whereas Sainsbury's overtook Asda in terms of their market share held previously. Similarly, market leadership is the position of a business with the largest market share in a given market for goods and services. Pedigree Petfoods is the market leader in the pet food market with successful brands such as Whiskas cat food.
- ▶ Diversification – where a business markets new products which differ from its usual offering to new customers. This can work in two ways – the business may produce a new product in an area that it understands, for example a hybrid version of a mobile phone with a tablet such as the Sony Xperia. Or a business may enter a completely new, unrelated area such as supermarket banking.

Key terms

Carbon footprint – the amount of carbon dioxide and other gases emitted through fuel consumption.

Market share – the percentage of a given market that a business holds.

- ▶ Increased brand awareness and loyalty – this might relate to a business' overall brand (for example BMW) or to a product brand within the company (for example Mini). Successful raising of brand awareness can increase sales because customers will subconsciously or consciously seek out a brand when purchasing an item or service, perhaps due to loyalty or confidence in similar products or services. It is clear that a high level of brand awareness exists when consumers start to use the brand name in place of the product type. For example, if you were to talk about domestic appliances, would you say 'vacuum cleaner' or 'Hoover'? Other common brand names include Sellotape, Biro and Jacuzzi.

II PAUSE POINT

What examples can you identify where you have been influenced to make a purchase based on brand loyalty?

Think

Refer to the list you created in Getting Started.

Extend

Consider those products or services that failed to attract you and suggest ways to improve their marketing.

Types of market

There are two types of market – mass, the general population, and niche meaning more specialist.

Mass

Examples of mass markets include:

- ▶ spectacles and sunglasses
- ▶ cars
- ▶ tissues
- ▶ telecommunications.

Each of these examples is likely to be of interest to the mass market as they cover different age groups and locations when in their generic form. The choice of which car or pair of glasses, for example, will be made depending on other factors, perhaps style or price.

Niche

These markets are restricted to specialist interests or needs such as agricultural farmers who need tractors or a prosthetic limb for a paraplegic individual. Other examples include specialist suppliers of Kosher and Halal food or restaurants specialising in international food such as Polish, Nepalese and Korean which represent the local demographic.

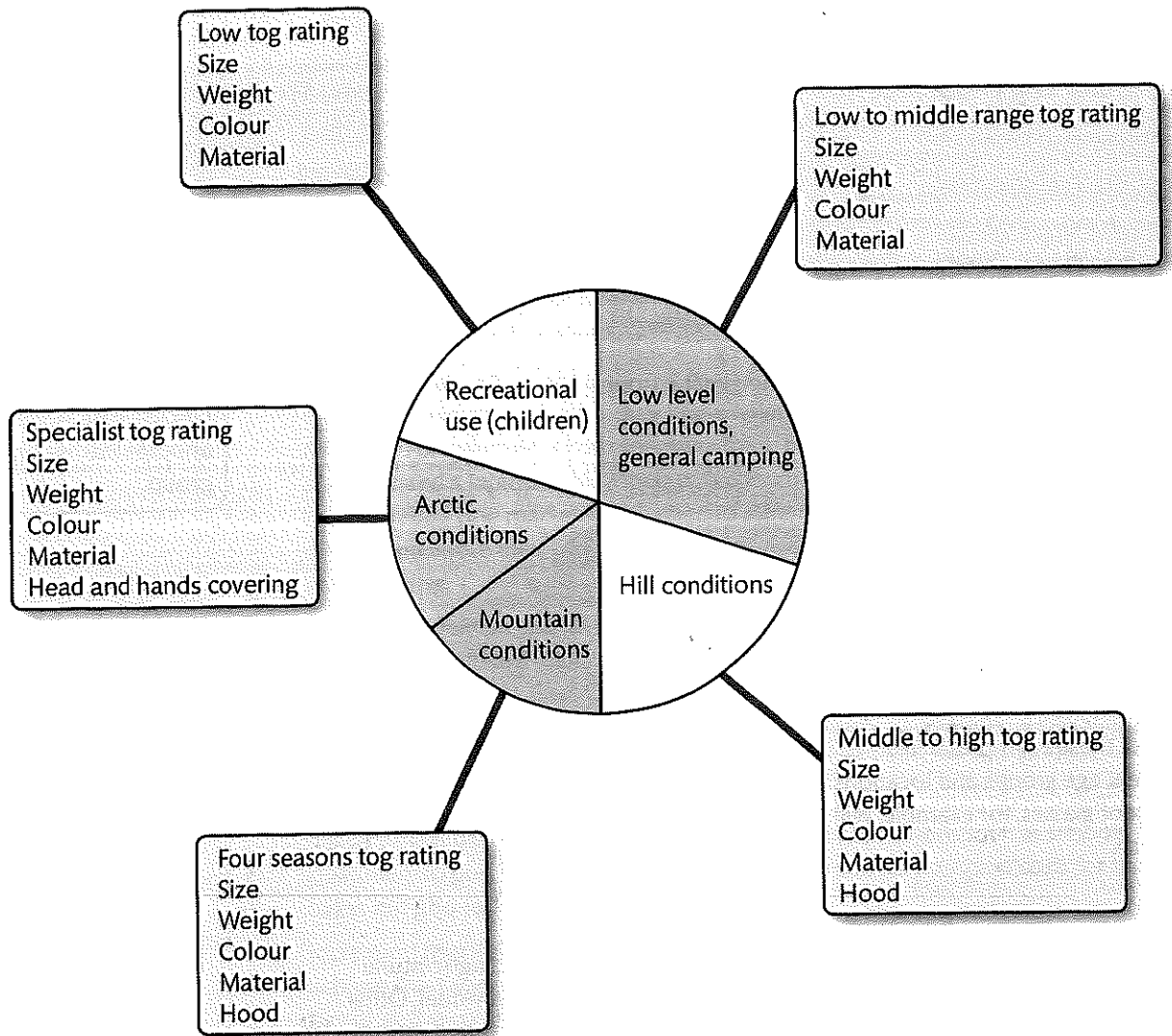
Market segmentation

Any business needs to segment its market in order to develop a marketing strategy and avoid a 'scatter-gun' approach. In other words, it has to identify the purpose of its products or services in order to establish its target market. For example, if a business mined stones and promoted its products as just 'stones' their potential customers would not know what types of stones they were selling and in what state. These stones could be for paving or walls, could be polished or in their raw state or perhaps be diamonds ready to inset into jewellery.

Discussion

Discuss your suggestions with another learner or in a small group.

Another type of segmentation apart from product segmentation is by age, gender and ethnicity, for example hairdressing salons which specialise in Afro hairstyles, barbers for men and stylists for elderly customers. There are even stylists and makeup artists who specialise purely in applying their skills to the deceased for loved ones to pay their last respects. Other examples include sports goods, health-food stores and clothing stores such as Mothercare and PumpkinPatch, which target their products at those purchasing clothing and accessories for young children.



► **Figure 2.1:** Example of market segmentation for a manufacturer of sleeping bags

Branding

Branding often consists of a brand name (such as Nike), a logo (the Nike 'swoosh'), a slogan ('Just Do It') and guidelines for how the branding can be used. Some or all of these elements may be trademarked to prevent competitors from using similar branding. In some instances the branding will dictate colours and shapes that should be used. In other instances the brand can be used more flexibly.

A brand can be a powerful selling tool and can help achieve marketing objectives such as gaining market leadership and raising customer awareness.

Brand personality

Branding can exert a considerable influence over what the customer buys, especially if it displays **brand personality**. For example, think of the sophisticated and professional look of L'Oreal or the glittery, fun looking branding of Maybelline.

Brand image

A strong brand can stick in a customer's mind and help to link products with a particular supplier or manufacturer. For example, Maurice Drake's 1967 slogan 'beanz meanz Heinz' is credited as being one of the most successful advertising campaigns ever.

A strong brand can portray an image. This might be one of success or affluence, for example think of clothing brands such as Dolce & Gabbana, Calvin Klein, Ralph Lauren and Christian Dior. Younger-type brands which portray a casual, trendy image include SuperDry, Jack Wills and Juicy Couture.

Once a brand gets stronger, it can help a business to either enter new markets or sell into existing markets with less risk of failure. If a customer has a good experience of a specific brand, they are likely to purchase something else from the same brand.

Unique selling point (USP)

A brand can portray a USP to gain market share over their competitors and stand out from the crowd. For example, Velvet toilet tissue which promotes its products as being environmentally friendly by replacing trees and a Japanese factory which grows its vegetables using robots. Both of these examples are generic products sold to the mass market which trade on their USP.

Airlines offering a USP include Virgin when they promoted the first business class flat bed in their Upper Class cabins and the giant A380 which announced its personal shower facilities in business class cabins in 2008.

Implications of business size on marketing activity

There are many implications for marketing that are influenced by business size such as:

- ▶ product development to meet customer needs and feasibility according to employee capacity
- ▶ elimination of products or services which no longer meet requirements and are not financially viable
- ▶ marketing methods for promoting branding which are cost effective for maximum return and in the shortest time
- ▶ changes to branding which make excessive demands on a limited workforce.

Budgetary constraints

All marketing plans should be based on a budget to ensure the business does not overspend and can justify its expenditure based on the impact on its sales. For example, large businesses such as Coca Cola can afford to advertise extensively using multi-media whereas a local sandwich shop might need to rely on local newspaper advertising or a board on the pavement outside their premises.

Availability of specialist staff

If a business does not have the specialist staff in-house to successfully market their brand they might need to either change their intentions or source external support from specialists. This may place considerable pressure on the budget and may also take much longer than anticipated.

Key term

Brand personality - human characteristics to which a customer can relate, especially if similar to their own.

Tip

A unique selling point is now often known as a unique selling proposition.

Influences on marketing activity

In summary, there are two main influences on marketing activity – internal and external factors.

Internal influences

Marketers are not just interested in external influences but also those generated internally to the organisation, as outlined below.

- ▶ Cost of the campaign – marketing campaigns can cost as much or as little as you want to pay depending on the methods used. Every business should allow sufficient cost within its budget for marketing but, like most projects, a contingency is usually required for unexpected events. A business overspending on their budget will need to make cuts elsewhere – this might be by reducing their workforce.
- ▶ Availability of finance – a business may have difficulties with their **cash flow**, possibly due to suppliers demanding early payment, overspend or customers on account not paying their invoices within the specified time. If any of these factors are the case then the business may not have sufficient available funds to fulfil a planned marketing campaign.
- ▶ Staff expertise – internal staff might not have sufficient expertise to deliver the marketing strategy, whether this is negotiating advertising costs, producing professional artwork or writing **straplines** to attract attention. The business may have to seek external specialist support and increase their budget.
- ▶ Size and **culture** of the business – a small business with a culture which expresses traditional values, such as a family business of hand made, tailored suits, might implement a marketing strategy which relies solely on personal recommendation. However, London's oldest tailor, Ede & Ravenscroft, also promote their 327 year expertise in ceremonial wear through their website. This demonstrates their willingness to embrace modern techniques while still maintaining their professional and traditional culture.

Key terms

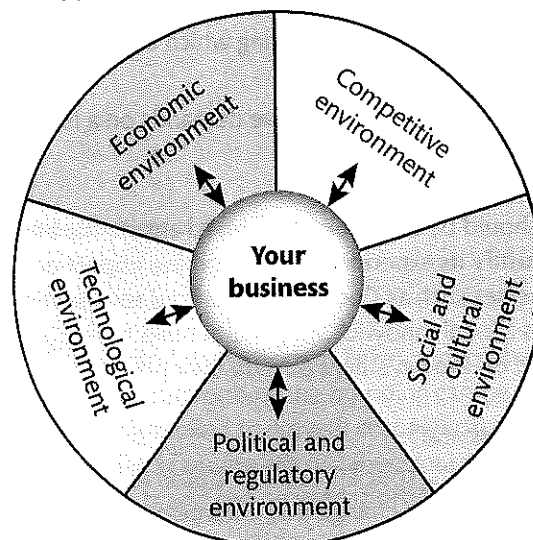
Cash flow – the money that goes into and out of a business.

Strapline – a caption or heading often providing a brief and snappy overview of a product, service or news story.

Culture – behaviours, habits and values of groups or individuals.

External influences

External influences are less controllable than internal influences. Although businesses will assess risk and anticipate need, they cannot prepare for every eventuality. Some examples are outlined opposite.



▶ **Figure 2.2:** External factors which will have an influence on marketing activity

- ▶ Social factors – a manufacturer of baby foods may not be prepared for a sudden and long term demand on their products perhaps due to health scares in dairy foods or an unexpected baby boom. While a tennis ball manufacturer might anticipate a rise in demand around the time of Wimbledon, Halford's may not have predicted the demand for bikes following the success of Bradley Wiggins in the 2012 Olympics followed by the Tour de France. Suppliers of wicker baskets were quick to promote celebrities riding women's vintage-style bikes complete with these baskets following Victoria Pendleton's Olympic triumph which resulted in significantly increased sales of both bikes and baskets.
- ▶ Technological factors can influence marketing activity, not only in terms of how businesses market their services and products (such as Ede & Ravenscroft) but also the speed and extent to which marketing can become **viral**. Marketing activities can be instantly promoted globally through social media, or by pop-ups when you go online. Before the internet, businesses mostly relied on newspaper adverts and knocking on doors (cold calling). Technological factors can have both positive and negative outcomes, such as the:
 - extent of the global marketing reach
 - ability to update or alter marketing materials quickly and with little expertise or specialist equipment required
 - opportunity to replicate what competitors are doing.
- ▶ Economic factors – if projected sales are not realised due to unsuccessful marketing then a business may have to reduce its costs in other ways such as reducing the workforce like Rockwell Collins in late 2015. Most recently, projected sales have been affected by the recession as this has changed people's spending habits. This is further evidenced by the reported successes of pound shops and pawnbrokers. This change in spending habits needs to be anticipated by marketers as it influences marketing activities – how much and what type is needed to attract purchasers. If a business advertises solely or mainly in cinemas and there are fewer cinema-goers due to limited **disposable income**, then their adverts have reduced exposure.
- ▶ Environmental factors can have significant influence on marketing activity. For example, the travel industry has had to act rapidly at times such as the 2015 Paris bombings, the plane crash in Fox Glacier in New Zealand and volcanic activity in Ecuador. Each of these are desirable tourist destinations promoted for their beauty or culture. Some environmental factors can have a positive impact on developing existing or creating new business ideas such as conservation holidays.
- ▶ Political factors – legislation such as that prohibiting advertising cigarettes. This has had an impact on manufacturers and suppliers, because they are not able to promote smoking at sports events such as Formula 1 and football matches, and has restricted advertising in television programmes and films. In order to market their offers during the recession, supermarkets Lidl, Aldi, Morrisons and Asda started promoting value products; whereas M&S and Waitrose put greater emphasis on quality, both of which have reported increased sales and improved market share.
- ▶ Legal factors affect marketing activities – for example disallowing religious advertising such as the Lord's Prayer example in the early winter of 2015. Despite the efforts of the marketing specialists of JustPray.uk and the regulators such as the Cinema Advertising Authority, the advert will not be aired in public cinemas due to its religious status and potential breach of the 2010 Equality Act. Guidance on marketing and advertising law is available from the UK government website.

Key terms

Viral (advertising/marketing) – unsolicited and infectious marketing tactics using social media to attract interest.

Disposable income – the amount of residual money available for non-essentials after paying bills and creditors, such as credit cards and store cards.

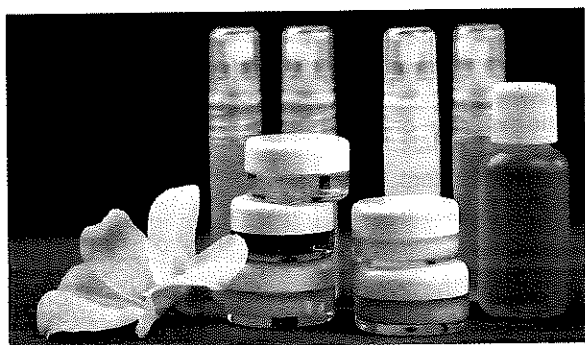
Link

Other legislation which affects marketing activities includes that listed in *Unit 1: Exploring Business* and *Unit 14: Investigating Customer Service*.

- Ethical factors mean the principles, values and standards people believe are acceptable practice. Each business should agree what they mean as behaving ethically in conjunction with legislation such as the Equality Act and that found in the Ethics Resource Centre. Everyone has their own ethical views shaped by their upbringing and culture. Marketing activities should be influenced by external ethical factors such as:
 - usage and type of human images in any advertising
 - not making invalid claims about value, quality and pricing
 - not making promises which the product or service cannot deliver
 - avoidance of breaches in legislation and regulations.Businesses which compromise ethical practices can damage their reputation and may never recover.

Case study

Simply Nature – the brand



People are probably more conscious about body image than ever before and manufacturers of beauty products are at risk of inadvertently promoting images which display unethical practice. It is impossible to claim a business is completely ethical or unethical due to ethics being subjective.

Simply Nature wants to run an advertising campaign featuring models from a local modelling agency. Their products are designed for niche markets, segmented by:

- skin colour
- skin type
- external conditions
(the natural elements – wind, air, water)
- age.

Their first attempt at advertising did not generate the amount of interest they hoped. They advertised in the regional commuter paper and at teatime on the radio. They undertook a survey on their website to ask for comments. However, despite the advertisement promoting positive body images regardless of shape, size or age, the feedback was negative. Comments such as 'if only I could look like that' and 'are you a miracle worker?' did nothing to increase their sales. One of the major factors Simply Nature had completely overlooked was to think like a potential customer, ask the questions they

would ask and answer those questions in advance in their advertising – questions such as price, distributor, quantity and benefit. They have yet to establish their USP.

While Simply Nature tried hard with their first marketing campaign, and had the best of intentions in trying to project an ethical image and segmenting their market according to age and ethnicity, they realised they needed to relate to the public in a more realistic way. Importantly, they have realised that they need to find out what their customers like about their products so they can build on something positive. They have started to gather testimonials which they are permitted to use and have changed their website so users can upload their photographs and comments to share with others.

Nevertheless, what Simply Nature are especially proud of is the ethical practice they apply to manufacturing their product, using all natural ingredients. These are sourced by working closely with tribal groups and ensuring they are not exploited, and testing on animals is also banned. They ensure the manufacturing process involves under-developed nations, employing the locals and paying a decent wage. Their business values all those involved and promises to continue donating a percentage of all profits to support local needs such as educational materials, medication and improving sanitary conditions.

Check your knowledge

- 1 What factors influenced the Simply Nature marketing campaign?
- 2 How has Simply Nature adapted their marketing strategy to stimulate demand?
- 3 What are the aims and objectives of the Simply Nature campaign?
- 4 How would you develop the brand image of Simply Nature?

II PAUSE POINT

What else might Simply Nature consider in their marketing campaign to attract mass and niche markets?

Find

Explore a range of beauty product companies and compare their methods for promoting their products to niche markets.

Extend

Find at least two other businesses and explore what they do to show ethical practices. Compare your findings with that of a peer.

Assessment practice 2.1

A01

Kathy is convinced she wants to buy a steam oven. Her husband, Philippe, is worried about the cost – over £1000. It has many fancy features he does not think they will use and neither have ever cooked using steam.

Philippe has asked Kathy what sorts of things she will use the oven for, apart from their daily breakfasts, lunches and dinners.

Finances are tight as they will be adding to their family with twins in three months time. Philippe is concerned the steam oven might not be what they really need for family catering. He also wants to make sure they do not buy something in haste and later regret it, especially as Kathy enjoys cooking.

Kathy has been enticed by the promotional literature. She has read all about the benefits on their website and read testimonials from users. She downloaded the manual and checked out the recipes they included, along with her own recipes to make sure the oven would be compatible. Although she has never actually tried one out and does not know anyone who uses one, she explained to Philippe that she wanted her cooking to stand out from the crowd. All the promotional material makes it sound like that's exactly what this steam oven would enable her to do.

Philippe has asked you to assess whether they are being tricked into buying something which is not actually right for them. He has also asked for your opinion about how to evaluate promotional material, what pitfalls to consider and where to get extra information.

Plan

- I know what I am being asked to do.
- I shall check that I have sufficient knowledge about the task and product being marketed.
- I know where I can find out more information about this task.
- I know how to present my findings.

Do

- I can explain the features of the marketing campaign.
- I can make suggestions to Kathy and Philippe on how to make the right decision.
- I can justify my recommendations.
- I have documented all my sources and cited them in my report.

Review

- I can identify what went well and where I need to improve.
- I can explain how I would approach this differently another time.
- I can recognise the gaps in my knowledge and understanding.
- I have learned where to find sources of useful information.



Using information to develop the rationale for a marketing campaign

Information is required to develop the purpose for any marketing campaign and this is known as **market intelligence**. Without reliable intelligence using information from research on existing and past business performance, which is compared with the competition, any marketing campaign can go wrong. Subsequent sales forecasts can be inaccurate and could result in a business going bust. One example of where businesses missed a golden opportunity was when a Kodak engineer invented a digital camera in 1975 but received a cold response from management. Another possible overlooked opportunity is that of Direct Line who refuse to engage with comparison websites.

Key term

Market intelligence – gathering data from different sources which is analysed and evaluated to identify trends.