

## Exercises

**23.1** Find a word in the text opposite that matches each definition below. The words appear in order.

- 1 large boards for advertisements in an outside public place (BrE hoardings) \_\_\_\_\_
- 2 providing money for a special event or a sports team in order to advertise a brand name \_\_\_\_\_
- 3 news about something – on the television, on the radio, or in newspapers and magazines \_\_\_\_\_
- 4 (two words) information given to reporters that contains news plus supporting material (eg background information, photos) \_\_\_\_\_
- 5 silly or unusual things that are done to get public attention \_\_\_\_\_
- 6 (formal) kind feelings towards a person or organization \_\_\_\_\_
- 7 the practice of giving money and help to people who are poor or in trouble \_\_\_\_\_
- 8 a situation in which things gradually become very similar \_\_\_\_\_
- 9 following the development or progress of someone or something \_\_\_\_\_
- 10 a system that uses radio signals from satellites to show an exact position on the Earth \_\_\_\_\_

**23.2** Make phrases by matching an item from each column.

- |             |   |
|-------------|---|
| 1 build     | an ad in the media                                    |
| 2 stimulate | in contact with customers                             |
| 3 take      | demand by offering a free trial                       |
| 4 place     | awareness of a new product                            |
| 5 issue     | how consumers respond to advertisements               |
| 6 keep      | an initial concept through to the final advertisement |
| 7 monitor   | targeted ads to a mobile device                       |
| 8 push      | a news release  |

**23.3** Underline the verbs that make sense in the sentence.

- 1 The agency carried / placed / published / put / ran / took out an ad in a magazine.  
(5 correct answers)
- 2 The magazine carried / placed / published / put / ran / took out the ad.  
(3 correct answers)

**23.4** The items in the box are all methods of sales promotion. Match each one to its definition below.

discount   loyalty program   contest   personal appearance  
free sample   trade-in   free product   coupon   free trial

- 1 a competition where the winner gets a prize \_\_\_\_\_
- 2 small piece of paper which you can use to buy goods at a lower price \_\_\_\_\_
- 3 short-term price reduction \_\_\_\_\_
- 4 experiencing a small quantity of a product without purchasing it \_\_\_\_\_
- 5 experiencing a service for a short time without purchasing it \_\_\_\_\_
- 6 'buy one, get one free' \_\_\_\_\_
- 7 where customers are offered a reward (eg discount, free product) for frequent purchasing \_\_\_\_\_
- 8 where a celebrity appears somewhere in order to generate customer traffic \_\_\_\_\_
- 9 using an older product as part-exchange for a new product \_\_\_\_\_

**23.5** Study the table below carefully. Then label each column 1–4 with one of these types of promotional activity: *advertising*, *personal selling*, *sales promotions*, *PR* (media coverage such as stories about the company or reports on special events).

Of course there may be exceptions!

	1 _____	2 _____	3 _____	4 _____
Intended audience	mass & targeted	mass & targeted	mass	targeted
Message flow	one-way	one-way	one-way	two-way
Payment model	paid	paid	non-paid	paid
Interaction type	non-personal	non-personal	non-personal	personal
Demand creation	lagging*	quick	lagging	quick
Message control	good	good	poor	very good
Message credibility**	low	medium	high	medium
Cost effectiveness	difficult to know	medium to high	high (because non-paid)	high

\*lagging = developing more slowly

\*\*credibility = the quality of being believed and trusted

See page 148 for some discussion topics.



### The importance of price

'Price' is the last of 'the four Ps' of marketing, and is probably the one that marketers talk least about. It doesn't seem like an exciting part of the job – in fact a product's price might simply be generated by a spreadsheet. But decisions about price are important for many reasons:

- Price is the most flexible and adjustable part of the marketing mix – it can be changed very rapidly (unlike, say, product or distribution decisions).
- Pricing decisions are critical for revenue: set a price too low and you miss out on profits; set it too high and you lose sales and market share.
- Price is important for first impressions: a customer may not consider the whole product offering if they have dismissed it initially because of the price; equally a high price may say 'quality' and encourage the customer to take an interest.
- Price is an important part of sales promotions. See unit 23.

So, what are the factors that have to be taken into consideration when setting a price? Some important ones are described below.

### Internal factors that affect price

- Profitability: a company usually requires a minimum return on its investment (ie the total costs of making

and marketing the product). But this return may not be important – for example with a new product that isn't yet established – as long as revenue at least covers the costs.

- Market share: a price may be set artificially low in order to gain a hold in a new market, or where there is a price war.
- Consistency with marketing strategy: if the company's overall strategy is to position itself at the high end of the market (and emphasize non-price benefits like quality, service, etc), then price will be kept high.

### External factors that affect price

- Elasticity of demand: in an elastic market, a small change in price results in a big change in demand. In an inelastic market, a small change in price has little impact on demand. The trick is to find the particular price level at which profits (or other objectives) are maximized.
- Customer expectations: remember that 'customers' here also includes distribution partners – they're often the ones who set the final price that the end user pays.
- Competitors' products: every company has to watch what competitors are charging. The market leader often sets prices in a market, and they're usually able to charge a premium.

### Setting a price

#### 5 State payment options

Are there going to be early payment incentives for distribution partners? What method is going to be used for international payment? See unit 3.

#### 1 Examine marketing objectives

What is our market position? Do we want profit or market share?

#### 4 Determine promotional pricing

Is there going to be a promotion? If so, the following are all options:

- ✦ Markdown: offer a lower price than normal.
- ✦ Free product: two for the price of one, etc.
- ✦ Sales promotion: coupons, loyalty programs, etc.
- ✦ Bundle pricing: offer several different products at the same time.
- ✦ Loss leader: sell below cost to attract customer traffic in a store.



#### 2 Determine an initial price

Some or all of the following may be important:

- ✦ Cost + markup.
- ✦ Backward pricing (= what the market is willing to pay).
- ✦ Psychological pricing (eg just below a round number).
- ✦ Product line pricing (ie distinct price points for different models in a range).
- ✦ Competitive pricing (taking into account the competitors' offerings).

#### 3 Set standard adjustments

Some or all of the following need to be fixed:

- ✦ Quantity discount.
- ✦ Trade discount.
- ✦ Special segment discount (eg students).
- ✦ Geographical pricing (eg because of differences in local living standards).



## Exercises

**24.1** Find a word in the text opposite that matches each definition below. The words appear in order.

- 1 able to be changed slightly \_\_\_\_\_
- 2 income; turnover \_\_\_\_\_
- 3 (*phrasal verb*) lose an opportunity to do or have something \_\_\_\_\_
- 4 is enough to pay for \_\_\_\_\_
- 5 (*three words*) obtain control or power \_\_\_\_\_
- 6 doing things in the same way \_\_\_\_\_
- 7 clever and effective way of doing something \_\_\_\_\_
- 8 (*three words*) ask for an additional amount of money, above the standard amount \_\_\_\_\_

Now do the same for the words in 'Setting a price' opposite.

- 9 an increase in the price of something (ie the percentage by which the cost price is increased) \_\_\_\_\_
- 10 (*two words*) number ending in 0 \_\_\_\_\_
- 11 a group of products that are packaged together and sold as a set \_\_\_\_\_
- 12 things that encourage you to work harder, start a new activity, etc \_\_\_\_\_

**24.2** Make phrases by matching an item from each column.

- |            |  |
|------------|--|
| 1 lose     | a minimum return on your investment    |
| 2 take     | sales and market share                 |
| 3 require  | the costs with sales revenue           |
| 4 cover    | several factors into consideration     |
| 5 gain     | yourself at the high end of the market |
| 6 position | below cost to attract customer traffic |
| 7 set      | a hold in a new market                 |
| 8 sell     | the final price that the end user pays |

**24.3** Read this short explanation of discounts and underline the correct words in *italics*.

- 1 A *prompt* / *proper* payment discount is given to help with cash flow.
- 2 A quantity discount encourages a larger purchase – any economies of *volume* / *scale* can be *passed over* / *passed on* to the final customer.
- 3 Trade discounts are for partners in the distribution *channel* / *canal*.
- 4 Seasonal discounts are given during *slack* / *loose* periods of the year, or during the January *promotions* / *sales*.

**24.4** Match one verb from each column so that all three have a similar meaning. All the verbs can be used with 'a price'.

increase	establish	work out
lower	arrive at	put up
set	raise	settle on
negotiate	figure out	bring down
calculate	cut	determine

**24.5** Write each word in the box next to the word in *italics* with the closest meaning.

attractive	bargain	budget	excessive
exorbitant	fair	inflated	list
recommended	reduced	selling	

- 1 a/an *high*, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ price
- 2 a/an *low*, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ price
- 3 a/an *good*, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ price
- 4 the *retail*, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ price

**24.6** Complete what a marketing manager says about prices with the verbs in the box.

agreed to	drop	freeze	held down	matched
received complaints about	re-thought			
set	undercut	were forced to raise		

“Initially we <sup>1</sup> \_\_\_\_\_ prices at what we thought was a reasonable level. Then our costs started to increase. We <sup>2</sup> \_\_\_\_\_ our prices for as long as we could, but eventually we <sup>3</sup> \_\_\_\_\_ them. Immediately we <sup>4</sup> \_\_\_\_\_ the new prices from our customers. They told us that our prices weren't competitive any more. Up to that point we had always <sup>5</sup> \_\_\_\_\_ our competitors' prices, or even slightly <sup>6</sup> \_\_\_\_\_ them. But no more. We were in danger of losing customers, so we <sup>7</sup> \_\_\_\_\_ our whole pricing strategy. We couldn't afford to <sup>8</sup> \_\_\_\_\_ our prices back down to the previous level, and anyway this would have looked very bad in the market. Instead, we announced that we would <sup>9</sup> \_\_\_\_\_ the new prices for twelve months, to give some stability. Nearly all our customers <sup>10</sup> \_\_\_\_\_ this, although they weren't happy.”

See page 148 for some discussion topics.



### Understanding a business

Marketers must first have a detailed understanding of their business in order to develop their marketing strategies. This is often done using a '5Cs' analysis:

- 1 Customer analysis: this involves breaking down the market into segments. See unit 20.
- 2 Company analysis: marketers need to understand their company's cost structure, look at how profits are generated from different product lines and different customer accounts, and identify core competencies in the organization.
- 3 Collaborator analysis: this means producing a profile of all the channel partners (eg suppliers, distributors).
- 4 Competitor analysis: marketers build profiles of each competitor, focusing on their relative strengths and weaknesses.
- 5 Context analysis: as well as the economic and social context, this includes things like potential threats in the industry (eg substitute products, new entrants) and also the changing bargaining power of suppliers and customers.

### Market research

In order to collect all this data, it's necessary to do market research. A variety of techniques are used:

- Quantitative research: the most common research tool here is a survey that captures information with a questionnaire. Information can also come from doing small-scale experiments such as looking at the effect on sales of

changing price points, or moving displays within a store. Websites also offer many opportunities for collecting data – customers' behaviour on a site can be easily tracked.

- Qualitative research: the company may carry out individual interviews, or focus groups. A modern technique is to use observational research where customers are watched in a natural setting as they shop or use products at home.
- Secondary research: data can be collected from other sources such as consulting firms, trade associations, magazine articles, government statistics, etc.
- Test marketing: this involves trying out new products in certain locations.

### Developing a marketing strategy

Once a company has done the kind of research outlined in the two sections above, it's in a better position to understand its customer base and its competitive position in the industry. Marketing managers are then able to develop a strategy. This will relate to:

- Identifying new markets and gaps in the market.
- Developing new products and identifying their desired positioning.
- Developing the company's competitive advantages.
- Maximizing revenues and profits.
- Gaining market share.

The second of these, new product development, will go through a process that includes some or all of the stages in the diagram below.

### New product development

