

Unit 3 - Building a business

Topic 3.1 Marketing Revision sheet

Marketing

Marketing involves **identifying** and **understanding** customer needs and wants. Businesses can then provide products and services that meet these needs **profitably**.

Why do businesses need to undertake marketing?

- Reduce the risk of product failure
- Understand their customers
- Communicated products effectively to encourage customers to buy them
- Keep up to date with market trends so products can continue to meet customer needs

Market research

Market research is gathering information about customers and market trends by collecting primary and secondary research. This information is used to help a business make decisions. There are 3 stage to market research;
Planning and designing the research – should they use primary or secondary, qualitative or quantitative data
Doing the research

Primary – first hand (surveys, focus groups, interviews) – it is usually gathered for a specific reason

Secondary – second hand information (books, internet, magazines) – it already exists

Qualitative – ideas, opinions, attitudes. Harder to analyse

Quantitative – numbers, stats, figures, % - easier to analyse

A **sample** is a small group of the total population which is selected to take part in a survey. Types of sampling are;

1. Random – everyone has an equal chance of being chosen
2. Systematic - Choosing the 10th, 100th or 1000th person from a list
3. Quota – choosing people within a particular market segment e.g 20% males under 25, 50% males 25+, 30% females
4. Stratified random - choosing people at random with a particular market segment

Analysing the information and making decisions

After analysing the information from market research, a business might ask questions like;

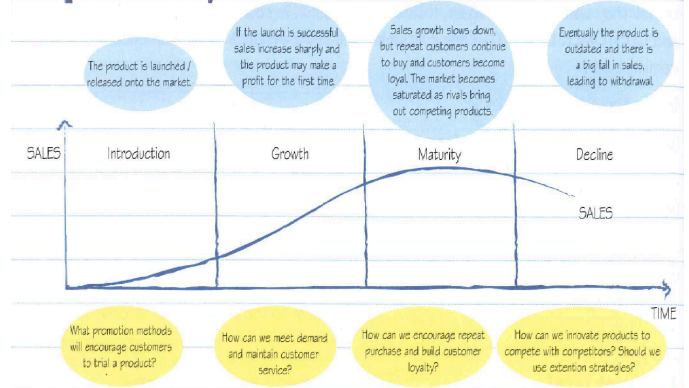
- Is the marketing mix appropriate?
- Does a product or service need to be changed to make it more appropriate for customers needs?
- Should a product or service be left unchanged?
- Is it time to withdraw or replace a product or service?

If you get an exam question about market research, ask yourself the following questions;

1. Was the right time of research used?
2. How accurate is the research likely to be?
3. Is the research representative of the target market?

Product life cycle

The product life cycle



Extension strategies

These are used by businesses to help increase the life of a product. This involved slightly changing the product so that it has a fresh appeal to the target market or appeals to a new market segment.

Methods include; updating/improving the product, develop an advertising campaign, change the appearance, format or packaging, find new uses for a product, reduce the price.

Make sure you can explain how each method will extend the product life cycle

Remember not all products are worth the investment of time and money in an extension strategy

The product life cycle and cash flow

Introduction phase – net cash flow is negative (more money coming in than going out)

Growth phase – net cash flow is positive but small

Maturity and decline phase – at maturity, cash flow is likely to be positive; in decline, a business will start to experience cash-flow issues.

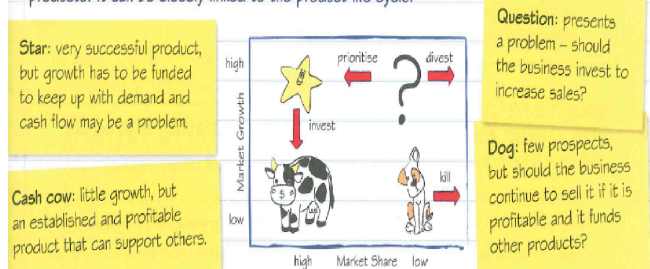
Product Portfolio Analysis – Boston Matrix

Product portfolio analysis helps a business to make decisions about;

- What products to launch and when
- When to withdraw a product
- What products are doing well or badly now and in the future
- How to increase sales

The Boston Matrix

The Boston Matrix is a product portfolio analysis tool used to plan the development of products. It can be closely linked to the product life cycle.



<p>4. Is there any important information that market research does not tell us?</p> <p>This will help you discuss the likely success of a product or an idea</p>	
<p>Product trial and repeat purchase</p> <p>Product trial = this is when a consumer buys a product for the first time to assess whether or not they want to buy it again.</p> <p>Methods of product trial;</p> <ol style="list-style-type: none"> 1. Advertising 2. Free publicity - PR 3. Free samples 4. User testing 5. Low trial prices 6. Viral marketing e.g. marketing 7. Targeting trade buyers <p>Repeat purchase = this is when a customer buys a product more than once.</p> <p>Repeat purchase and building customer loyalty is important as only if there is repeat purchase will the product be a long-term success.</p> <p>Businesses aim to keep customers loyal so that they make repeat purchases and this will generate sales and revenue. Methods include;</p> <ul style="list-style-type: none"> • Special promotions • Customer loyalty schemes • Reminder adverts • Product innovations • Making it accessible..... etc.... <p>Each of these link to the 4P's of the marketing mix</p>	<p>Branding and differentiation</p> <p>A brand is a named product which consumers see as being different from other products and which they can associate and identify with.</p> <p>Benefits of branding</p> <ul style="list-style-type: none"> • Consumers are more willing to trial products in the brand range • Brand encourage consumer loyalty • Consumers trust brands, leading to repeat purchases • Brands can often charge premium prices • Consumers have greater awareness of brands • Brands can lead to increased sales and market share <p>Generic/non-branded products – there is very little difference between the product of one business compared to another. There is nothing to differentiate the product by.</p> <p>Product differentiation is about making a product different from other in some way by;</p> <ul style="list-style-type: none"> • Unique and catchy product name • Quality • Design, formulation or function • Packaging • Customer service • Advertising <p>It helps a business to; 1. position their products and target different market segments, 2. gain an advantage over rivals when faced with competition</p>
<p>Building a successful marketing mix</p> <p>The marketing mix is the combination of factors which help a business to take into account customer needs when selling a product.</p> <p>It is often referred to as the 4P's – Product, Price, Place, Promotion. It is important that all aspects of the marketing mix complement each other and work well together.</p>	
<p>Product</p> <p>This must meet the needs of the customer, and a business must consider the following when differentiating their product from others;</p> <p>1. Who is the product targeted at? 2. What will be our USP? 3. What will be our formula (ingredients or materials)? 4. What will our packaging be? 5. What will be our product range? 6. What will be our brand be about/brand name be about?</p>	<p>Price</p> <p>The price is important because; 1. it gives the customer an indication of quality, 2. in a competitive market, changes in demand can have a significant influence on demand.</p> <p>Branded products generally have a higher price than non-branded products because they are more expensive to produce and promote.-</p> <p>Luxury brands can charge a PREMIUM PRICE for their products whereas a low price might be used for a generic/non-branded products or to encourage product trial when a product is first launched.</p>
<p>Promotion</p> <p>This is the way in which a business makes consumers aware that a product is for sale. It helps create</p>	<p>Place</p> <p>Place is about having a product available to customers when they want it and where they want it. There are a number of ways in which a business might do this;</p>

awareness, communicate product benefits and features to customers, build a strong brand image and boost sales.

Methods of promotion include; advertising, public relations and sales promotions.

1. Direct – via their own store or websites e.g. Nike store and www.nike.com
2. Retailers – distributing through retailers e.g. Sports Direct selling Nike products
3. Wholesale – they break own bulk supply of a product and distributes to retailers e.g. Costco