

**Ethics**

All marketing and advertising in the UK must be:

- an accurate description of the product or service
- legal
- decent
- truthful
- honest

The **Advertising Standards Authority (ASA)** enforce marketing codes of practice that describe how businesses should advertise. Anyone who thinks advertising rules have been broken can complain to the ASA within 3 months of the advert appearing.

**Coca-Cola Example**

- Coca-Cola labelled one of its drinks nutritious.
- They said it was nutritious because it contained 100% of the recommended daily allowance of vitamin C and other vitamins.
- ASA said that they would not expect a nutritious drink to contain 5 tea spoons of sugar.
- ASA banned the advert.

**Understanding Consumers**

**Market Segmentation:** is a part of the market which contains a group of buyers who are similar.

**Market Segmentation Methods**

**Age** - businesses often target certain age groups. E.g. Toothpaste (look at the variations of toothpaste products for children).

**Gender** - male and females want different types of the same products. E.g. clothing, hairdressing and magazines.

**Income** - many companies target rich consumers with luxury goods (e.g. Lexus and BMW). Others focus on appealing to low incomes consumers (E.g. Lidl and Aldi).

**Where they live** - dividing the market based on geography. E.g. countries, regions, cities.

**Cultural and Ethnic backgrounds** - different cultures/ethnicities want different products. E.g. Kosher food and Halal food.

**Mass Vs Niche Market**

**Mass Market** products targeted at all consumers as most people are interested in them. A high volume of sales can be made. Example – Baked Beans

**Niche Market** different products that appeal to a small segment of consumers. They are often supplied by smaller businesses. Example – Gluten Free Food

**Market Research**

**Market Research:** is the way in which information and data is gathered about consumers, competitors and market trends.

**Primary (Field) Market Research:** involves collecting original information for a specific purpose: this is often called field research. Examples: Surveys, Interviews, Consumer Panel, Focus Groups, Observation

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>✓ Up to date</li> <li>✓ Specific</li> <li>✓ Original data</li> <li>✓ Data can be collected quickly</li> </ul>	<ul style="list-style-type: none"> <li>✗ Can be difficult to collect</li> <li>✗ Expensive to collect</li> <li>✗ Can provide inaccurate results if sampling is small</li> </ul>

**Secondary (Desk) Market Research:** involves using information which already exists, this is often called desk research. Examples: Accounts (Internal), Internet, Newspaper, Census, Data

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>✓ Information already available</li> <li>✓ Cheaper than primary research</li> <li>✓ Conducted regularly so can show trends</li> </ul>	<ul style="list-style-type: none"> <li>✗ Can be outdated</li> <li>✗ Widely available so may not provide a competitive advantage</li> <li>✗ May be inaccurate</li> </ul>

**Qualitative Data** is descriptive information found by experiences or in textbooks or newspapers or reports. It can include opinions and cannot be quantified by numbers. **Quantitative Data** deals with measurements and figures perhaps shown in tables and graphs. It includes numerical data that can be given values and is easier to interpret and evaluate compared to qualitative data.

**Marketing Mix - Price**

**Cost-Plus Pricing** involves the business adding a sum of money (the profit per good) to the cost of producing goods to determine the selling price of the good or service. + Easy to determine the price / - Price may be unsuitable

**Competitive Pricing** involves the business offering goods for sale at a price at or below that set by competitors. + Enables a business to compete / - Price may be unsustainable

**Loss Leaders** are products put on sale, usually in supermarkets, at prices which make no profits and may even make losses in order to attract customers into the shop to buy other goods. + Can increase market share / - Unsustainable as a loss is made

**Psychological Pricing** involves offering goods at prices below whole number such as £5.99 or £499, or using words such as "only". It is hoped that the consumer will believe that the product is much cheaper than if the price had been £6 or £500.

**Penetration Pricing** involves setting a low price for a new product to encourage sales. The price may be increased later with customer loyalty and growing market share. + Build loyalty / - Higher price may put off customers

**Price Discrimination** involves setting different prices to different market segments. + Target different market segments / - May be seen as 'unfair'

**Price Skimming** involves selling a product at a high price in order to earn high initial profits. Prices are then reduced at a later stage. + Can recoup R&D costs / - Customers may delay purchases

Factors affecting price:

- Cost of production
- Competitor activity
- Consumer income
- Supply and demand

**Marketing Mix - Product**

**Product** is the good or service provided by a business. **Product Design** this is what the product looks like, the features it has and how it differs from the competition. Innovation is commonly described as 'the commercially successful exploitation of ideas'.

**Product Features:** Reliability, Quality, Design, Flavour, Image, Packaging.

**Product Portfolio** the collection/range of all the goods and services offered by a business.

Wide product portfolio	
Benefits	Drawbacks
<ul style="list-style-type: none"> <li>✓ Spread risk</li> <li>✓ Increased revenue</li> <li>✓ Appeal to different market segments</li> </ul>	<ul style="list-style-type: none"> <li>✗ Drain marketing resources</li> <li>✗ Requires significant investment</li> <li>✗ Bad publicity of one product could affect others</li> </ul>

**Product range** businesses offer a range of products, this is called the product range. E.g. a shop may sell a range of soft drinks.

**Product mix** the product mix is part of a company's total product range. Many businesses produce or sell more than one type of product. E.g. A shop may sell a mix of different products.

**Product Differentiation** this means making the product different from its competitors. It can be achieved through:

- Distinctive design- e.g. Dyson; Apple iPod
- Branding - e.g. Nike, Reebok
- Performance - e.g. Mercedes, BMW

**Unique Selling Point** what makes a product different from ones sold by competitors. It may involve the lowest price, the best quality or the first of its kind.

**A brand** is a product with unique character, for instance in design or image. It is consistent and well recognised.

**Own Brand** - A product which is sold under the brand name of a supermarket chain or other retailer, rather than under the name of the business which manufactures the product.

**Marketing Mix – Product (Product Life Cycle)**

**Product Life Cycle** shows the stages that products go through from being introduced to leaving the market.

**INTRODUCTION** - Product is launched, supported by advertising campaign and promotion to increase product awareness (expensive). Sales will gradually increase during this stage. **GROWTH** - Sales and profits rise, the product is sold in more places now. Advertising continues to be focused on increasing product awareness. **MATURITY** - Sales reach their peak. All research, development and advertising costs have been paid. Marketing focuses on persuading repeat purchases. **SATURATION** - the point in the product life cycle where the market is full as competitors introduce similar products. **DECLINE** - Big fall in sales and sometimes the product is withdrawn.

**Extension strategies** extend the life of the product before it goes into decline. Again businesses use marketing techniques to improve sales. Examples:

- **Advertising** – try to gain a new audience or remind the current audience
- **Price reduction** – more attractive to customers
- **Adding value** – add new features to the current product, e.g. improving the specifications on a smartphone
- **Explore new markets** – selling the product into new geographical areas or creating a version targeted at different segments
- **New packaging** – brightening up old packaging or subtle changes

**Marketing Mix - Place**

**Marketplace** is the place where buyers and sellers come together and can exchange payment in return for goods and services. **Distribution Channel** involve the routes which goods follow between the manufacturer and the consumer. The route may be direct between the two but the interaction of middlemen is more likely.

**Manufacturers** is the maker of products. Also known as producer. **Wholesalers** buy goods from the manufacturer and sell these goods in smaller quantities to retailers. **Retailers** sell goods to consumers. Small retailers buy their stock from wholesalers but large-scale retailers buy directly from manufacturers. **Consumers** are the final users of goods and services. They are at the end of the distribution channel.

**Multi-Channel Distribution** involves a business using more than one channel to distribute its goods perhaps through traditional shops and catalogues and online.

**Benefits of multi-channel distribution:**

- Increase number of potential customers
- Increase sales and profits

**Drawbacks of multi-channel distribution:**

- Increased costs
- Could lose money if not successful

Choosing the right channel(s) of distribution will depend on many things:

- the type of product or service
- the nature of the market
- the type of customer
- the size of the business

**E-Commerce** involves the buying and selling of goods and service via the internet. **M-Commerce** involves buying goods and services through hand held mobile devices such as smartphones.

**Marketing Mix - Promotion**

**Promotion** involves information and techniques used by businesses to make consumers aware of products and to persuade them to buy those products now and in the future.

Promotion involves:

- making the customer aware there is a product for sale
- explaining to them what the product is
- making the customers aware of how the product will satisfy their needs
- persuading them to buy it

Promotion Methods:

**Advertising Media** are the various places where advertisements may be found. Examples - television, newspapers or the internet. **Sales Promotion** sale incentives that attempt to give a short-term boost to sales. Examples – BOG OFF, Loyalty Cards, Free Gifts. **Direct Marketing** describes a range of promotional activities that are aimed directly at the customer, so bringing the promotional message straight to the target audience. Examples – telemarketing, direct mail.

Growth of Direct Marketing:

- Personalised message for specific customers
- Cost effective
- Success if easy to measure – through response rate and sales

Advertising Media Examples: Local Newspaper, National Newspaper, Websites, Radio, TV, Cinema, Point of Sale, Leaflets, and Directory Listings.

The type of media used will depend on:

- **The target audience** – it is important to use the media that customers and potential customers use
- **The size of the market** – local and small businesses will use different media to large and global businesses
- **The size of the advertising budget** – advertising is expensive and a business must use media that it can afford