

# Management of Marketing and Operations

## *2.1 – Marketing*

**Learner's  
Notes**



## Introduction

In this topic you will find out about the following things.

<b>Consumers</b>	<ul style="list-style-type: none"><li>• <i>CONSUMER BEHAVIOUR</i></li><li>• <i>PRODUCT LED v MARKET LED<sup>H</sup></i></li><li>• <i>MARKET SEGMENTS</i></li><li>• <i>TARGET MARKET</i></li></ul>
<b>Market Research</b>	<ul style="list-style-type: none"><li>• <i>DESK MARKET RESEARCH METHODS</i></li><li>• <i>FIELD MARKET RESEARCH METHODS</i></li><li>• <i>MARKET RESEARCH COSTS AND BENEFITS</i></li><li>• <i>SAMPLING<sup>H</sup></i></li></ul>
<b>Marketing Mix</b>	<ul style="list-style-type: none"><li>• <i>COMBINATION OF PRODUCT, PRICE, PLACE PROMOTION</i></li></ul>
<b>Product</b>	<ul style="list-style-type: none"><li>• <i>PRODUCT DEVELOPMENT</i></li><li>• <i>BRANDING</i></li><li>• <i>PRODUCT LIFE CYCLE</i></li><li>• <i>EXTENSION STRATEGIES<sup>H</sup></i></li><li>• <i>PRODUCT PORTFOLIOS<sup>H</sup></i></li></ul>
<b>Price</b>	<ul style="list-style-type: none"><li>• <i>PRICING STRATEGIES<sup>H</sup></i></li><li>• <i>FACTORS TO BE CONSIDERED WHEN SETTING PRICE</i></li></ul>
<b>Place</b>	<ul style="list-style-type: none"><li>• <i>CHANNELS OF DISTRIBUTION</i></li><li>• <i>BUSINESS LOCATION<sup>N5</sup></i></li><li>• <i>METHODS OF DISTRIBUTION</i></li></ul>
<b>Promotion</b>	<ul style="list-style-type: none"><li>• <i>ADVERTISING</i></li><li>• <i>ETHICAL MARKETING</i></li><li>• <i>PROMOTIONAL STRATEGIES</i></li></ul>
<b>Extended Marketing Mix</b>	<ul style="list-style-type: none"><li>• <i>PHYSICAL EVIDENCE<sup>H</sup></i></li><li>• <i>PEOPLE<sup>H</sup></i></li><li>• <i>PROCESSES<sup>H</sup></i></li></ul>
<b>Technology</b>	<ul style="list-style-type: none"><li>• <i>ROLE OF TECHNOLOGY IN MANAGING MARKETING</i></li></ul>

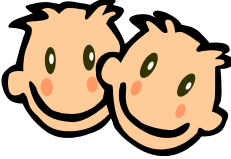



<sup>N5</sup> – *N5 ONLY*

<sup>H</sup> – *HIGHER ONLY*

## MARKETS

A **MARKET** for a good or service exists when **CONSUMERS** (people who have money and want products) and **SELLERS** (people who have things to sell for money) are in contact with each other and are able to buy and sell it.

There are different **TYPES OF MARKET**.

Market	Description
<p><b>DIRECT MARKETS</b></p> 	<p>Here consumers and sellers are in <b>FACE TO FACE</b> contact. Examples include:</p> <ul style="list-style-type: none"> <li>• <i>SHOPS</i></li> <li>• <i>CAR BOOT SALES</i></li> <li>• <i>AUCTIONS</i></li> </ul>
<p><b>INDIRECT MARKETS</b></p> 	<p>Here buyers and sellers are <b>NOT</b> in <b>FACE TO FACE</b> contact. Examples include:</p> <ul style="list-style-type: none"> <li>• <i>ESTATE AGENTS (market method – another person)</i></li> <li>• <i>MAIL ORDER PURCHASES (market method – post)</i></li> <li>• <i>INTERNET PURCHASES (market method – computer)</i></li> </ul>
<p><b>CONSUMER MARKETS</b></p> 	<p>Here the buyers are people who want the goods or services that they buy simply to satisfy their needs and wants.</p>
<p><b>COMMERCIAL MARKETS</b></p> 	<p>Here the buyers of goods and services are other businesses who want these products in order to help them run their own business. These markets are also sometimes known as <b>INDUSTRIAL MARKETS</b>.</p>

## THE ROLE OF MARKETING

The role of **MARKETING** in a business is to:

- **IDENTIFY** the **CURRENT** goods and services that consumers want;
- **ANTICIPATE** the goods and services that consumers will want in the **FUTURE**;
- create products to **SATISFY** these current and future wants.

The main activities that are involved in this work by marketing staff are as follows.

- **MARKET RESEARCH**
- **MARKET SEGMENTATION**
- **PRODUCT DEVELOPMENT**
- **PRICING**
- **PLACEMENT**
- **PROMOTION**
- **PEOPLE**
- **PROCESSES**
- **PHYSICAL EVIDENCE**
- **EXTENDED MARKETING MIX DECISIONS**

This Marketing work is very important to any kind of business in an economy (ie PRIVATE, PUBLIC or THIRD sector), because if it is done properly then it can bring the following benefits.

- **SURVIVAL** (all businesses need to satisfy their consumers or they will fail)
- **POSITIVE BUSINESS IMAGE** (from advertising and promotions)
- **INCREASED CONSUMER SATISFACTION** (from provision of goods and services that they want)
- **DEVELOPMENT OF CONSUMER LOYALTY** (ie consumers want to keep buying from the business)
- **INCREASED USE OF THE BUSINESS BY EXISTING AND NEW CONSUMERS**
- **INCREASED PROFITS, BUDGETS OR DONATIONS**

This is even the case for businesses which are very well known and have high levels of demand for their products (eg Coca Cola). This is because effective marketing will allow them to gain more of the above benefits as it prevents people forgetting about them and beginning to use another business instead.



## PRODUCT ORIENTATED AND MARKET ORIENTATED BUSINESSES

Marketing is becoming increasingly important to businesses not just because of the benefits it can bring but because of changes in **CONSUMER BEHAVIOUR** (ie the way that consumers choose which products that they will buy and use).

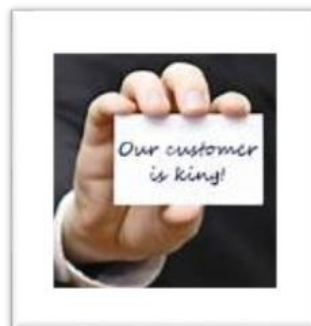
At one time, almost all markets were dominated by a just few businesses. This meant that consumers could only choose what they wanted to buy from a limited range of products and usually had little up to date information about these goods and services on which to base their decision.

When this was the case, businesses **DID NOT** have to extensively focus on marketing as by simply making a product they could almost guarantee sales in these narrow markets. This kind of business activity was known as being **PRODUCT ORIENTATED** (as it focused on how to make the product rather than how to sell it using marketing). Henry Ford demonstrated this idea when he said in the 1900s that consumers could “have his cars in any colour they wanted ... as long as it was black” because this was the only colour he made them in order to speed up production and keep costs down.

Over time, consumer behaviour has changed and markets have become more competitive for the following reasons.

- *INCREASED CONSUMER CHOICE (from new businesses offering new products)*
- *INCREASED CONSUMER KNOWLEDGE (especially from the use of technology such as the internet)*
- *INCREASED CONSUMER SPENDING (from increasing wages)*
- *NEW BUSINESSES STARTING UP (to try to get some the profits they see other businesses making)*
- *CREATION OF MORE PRODUCTS (from new businesses and developing technology)*

This situation means that to survive and succeed in most modern markets<sup>1</sup>, businesses must actively work to meet respond to changes in consumer behaviour and so effectively meet consumers’ demands or they will lose sales to their competitors. This way of running a business is known as **MARKET ORIENTATED** and places a high importance on the use of marketing activities to satisfy consumers rather than simply relying how well made a product is. For example, the X Factor is market orientated as the winner is the person that the market wants (shown via their votes) rather than the “best” singer.



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<sup>1</sup> Some businesses are still market led because they believe that by making their product the best available or unique consumers will simply buy it because of this or go without. An example of this was Apple when they created the iPhone.

## MARKET RESEARCH

**MARKET RESEARCH** is the process of **GATHERING, RECORDING** and **ANALYSING INFORMATION** about a **MARKET**.

The types of information that Market Research is usually concerned with includes the following.

- *TYPES OF CONSUMERS*
- *CURRENT AND FUTURE CONSUMER WANTS*
- *CONSUMER OPINION OF A BUSINESS AND ITS COMPETITORS*
- *ACTIONS OF COMPETITORS WITHIN A MARKET*

Market research is an important marketing activity for the following reasons.

- **INFORMATION ABOUT MARKETING STRENGTHS** can allow a business to make marketing decisions which build on these positives and improve overall performance. For example, a business with a popular brand could release a new product as they will be confident consumers will “trust” the brand and want to buy more things from it.
- **INFORMATION ABOUT THE NATURE OF A MARKET** can allow a business to make marketing decisions which will make the most of any opportunities present to improve overall performance. For example, a business may note that it has little competition in a market so decide to increase prices as consumers will have little choice but to pay them.
- **INFORMATION ABOUT ANY AREAS FOR DEVELOPMENT** (eg problems with the product) can allow a business to make marketing decisions which “fix” these issues. This should prevent lost sales and so improve overall performance.
- By being able to use market research information to make **“INFORMED” AND EFFECTIVE MARKETING DECISIONS**, a business is more likely to be successful by satisfying consumers and achieving its objectives.
- **MARKET ORIENTATED BUSINESSES** rely on putting the consumer at the centre of their activities – without market research information they would be unable to do this and would fail.





## CARRYING OUT MARKET RESEARCH

Market research is usually carried out in businesses through the following series of steps.

### 1 DECIDE ON THE TYPE OF INFORMATION ABOUT THE MARKET THAT HAS TO BE GATHERED

The main types of information that a business may want to find can be seen below.

Information	Description
<b>QUANTITATIVE</b> 	This is information which is based on <b>FACTS AND FIGURES</b> rather than opinions. This information is obviously very specific and so can be helpful in finding out <b>HOW</b> things in a market are changing, but it does not usually provide reasons why this is happening. Examples of quantitative information would include sales figures, profit amounts, stock levels and staff wage costs.
<b>QUALITATIVE</b> 	This is information which is based on <b>OPINIONS</b> rather than definite facts or figures. This information is helpful in finding out <b>WHY</b> things are changing in a market are changing. An example of qualitative information would be suggestions about how to improve quality at a staff meeting.

### 2 DECIDE ON THE BEST METHOD OF MARKET RESEARCH TO GET THE INFORMATION REQUIRED

### 3 CARRY OUT THE RESEARCH

### 4 ANALYSE MARKET RESEARCH GATHERED TO HELP YOU DECIDE WHAT THE BUSINESS SHOULD DO NEXT




## MARKET RESEARCH METHODS

There are 2 main methods of market research that can be used.


### 1 DESK RESEARCH

**DESK RESEARCH** involves finding and **REUSING EXISTING** information about a market for your specific purpose. This “reused” information from desk research is known as **SECONDARY INFORMATION**. This type of research therefore **DOES NOT** usually involve direct contact with consumers (as it can be done by sitting at a desk!).

Examples of desk research sources that businesses are likely to use can be seen below.

Source	Description
<p style="text-align: center;"><b>EXTERNAL SOURCES</b></p> 	<p>These are sources of market research information from <b>OUTSIDE</b> of the business. They provide information about what people outside of the business think about it and the market in general.</p> <ul style="list-style-type: none"> <li>• <i>GOVERNMENT STATISTICS AND REPORTS ABOUT A MARKET</i></li> <li>• <i>INDUSTRY AND TRADE STATISTICS AND REPORTS ABOUT A MARKET</i></li> </ul> <p>Information Technology (IT) based external sources are also becoming very popular with businesses as they can provide accurate information very quickly and at low additional cost. Examples of IT based external sources include the following.</p> <ul style="list-style-type: none"> <li>• <i>ON LINE MARKETING DATABASES</i></li> </ul> <p>Today, many databases of information about consumer opinions and actions have been created by Market Research organisations for other businesses to use as quality desk research (by paying for access).</p> <ul style="list-style-type: none"> <li>• <i>INTERNET</i></li> </ul> <p>The internet is a global network of connected computers. Information is stored on this network as <b>WEBSITES</b> and can be accessed to find out information about competitors and market trends.</p>



Source	Description
<p data-bbox="316 277 442 344"><b>INTERNAL SOURCES</b></p> 	<p data-bbox="549 277 1378 432">These are sources of market research information from <b>INSIDE</b> of the business. They often focus on information about the business itself. Examples of internal information that could be reused to show if marketing is being successful include:</p> <ul data-bbox="549 472 855 627" style="list-style-type: none"> <li>• <i>SALES FIGURES</i></li> <li>• <i>PROFIT FIGURES</i></li> <li>• <i>PRODUCTION FIGURES</i></li> <li>• <i>STOCK LEVELS</i></li> </ul> <p data-bbox="549 667 1445 822">Information Technology (IT) based internal sources are also becoming very popular with businesses as they can provide accurate information very quickly and at low additional cost. Examples of IT based internal sources include the following.</p> <ul data-bbox="549 862 1008 891" style="list-style-type: none"> <li>• <i>ELECTRONIC POINT OF SALE (EPOS)</i></li> </ul> <p data-bbox="587 913 1430 1025">EPOS tills record details of every item which is sold. This info can then be reused as desk research about sales trends in particular areas or to measure the overall change in sales from marketing activities.</p> <ul data-bbox="549 1066 807 1095" style="list-style-type: none"> <li>• <i>LOYALTY SCHEMES</i></li> </ul> <p data-bbox="587 1122 1430 1276">Loyalty Schemes (eg Tesco Clubcard) can be used record details of every item which is purchased by a specific consumer. This info can then be accessed as desk research about purchases by specific market segments and their response to marketing activities.</p> <ul data-bbox="549 1317 823 1346" style="list-style-type: none"> <li>• <i>SECURITY CAMERAS</i></li> </ul> <p data-bbox="587 1368 1445 1480">Security and other cameras can also be used to watch consumer behaviour (eg where they spend the most time in the store) and gather information about their actions and preferences.</p>

Therefore, in general, the main **STRENGTHS** of desk research methods include the following.

- Desk research is **RELATIVELY CHEAP** to collect as time and money does not have to be spent collecting new information.
- Desk research is **RELATIVELY EASY** to collect as time and effort does not have to be spent creating effective ways to collect new information.
- Desk research provides market research information **RELATIVELY QUICKLY** as it is already available and so time does not have to be spent collecting new information.
- The speed with which (especially internet based) desk research can provide market research information means that it will **TIMELY** (in time) for decisions which need to be taken quickly.
- The speed with which (especially internet based) desk research can provide information means that it can provide access to a wide range of both **INTERNAL** (information from inside of the business) and **EXTERNAL** (information from outside of the business) market research. This can help make sure that decisions are well thought out by using a **FULL** picture of the market.

Therefore, in general, the main **WEAKNESSES** of desk research methods include the following.



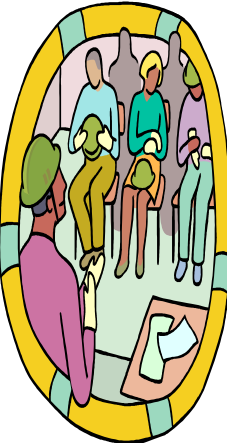
- Desk research uses information that already exists and so this information may only be able to provide **BROAD** rather than specific market research information – this may not be very helpful for decision making. For example desk research may show that sales are falling – but not be able to explain why.
- Desk research only uses information that already exists and so this information may be less than useful because it has become **OUT OF DATE**.
- Desk research only uses information that already exists and so you may not know if it is **INACCURATE** because you did not carry it out.
- Desk research only uses information that already exists and so if nothing is available on a topic (eg a new market) then it will be unable to provide any market research.

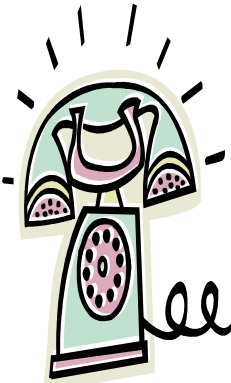
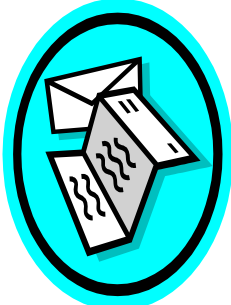





## 2 FIELD RESEARCH

**FIELD RESEARCH** involves gathering **NEW** information about a market for your own specific purpose. This information that field research creates is known as **PRIMARY INFORMATION**. This type of research therefore **DOES** usually require direct contact with consumers.



Examples of methods of field research that businesses are likely to use can be seen below.

Method	Description
<p><b>COMMENT CARDS</b></p> 	<p>Here the business uses a card (which is usually available at tills or service desks) to gather comments from consumers about the business and its' market.</p> <p>This is good because it does not require a lot of staff time and wages to collect the information. Consumers can also use it at any time so it allows a business to collect ongoing research easily.</p> <p>The main drawback of this method is that it is not a 2 way method of communication and so it can be hard to clear up any misunderstandings or get extra detail to issues.</p>
<p><b>PERSONAL INTERVIEW</b></p> 	<p>Here the business uses a face-to-face discussion to ask individual consumers questions about what they think about the business and its' market.</p> <p>This is good because it allows a 2 way conversation about issues and so can clear up any misunderstandings and get extra detail to answers. This means the information it provides will be of high quality.</p> <p>The main drawback of this method is that consumers may not have the time to talk of be unhappy to do so - this can mean it is hard to collect research this way. It also takes time for staff to do it which costs money for wages.</p>
<p><b>GROUP DISCUSSION</b></p> 	<p>Here the business has a face-to-face discussion with a group of consumers which asks them questions about what they think about the business and its' market. This is also sometimes known as a <b>FOCUS GROUP</b>.</p> <p>Like a personal interview, this is good because it allows a 2 way conversation about issues and so can clear up any misunderstandings and get extra detail to answers. However, group discussion are usually quicker and cheaper than personal interviews to carry out because they involve speaking to many people at once rather than individually.</p> <p>The main drawback of this method is that some consumers may not want to speak out in a group situation or will simply agree with the majority opinion and so the information may be less accurate or more broad than that gained from personal interview.</p>

Method	Description
<p><b>TELEPHONE SURVEY</b></p> 	<p>Here the business uses the telephone to contact individual consumers in order to have a one-to-one structured conversation about what they think about the business and its' market.</p> <p>Like a personal interview, this is good because it allows a 2 way conversation about issues and so can clear up any misunderstandings and get extra detail to answers. However, group discussion are usually quicker and cheaper than personal interviews to carry out because time is not wasted going to meet the consumers.</p> <p>The main drawback of this method is that many consumers may not want to take part as the phone call may be at an inconvenient time or they feel annoyed that they have been contacted without specific prior warning in the privacy of their own home.</p>
<p><b>POSTAL SURVEY</b></p> 	<p>Here the business sends a <b>QUESTIONNAIRE</b> (a set of agreed questions) through the post to consumers and asks them to complete and return it.</p> <p>This is good because it does not require a lot of staff time and wages because time is not spent face-to-face collecting the information.</p> <p>The main drawbacks of this method are that it is not a 2 way method of communication (so it can be hard to clear up any misunderstandings or get extra detail to issues) and there is usually a very low return rate (as consumers cannot be bothered) which means lots of the money spent organising the research is wasted.</p>
<p><b>ONLINE SURVEY</b></p> 	<p>Here the business uses an internet website to ask consumers questions about what they think about the business and its' market. Consumers can be directed to this website from information on e—mails, receipts or the business website.</p> <p>This is good because it does not require a lot of staff time and wages because computers collect or analyse the information. Consumers may be more willing to provide information because it is quick and they can answer at a time which suits them</p> <p>The main drawback of this method is that it is not a 2 way method of communication and so it can be hard to clear up any misunderstandings or get extra detail to issues.</p>

Method	Description
<p><b>HALL TEST</b></p> 	<p>Here the business invites a group of consumers to actually examine and use a prototype or final product and give them feedback about it.</p> <p>This is good because it focuses consumers on the product as it is actually there and so can improve the relevance of their comments. It can also be a reasonably cheap method of research as skilled staff may not be necessary as the product itself will focus and structure feedback.</p> <p>The main drawback of this method is that some consumers may not want to speak out in a group situation or will simply agree with the majority opinion and so the info may be less accurate or broader than that gained from personal interview.</p>
<p><b>CONSUMER AUDIT</b></p> 	<p>Here the business gets a group of consumers to provide ongoing information about their spending habits and what influences their buying decisions.</p> <p>This is good because it provides very up to date and detailed information about the effectiveness of marketing decisions.</p> <p>The main drawbacks of this method are cost (of constant data processing and for consumer payment) and the difficulty involved in finding a suitable group of people to use over a period of time.</p>

It should be noted that when carrying out any of the above methods of field research it is usually impossible to get information from everyone in the market due to time and money restrictions. This means that researchers tend to collect information from only a **SAMPLE** (ie small part) of the market and then use these results as an estimate of the opinions and preferences of the market as a whole. This “scaling up” of sample opinions to will usually give quite useful results provided the largest sample possible is used and samples are taken and compared regularly. The main ways that samples are created can be seen below.

Sample	Description
<p><b>RANDOM SAMPLE</b></p> 	<p>Here the sample is chosen purely at random (from a phonebook, etc). This process is simple and should mean the sample is “fair” (as it is unbiased and a mix of a market). However, the main drawback is that the sample will include a range of people uninterested in the product and so can result in useless or unfocused feedback.</p>
<p><b>QUOTA SAMPLE</b></p> 	<p>Here the sample is made up a quota of people (ie a specific amount) who “match” the market as a whole (eg if the market is 50% female then the sample will be 50% female). This should increase the relevance and value of feedback as the sample should be interested in the product. However, it can be time consuming to make sure that the sample matches the market as a whole.</p>

Therefore, in general, the main **STRENGTHS** in general of sampled field research methods include the following.

- *Field research is valuable for decision making because it creates new information which will be **SPECIFIC** to your market research needs.*
- *Field research is reliable for decision making because it is **ACCURATE** as it creates new information from work that you have done.*
- *Field research is reliable for decision making because it is **UP TO DATE** as it creates new information from work that you have just done.*

Therefore, in general, the main **WEAKNESSES** in general of sampled field research methods include the following.

- *Field research can be **RELATIVELY EXPENSIVE** to collect as time and money has to be spent on staff and technology to gather the new information.*
- *Field research can take time to collect and so sometimes it may **NOT** produce **TIMELY** information when decisions need to be taken quickly.*
- *The amount of time which field research can take to provide information can mean that it **MAY NOT** provide a wide range of **INTERNAL** (information from inside of the business) and **EXTERNAL** (information from outside of the business) market research. This can mean that decisions are **NOT** well thought out because there is not a full picture of the market.*



## CHOOSING A METHOD OF MARKET RESEARCH

Due to the importance of the marketing decisions that are based on market research, businesses must be careful to choose market research that will provide them with the best possible information.

To help decide which methods of market research are best for a situation, a business should consider the following factors.

**1 THE TYPE OF INFORMATION NEEDED**

*(eg information about basic changes simply requires DESK research, but data about the reasons why consumer spending habits have changed will require FIELD research)*

**2 THE MARKET THAT THE BUSINESS IS IN**

*(eg fast changing markets require information to be gathered frequently and quickly and so on line DESK research will be useful)*

**3 THE TIME AVAILABLE FOR THE RESEARCH TO BE CARRIED OUT**

*(eg when plenty of time is available high quality FIELD research can be used, but when time is short DESK research may have to do)*

**4 THE FINANCE AVAILABLE FOR CONDUCTING THE RESEARCH;**

*(eg when plenty of money is available high quality FIELD research can be used, but when money is short DESK research may have to do)*

**5 THE OTHER RESOURCES AVAILABLE FOR CONDUCTING THE RESEARCH**

*(eg when trained staff, effective questionnaires, etc, are available, then high quality FIELD research should be used, when these resources are not available, then DESK research may have to do)*



## LIMITATIONS OF MARKET RESEARCH

Although market research helps businesses make sensible marketing decisions, it does not guarantee marketing success. This is because, despite the best efforts of staff, market research might provide poor quality information for the following reasons.

- *SAMPLE BIAS (ie sample used does NOT represent the market well)*
- *SAMPLE ACCURACY (ie calculations used to analyse sample may be inaccurate)*
- *INTERVIEWER BIAS (ie interviewer may have “led” the respondent to answer in a certain way)*
- *HUMAN BEHAVIOUR (ie research results become invalid if people change their minds)*
- *RESOURCE CONSTRAINTS (eg little time or money to carry out effective research)*





## MARKET SEGMENTATION

**MARKET SEGMENTATION** involves using market research information to split the consumers in your market into **SEPARATE** and **IDENTIFIABLE** groups with **SPECIFIC WANTS**.

Market Segmentation usually creates these different groups (known as **MARKET SEGMENTS**) which each have different identifiable **CONSUMER BEHAVIOURS** due to one or more of the following variables which affect their buying habits.

- 1 AGE**  
*(eg children want different products when compared to adults)*
- 2 GENDER**  
*(eg men often want different products when compared to women)*
- 3 INCOME**  
*(eg people with high incomes may holiday more than people with lower incomes)*
- 4 RELIGION**  
*(eg faith may affect buying habits - muslim people do not usually use non halal meats)*
- 5 FAMILY CHARACTERISTICS**  
*(eg families with many children may need 7 seat cars while couples may want a 2 seat car)*
- 6 LOCATION**  
*(eg rural people may rent more films than city dwellers as it harder for them to get to the cinema)*
- 7 LIFESTYLE AND PREFERENCES**  
*(eg skiers will want ski equipment while footballers will not)*
- 8 SOCIAL CLASS**  
*(ie Social class refers to the “type” of job you have and the “kind” of person that you are. It affects consumer spending as it influences what you want to have and do.)*

An example of segmentation can be seen from Coca Cola who have identified the following different segments and made different products for their needs - health conscious men (Coke Zero), health conscious women (Diet Coke), soft drinkers (Coca Cola) and children (Caffeine Free Diet Coke).



## TARGET MARKETING

**MASS MARKETING** (aka **UNDIFFERENTIATED MARKETING**) is a product orientated strategy which involves a business trying to sell **ONE** product to **ALL** segments of a market in the **SAME** way. This has the advantages of being **SIMPLE** and **CHEAP**. However, it **WASTES RESOURCES** (trying to reach buyers who will never be interested) and **DOES NOT MAXIMISE SALES** (as not all consumers can be satisfied with the same product as they do not all have the same needs).

On the other hand, **TARGET MARKETING** (aka **DIFFERENTIATED MARKETING**) is more market orientated strategy which involves trying to use **MARKET SEGMENTATION** information to better meet the demands of different segments by providing each of them with a marketing mix which suits their particular needs.

Target marketing is usually used instead of mass marketing because it can bring the following **BENEFITS** to a business.

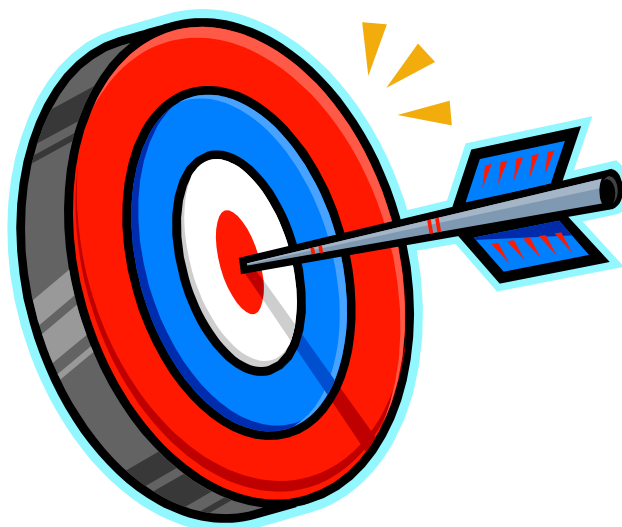
- *IMPROVED CONSUMER SATISFACTION (as specific wants are being met)*
- *IMPROVED CONSUMER LOYALTY (as specific wants are being met)*
- *NEW SALES OPPORTUNITIES (as new segments can start to be sold to)*
- *IMPROVED SERVICE, ASSISTANCE OR PROFITS (due to increased satisfaction, loyalty and opportunities)*
- *IMPROVED MARKET SHARE (this is an increase in the amount of the market the business is dealing with)*
- *DECREASED WASTAGE IN PRODUCTION (as targeted products should satisfy wants and so not go unsold)*
- *LESS CHANCE OF FAILURE (from increased usage, increasing market share and less wastage)*

However, target marketing can also create the following **ISSUES** for to a business.

- *INCREASED COST (having lots of different products to satisfy consumers can be costly)*
- *COMPLICATED TO MANAGE (many different products can be hard for businesses to keep organised)*

Specific examples of target marketing activities include the following.

- *PERSONAL SELLING - here products are changed for each consumers situation, eg insurance.*
- *NICHE MARKETING - marketing of a product to ONE segment ONLY for domination.*



## THE TRADITIONAL MARKETING MIX

Once a business is clear from market research what its' different market segments want, it will have to make decisions about the **MARKETING MIX**.

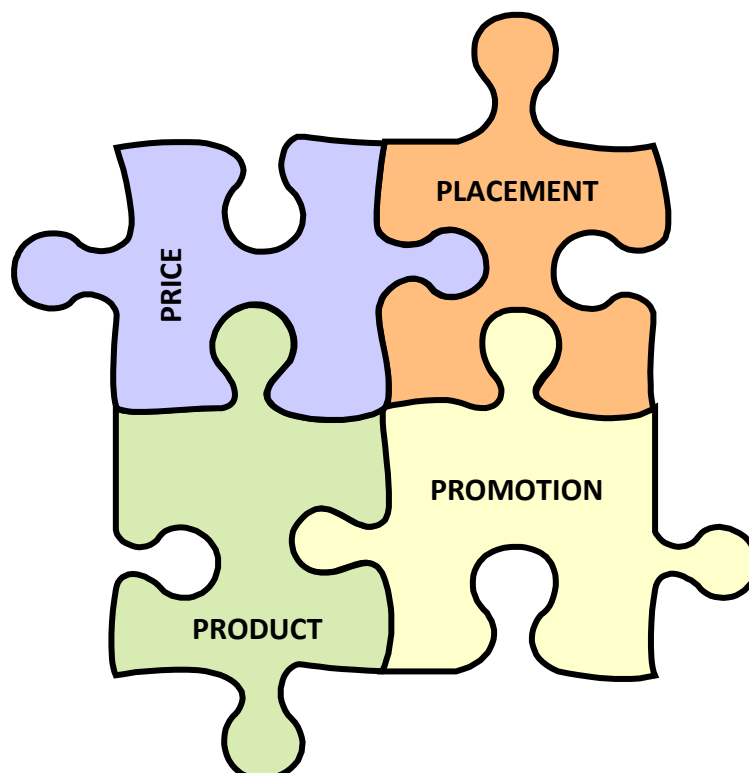
The traditional marketing mix for businesses is made up of a specific **COMBINATION** of separate decisions about **PRODUCT**, **PRICE**, **PLACEMENT** and **PROMOTION** that they think will satisfy the needs of a market or segment. This marketing mix is also known as **THE 4P'S** as the 4 decisions that make it up all start with the letter "p".

Although the individual decisions about **PRODUCT**, **PRICE**, **PLACEMENT** and **PROMOTION** are important in their own right, care must always be taken when making them **NOT** to damage the overall balance of the marketing mix. This is because it is the overall marketing mix of the "4Ps" together for any product that makes consumers use it rather than any single "P" alone.

*For example, a business may want to increase the price at which sells packets of crisps as a sensible profit making decision in the PRICE element of the marketing mix. However, although this seems a good idea on its own, it may damage the OVERALL MARKETING MIX and lower sales because consumers will not usually pay more for a product they were used to get more cheaply.*

The marketing mix for any product should be **DYNAMIC**. This means that the decisions about what the 4P's are should be checked and changed over time in order to make sure that they are kept up to date with consumers wants.

*For example, if a business noticed that consumers are not buying their crisps as much as they used to then they may decide to change the MARKETING MIX by creating new adverts to better PROMOTE its' crisps.*



## PRODUCT

The **PRODUCT** element of the marketing mix is concerned with **DEVELOPING** and **MANAGING** goods and services which will satisfy consumer needs and wants.

The product element of the marketing mix is very important as without it the business would fail because it would not have any goods or services which it could use to achieve its objectives.

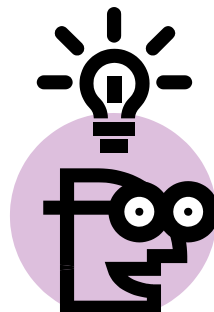
The main areas of activity in the product element of the marketing mix for businesses can be seen below.

### 1 DEVELOPING NEW PRODUCTS

Every business will have to be **ENTERPRISING** and so **INNOVATE** (create new products) in order to prevent failure. This is because if a business did not innovate then it would have no goods or services to satisfy the market.

The process of innovation is often also known as **RESEARCH AND DEVELOPMENT** and is normally difficult for businesses. This is because this process requires **ENTERPRISE** and can be **EXPENSIVE** and **TIME CONSUMING**. The main steps involved in innovation are usually as follows.

- *NEW IDEAS FROM ENTERPRISE OR MARKET RESEARCH*
- *DECISION ABOUT WHAT IS THE BEST IDEA TO TRY*
- *CREATION OF UNIQUE SELLING PROPOSITIONS [USPs]<sup>2</sup> FOR THE PRODUCT (things only it has or does)*
- *CREATION OF A PRODUCT PROTOTYPE (this is WORKING FIRST VERSION of a product)*
- *TESTING OF PROTOTYPE ON SOME CONSUMERS*
- *IDENTIFY CHANGES THAT COULD BE MADE TO PROTOTYPE IN LIGHT OF TESTING*
- *CHANGE PROTOTYPE IN LIGHT OF TESTING RESULTS*
- *REGISTERING PATENTS (legal protection to stop people stealing your production ideas)*
- *REGISTERING COPYRIGHTS (legal protection to stop people stealing your designs)*
- *LAUNCH OF FINAL PRODUCT*



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<sup>2</sup> Common examples of USPs for a product will include special features, design, warranties or product packaging (which should be **EYE CATCHING** for consumers). USPs are designed to attract customers to the product as they are something only it has.

## 2 BRANDING

When a new product is being innovated, a USP feature that a business is likely to try and build into it is a **BRAND**. A brand is an **IDENTITY** for a product or business that will allow consumers to **DISTINGUISH** it easily from other similar products or businesses. Brands usually also help attract consumers because they develop an “image” for the product that consumers want to have for themselves by using the branded product. Brands are usually developed through the use of the following.

- *CATCHY AND MEMORABLE NAMES (eg Nike)*
- *SPECIFIC SLOGANS OR JINGLES (eg “Just do it”)*
- *SPECIFIC DESIGNS (eg the design for the Nike Airmax)*
- *SPECIFIC SYMBOLS OR LOGOS(eg the Nike “swoosh” or “tick” design)*

Branding is pursued as a USP by many businesses due to the following **BENEFITS**.

- *CONSUMERS USUALLY THINK BRANDED PRODUCTS ARE BETTER QUALITY OR MORE RELIABLE AND IF THEY ACTUALLY ARE CONSUMERS WILL BE HAPPY WITH THE BRAND*
- *HAPPY CONSUMERS MAY BECOME LOYAL AND WANT TO KEEP USING THE BRAND*
- *CONSUMER HAPPINESS AND LOYALTY CAN MEAN BUSINESSES CAN CHARGE HIGHER PRICES THAN NON BRANDED PRODUCTS*
- *NEW PRODUCTS CAN BE EASIER TO LAUNCH AS LOYALTY MEANS PEOPLE TRUST THE BRAND AND SO ARE MORE LIKELY TO TRY THE NEW PRODUCT*
- *GENERAL BRAND ADVERTISING CAN BE COST EFFECTIVE PROMOTION FOR ALL PRODUCTS*

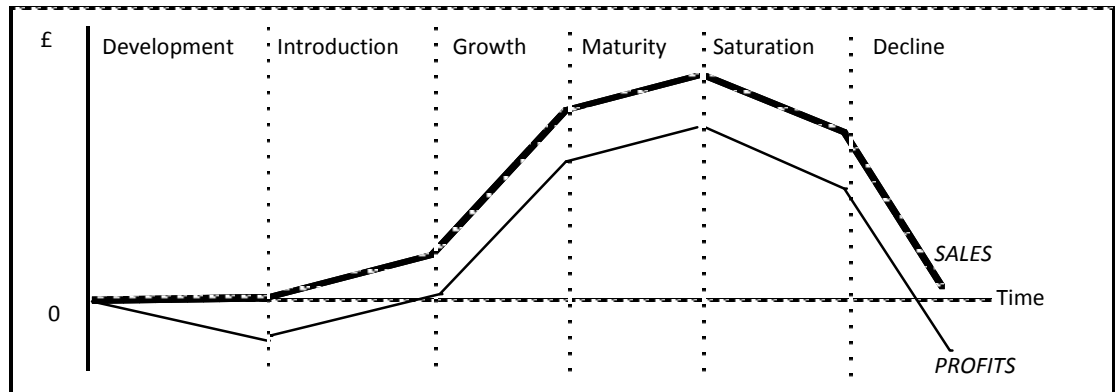
However, despite the benefits, businesses should also be aware of the following possible brand **PROBLEMS**.

- *NEW BRAND PRODUCTS NEED LOTS OF RESEARCH AND DEVELOPMENT MONEY IF THEY ARE TO MAINTAIN THE BRAND’S REPUTATION*
- *ANY BRAND PRODUCTS WHICH FALL BELOW EXPECTED STANDARDS CAN DAMAGE THE REPUTATION OF ALL BRANDED ITEMS*
- *CONSUMER LOYALTY CAN BE LOST IF CONSUMERS FEEL THEY ARE PAYING HIGHER PRICES SIMPLY FOR A “NAME” ALONE RATHER THAN BETTER QUALITY*
- *CHEAPER OWN BRAND “COPIES” OF BRANDED PRODUCTS (CREATED DUE TO THE SUCCESS OF THE BRANDED PRODUCT) CAN RESULT IN LOST CUSTOMERS*



### 3 PRODUCT LIFECYCLE

The **PRODUCT LIFECYCLE** is a series of stages that a product goes through from when a business first creates and sells it until the time nobody wants it any more<sup>3</sup>. Knowing the lifecycle for products is useful for a business because it helps it to avoid wasting money trying to provide products that consumers no longer want. During each stage of the lifecycle, sales and profits will vary as follows.



	Sales	Profits
DEVELOPMENT	There are <b>ZERO</b> sales as the product has not yet been launched.	<b>LOSSES</b> are made due to <b>DEVELOPMENT COSTS</b> .
INTRODUCTION	<b>SALES</b> will start to <b>RISE SLOWLY</b> as people become aware of the product.	<b>PROFITS</b> will start to <b>APPEAR SLOWLY</b> as sales rise and start up costs are repaid.
GROWTH	<b>SALES</b> will start to <b>RISE QUICKLY</b> as many people begin to use the product.	<b>PROFITS</b> will start to <b>RISE QUICKLY</b> as sales rise sharply.
MATURITY	<b>SALES</b> start to <b>SLOW</b> as almost everyone who wants the product will have it.	<b>PROFITS</b> will be <b>MAXIMISED</b> as the maximum number of sales is made.
SATURATION	<b>SALES</b> begin to <b>FALL</b> as replacement products enter the market.	<b>PROFITS</b> will begin to <b>FALL</b> as sales begin to fall.
DECLINE	<b>SALES</b> rapidly <b>FALL</b> as most people use other better or newer products. Eventually there will be no sales and the product will be <b>WITHDRAWN</b> .	<b>PROFITS</b> will <b>FALL</b> as sales fall. Eventually there will be no profits as there are no longer any sales and any unsold items will create a <b>LOSS</b> .

<sup>3</sup> The speed at which different products move through the lifecycle will **VARY**. For example, high fashion products may only have a lifetime of one “season” of a few weeks while other products are **NECESSITIES** or have extreme **CONSUMER LOYALTY** and so never seem to enter the decline phase of their lifecycle at all (eg Kellogg’s Cornflakes).

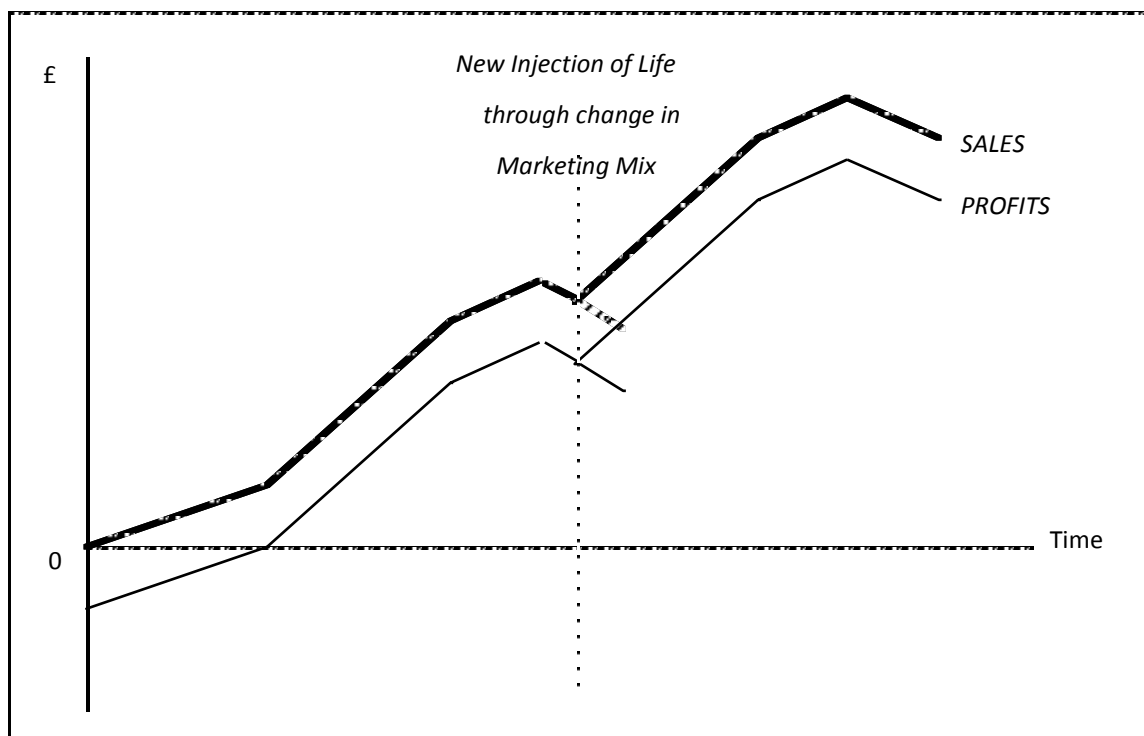
#### 4 EXTENDING PRODUCT LIFECYCLES

Information about the lifecycle of a product can be used to try and increase the overall amount of sales and profits that it makes by preventing it entering the decline phase. This process is known as extending a product lifecycle and can be achieved by altering the marketing mix through any of the following **EXTENSION STRATEGIES**.

- *CHANGING THE PRODUCT TO KEEP AHEAD OF THE COMPETITION (eg improved camera on a phone)*
- *CHANGING THE PRODUCT PURPOSE (eg Lucozade is not to help sick people but an energy drink)*
- *ALTERING THE PACKAGING (to appeal to different segments or get people to notice it again)*
- *CHANGING THE PRODUCT NAME (to get people to notice it again – eg Opal Fruits became Starburst)*
- *CHANGING PRICES (eg lowering prices to make the product more affordable)*
- *ALTERING THE CHANNELS OF DISTRIBUTION USED (eg using new retailers)*
- *ALTERING THE METHODS OF DISTRIBUTION USED (eg using the internet as delivery method)*
- *ALTERING PROMOTION AND ADVERTISING (eg creating new special offers, free gifts, etc)*


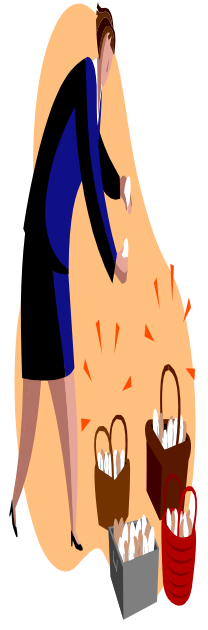
Extension strategies generate additional sales and extend the lifecycle of a product because they alter the marketing mix for it enough to appeal to new segments or re-engage old segments.

The impact of extension strategies on a product's lifecycle, sales and profits can be seen on the diagram below.



5 **PRODUCT PORTFOLIO**

If a business decides to market more than one product at a time, then the mix of different products that they are now making is known as their **PRODUCT PORTFOLIO** or their **PRODUCT MIX**. The main product portfolios (and their costs and benefits) that businesses tend to adopt can be seen below.

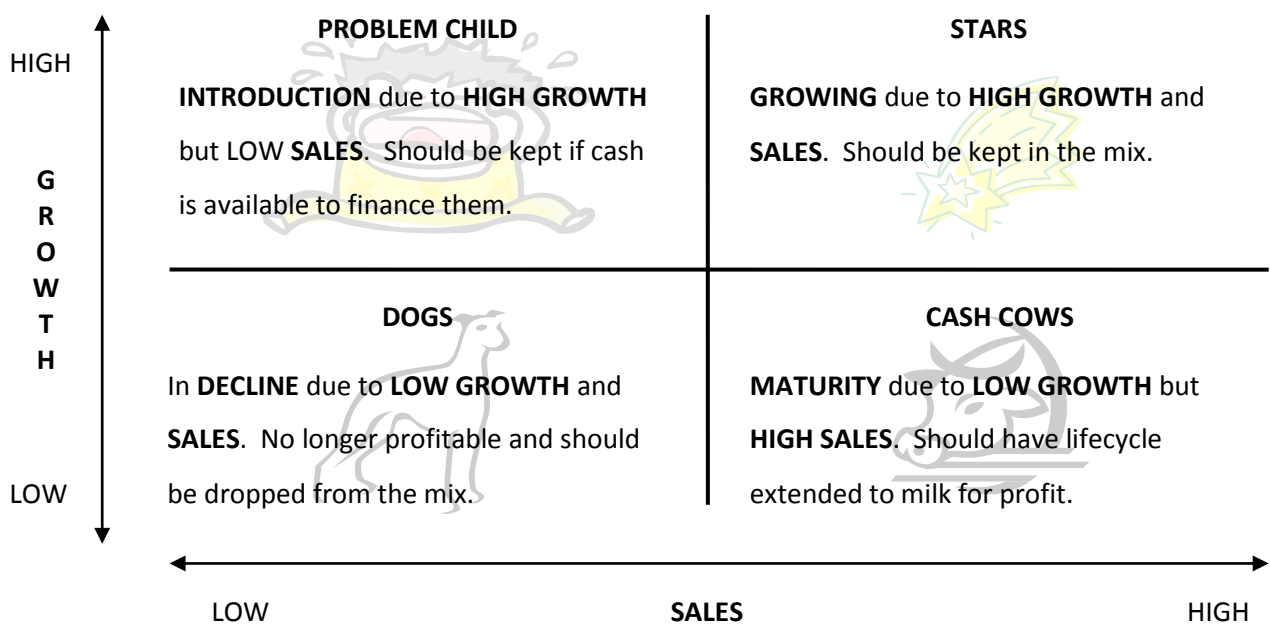
Product Mix	Description
<p><b>PRODUCT LINE</b></p> 	<p>Here the business makes and sells a <b>LINKED</b> range of products. This means that although the actual products are different from each other, they are all focused on one particular type of activity. For example, a business may make a range of power tools (ie saws, drills, etc) that are all used for building work.</p> <p>The main <b>BENEFITS</b> from having a product line include the following.</p> <ul style="list-style-type: none"> <li>• <i>SELLING MORE THAN ONE PRODUCT INCREASES SALES AND PROFITS</i></li> <li>• <i>EXPERTISE IN SHARED PRODUCT LINE PRODUCTION CAN IMPROVE QUALITY</i></li> <li>• <i>LOWER MANUFACTURING COSTS DUE TO SHARED PRODUCTION PROCESSES</i></li> <li>• <i>PREVENTS THE COMPLICATIONS OF MANAGING MANY DIFFERENT MARKETS</i></li> <li>• <i>LOWER ADVERTISING COSTS FOR A SINGLE PRODUCT LINE BRAND</i></li> <li>• <i>REPUTATION OF A PRODUCT LINE BRAND CAN MAKE IT EASIER TO LAUNCH NEW PRODUCTS AS CONSUMERS ALREADY TRUST THE BRAND IN THE MARKET</i></li> </ul> <p>The main <b>DRAWBACKS</b> from having a product line include the following.</p> <ul style="list-style-type: none"> <li>• <i>FOCUS ON SINGLE ACTIVITY TYPE LIMITS MARKET SIZE AND SALES</i></li> <li>• <i>FALL IN DEMAND FOR SHARED SINGLE ACTIVITY WILL LOWER SALES OF ALL PRODUCTS AND SO HAVE A LARGE IMPACT ON OVERALL PROFITS</i></li> </ul>
<p><b>DIVERSIFIED</b></p> 	<p>Here the business makes and sells an <b>UNRELATED</b> range of products. This means that the products and the markets that they are used in are all different from each other. For example, Virgin has had music studios, retail stores, an airline, a railway, space flights, etc.</p> <p>The main <b>BENEFITS</b> from having a diversified product mix include the following.</p> <ul style="list-style-type: none"> <li>• <i>HAVING MULTIPLE MARKETS MASSIVELY INCREASES POTENTIAL SALES</i></li> <li>• <i>FALL IN DEMAND FOR ONE PRODUCT CAN BE COMPENSATED FOR BY INCOME FROM THE OTHERS AND SO THERE IS LESS OVERALL RISK OF FAILURE</i></li> </ul> <p>The main <b>DRAWBACKS</b> of a diversified product mix include the following.</p> <ul style="list-style-type: none"> <li>• <i>DIFFICULT TO MANAGING MANY DIFFERENT MARKETS EFFECTIVELY</i></li> <li>• <i>EXPENSIVE TO ADVERTISE ALL OF THE DIFFERENT PRODUCTS</i></li> <li>• <i>DEVELOPMENT COSTS CAN BE HIGH AS PRODUCTS ARE ALL DIFFERENT</i></li> <li>• <i>ENTERING NEW MARKETS CAN BE EXPENSIVE AND RISKY DUE TO A LACK OF EXPERTISE</i></li> </ul>



When a business has a product mix it is important that it manages the lifecycles of all of these products carefully so that new products are introduced as others are phased out. This process is known as **PRODUCT MIX MANAGEMENT** and can bring the following benefits to a business.

- *MINIMISES THE LOSSES FROM PRODUCTS IN DECLINE WHICH ARE WITHDRAWN*
- *MAXIMISES PROFITS FROM GROWING PRODUCTS WHICH ARE DEVELOPED*
- *MAINTAINS PROFITABILITY OVER TIME*
- *PROVIDES FUNDS FOR R&D AND FURTHER PRODUCT DEVELOPMENT*
- *MINIMISES "BUSINESS RISK" (ie bankruptcy) DUE TO MAXIMISING PROFITS*

To aid product mix management, the Boston Consulting Group (from the USA) devised the following "Boston Matrix" for classifying products in order to decide whether the product mix is well balanced or should be adjusted.



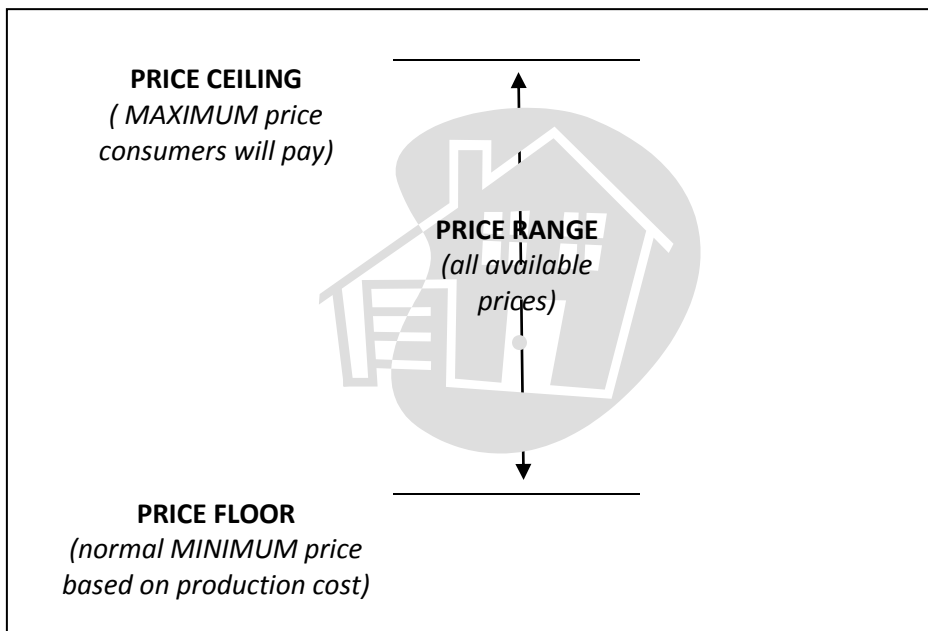
## PRICE

The **PRICE** element of the marketing mix is concerned with **SETTING** and **MANAGING** the price consumers pay for goods and services.

Price is an important element of the marketing mix, as without a sensible price a business will fail as it does not attract consumers. This would be the case because consumers will not buy products that they simply cannot afford or that they think are not **VALUE-FOR-MONEY** (worth the money paid).







The price which can be set for a product will usually be found somewhere between the maximum which consumers will pay for the item under current market conditions<sup>4</sup> (**THE PRICE CEILING**) and the cost of making or buying the item itself that the business must cover (**THE PRICE FLOOR**).



This range of prices which can be chosen from is known as the **PRICE RANGE** and it can be seen graphically as follows.



<sup>4</sup> Current market conditions and so the maximum price that consumers will pay will change all of the time due to current product demand, seasonality, changes in competition, and PESTEC external factors.

This situation means that a business will tend to set the actual price that it charges at a given time by adopting one of the following **PRICING STRATEGIES**.




Pricing Strategy	Description
<p><b>PREMIUM</b></p> 	<p>The premium price strategy sets high prices towards the price <b>CEILING</b>. This can be a <b>LONG TERM</b> strategy where products are strongly branded or high quality. However, it can also be used in the <b>SHORT TERM</b> when a business holds a temporary advantage like a patent which provides a short term monopoly.</p>
<p><b>DEMAND-ORIENTATED</b></p> 	<p>The demand orientated pricing strategy sets prices at the <b>CEILING</b> of what the current level of demand will pay and varies them as demand changes. For example, holidays are expensive during the summer as many families want to travel during the school holidays and demand is high, but when pupils return to school demand drops and so do prices. This strategy means specific prices are only charged in the <b>SHORT TERM</b>.</p>
<p><b>SKIMMING</b></p> 	<p>The skimming pricing strategy sets the price for a new product without competition at the <b>CEILING</b> and then gradually drops it as competition in the market increases and demand for the product at a certain level dries up. For example, new games consoles are expensive at launch because many people are willing to pay a lot for them but this price gradually drops as other consoles appear as competition and the first gamers who wanted the console have bought it and so other people now need to be encouraged to purchase it. This strategy means specific prices are only charged in the <b>SHORT TERM</b>.</p>
<p><b>COMPETITIVE</b></p> 	<p>The competitive pricing strategy sets prices at the roughly the <b>SAME LEVEL</b> as other similar products on the market. This is because when there is a lot of competitors in a market putting prices lower than them would mean lost profits (as you could have charged the same as them) and putting price higher than them would result in lost sales (as consumers would buy alternative products more cheaply from the competition). This strategy means prices are generally stable in the <b>LONG TERM</b>.</p>
<p><b>PENETRATION</b></p> 	<p>The penetration pricing strategy sets prices at the <b>FLOOR</b> of the price range in order to “break in” to competitive markets by enticing customers away from other more expensive products. As customer loyalty to the penetration priced product increases, the business will gradually raise the price in line with the competition to maximise profits. This strategy is therefore <b>SHORT TERM</b>.</p>
<p><b>PROMOTIONAL</b></p> 	<p>Promotional pricing involves <b>TEMPORARILY</b> lowering prices (through <b>SALES</b> or <b>SPECIAL OFFERS</b>) towards the price <b>FLOOR</b> in order to get rid of unwanted stock or to inject new life into existing products and generate new brand interest and loyalty. This is a <b>SHORT TERM</b> strategy.</p>

Pricing Strategy	Description
<b>DESTROYER</b> 	Destroyer pricing sets prices towards or even below the price <b>FLOOR</b> in order to dominate a market by driving competitors out of business and deterring new parties from entering the market. After this happens and a market has been <b>MONOPOLISED</b> , prices are then raised again in order to recoup revenue and maximize profits in the long run. Due to the lack of profits (and even losses) from destroyer pricing, it usually requires massive resources from existing reserves or the sale of other profitable goods (this is known as <b>CROSS SUBSIDISATION</b> ). For example, supermarkets breaking into the petrol retailing market could cross subsidise losses with food profits. This is a <b>SHORT TERM</b> strategy and can be deemed anti competitive and face Government action if discovered.
<b>LOSS LEADER</b> 	Loss leaders are products that are usually sold below the price <b>FLOOR</b> in order to encourage consumers to come into the business and use it. When the consumers come in they will normally buy other products too which will offset the loss from the loss leaders and result in an overall profit for the business. This is usually a <b>SHORT TERM</b> strategy for individual products.

The particular pricing strategy that a business will choose to use at a particular time will usually be affected by the following factors.




## 1 THE OBJECTIVES OF THE BUSINESS

The price set at any point in time must help a business achieve its objectives. This means that the different economic sectors businesses will often set different prices as follows.

Economic Sector	Pricing
<b>PUBLIC SECTOR</b> 	Public sector businesses are usually set up to achieve the objective of providing a <b>PUBLIC SERVICE</b> . This means that they price their goods and services at or even below (if they are free) the <b>PRICE FLOOR</b> in order to maximise the number of people who can afford to use them.
<b>PRIVATE SECTOR</b> 	Private sector businesses are usually set up to achieve the objective of <b>MAXIMISING PROFITS</b> for their owners. This means that they want to price their goods and services towards the <b>PRICE CEILING</b> in order to maximise the profit from each sale.
<b>THIRD SECTOR</b> 	Third sector businesses are usually set up to achieve the objective of <b>SOCIAL RESPONSIBILITY</b> . This means that they price their goods and services <b>BELOW</b> the <b>PRICE FLOOR</b> as they are given for free to specific people who might not otherwise been able to afford them.

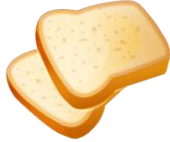



2 THE MARKET THE PRODUCT IS BEING SOLD IN

The market in which the product being priced will be sold in will affect the price charged as follows.

Market	Pricing
<p data-bbox="268 405 590 432"><b>UNCOMPETITIVE MARKET</b></p> 	<p data-bbox="627 405 1334 517">This market structure may mean that there is only one business selling this product to the market. This would be known as a <b>MONOPOLY</b> market (as “mono” means “one”).</p> <p data-bbox="627 551 1370 663">This means the business here can charge prices at the <b>PRICE CEILING</b> because consumers will have to pay their prices or simply do without as there is no-one else to buy from instead.</p> <p data-bbox="627 696 1310 808">Prices will stay like this unless other businesses enter the market at a lower price and so start to give consumers a choice.</p>
<p data-bbox="288 934 569 960"><b>COMPETITIVE MARKET</b></p> 	<p data-bbox="627 934 1370 1046">This market structure usually means that there are a few businesses selling similar products to the market and they are all getting enough consumers to survive.</p> <p data-bbox="627 1079 1385 1314">Here businesses will charge similar prices to each other. This is because if a business charges a higher price than its’ competitors then it will lose sales as consumers go to them instead, and if it charges a lower price than competitors then it loses profit it could have otherwise had. Therefore, in this market, the prices charged are likely to be the <b>MARKET PRICE</b>.</p> <p data-bbox="627 1348 1187 1375">Prices are likely to stay like this for a long time.</p>
<p data-bbox="296 1462 561 1534"><b>HIGHLY COMPETITIVE MARKET</b></p> 	<p data-bbox="627 1462 1382 1574">This market structure usually means that there are a few businesses selling similar products to the market and there are <b>NOT</b> enough consumers for them all to survive.</p> <p data-bbox="627 1608 1385 1798">Here businesses will try to charge a price lower than their competitors in order to survive by putting them out of business and taking their consumers. Therefore, in this market, the prices charged are likely to be in at or below the <b>PRICE FLOOR</b>.</p> <p data-bbox="627 1832 1377 1899">Prices are likely to rise over time as some businesses close and the remaining ones form a competitive market.</p>

### 3 THE TYPE OF PRODUCT BEING SOLD

The type of product being sold affects the price charged as follows.

Product Type	Pricing
<p><b>ORDINARY PRODUCT</b></p> 	<p>Ordinary products have many competitors and not many USPs. They will usually be sold at prices close to the <b>MARKET PRICE</b>. This is because if businesses try to sell them for more consumers will simply refuse to buy them and buy similar products from a competitor instead.</p>
<p><b>BRANDED PRODUCT</b></p> 	<p>Branded products will be able to charge between the <b>MARKET PRICE</b> and <b>PRICE CEILING</b>. This is due to consumers being willing to pay higher than normal prices for brands because they feel that they are better quality than “ordinary” products.</p>
<p><b>UNIQUE PRODUCT</b></p> 	<p>Unique products will be able to charge prices close the <b>PRICE CEILING</b>. This is due to their monopoly position in their market which means that buyers simply have to pay their high prices or just do without.</p>
<p><b>NEW PRODUCT</b></p> 	<p>New products will usually be sold at the appropriate price for their product type, eg unique products at the price ceiling, etc.</p> <p>However, sometimes businesses will sell them for a short time at prices close to the <b>PRICE FLOOR</b> in order to break consumer loyalty to other products and so allow them to break into the market.</p>

## PLACEMENT

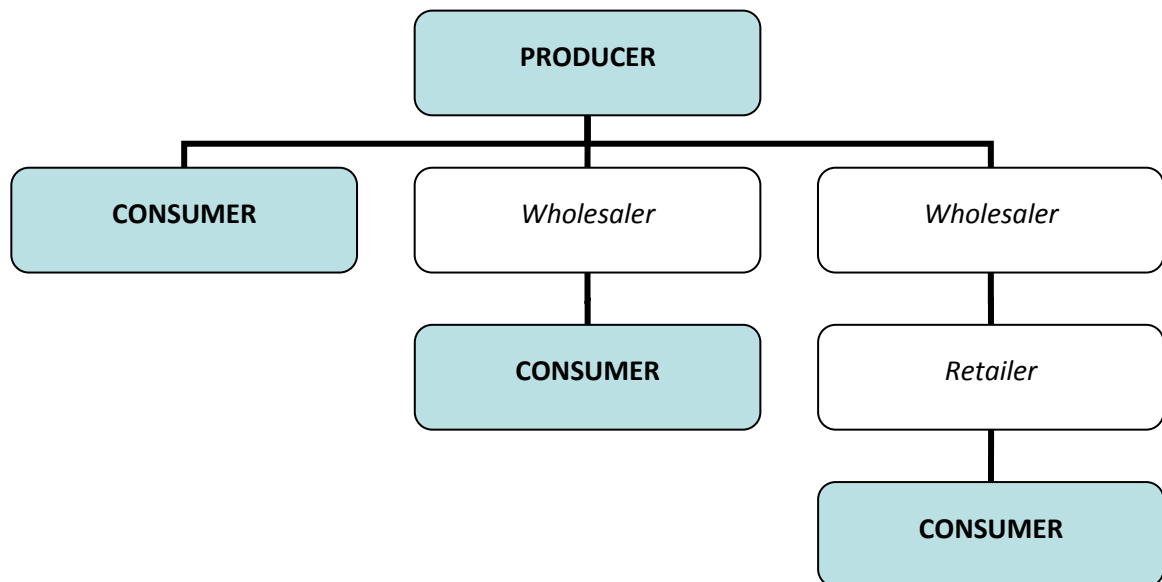
The **PLACEMENT** element of the marketing mix involves trying to provide goods and services **IN THE RIGHT PLACE** and **AT THE RIGHT TIME** for consumers to make a purchase.

The placement element of the marketing mix is very important as without it the business would fail because consumers would not be able to gain access to its' goods or services at a time or place that suits them.

The main areas of activity in the placement element of the marketing mix for businesses can be seen below.

### 1 CHANNEL OF DISTRIBUTION

This part of placement element of the marketing mix is concerned with deciding on the best **CHANNEL OF DISTRIBUTION** to use. A channel of distribution is a way of making a producer's products available for sale to consumers. The main channels used tend to be as follows.



Information about each of the different parties involved in these channels can be seen over the next few pages.

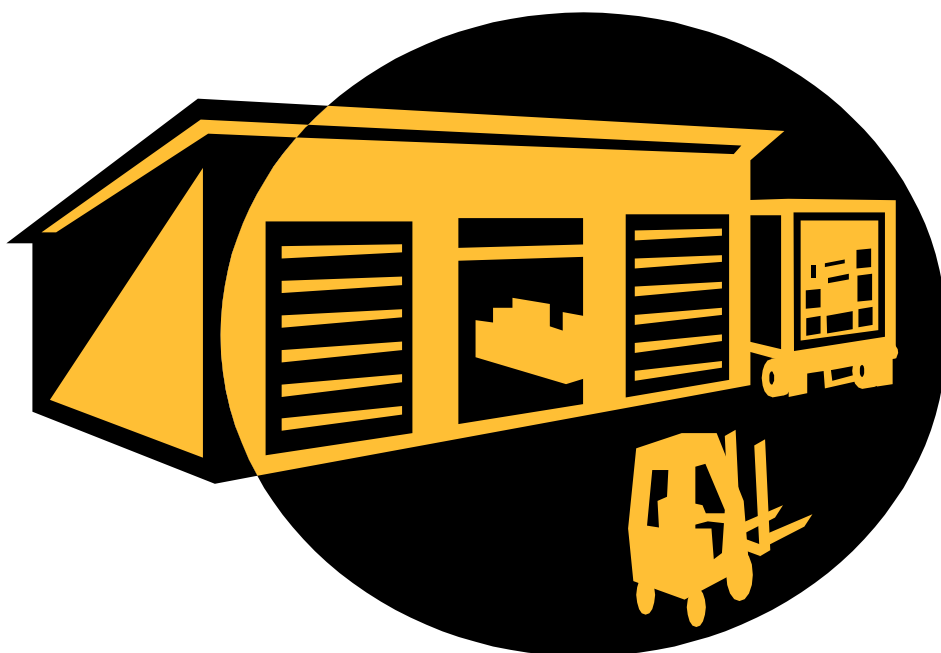
a **WHOLESALE**

Wholesalers buy large quantities of goods from producers to sell them on to retailers or consumers. Examples of wholesalers includes Macro and Costco. Wholesalers may be an important part of the channel of distribution for the following reasons.

- *Wholesalers can save producers money in transport and staffing costs as they buy in bulk and so require fewer deliveries and less administration.*
- *Wholesalers buy and hold large stocks of a producer's goods which means that producers themselves do not have to keep large stocks and so will not face the risks and costs of holding stocks (eg obsolescence, warehousing and opportunity cost of capital).*
- *Wholesalers may lower a producer's costs for preparing items for sale (eg breaking down big orders by repackaging and labelling products) as they may carry out this work for them.*
- *Wholesalers can quickly distribute products to a wide geographical area as many people will come from miles around to use them.*
- *Wholesalers can provide producers with cheap market research by reporting back on sales.*

However, using wholesalers has the following drawbacks for a producer.






- *Producers will have to accept less profits if they choose to use wholesalers as they will expect to buy the product cheaply so that they can sell it on for some profit themselves.*
- *Producers will have to accept less brand control if they use wholesalers as the wholesaler may not merchandise or price the product in the way that the producer would prefer.*





b **RETAILER**

Retailers are shops which are responsible for selling products to consumers. The main types of retailer are as follows.

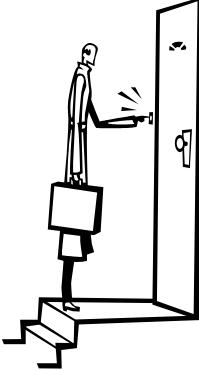

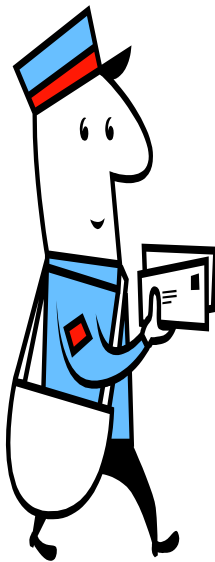
Retailer	Pricing
<p><b>INDEPENDENT RETAILER</b></p> 	<p>These are untied retailers who are based in convenient local locations and focus on personal, repeat business. Examples are local corner shops and boutiques. They can be useful for reaching local markets or for selling specialist products.</p>
<p><b>MULTIPLE CHAINS</b></p> 	<p>These are retailers who operate a “chain” of different branches and sell a particular type of branded/own branded good. For example, Top Shop. They are usually based in busy shopping areas (eg cities) and usually focus on low profit, high turnover business.</p>
<p><b>DEPARTMENT STORES</b></p> 	<p>These are retailers who sell a wide range of different well known goods (and possibly own branded products) in the one large store. For example, John Lewis. They are usually based in busy shopping areas (eg cities) and usually focus on low profit, high turnover business.</p>
<p><b>SUPERMARKET</b></p> 	<p>These are retailers who operate large stores which sell a range of well known and own branded food and other goods, eg Asda, Tesco. They focus on low profit, high turnover business and are often open 24/7 and usually based in residential areas.</p>
<p><b>DISCOUNT STORES</b></p> 	<p>These are retailers who sell well known goods at low prices, eg TK Maxx. They are usually based in low cost areas (eg retail parks) and focus on low profit, high turnover business made possible by bulk buying and low running costs.</p>

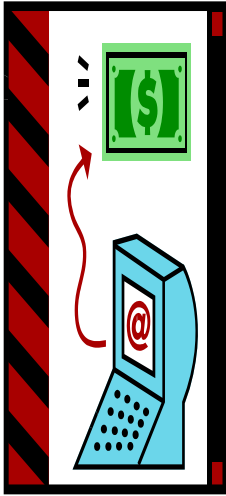
Retailers are commonly used for the following reasons.

- *Direct use of retailers can provide a producer with more profits as there are fewer businesses involved in the channel.*
- *Retailers can provide services that can increase sales of a producer’s product (eg advertising, promotions, customer advice, merchandising and credit facilities).*
- *Retailers are usually conveniently located near to consumers which can increase sales.*

However as retailers usually do not buy in the same bulk quantities as wholesalers delivery costs may be high (from frequent small orders) and producers may need to store more of their own goods themselves (which can mean more risk of obsolescence, higher warehousing costs and tied up capital).

If a producer does not use a wholesaler or retailer and sells their product to the consumer themselves this is known as **DIRECT SALES**. This is usually done for high profits and brand control due to the absence of third parties and their profits. Common methods of direct sales can be seen below.

Direct Sales	Description
<p><b>PERSONAL SELLING</b></p> 	<p>Personal selling involves one-to-one sales of an organisation’s items over the phone (<b>TELESALES</b>) or via a face-to-face salesperson. This allows the producer to provide very high levels of service and/or to tailor a product to suit an individual consumer’s specific needs. Personal selling is not used by every business and normally most profitable and so takes place in the following circumstances.</p> <ul style="list-style-type: none"> <li>• <i>BUYERS REQUIRE EXPERT ADVICE ON SPECIALISED PRODUCTS (eg medicines)</i></li> <li>• <i>TAILORED PRODUCTS ARE BEING SOLD (eg insurance)</i></li> <li>• <i>WHERE THERE IS SOME NEGOTIATION IN PRICING (eg contract work)</i></li> <li>• <i>COMPETITIVE MARKET WHERE LOYAL CONSUMERS EXPECT SPECIAL CARE</i></li> </ul>
<p><b>ORGANISATIONAL RETAILER</b></p> 	<p>Here the organisation owns and operates their own retail stores which will sell their goods directly to the consumer.</p> <p>Although this does have the significant extra expense of staff and premises, it can result in stronger branding and so higher prices and profits for the business as a whole.</p>
<p><b>MAIL ORDER</b></p> 	<p>A wide variety of products can be ordered and delivered to consumers via the postal system. Businesses can do this by providing consumers with information about these products in the following ways.</p> <ul style="list-style-type: none"> <li>• <i>NEWSPAPER/MAGAZINE ADVERTISEMENTS</i></li> <li>• <i>MAIL SHOTS (ie information sent to customers addresses)</i></li> <li>• <i>MAIL ORDER CATALOGUE</i></li> </ul> <p>This method of direct sales can help maximise profits through targeted market coverage (to maximise sales), special mail order offers and low costs (as expensive retail stores and lots of staff are required by the business).</p> <p>However, producers must be prepared for the high printing and postage costs involved in this method and the fact that some consumers do not wish to buy things they have not seen in person.</p>

**E-COMMERCE**

E-commerce involves a business creating an **INTERNET WEBSITE** which provides consumers with information about their products and the facility to place an order online (which will then be delivered by post or courier to them).



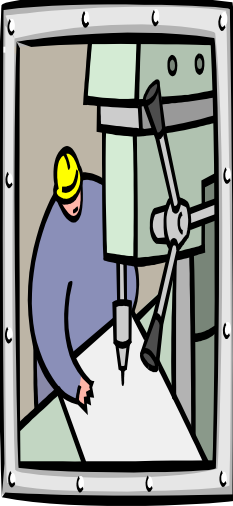

This method of direct sales is becoming very popular due to the following **BENEFITS** that it can bring to a business.


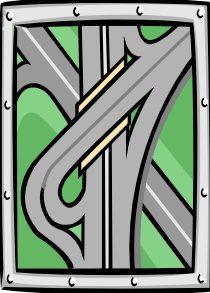

- *Able to reach a world-wide market. This can increase the potential number of customers and sales for the business.*
- *Consumer can shop at any time that suits them as websites can take orders 24/7. This can increase sales as customers can now buy when the business would be closed.*
- *Able to reach consumers who are unable to physically travel to a shop. This can increase the potential number of customers and sales for the business.*
- *Website and e-mail can be used to easily target promotions to consumers. This can encourage them to buy more from the business.*
- *By selling online expensive retail stores are not needed – this cuts the rent and staff costs of the business so can increase profits.*
- *The lower costs of e-commerce can allow a business to sell products more cheaply. This can increase the number of customers using the business and profits made.*

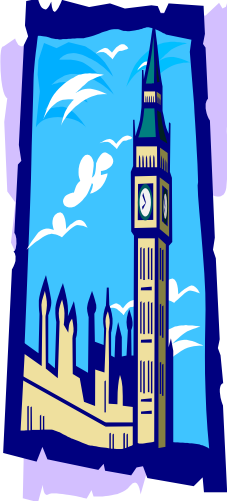
Potential **DRAWBACKS** of e-commerce that a business may have to deal with in order to make it effective can be seen below.

- *It can be expensive to design and set up an effective e-commerce website. This will lower business profits while this is happening and can even prevent some businesses from being able to do this at all.*
- *There can be technical problems with the e-commerce website. This can result in falling sales, poor customer service and lost loyalty.*
- *The e-commerce site need provide secure payment system for consumers that are protected against **VIRUSES** (programmed deliberately designed to steal or damage information). This can be costly and will result negative publicity if a problem occurs.*
- *The e-commerce site need provide secure payment system for consumers that are protected against **HACKING** (deliberate attempt to “break into” the system to steal or damage information). This can be costly and will result negative publicity if a problem occurs.*
- *It can be expensive to deliver all of the ordered products out to customers. This can increase costs and so lower profits.*
- *Some consumers will not be able to access the e-commerce site and others will not want to (due to concerns about hacking, viruses or simply wanting to physically see a product before they buy it). This can reduce sales and profits.*



If a business chooses to set up organisational retailers as a method of direct sales, they will have to carefully decide where to **LOCATE** (open and run) these premises. The main factors which are likely to influence the location of organisational retailers can be seen below.

Location Issue	Description
<p><b>MARKET DEMAND</b></p> 	<p>Businesses must make sure that the location that they choose has consumers in that area who want their goods and services. This is because if there is no market where a business sets up then it will not be used and so failure will occur.</p>
<p><b>COMPETITORS</b></p> 	<p>Although businesses will want to be close to their market, they will usually want to locate away from their competitors (other businesses that do the same as them). This is because a business would not want competitors in their area doing things that take away their consumers.</p>
<p><b>AVAILABILITY OF RESOURCES</b></p> 	<p>A business has to make sure that the location it chooses can provide the resources that it needs to produce its' goods and services. Examples of how the availability of resources can affect location can be seen below.</p> <ul style="list-style-type: none"> <li>• <i>Businesses can only locate where there are available <b>PREMISES</b>, and so they simply cannot operate in locations where there are none available. For example, a business cannot open a shop in a High Street when there are no empty premises for them to start using.</i></li> <li>• <i>Businesses need enough suitably skilled <b>LABOUR</b> to operate. This means that locations <b>WITH</b> suitable labour <b>WILL</b> be attractive to businesses. This is because of easy recruitment and perhaps lower wages (due to low staff transport costs as they are close to their workplace). On the other hand, locations <b>WITHOUT</b> suitable labour <b>WILL NOT</b> be attractive to businesses. This is because of problems with recruitment and higher wages (due to high staff transport costs as they are <b>NOT</b> close their work).</i></li> </ul>
<p><b>RESOURCE COSTS</b></p> 	<p>In addition to checking that resources are available, a business has to make sure that it has the finance available to pay for them too. This is because different resources cost different amounts to employ. Examples of this situation include the following.</p> <ul style="list-style-type: none"> <li>• <i>The location and size of premises will affect their rental or purchase costs.</i></li> <li>• <i>Staff wages vary with the skills and qualifications of workers.</i></li> </ul>

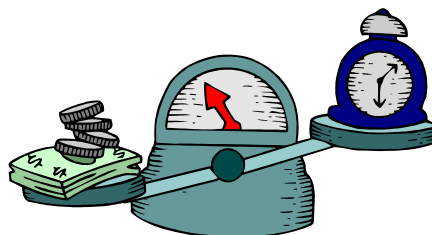
Location Issue	Description
<p data-bbox="220 232 405 259"><b>PRODUCT TYPE</b></p> 	<p data-bbox="469 232 1437 304">Business location will be affected by the <b>PRODUCT</b> that the business <b>PRODUCES</b>. Examples of this can be seen below.</p> <ul data-bbox="469 353 1461 1122" style="list-style-type: none"> <li data-bbox="469 353 1442 510">• Some businesses make <b>FINISHED GOODS</b> that are <b>PERISHABLE</b> (become wasted quickly) –eg a sandwich maker. These businesses will want to locate <b>CLOSE</b> to their <b>CONSUMERS</b> rather than suppliers to minimise the chance goods will be wasted in transport and maximise the time they can be sold for.</li> <li data-bbox="469 560 1449 880">• Some businesses are known as <b>BULK INCREASING BUSINESSES</b>. This means that they use <b>SMALL</b> amounts of raw materials to make <b>BULK</b> (large) finished products. An example is a soft drink maker who will take in 1 tanker of soft drink flavour and make 20 tankers of the final drink by adding water to it. These businesses will want to locate <b>CLOSE</b> to their <b>CONSUMERS</b> rather than their suppliers. This is because the delivery costs of small amounts of raw materials will be small and doing this will minimise the high transport costs of moving the finished bulk goods.</li> <li data-bbox="469 929 1461 1122">• Some businesses are known as <b>COMPONENT</b> businesses – this means that they rely on selling their products to other businesses. For example, computer chip manufacturers depend on computer manufacturers to buy their chips. These businesses will want to locate <b>CLOSE</b> to their <b>CONSUMERS</b> to minimise transport costs.</li> </ul>
<p data-bbox="204 1167 421 1193"><b>INFRASTRUCTURE</b></p> 	<p data-bbox="469 1167 1398 1238">Infrastructure is all of the following things that support business activity in an area.</p> <ul data-bbox="469 1288 1027 1406" style="list-style-type: none"> <li data-bbox="469 1288 943 1314">• <b>SERVICES</b> (eg housing, colleges, etc)</li> <li data-bbox="469 1328 932 1355">• <b>UTILITIES</b> (ie electricity, water, etc)</li> <li data-bbox="469 1368 1027 1395">• <b>LINKS</b> (ie road, water, air and rail facilities)</li> </ul> <p data-bbox="469 1444 1453 1516">Businesses will want to locate in areas with a <b>STRONG INFRASTRUCTURE</b> to lower transport costs, lower staff costs and speed up deliveries.</p>
<p data-bbox="225 1570 400 1641"><b>GOVERNMENT LEGISLATION</b></p> 	<p data-bbox="469 1570 1453 1720">Some businesses are only allowed to locate in certain areas because of Government rules or laws about <b>HEALTH AND SAFETY</b>. For example chemical plants and power stations have to be set up away from populated areas to minimise the damage that would be caused to the public if there was an accident.</p> <p data-bbox="469 1769 1453 1919"><b>PLANNING REGULATIONS</b> from Government can also impact on what a business can do with its' premises. For example the Government can refuse permission for a business to extend a factory if it feels this will harm the local area through congestion, pollution, etc.</p>

Location Issue	Description
<p><b>REGIONAL POLICY</b></p> 	<p><b>REGIONAL POLICIES</b> are things that are done by the European and UK Governments to try to make sure that all regions of Europe and the UK are fairly treated and equal in terms of employment, wealth and living standards.</p> <p>Regional Policies can affect business location because they can encourage businesses to set up in “poorer” areas by offering incentives such as the following.</p> <ul style="list-style-type: none"> <li>• <i>GRANTS (money which doesn't have to be paid back)</i></li> <li>• <i>HELP WITH PAYING RENT AND RATES COSTS</i></li> <li>• <i>HELP FINDING SUITABLE PREMISES</i></li> <li>• <i>HELP WITH PLANNING PERMISSION</i></li> <li>• <i>HELP WITH THE COSTS OF FINDING AND TRAINING STAFF</i></li> <li>• <i>DEVELOPMENT OF THE INFRASTRUCTURE IN THESE AREAS</i></li> <li>• <i>BUSINESS ADVICE</i></li> </ul>

This decision about where to locate organisational retailer premises is important because “good” locations bring the following business benefits, while “bad” locations will bring the opposite and perhaps failure as consumers cannot gain access the products of a business.

Benefit	Reasons
<p><b>MORE SALES</b></p> 	<ul style="list-style-type: none"> <li>• <i>LOCATION IS CLOSE TO EXISTING CONSUMERS FOR EASY ACCESS</i></li> <li>• <i>LOCATION IS CLOSE TO NEW CONSUMERS FOR EASY ACCESS</i></li> <li>• <i>LOCATION DOES NOT HAVE A LOT OF COMPETITION IN THE AREA</i></li> <li>• <i>LOCATION OFFERS “QUALITY” PREMISES THAT ATTRACT CONSUMERS</i></li> </ul>
<p><b>LOWER COSTS</b></p> 	<ul style="list-style-type: none"> <li>• <i>LOCATION COULD BE CLOSER TO SUPPLIERS AND LOWER TRANSPORT COSTS</i></li> <li>• <i>LOCATION COULD BE CLOSE TO CHEAPER WORKERS</i></li> <li>• <i>LOCATION COULD OFFER LOWER RENTS</i></li> <li>• <i>LOCATION COULD OFFER LOWER PURCHASE COSTS</i></li> </ul>

When a business is making its final decision about where to locate premises, it should ensure that the **BENEFITS** from using that location **OUTWEIGH** the **COSTS** and drawbacks of it. This is to make sure that the business is not paying more than a fair price for the location that it is using.



The decision by a business about which (combination) of the above alternative channels it will actually use normally depends on the following factors.

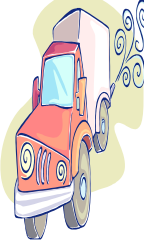

Factor	Description															
<p><b>PRODUCT TYPE</b></p> 	<p>The nature of the product itself can have a direct effect on the distribution method chosen. For example, specialised goods will often use direct selling to ensure that consumers receive the support that they require while “basic” products (eg soap) can be simply sold through wholesalers.</p>															
<p><b>LEGAL RESTRICTIONS</b></p> 	<p>Some products have legal restrictions upon the way in which they can be distributed. For example certain drugs can only be provided by Pharmacists who have the appropriate training and licences.</p>															
<p><b>CONSUMER BEHAVIOR</b></p> 	<p>Market research can indicate current trends in consumer buying habits and preferences. Producers should pay attention to these trends when choosing their channels of distribution in order to make sure that they suit consumers and so maximise sales. For example, as consumers demand more convenience, better quality and more effective use of their time retailing has been changing in the following ways.</p> <ul style="list-style-type: none"> <li>• <i>INCREASED USE OF E-COMMERCE (to suit working hours and increase choice)</i></li> <li>• <i>GROWTH OF SUPERMARKETS WHO STOCK ALL KINDS OF PRODUCTS</i></li> <li>• <i>GROWTH OF THE SHOPPING MALL WITH A COLLECTION OF ALL KINDS OF PRODUCTS</i></li> <li>• <i>INCREASED USE OF EASY TO DRIVE TO OUT-OF-TOWN RETAIL DEVELOPMENTS</i></li> <li>• <i>EXTENDED OPENING HOURS</i></li> </ul>															
<p><b>BRAND CONTROL</b></p> 	<p>Many products today are branded and producers desire differing amounts of direct control over what happens to their brand image. The level of control demanded will have an impact on the channel of distribution chosen. For example, large levels of control may necessitate direct selling.</p> <p>This situation can be seen in the decline in the use of wholesalers and the increase in direct selling for quality goods as producers demand more control over their brand and so decide to set up their own retailers to prevent other parties (eg wholesalers) having any influence over their brand.</p>															
<p><b>MARKET SIZE</b></p> 	<p>The nature and the size of the market that a product needs to be distributed to will have a large and direct effect on the distribution method chosen as the examples below show.</p> <table border="1" data-bbox="391 1753 1463 1955"> <thead> <tr> <th>Product</th> <th>Market Distribution Needed</th> <th>Suitable Channel</th> </tr> </thead> <tbody> <tr> <td><i>Mass Produced Goods</i></td> <td><i>Wide market coverage</i></td> <td><i>Wholesaler/Supermarket</i></td> </tr> <tr> <td><i>Branded Goods</i></td> <td><i>Exclusive market</i></td> <td><i>Dept Stores/Franchises</i></td> </tr> <tr> <td><i>Specialist Goods</i></td> <td><i>Specific market</i></td> <td><i>Specialist Retailers</i></td> </tr> <tr> <td><i>New Goods</i></td> <td><i>Specific market</i></td> <td><i>Specialist Retailers</i></td> </tr> </tbody> </table>	Product	Market Distribution Needed	Suitable Channel	<i>Mass Produced Goods</i>	<i>Wide market coverage</i>	<i>Wholesaler/Supermarket</i>	<i>Branded Goods</i>	<i>Exclusive market</i>	<i>Dept Stores/Franchises</i>	<i>Specialist Goods</i>	<i>Specific market</i>	<i>Specialist Retailers</i>	<i>New Goods</i>	<i>Specific market</i>	<i>Specialist Retailers</i>
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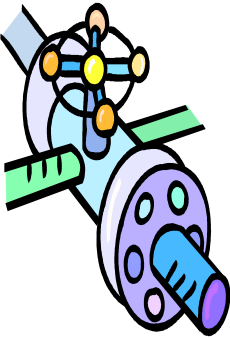
## 2 METHOD OF DISTRIBUTION

This part of placement element of the marketing mix is concerned with deciding on the best **METHOD OF DISTRIBUTION** to use. A method of distribution is a way of transporting goods to premises so that to they are available in time for consumers to use them.



The main methods of distribution are as follows.

Method	Description	Advantage	Disadvantage
<p><b>ROAD</b></p> 	<p>Road based methods of distribution use the road network to deliver goods and services. Examples of road based methods of distribution include tankers, transporters, refrigerated vehicles, trucks, and vans.</p>	<ul style="list-style-type: none"> <li>• Road vehicles are <b>FLEXIBLE</b> as almost everywhere can be reached by road and many different vehicles are available to suit transport of all types of goods and services.</li> </ul>	<ul style="list-style-type: none"> <li>• Road vehicles can have <b>HIGH FUEL COSTS</b>.</li> <li>• Road vehicles can result in <b>SLOW DELIVERY</b> as they may have to make several trips due to their relatively small size.</li> <li>• Road vehicles can result in <b>SLOW DELIVERY</b> as can be caught in traffic jams.</li> </ul>
<p><b>RAIL</b></p> 	<p>Rail based methods of distribution use the railway network to deliver goods and services. Examples of rail based methods of distribution involve trains using flatbed, storage, refrigerated and tanker carriages.</p>	<ul style="list-style-type: none"> <li>• Trains can deliver quickly as there are usually <b>LESS DELAYS</b> on train tracks when compared to roads.</li> <li>• Trains can result in <b>QUICK DELIVERIES</b> as they can deliver massive amounts of products at once.</li> <li>• Trains can be fairly <b>CHEAP</b> method of delivering large amounts (when compared to road transport) due to their speed and bulk.</li> </ul>	<ul style="list-style-type: none"> <li>• Trains are not very <b>FLEXIBLE</b> as they can only deliver to places where there are train tracks.</li> </ul>







Method	Description	Advantage	Disadvantage
<p style="text-align: center;"><b>AIR</b></p> 	<p>Air based methods of distribution use aircraft and helicopters to deliver goods and services. Examples of air based methods of distribution include freight and refrigerated aircraft.</p>	<ul style="list-style-type: none"> <li>• Aircraft can transport products long distances <b>VERY QUICKLY</b>.</li> <li>• Aircraft can <b>UNIQUELY</b> reach places which other transport methods may not be able to – eg helicopters are used for mountain rescue as no other vehicle can reach here.</li> </ul>	<ul style="list-style-type: none"> <li>• Aircraft have <b>HIGH FUEL COSTS</b>.</li> <li>• Aircraft are usually not very <b>FLEXIBLE</b> as they can normally only deliver business products to places where there is an airport.</li> <li>• Poor weather might stop aircraft flying and <b>DELAY</b> deliveries.</li> </ul>
<p style="text-align: center;"><b>WATER</b></p> 	<p>Water based methods of distribution use the sea and canals to deliver goods and services. Examples of water based methods of distribution involve supertankers, refrigerated ships, cargo container ships and barges.</p>	<ul style="list-style-type: none"> <li>• Ships can deliver massive amounts of products at once which makes them fairly <b>CHEAP</b>.</li> <li>• Ships are <b>FLEXIBLE</b> as they can use the oceans to deliver any type of goods to all around the world.</li> </ul>	<ul style="list-style-type: none"> <li>• Ships can be quite <b>SLOW</b> when compared to other methods – especially if there is bad weather.</li> <li>• Ships can only deliver to <b>LIMITED</b> places as they need a dock to drop off goods.</li> </ul>
<p style="text-align: center;"><b>PIPELINE</b></p> 	<p>Pipeline based methods of distribution use the pipes and cables to deliver services. Examples of pipeline based methods of distribution involve phonelines, internet connections, gas, water and electricity.</p>	<ul style="list-style-type: none"> <li>• Pipelines are <b>FLEXIBLE</b> as they can be put almost anywhere.</li> <li>• Pipelines are fairly <b>CHEAP</b> as once they are set up they do not cost money each time they are used.</li> </ul>	<ul style="list-style-type: none"> <li>• Pipeline can only deliver a <b>LIMITED</b> range of services and so can't be used for all deliveries.</li> <li>• If a pipeline is damaged it can be <b>COSTLY</b> to repair and will stop all deliveries until it is repaired.</li> </ul>

Businesses will also have to decide whether they want to use **INTERNAL** or **EXTERNAL** methods of distribution.

Method	Description
<p><b>INTERNAL</b></p> 	<p>Here the methods of distribution used <b>ARE</b> owned by the business itself. This is good for <b>STRONG CONTROL</b> (of delivery times, quality and reputation) and <b>LOWERING RUNNING COSTS</b> in the long run. However, initial <b>SETUP COSTS</b> can be very <b>HIGH</b>.</p>
<p><b>EXTERNAL</b></p> 	<p>Here the methods of distribution used are provided by a different organisation and so <b>ARE NOT</b> owned and paid for by the business itself. This <b>PREVENTS LARGE</b> amounts of spending on <b>SET UP COSTS</b> to purchase delivery equipment. However, there can be a <b>LOSS of CONTROL</b> (of delivery times, quality and reputation) and <b>INCREASED RUNNING COSTS</b> in the long run (due to continued payments).</p>

The internal or external method of distribution used will depend on the following factors.

Factor	Description
<p><b>MARKET STRUCTURE</b></p> 	<p>The method used must be suitable for the market the business is selling to. For example, goods needed on an island market will have to use sea or air as part of the method used.</p>
<p><b>PRODUCT TYPE</b></p> 	<p>Different products must be transported in different ways. For example, some products are <b>PERISHABLE</b> (which means that they will go off quickly) and so will have to use specialised methods (such as refrigerated transport) or quick methods of distribution (such as air).</p>
<p><b>METHOD COST</b></p> 	<p>The method used will depend on the amount of <b>FINANCE AVAILABLE</b> and the costs of the method. For example trains may be used instead of lorry due to lower costs.</p>
<p><b>INFRASTRUCTURE</b></p> 	<p>The method used will depend on the <b>INFRASTRUCTURE</b> options available. For example planes may not be used because there is no available airport.</p>

## PROMOTION


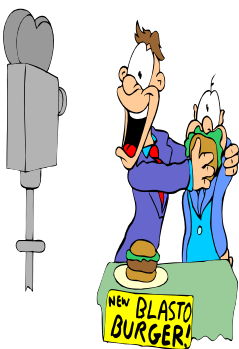
The **PROMOTION** element of the marketing mix involves making sure that consumers **KNOW ABOUT** products and are **ENCOURAGED** to consume them.

This promotion element of the marketing mix is important as without it the business would fail because consumers will be unaware of its' products or unconvinced about consuming them.





The main areas of activity in the promotion element of the marketing mix for businesses can be seen below.

### 1 ADVERTISING

The main **TYPES** of advertising and their aims can be seen below.

Type	Features	Examples
<p><b>INFORMATIVE ADVERTISING</b></p> 	<p>This type of advertising aims to simply <b>INFORM</b> people about important facts and events that they should know.</p>	<ul style="list-style-type: none"> <li>• Health adverts (eg flu jabs)</li> <li>• Product recall adverts</li> </ul>
<p><b>PERSUASIVE ADVERTISING</b></p> 	<p>This type of advertising aims to <b>PERSUADE</b> people to change their consumption by <b>HIGHLIGHTING</b> or <b>REMINDING</b> them about the USP's and branding of a product.</p>	<ul style="list-style-type: none"> <li>• Adverts for business products</li> </ul>

The main **METHODS** (ways) of advertising that a business is likely to use can be seen below.

Method	Examples	Features
<p><b>BROADCAST ADVERTS</b></p> 	<ul style="list-style-type: none"> <li>Local TV</li> <li>Local Radio</li> <li>Local Cinema</li> <li>Internet</li> </ul>	<p>Broadcast adverts can be very effective for the following reasons.</p> <ul style="list-style-type: none"> <li><i>ATTENTION GRABBING DUE TO VISUAL/SOUND NATURE</i></li> <li><i>REMEMBERED DUE TO VISUAL/SOUND NATURE</i></li> <li><i>TARGETS SPECIFIC LOCAL MARKETS (called <b>MICRO REGIONS</b>)</i></li> <li><i>TARGETS SPECIFIC SEGMENTS (through viewing/listening info)</i></li> </ul> <p>However, broadcast media can have the following drawbacks.</p> <ul style="list-style-type: none"> <li><i>CAN BE VERY EXPENSIVE</i></li> <li><i>CONSUMERS SOMETIMES IGNORE OR SKIP ADVERTS</i></li> </ul>
<p><b>PRINTED ADVERTS</b></p> 	<ul style="list-style-type: none"> <li>Local Paper</li> <li>National Paper</li> <li>Flyers given out</li> <li>Leaflets to houses</li> <li>Letters to houses</li> </ul>	<p>Printed media can be very effective for the following reasons.</p> <ul style="list-style-type: none"> <li><i>HOLDING CONSUMERS ATTENTION AS THEY CAN BE SEEN AGAIN</i></li> <li><i>PERSUADING CONSUMERS AS THEY "BELIEVE WHAT THEY READ"</i></li> <li><i>TARGETING SPECIFIC SEGMENTS THROUGH LOCAL PAPERS</i></li> <li><i>TAPPING INTO LOYALTY FOR A NEWSPAPER</i></li> </ul> <p>However, printed media can be EXPENSIVE if used to cover a large number of segments as a variety of media would have to be used to reach them all.</p>
<p><b>OUTDOOR ADVERTS</b></p> 	<ul style="list-style-type: none"> <li>Posters on buses</li> <li>Posters on taxis</li> <li>Bus shelter posters</li> <li>Billboard posters</li> <li>Street posters</li> </ul>	<p>Outdoor media can be very effective for the following reasons.</p> <ul style="list-style-type: none"> <li><i>ATTENTION GRABBING DUE TO HIGH VISUAL IMPACT</i></li> <li><i>REMEMBERED DUE TO HIGH VISUAL IMPACT</i></li> <li><i>REMEMBERED DUE TO FREQUENT CONTACT</i></li> <li><i>TARGET SPECIFIC LOCAL MARKETS (called <b>MICRO REGIONS</b>)</i></li> </ul> <p>However, outdoor media can have the following drawbacks:</p> <ul style="list-style-type: none"> <li><i>CAN BE EXPENSIVE FOR SOME BUSY LOCATIONS</i></li> <li><i>CAN BECOME PART OF THE BACKGROUND AND GO UNNOTICED</i></li> </ul>
<p><b>ELECTRONIC ADVERTS</b></p> 	<ul style="list-style-type: none"> <li>Info on Websites</li> <li>Internet Pop Ups</li> <li>Internet Adverts</li> <li>Targeted e-mails</li> <li>Bluetooth message</li> <li>Facebook</li> <li>Twitter</li> </ul>	<p>Electronic media has all of the strengths of broadcast media with the following additional benefits.</p> <ul style="list-style-type: none"> <li><i>24 HOUR WORLD WIDE ADVERTISING</i></li> <li><i>LOW COST WORLD WIDE ADVERTISING</i></li> <li><i>CAN INVOLVE CONSUMERS IN ADVERT (eg viral ads)</i></li> <li><i>CAN DIRECT TO WEBSITES TO ALLOW IMMEDIATE PURCHASES</i></li> </ul> <p>However, electronic media can IRRITATE consumers if it was not wanted or expected (eg spam e-mail and web popups).</p>




When designing any of the above adverts, the following ideas should try to be included so that the market targeted by them will take notice.

- *SLOGANS (a saying for the product that consumers can remember)*
- *JINGLES (a short saying made into a song to help consumers remember)*
- *SONGS (use of a recognised song to tap into loyalty to that song)*
- *BRANDING (identity and image that people can recognise and identify with)*

The decision by a business about which method(s) of advertising that it should use at a specific point in time will depend upon the following factors.

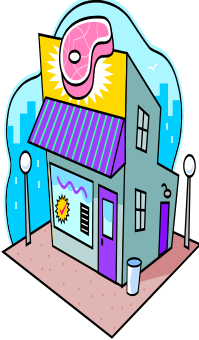

- *CONSUMER BEHAVIOUR (eg which adverts are most effective with the group targeted)*
- *THE MARKET COVERAGE REQUIRED*
- *THE RESOURCES AVAILABLE (eg finance)*

No matter which method of advertising a business chooses to use, it will have to make sure that the advert is **ETHICAL**. This means that the advert is fair and is not misleading or offensive to the consumer. Businesses can do this by making sure that they abide by the following **ADVERTISING CONTROLS**.

Advertising Control	Description
<p><b>ADVERTISING STANDARDS AUTHORITY (ASA)</b></p> 	<p>The ASA is third sector organisation which makes sure that all advertisements in the UK follow its’ “<b>LEGAL, DECENT, HONEST AND TRUTHFUL</b>” CODE. They investigate complaints about adverts that consumers think are breaking this code by being inaccurate or offensive (on the grounds of race, religion, sex, sexual orientation or disability). If they find that an advert has indeed broken this code then they will ban it until it has been changed to prevent the problem arising again.</p>
<p><b>OFFICE OF COMMUNICATIONS (OFCOM)</b></p> 	<p>OFCOM is a Government Agency which makes sure that TV and Radio programmes in the UK follow the rules of the <b>BROADCASTING CODE</b>. They examine complaints by viewers or listeners and can demand apologies and the prevention of repeat action if the complaint is upheld.</p>
<p><b>TRADE DESCRIPTIONS ACT (1968)</b></p> 	<p>This law prevents businesses advertising or describing their products <b>FALSELY</b> (ie in a way that is not true).</p>

## 2 PROMOTIONAL ACTIVITIES






The aim of the promotional activities is to provide (usually short term) special offers which will **ENCOURAGE** the purchase or use of a product. The main methods of promotion that businesses use can be seen below.

Promotion	Description
<p><b>INTO THE PIPELINE</b></p> 	<p>These promotions are given to <b>WHOLESALERS</b> or <b>RETAILERS</b> and are intended to encourage them to buy more of a product and/or work harder to sell it to consumers. Examples of “into the pipeline promotions” include the following.</p> <ul style="list-style-type: none"> <li>• <i>DEALER LOADERS (free products to sell eg 12 for the price of 10)</i></li> <li>• <i>POINT OF SALE SUPPORT (eg displays, posters, etc to encourage sales)</i></li> <li>• <i>BONUS PAYMENTS (extra payments for meeting sales targets)</i></li> <li>• <i>DEALER COMPETITIONS</i></li> <li>• <i>STAFF TRAINING FOR THE DEALER (to help support and encourage sales)</i></li> <li>• <i>EXTENDED CREDIT (giving longer to make a sale and pay for the product)</i></li> <li>• <i>SALE OR RETURN SUPPLY TERMS (taking unsold products back)</i></li> </ul>
<p><b>OUT OF THE PIPELINE</b></p> 	<p>These promotions are given directly to <b>CONSUMERS</b> to encourage them to try or buy more of a product. Examples of “out of the pipeline promotions” include the following.</p> <ul style="list-style-type: none"> <li>• <i>SHORT TERM PRICE DISCOUNTING</i></li> <li>• <i>FREE SAMPLES (to encourage consumers to try a product)</i></li> <li>• <i>BONUS PACKS (eg, a bottle of shampoo with 20% extra free, etc)</i></li> <li>• <i>BUY ONE GET ONE FREE OFFERS</i></li> <li>• <i>BONUS COUPONS (a voucher to get something extra for free/cheaper)</i></li> <li>• <i>LOYALTY OFFERS (free/extra products with a number of purchases)</i></li> <li>• <i>PREMIUM OFFERS (eg, buy a table get dining chairs free)</i></li> <li>• <i>FREE GIFT (eg free toy with a kids meal)</i></li> <li>• <i>PRIZE COMPETITIONS</i></li> </ul>



### 3 PUBLIC RELATIONS (PR)

Public relations describes the ways that a business tries to interact and communicate with all of its' stakeholders so that they have a positive opinion of it. Public Relations is important as it can increase sales by creating an image of the business that will maximise satisfaction, develop consumer loyalty and by minimising negative impressions and problems (which could mean lost sales). Common PR activities can be seen below.

PR	Description
<p><b>CORPORATE COMMUNICATIONS</b></p> 	<p>Corporate communications describes the ways that a business keeps stakeholders up to date with current and new “positive” activities and how it is dealing with any complaints and problems (to regain trust and loyalty). Common examples of corporate communications include:</p> <ul style="list-style-type: none"> <li>• <i>PRESS CONFERENCES</i> (meeting with the press to discuss issue)</li> <li>• <i>PRESS RELEASES</i> (carefully planned and worded info given to the media)</li> <li>• <i>STORE INFORMATION</i> (displays about history, policies, awards, etc)</li> <li>• <i>ONLINE INFORMATION</i> (website about history, policies, awards, etc)</li> </ul>
<p><b>SPONSORSHIP</b></p> 	<p>Sponsorship is money that a business gives to support an activity or another business who will now usually clearly display the name of their sponsoring “partner” business. For example, companies often sponsor football clubs and get them to display their name on the team strip. Sponsorship acts as additional advertising for the sponsoring business and can increase sales (from loyal customers of the sponsored business).</p>
<p><b>ENDORSEMENTS</b></p> 	<p>Endorsements are recommendations to use a business by someone famous. This can create extra sales as fans of the celebrity now become interested in the endorsed business. However, it can be costly (due to free products or payments) and can create bad publicity if the celebrity does something unpopular.</p>
<p><b>CHARITABLE DONATIONS</b></p> 	<p>Businesses often donate money to charitable causes. This creates a positive impression of the business as socially responsible and will usually become “spin” (a positively biased way of describing something) in corporate communications.</p>
<p><b>PRODUCT PLACEMENT</b></p> 	<p>Product placement involves getting TV shows, movies and other media to use the products of a business positively in their stories. This can create a positive image of the business and additional advertising.</p>

## THE EXTENDED MARKETING MIX

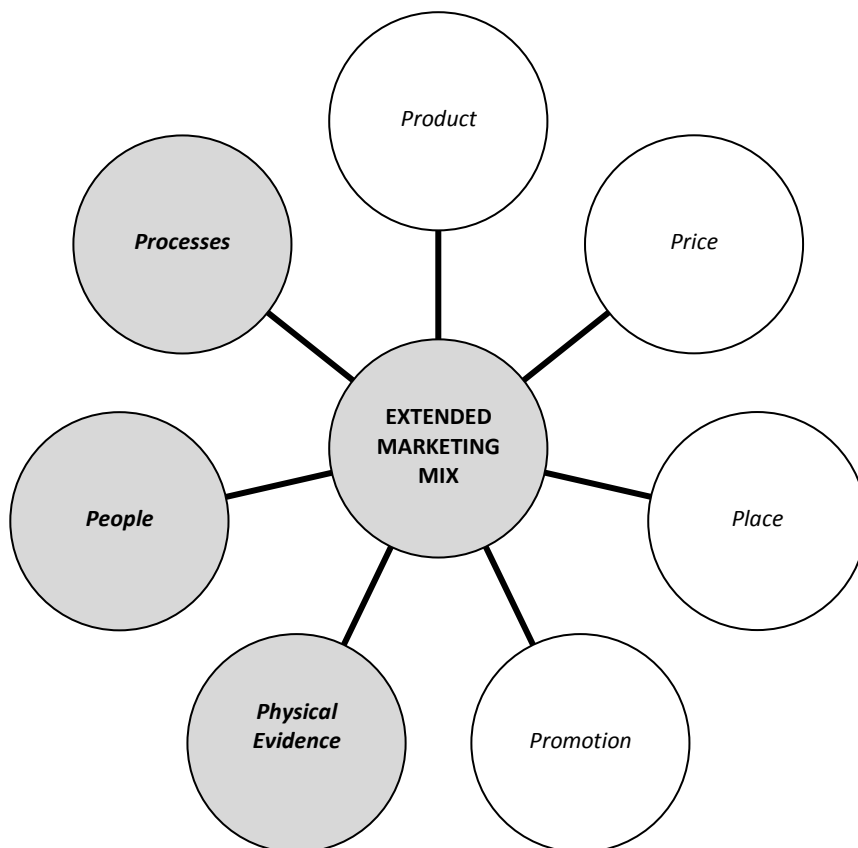
The traditional marketing mix is the combination of the following the marketing activities that a business undertakes to try and best meet the needs of its' targeted market.

- 1 **PRODUCT**
- 2 **PRICE**
- 3 **PLACE**
- 4 **PROMOTION**

However, it is now common to add some more "P's" to this mix to create the "7 P's." This "7 P's" Marketing Mix is often known as the **SERVICE** or **EXTENDED MARKETING MIX** and the 3 extra "P's" in it are as follows

- 5 **PHYSICAL EVIDENCE**
- 6 **PEOPLE**
- 7 **PROCESSES**

The extended marketing mix is becoming popular because marketing today is increasingly service based and is more market oriented. This means that to maximise sales, businesses should not only focus on "what" they provide but try to ensure that customers have a positive experience when they go to buy the product.









## PHYSICAL EVIDENCE

**PHYSICAL EVIDENCE** describes the things that a consumer can see and find out about a business to help them “judge” the quality of it and therefore whether or not they want to use it.

Examples of physical evidence that can influence consumer opinion and use of a business can be seen below.


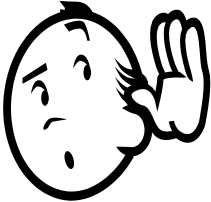



Evidence	Description
<p style="text-align: center;"><b>PREMISES</b></p> 	<p>The premises of a business will influence whether or not a consumer will use it or not. For example, a run down or dangerous looking building is unlikely to attract customers as they will conclude that that the quality of the product provided by it is likely to be poor as well.</p> <p>Consumers commonly judge the premises by the following factors.</p> <ul style="list-style-type: none"> <li>• <i>STYLE AND DESIGN OF THE PREMISES</i></li> <li>• <i>ATTRACTIVENESS AND CLARITY OF BUSINESS SIGNAGE USED ON THE PREMISES</i></li> <li>• <i>PREMISES FEATURES (eg car parking)</i></li> <li>• <i>TIDINESS AND LANDSCAPING OF AREA AROUND PREMISES</i></li> </ul>
<p style="text-align: center;"><b>MERCHANDISING</b></p> 	<p>Merchandising describes the way that business premises are laid out and display products for sale. Merchandising can create a positive impression on consumers and increase sales if it does the following.</p> <ul style="list-style-type: none"> <li>• <i>SIGNS MAKE IT EASY FOR CONSUMERS TO LOCATE DESIRED PRODUCTS</i></li> <li>• <i>SIGNS USE “POWER WORDS” TO REASSURE CONSUMERS (eg “guaranteed”)</i></li> <li>• <i>SIGNS USE “POWER WORDS” TO ENCOURAGE CONSUMERS (eg “sale”)</i></li> <li>• <i>SIGNS USE BRANDING TO REASSURE CONSUMERS OF QUALITY</i></li> <li>• <i>DISPLAYS ARE USED SHOW PRODUCTS POSITIVELY</i></li> <li>• <i>DISPLAYS PROVIDE ENOUGH ROOM TO EASILY MOVE AROUND PREMISES</i></li> <li>• <i>DISPLAYS ALLOWS CONSUMERS TO TOUCH AND EXAMINE DESIRED PRODUCTS</i></li> <li>• <i>DISPLAYS HAVE MIRRORS TO ALLOW CONSUMERS TO SEE PRODUCTS ON THEM</i></li> <li>• <i>DISPLAYS ALLOWS CONSUMERS TO SELECT PRODUCTS WITHOUT NEEDING STAFF</i></li> <li>• <i>DISPLAYS PROVIDES CONSUMERS WITH (PERSUASIVE) PRODUCT INFORMATION</i></li> <li>• <i>DISPLAYS PROVIDE CONSUMERS WITH CLEAR PRICING INFORMATION</i></li> <li>• <i>DISPLAYS SUGGEST ACCESSORY/COMPLEMENTARY PRODUCTS TO CONSUMERS</i></li> <li>• <i>DISPLAYS CHANGE WITH DEMAND/INFLUENCES (eg umbrellas out on rainy days)</i></li> <li>• <i>DISPLAYS FOR “IMPULSE” PURCHASE PRODUCTS ARE IN SUITABLE PLACES</i></li> <li>• <i>DISPLAYS MAXIMISE BROWSING TIME (eg popular products at rear of premises)</i></li> <li>• <i>THERE ARE ENOUGH PLACES TO PAY TO PREVENT OFF-PUTTING QUEUES</i></li> </ul>

Evidence	Description
<p data-bbox="225 241 363 271"><b>AMBIENCE</b></p> 	<p data-bbox="454 241 1452 398">Ambience refers to the way that business premises interact with the senses of consumers and create a “feeling” about the business with them. Ambience can be used to create positive emotions in consumers which will encourage them to use a business. Ambience can be built up through the following.</p> <ul data-bbox="454 427 1428 629" style="list-style-type: none"> <li>• <i>SMELLS AND FRAGRANCES USED IN PREMISES</i></li> <li>• <i>SOUNDS AND MUSIC PRESENT IN PREMISES</i></li> <li>• <i>TEMPERATURE OF PREMISES (eg warm premises can create “secure” feelings)</i></li> <li>• <i>DECORATIVE COLOURS USED (eg red can convey “energy”, etc)</i></li> <li>• <i>LIGHTING USED IN PREMISES</i></li> </ul>
<p data-bbox="236 674 352 703"><b>WEBSITE</b></p> 	<p data-bbox="454 674 1465 909">Many businesses now have a website to provide consumers with information and allow e-commerce. This “virtual” business will be assessed by consumers as much as physical premises when they are deciding whether or not to make a purchase. Therefore, businesses should invest the time and money necessary to ensure that the “merchandising” of their website does the following in order to create a positive image and encourages sales.</p> <ul data-bbox="454 938 1444 1906" style="list-style-type: none"> <li>• <i>MAXIMISE WEBSITE USE BY RAISING AWARENESS OF IT VIA ADVERTISING</i></li> <li>• <i>MAXIMISE WEBSITE USE BY HAVING SOCIAL MEDIA LINKS AND UPDATES</i></li> <li>• <i>MAXIMISE WEBSITE USE BY INCLUDING IT IN SEARCH ENGINES</i></li> <li>• <i>MAXIMISE WEBSITE USE BY HAVE A MEMORABLE WEBSITE NAME</i></li> <li>• <i>ENSURE EASY WEBSITE ACCESS BY AVOIDING TOO MANY FEATURES (eg videos)</i></li> <li>• <i>ENSURE EASY WEBSITE ACCESS BY HAVING A MOBILE VERSION</i></li> <li>• <i>ENSURE QUICK WEBSITE LOADING TIMES TO AVOID PUTTING CONSUMERS OFF</i></li> <li>• <i>ENSURE WEBSITE HAS PROFESSIONAL IMAGE AND IS ATTRACTIVE</i></li> <li>• <i>ENSURE WEBSITE IS EASY TO NAVIGATE (eg hyperlinks, search tool or site map)</i></li> <li>• <i>ENSURE WEBSITE IS UPDATED REGULARLY</i></li> <li>• <i>PROVIDE CLEAR PRODUCT INFORMATION (eg features, size guides, etc)</i></li> <li>• <i>PROVIDE CLEAR PRODUCT PICTURES</i></li> <li>• <i>PROVIDE CLEAR PRICING INFORMATION</i></li> <li>• <i>PROVIDE ACCESSORY/COMPLEMENTARY ITEM SUGGESTIONS TO CONSUMERS</i></li> <li>• <i>PROVIDE FREQUENTLY ASKED QUESTIONS (FAQ) AREA TO HELP CONSUMERS</i></li> <li>• <i>PROVIDE CONTACT INFO TO HELP CONSUMERS EASILY GET EXTRA INFO</i></li> <li>• <i>PROVIDE CONTACT INFO TO HELP CONSUMERS FIND AND VISIT PREMISES</i></li> <li>• <i>REASSURE CONSUMERS BY USING BRANDING ON WEBSITE</i></li> <li>• <i>REASSURE CONSUMERS VIA TRIAL VERSIONS OF PRODUCTS (if possible)</i></li> <li>• <i>REASSURE CONSUMERS VIA (POSITIVE) CUSTOMER COMMENTS SECTION</i></li> <li>• <i>REASSURE CONSUMERS VIA CLEAR RETURNS AND REFUNDS POLICIES</i></li> <li>• <i>REASSURE CONSUMERS VIA SECURE PAYMENTS SYSTEMS</i></li> <li>• <i>REASSURE CONSUMERS VIA PRIVACY POLICY ABOUT USE OF THEIR DATA</i></li> </ul>

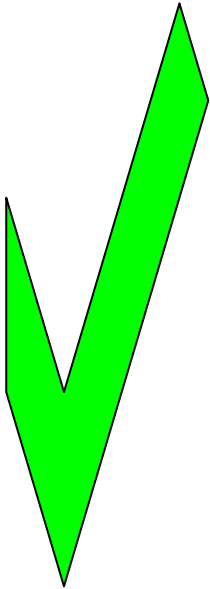
## PEOPLE

**PEOPLE** describes the things that staff in a business can do in order to provide high levels of **CUSTOMER SERVICE** and **CUSTOMER SATISFACTION**.

Common examples of activities which can help staff maximise **CUSTOMER SERVICE** can be seen below.

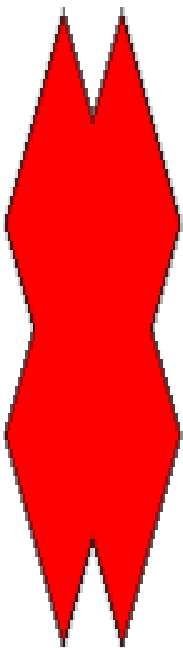
Activity	Description
<p><b>POSITIVE IMAGE</b></p> 	<p>Customers make judgements from the way that workers look about whether or not they are interested in helping them. Therefore, staff should try to create a positive image for customers in the following ways.</p> <ul style="list-style-type: none"> <li>• <i>POSITIVE BODY LANGUAGE (eg eye contact, smiling, etc)</i></li> <li>• <i>SMART APPEARANCE (eg tidy clothes/uniform)</i></li> </ul>
<p><b>EFFECTIVE COMMUNICATION</b></p> 	<p>Customers will know from the way that workers communicate with them if they are interested in helping. Therefore, staff should try to make sure that they communicate effectively with customers as follows.</p> <ul style="list-style-type: none"> <li>• <i>USE THE CORRECT LEVEL OF FORMALITY (eg title v first names)</i></li> <li>• <i>USE A POLITE TONE OF VOICE</i></li> <li>• <i>LISTEN CAREFULLY TO CUSTOMER'S NEEDS</i></li> <li>• <i>BE ASSERTIVE (IF NECESSARY) BUT DO NOT ARGUE WITH CUSTOMERS</i></li> </ul>
<p><b>PROFESSIONAL STANDARDS</b></p> 	<p>Customers will know from the actions that workers take if they are interested in helping. Therefore, staff should try to make sure that they offer a professional service to customers in the following ways.</p> <ul style="list-style-type: none"> <li>• <i>RESPOND PROMPTLY TO REQUESTS, PHONECALLS, E-MAILS etc</i></li> <li>• <i>CHECK THEY CLEARLY UNDERSTAND WHAT THE CUSTOMER NEEDS</i></li> <li>• <i>BE HONEST - DO NOT MAKE PROMISES THAT THEY CANNOT KEEP</i></li> <li>• <i>KEEP CUSTOMERS UP TO DATE WITH ANYTHING THEY ARE DOING</i></li> <li>• <i>KEEP TO DEADLINES SET WITH CUSTOMERS</i></li> </ul>
<p><b>PRODUCT KNOWLEDGE</b></p> 	<p>Customers may want or need support to choose products. To be able to do this effectively, staff should be knowledgeable about the things that they sell so that they can offer this advice and also help customers understand how to use and get the most use out of their products after they have bought them.</p>
<p><b>COMPLAINTS PROCESS</b></p> 	<p>Staff should clearly understand the complaints procedure of the business so that they can deal with any problems effectively. This is important so that staff can resolve conflicts and help dissatisfied consumers so that they are encouraged to use the business again despite their disappointment with something.</p>

In most businesses, the HRM function will organise customer service training for staff to ensure that they are able to undertake the above activities effectively. This training can either be **INDUCTION TRAINING** (for new workers to show them what is expected) or **IN SERVICE TRAINING** (for existing workers to update their abilities). Businesses spend so much time, money and effort in training staff to provide high levels of consumer service and satisfaction because this can bring them the following **BENEFITS**.



- *Satisfied customers will continue to use the business – this is known as **CUSTOMER LOYALTY**. This is good because it means continued sales in the future and so profits that will allow the business to continue.*
- *Satisfied customers may recommend a business to others – this can allow the business to **INCREASE SALES**. This is good because it means more profits and less chance of running out of money and failing.*
- *Satisfied customers will mean fewer complaints. This can mean staff will be happier at work and so **MOTIVATED** to do more which can increase profits.*
- *Motivated and happy staff will be less likely to leave – this means that a business can avoid the lost work and the cost of finding new workers.*
- *Having a motivated and happy place to work can attract high quality new staff to the business. They may have new ideas which can further improve business profits.*

Businesses focus on providing high standards of consumer satisfaction not only to get the above benefits but to also prevent the following **NEGATIVE CONSEQUENCES** from poor customer service.



- *Unhappy customers will not use the business again – this means **DECREASED SALES**. This is bad because it means less profits and more chance of running out of money and failing.*
- *Unhappy customers may tell other people not to use the business – this could mean **REPUTATION DAMAGE**. This is bad because it means less profits and more chance of failing.*
- *Unhappy customers will mean many complaints. This can mean staff will be unhappy at work and so **LESS MOTIVATED** which can decrease profits.*
- *Demotivated and unhappy staff are **MORE** likely to leave – this means that a business can will have to spend time and money finding new workers.*
- *Having a motivated and happy place to work can attract high quality new staff to the business. They may have new ideas which can further improve business profits.*
- *There will be difficulty in recruiting and retaining new quality staff because of the poor reputation of the organisation.*

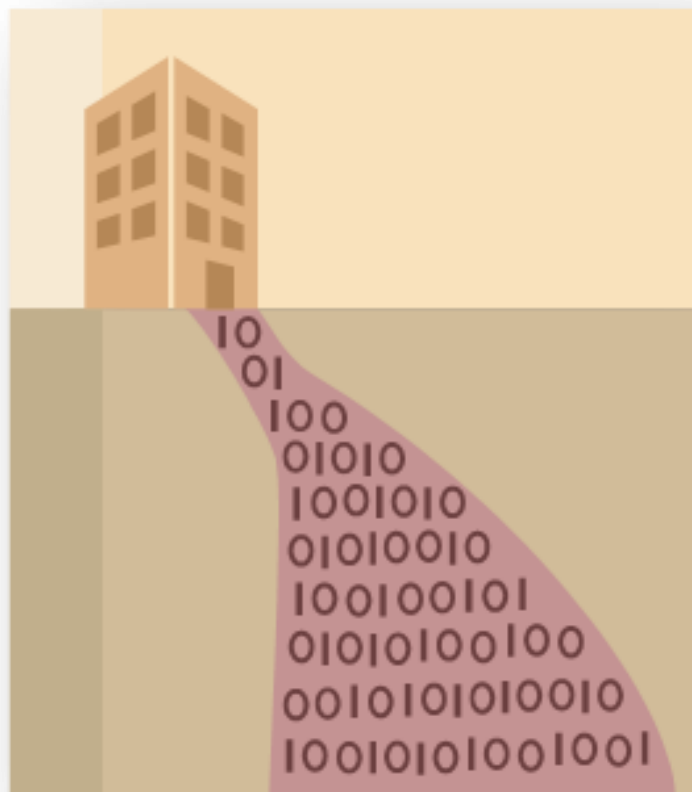
## PROCESSES

**PROCESSES** describes the **SYSTEMS** that are put in place to make sure that business activities run “smoothly” and so create high levels of **CUSTOMER SATISFACTION** and **LOYALTY**.

The process element of the extended marketing mix focuses on what systems and activities can be used to ensure that customers have a positive experience of using the business. These systems and activities tend to break down into the following types.

- **DIRECT PROCESSES** - These are things that a business does that the customer will actually experience first hand – eg bar code payment systems for payment, customer service from staff.
- **INDIRECT PROCESSES** - These are things that a business does to support customers before, during and after using a product, eg guarantees. These can often be linked to the production of a product and so may involve the Operations function of the business.





An example of the importance of process can be seen by looking at a Credit Card company. They must have direct processes to ensure that their credit cards work when customers want to use them (by checking the card’s PIN chip functions) and they have to set indirect processes to ensure that new cards are sent out to customers before old ones expire, that customers do not overspend, etc.









## WHICH FACTORS CAN AFFECT THE SUCCESS OF MARKETING ACTIVITIES?

The success of any marketing activities undertaken by a business will be affected by the following factors. Therefore, a business should monitor each of these factors carefully and adjust their marketing activities to deal with them in order to make sure that its' marketing is as successful as possible.

### 1 INTERNAL FACTORS

Issue	Activity
<p><b>FINANCE</b></p> 	<p>When a business has <b>LOTS</b> of finance (money) then it can make afford to carry out lots of helpful marketing activities – eg field research, new product development, advertising and promotions. When a business does not have lots of money then the effectiveness of its marketing is likely to be limited.</p>
<p><b>EQUIPMENT</b></p> 	<p>When a business has <b>LOTS</b> of modern and efficient equipment then it can undertake effective marketing by carrying out high quality research and developing online sales and advertising. When a business has out of date equipment then the poor quality research and limited placement and advertising are likely to reduce the effectiveness of its marketing.</p>
<p><b>HUMAN RESOURCES</b></p> 	<p>When a business has <b>LOTS</b> of effective staff then it can undertake effective marketing by carrying out high quality research and be enterprising by creating new products. When a business has ineffective staff then the poor quality research and product development are likely to reduce the effectiveness of its marketing.</p>
<p><b>MANAGEMENT</b></p> 	<p>When a business has a <b>SKILLED</b> and <b>COMMITTED</b> marketing management team then beneficial decisions about research methods and the marketing mix will be made. If the marketing management team is not effective then customer satisfaction will decline and sales will fall.</p>

## 2 EXTERNAL FACTORS

Issue	Activity
<p><b>POLITICAL ISSUES</b></p> 	<p>The Government may affect an organisation's marketing through legislation and policies that develop or decrease markets and/or marketing strategies. For example, the ban on indoor smoking in public places has negatively affected the marketing of tobacco.</p>
<p><b>ECONOMIC ISSUES</b></p> 	<p>Economic forces such as <b>INTEREST, UNEMPLOYMENT</b> and <b>INFLATION RATES</b> may affect an organisation's marketing by increasing or decreasing its' market due to changes in income, demand, etc. For example, high interest rates put people off taking a mortgage and in turn buying new furniture - this situation could mean marketing of furniture is unlikely to be successful at this time.</p>
<p><b>SOCIAL ISSUES</b></p> 	<p>The expectations and demands of the consumers in the market regularly vary and change. These factors must be constantly accounted for in the 4P's if the business is to successfully market to these people.</p>
<p><b>TECHNOLOGY ISSUES</b></p> 	<p>Technology has drastically affected marketing in the following ways.</p> <ul style="list-style-type: none"> <li>• CREATING NEW TECHNOLOGY PRODUCTS TO MARKET (eg MP3 v CD)</li> <li>• CUTTING THE COST OF ONLINE FIELD AND DESK RESEARCH</li> <li>• CHEAPER LOCATIONS THROUGH E-COMMERCE INTERNET SALES</li> <li>• ONLINE DISTRIBUTION METHODS</li> <li>• 24 HOUR, CHEAP AND TARGETED ELECTRONIC ADVERTISING</li> </ul>
<p><b>ENVIRONMENT ISSUES</b></p> 	<p>Marketing of products which are environmentally friendly has become more successful in recent years as this is a <b>HIGH GROWTH</b> market (ie an area with a quickly increasing numbers of consumers).</p>
<p><b>COMPETITIVE ISSUES</b></p> 	<p>High levels of competition (ie other businesses doing the same type of work) can limit the effectiveness of marketing. This is because competitor businesses will be using their marketing to try and capture your consumers. In addition, products with <b>LOW GROWTH</b> markets provide businesses with <b>FEW</b> potential consumers or opportunities to use effective marketing to develop.</p>