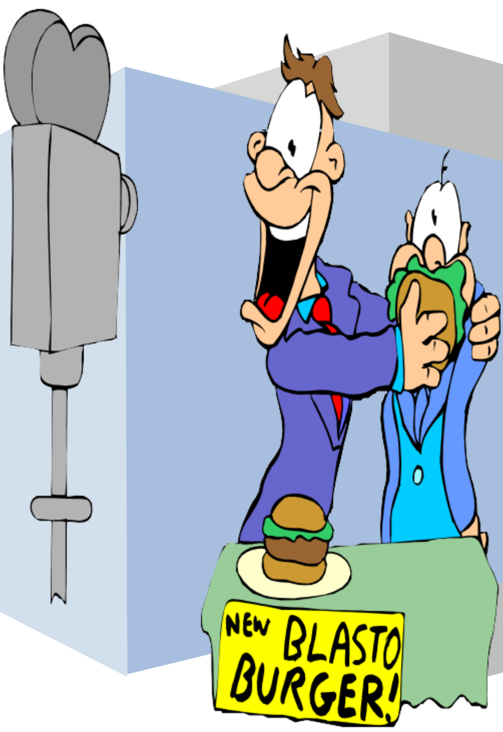
Business Management

N5

Management of Marketing and Operations

2.1 – Marketing



Learner's Notes

Introduction

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

Market Research

- *DESK MARKET RESEARCH METHODS*
- *FIELD MARKET RESEARCH METHODS*
- *MARKET RESEARCH COSTS*
- *MARKET RESEARCH BENEFITS*

Customers

- *MARKET SEGMENTS*
- *TARGET MARKET*

Marketing Mix

- *COMBINATION OF PRODUCT, PRICE, PLACE PROMOTION*

Product

- *PRODUCT DEVELOPMENT*
- *BRANDING*
- *PRODUCT LIFE CYCLE*
  - *Introduction*
  - *Growth*
  - *Maturity*
  - *Decline*

Price

- *FACTORS TO BE CONSIDERED WHEN SETTING PRICE*

Place

- *BUSINESS LOCATION*
- *DISTRIBUTION METHOD (ROAD, LAND, AIR, SEA)*

Promotion

- *ADVERTISING*
- *ETHICAL MARKETING*
- *PROMOTIONAL STRATEGIES*

Technology

- *ROLE OF TECHNOLOGY IN MANAGING MARKETING*

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
DIRECT MARKETS 	Here consumers and sellers are in **FACE TO FACE** contact. Examples include: • *SHOPS* • *CAR BOOT SALES* • *AUCTIONS*
INDIRECT MARKETS 	Here buyers and sellers are NOT in FACE TO FACE contact. Examples include: • *ESTATE AGENTS (market method – another person)* • *MAIL ORDER PURCHASES (market method – post)* • *INTERNET PURCHASES (market method – computer)*

There are also many different **SIZES OF MARKET**.

Market	Description
LOCAL 	Here the market involves consumers and sellers in a small area **IMMEDIATELY AROUND** a business. This is common size of market for **SMALL TO MEDIUM SIZED** businesses.
NATIONAL 	Here the market involves consumers and sellers within a **COUNTRY**. This is common size of market for **SMALL TO MEDIUM SIZED** businesses.
GLOBAL 	Here the market involves buyers and sellers all around the **WORLD**. This is used to be an unusual size of market for **SMALL TO MEDIUM SIZED** businesses. However, the use of the **INTERNET** for advertising and selling products has made this market a more realistic option for some of these businesses.

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.*

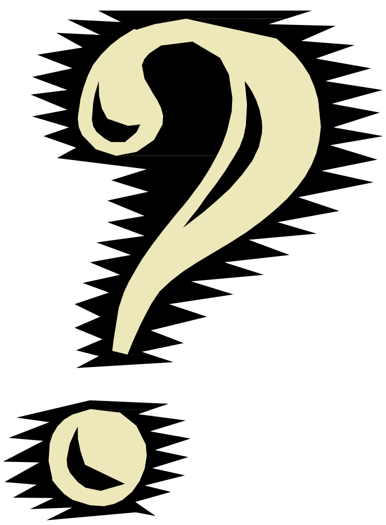
The main activities that are involved in this work by marketing staff are as follows.

- *MARKET RESEARCH*
- *MARKET SEGMENTATION*
- *MARKETING MIX DECISIONS*
- *PRODUCT DEVELOPMENT*
- *PRICING*
- *PLACEMENT*
- *PROMOTION*

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 they want)*
- *INCREASED USE OF THE BUSINESS BY CONSUMERS (CONSUMER LOYALTY)*
- *INCREASED PROFITS, BUDGETS OR DONATIONS (from consumer loyalty)*

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.



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, because it means that a business should have information that will help it make **BETTER QUALITY MARKETING DECISIONS**. This, in turn, means the business is more likely to be successful by achieving its objectives and satisfying consumers.

CARRYING OUT MARKET RESEARCH

Market research is usually carried out in small to medium sized 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
QUANTATITIVE 	This is information which is based on **FACTS AND FIGURES** rather than opinions. This information is obviously very specific and so can be helpful in finding out **HOW** 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.
QUALITATIVE 	This is information which is based on **OPINIONS** rather than definite facts or figures. This information is helpful in finding out **WHY** 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

METHODS OF MARKET RESEARCH

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 methods of desk research that small to medium sized businesses are likely to use can be seen below.

Source	Description
INTERNAL SOURCES 	These are sources of market research information from **INSIDE** of the business. They often focus on information about the business itself. Examples include: • *SALES FIGURES* • *PROFIT FIGURES* • *PRODUCTION FIGURES* • *STOCK LEVELS*
EXTERNAL SOURCES 	These are sources of market research information from **OUTSIDE** of the business. They provide information about what people outside of the business think about it and the market in general. • *GOVERNMENT STATISTICS AND REPORTS ABOUT A MARKET* • *INDUSTRY AND TRADE STATISTICS AND REPORTS ABOUT A MARKET* • *INTERNET STATISTICS AND REPORTS ABOUT A MARKET*

The main **STRENGTHS** of desk research 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 provides market research information means that it will **TIMELY** (in time) for decisions which need to be take 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.*

The main **WEAKNESSES** of desk research 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 small to medium sized businesses are likely to use can be seen below.

Source	Description
PERSONAL INTERVIEW 	Here the business uses a face-to-face discussion to ask consumers questions about what they think about the business and its' market. 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. 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.
COMMENT CARDS 	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. 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. 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.
ONLINE SURVEY 	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. 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 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.

The main **STRENGTHS** of field research 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.*

The main **WEAKNESSES** of field research 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, small to medium sized 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.

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)

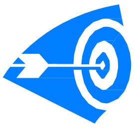
4 **THE FINANCE AVAILABLE FOR CONDUCTING THE RESEARCH;**
(eg when plenty of money is available high quality FIELD research can be used, but when money is short DESK research may have to do)

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. This can occur due to market research not having the following qualities of **HIGH QUALITY INFORMATION**.

Characteristic	Description
ACCURATE 	Accurate information is information that is definitely **CORRECT** and so can be relied upon.
RELEVANT 	Relevant information is especially **LINKED** to the decision being made and so will help with it.
COMPLETE 	Complete information is usually a mix of internal AND external information so that **COVERS ALL** of the options and areas for decision making.
TIMELY 	Timely information is **UP TO DATE** information that is available **IN TIME** for decision making.
CONCISE 	This is information which covers **EVERYTHING** that is relevant in a **CLEAR, BRIEF** and **EASY TO UNDERSTAND** way so that it can be easily used in decision making.
COST EFFECTIVE 	It costs time and money to collect information. Cost effective information is information that is **WORTH** the time and money used to collect it – ie the benefits outweigh the costs. This is **NOT** the same as **CHEAP** (which means little money was spent).

MARKET SEGMENTATION

***MARKET SEGMENTATION** involves using market research information to split the consumers in your market into **SEPARATE** and **IDENTIFIABLE** groups (also known as **SEGMENTS**) with **SPECIFIC WANTS**.*

Market Segmentation usually creates these different groups with different wants (which are known as **MARKET SEGMENTS**) through the use of one or more of the following characteristics.

1 AGE
(eg children want different products when compared to adults)

2 GENDER
(eg men want different products when compared to women)

3 INCOME
(eg people with high incomes may want several holidays per year compared to people with lower incomes)

4 RELIGION
(eg some people may or may not use products due to their faith – eg muslim people do not usually use non halal meats)

5 FAMILY CHARACTERISTICS
(eg families with many children may need 7 seat cars while couples only need a 2 seat car)

6 LOCATION
(eg people in the countryside may rent more DVDs 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)

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)

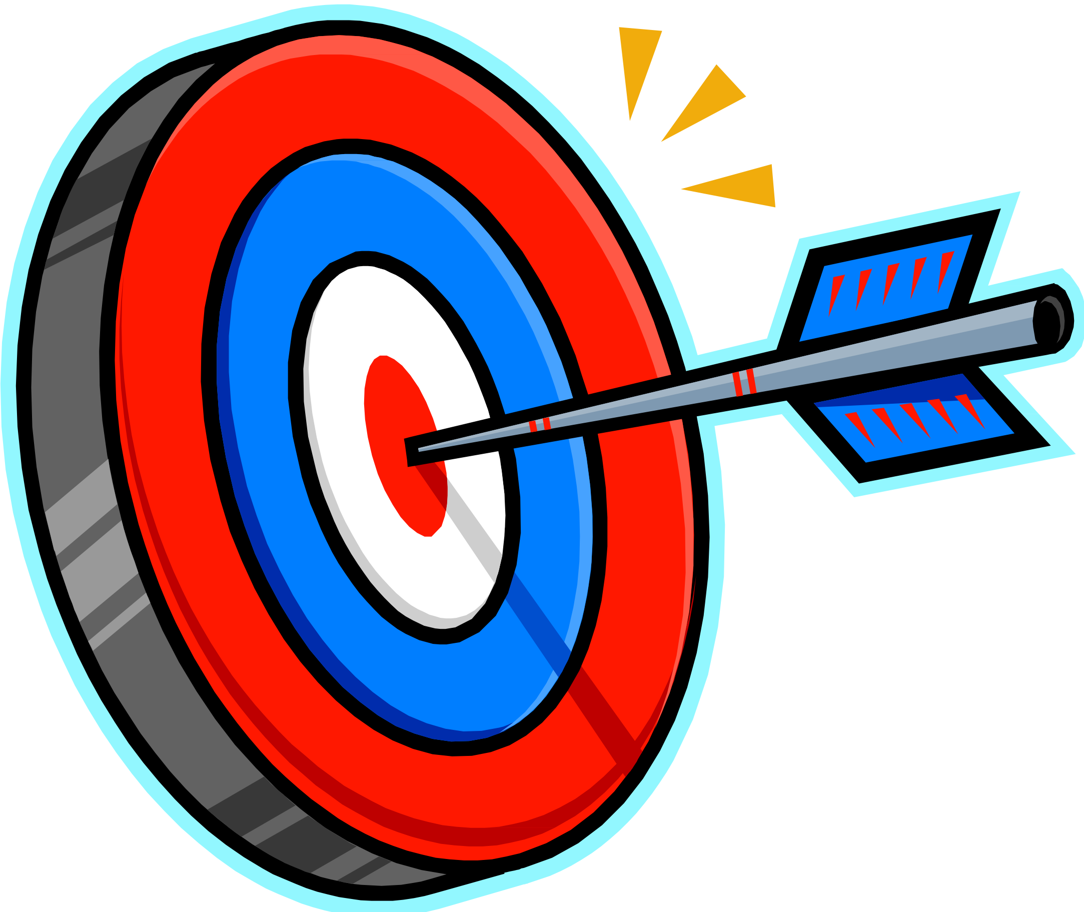
When small to medium sized businesses know about the various segments within their market, then they can try and meet the different wants of each segment by dealing with each of them in a separate suitable way. This is known as **TARGET MARKETING**.

Target marketing 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)*



THE 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**.

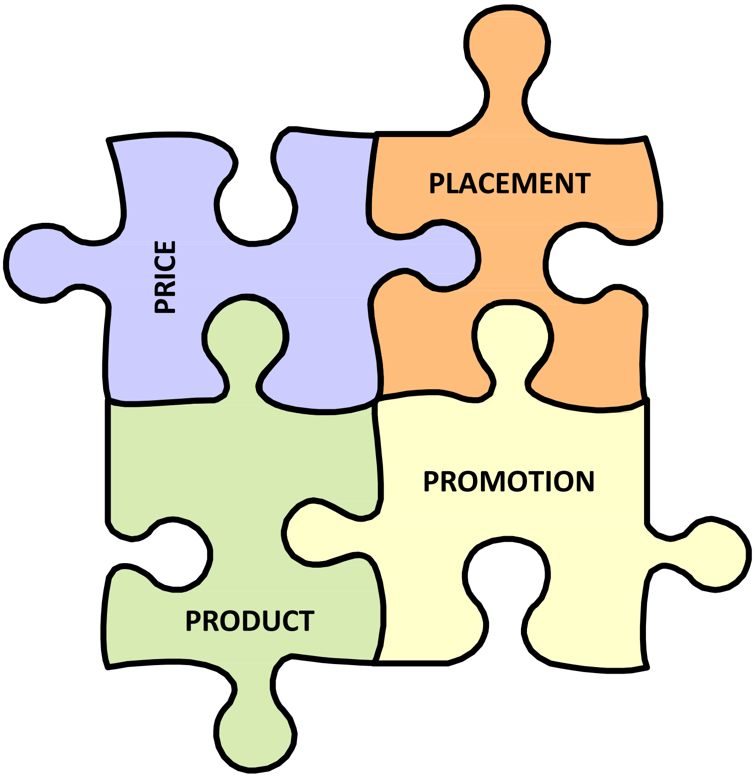
The marketing mix for small to medium businesses is usually made up of the specific **COMBINATION** of separate decisions about **PRODUCT**, **PRICE**, **PLACEMENT** and **PROMOTION** that they think will satisfy the needs of a market or segment. This marketing mix is also known as **THE 4P'S** as the 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 DECISIONS

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.

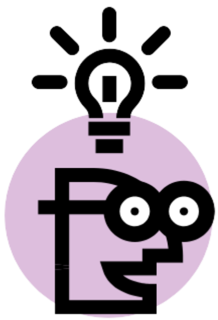
The main areas of activity in the product element of the marketing mix for small to medium sized businesses can be seen below.

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][1] 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*



[1] Common examples of USPs for a product will include special features or product packaging (which should be **EYE CATCHING** for consumers).

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*

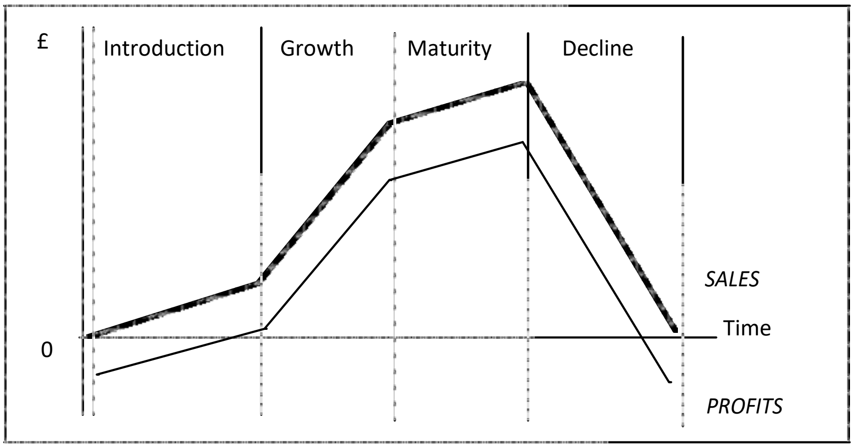
However, despite the benefits, businesses should also be aware of the following possible brand **PROBLEMS**.

- *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*

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. 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
INTRODUCTION	**SALES** will start to **RISE SLOWLY** as people become aware of the product.	**PROFITS** will start to **APPEAR SLOWLY** as sales rise and start up costs are repaid.
GROWTH	**SALES** will start to **RISE QUICKLY** as many people begin to use the product.	**PROFITS** will start to **RISE QUICKLY** as sales rise sharply.
MATURITY	**SALES** will start to **SLOW DOWN** as almost everyone who wants the product will have it.	**PROFITS** will be **MAXIMISED** as the maximum number of sales is made.
DECLINE	**SALES** will start to **FALL** as people start to use other better or newer products. Eventually there will be no sales and the product will be **WITHDRAWN**.	**PROFITS** will start to **FALL** as sales fall. Eventually there will be no profits as there are no longer any sales.

The speed at which different products move through the lifecycle will **VARY**, and some never seem to complete their lifecycle at all (eg Oxo, Kelloggs Cornflakes, etc). This is because they are **NECESSITIES** or have extreme **CUSTOMER LOYALTY** to their brand.

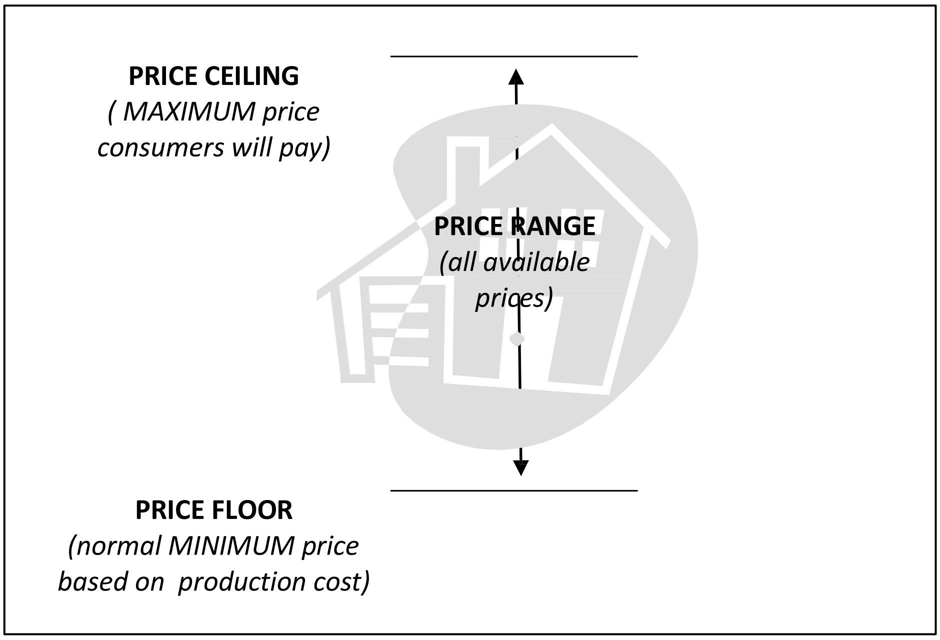
PRICE DECISIONS

*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 customers will pay for the item (**THE PRICE CEILING**) and the cost of 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.



The **ACTUAL** price (from within the price range) that will be charged by small to medium sized businesses will depend on the following factors, and is likely to change over time if any of these factors change.

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

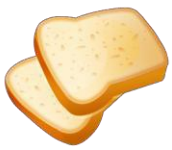
2 THE MARKET THE PRODUCT IS BEING SOLD IN

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

Market	Pricing
UNCOMPETITIVE MARKET 	This market structure may mean that there is only one business selling this product to the market. This would be known as a **MONOPOLY** market (as "mono" means "one"). This means the business here can charge prices at the **PRICE CEILING** because consumers will have to pay their prices or simply do without as there is no-one else to buy from instead. Prices will stay like this unless other businesses enter the market at a lower price and so start to give consumers a choice.
COMPETITIVE MARKET 	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. 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 in **BETWEEN** the **FLOOR** and **CEILING** and are known as the **MARKET PRICE**. Prices are likely to stay like this for a long time.
HIGHLY COMPETITIVE MARKET 	This market structure usually means that there are a few businesses selling similar products to the market and there are **NOT** enough consumers for them all to survive. 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 **PRICE FLOOR**. Prices are likely to rise over time as some businesses close and the remaining ones form a competitive market.

3 THE TYPE OF PRODUCT BEING SOLD

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

Product Type	Pricing
ORDINARY PRODUCT 	Ordinary products have many competitors and not many USPs. They will usually be sold at prices close to the **MARKET PRICE**. 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.
BRANDED PRODUCT 	Branded products will be able to charge between the **MARKET PRICE** and **PRICE CEILING**. 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.
UNIQUE PRODUCT 	Unique products will be able to charge prices close the **PRICE CEILING**. 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.
NEW PRODUCT 	New products will usually be sold at the appropriate price for their product type, eg unique products at the price ceiling, etc. However, sometimes businesses will sell them for a short time at prices close to the **PRICE FLOOR** in order to break consumer loyalty to other products and so allow them to break into the market.

PLACEMENT DECISIONS

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.

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 small to medium sized businesses can be seen below.

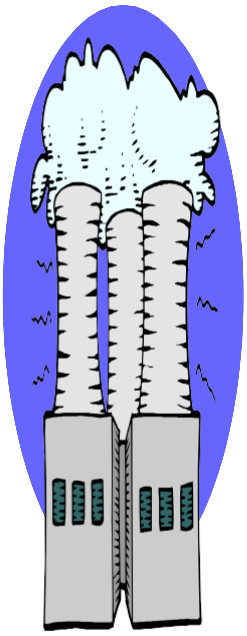
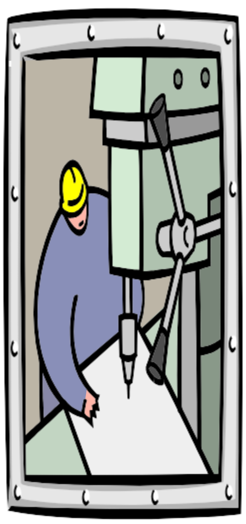
1 BUSINESS LOCATION

A business has to make decisions about where to **LOCATE** (open and run) some or all of the following.

- *FACTORY (for production and storage)*
- *OFFICES (for management)*
- *SHOPS (for providing products)*

The main factors which influence the type and location of the premises that a business chooses to use can be seen below.

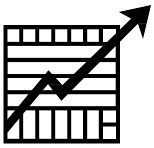
Location Issue	Description
BUSINESS TYPE 	Different types of business will require different types of premises. For example, a sole trader may only require a single shop (due to their small market and low number of staff) while a Government Agency may have many large locations (to make sure they can provide a public service to all areas of the country).
MARKET DEMAND 	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.
COMPETITORS 	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 customers.

Location Issue	Description
RAW MATERIALS USED 	A business has to make sure that the location it chooses can provide the **RAW MATERIALS** that it **USES** efficiently. Examples of how the raw materials used can affect location can be seen below. • *Some businesses use **RAW MATERIALS** that are **PERISHABLE** (become wasted quickly). An example is food. These businesses will want to locate **CLOSE** to their **SUPPLIERS** to shorten transport times. This is to minimise the chance materials will be wasted in transport and maximise the time the business has to use them to produce their product.* • *Some businesses are known as **BULK REDUCING BUSINESSES**. This means that they use **BULK** (large) amounts of raw materials to make **SMALLER** finished products. An example is a power station which takes in thousands of tons of coal to produce the service of electricity provision. These businesses will want to locate **CLOSE** to their **SUPPLIERS** rather than their consumers. This is because the delivery costs of the small finished products will be low and doing this will minimise the high transport costs of moving the bulk raw materials.*
AVAILABILITY OF RESOURCES 	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. • *Businesses can only locate where there are available **PREMISES**, 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.* • *Businesses need enough suitably skilled **LABOUR** to operate. This means that locations WITH suitable labour WILL 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 WITHOUT suitable labour WILL NOT be attractive to businesses. This is because of problems with recruitment and higher wages (due to high staff transport costs as they are NOT close their work).*

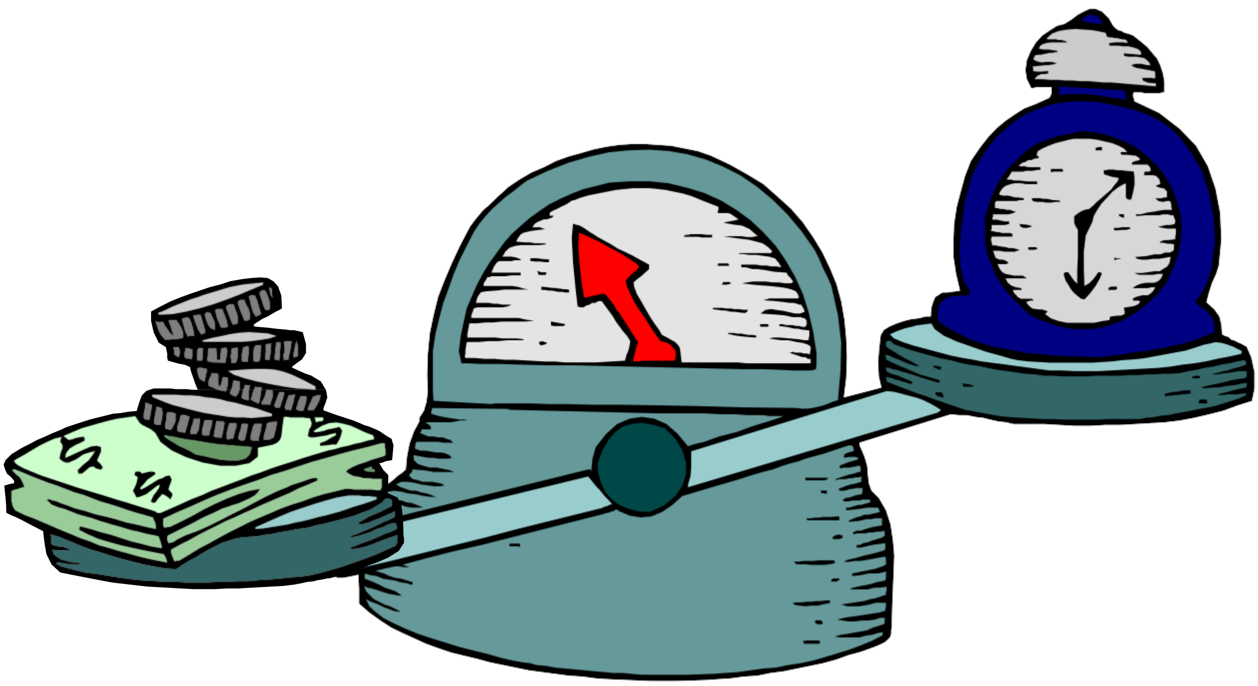
Location Issue	Description
RESOURCE COSTS 	In addition to checking that resources are available, a business has to make sure that it has the finance available to pay for them too. This is because different resources cost different amounts to employ. Examples of this situation include the following. • *The location and size of premises will affect their rental or purchase costs.* • *Staff wages vary with the skills and qualifications of workers.*
PRODUCT TYPE 	Business location will be affected by the **PRODUCT** that the business **PRODUCES**. Examples of this can be seen below. • *Some businesses make **FINISHED GOODS** that are **PERISHABLE** (become wasted quickly) –eg a sandwich maker. These businesses will want to locate **CLOSE** to their **CONSUMERS** rather than suppliers to minimise the chance goods will be wasted in transport and maximise the time they can be sold for.* • *Some businesses are known as **BULK INCREASING BUSINESSES**. This means that they use **SMALL** amounts of raw materials to make **BULK** (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 **CLOSE** to their **CONSUMERS** 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.* • *Some businesses are known as **COMPONENT** 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 **CLOSE** to their **CONSUMERS** to minimise transport costs.*
INFRASTRUCTURE 	Infrastructure is all of the following things that support business activity in an area. • *SERVICES (eg housing, colleges, etc)* • *UTILITIES (ie electricity, water, etc)* • *LINKS (ie road, water, air and rail facilities)* Businesses will want to locate in areas with a **STRONG INFRASTRUCTURE** to lower transport costs, lower staff costs and speed up deliveries.

Location Issue	Description
GOVERNMENT LEGISLATION 	Some businesses are only allowed to locate in certain areas because of Government rules or laws about **HEALTH AND SAFETY**. 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. **PLANNING REGULATIONS** 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.
REGIONAL POLICY 	**REGIONAL POLICIES** 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. Regional Policies can affect business location because they can encourage businesses to set up in "poorer" areas by offering incentives such as the following. • *GRANTS (money which doesn't have to be paid back)* • *HELP WITH PAYING RENT AND RATES COSTS* • *HELP FINDING SUITABLE PREMISES* • *HELP WITH PLANNING PERMISSION* • *HELP WITH THE COSTS OF FINDING AND TRAINING STAFF* • *DEVELOPMENT OF THE INFRASTRUCTURE IN THESE AREAS* • *BUSINESS ADVICE*
INFORMATION TECHNOLOGY 	Some businesses can use Information Technology (IT) such as internet websites to advertise/sell their products or allow customers to contact them. This can be the case because the product that they provide can be delivered though IT (eg music/video streaming or downloads) or can be ordered online and delivered by post. This can affect where a business locates because these businesses do not need premises in convenient places for customers to visit and so can set up in cheaper locations that consumers don't usually go to. For example, many credit cards call centres that are set up in cheap rent areas away from expensive and busy high streets because customers can simply phone up to do business with them.

This decision about where to locate business 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
MORE SALES 	• *LOCATION IS CLOSE TO EXISTING CUSTOMERS FOR EASY ACCESS* • *LOCATION IS CLOSE TO NEW CUSTOMERS FOR EASY ACCESS* • *LOCATION DOES NOT HAVE A LOT OF COMPETITION IN THE AREA* • *LOCATION OFFERS "QUALITY" PREMISES THAT ATTRACT CUSTOMERS*
LOWER COSTS 	• *LOCATION COULD BE CLOSER TO SUPPLIERS AND LOWER TRANSPORT COSTS* • *LOCATION COULD BE CLOSE TO CHEAPER WORKERS* • *LOCATION COULD OFFER LOWER RENTS* • *LOCATION COULD OFFER LOWER PURCHASE COSTS*

When a business is making its final decision about where to locate, 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.

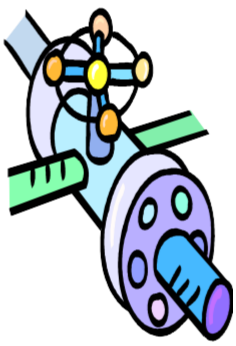


2 DISTRIBUTION

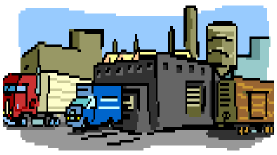
This part of placement element of the marketing mix is concerned with deciding on the best **METHOD OF DISTRIBUTION** to use. A method of distribution is a way of transporting goods to premises so that to they are available in time for consumers to use them.

The main methods of distribution are as follows.

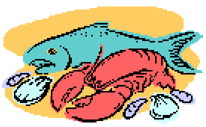
Method	Description	Advantage	Disadvantage
ROAD 	Road based methods of distribution use the road network to deliver goods and services. Examples of road based methods of distribution include tankers, transporters, refrigerated vehicles, trucks, and vans.	• Road vehicles are **FLEXIBLE** as almost everywhere can be reached by road and many different vehicles are available to suit transport of all types of goods and services.	• Road vehicles can have **HIGH FUEL COSTS**. • Road vehicles can result in **SLOW DELIVERY** as they may have to make several trips due to their relatively small size. • Road vehicles can result in **SLOW DELIVERY** as can be caught in traffic jams.
RAIL 	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.	• Trains can deliver quickly as there are usually **LESS DELAYS** on train tracks when compared to roads. • Trains can result in **QUICK DELIVERIES** as they can deliver massive amounts of products at once. • Trains can be fairly **CHEAP** method of delivering large amounts (when compared to road transport) due to their speed and bulk.	• Trains are not very **FLEXIBLE** as they can only deliver to places where there are train tracks.

Method	Description	Advantage	Disadvantage
AIR 	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.	• Aircraft can transport products long distances **VERY QUICKLY**. • Aircraft can **UNIQUELY** 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.	• Aircraft have **HIGH FUEL COSTS**. • Aircraft are usually not very **FLEXIBLE** as they can normally only deliver business products to places where there is an airport. • Poor weather might stop aircraft flying and **DELAY** deliveries.
WATER 	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.	• Ships can deliver massive amounts of products at once which makes them fairly **CHEAP**. • Ships are **FLEXIBLE** as they can use the oceans to deliver any type of goods to all around the world.	• Ships can be quite **SLOW** when compared to other methods – especially if there is bad weather. • Ships can only deliver to **LIMITED** places as they need a dock to drop off goods.
PIPELINE 	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.	• Pipelines are **FLEXIBLE** as they can be put almost anywhere. • Pipelines are fairly **CHEAP** as once they are set up they do not cost money each time they are used.	• Pipeline can only deliver a **LIMITED** range of services and so can't be used for all deliveries. • If a pipeline is damaged it can be **COSTLY** to repair and will stop all deliveries until it is repaired.

Businesses will also have to decide whether they want to use INTERNAL or EXTERNAL Methods of Distribution.

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

The internal or external Method of Distribution used will depend on the following factors.

Factor	Description
MARKET STRUCTURE 	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.
PRODUCT TYPE 	Different products must be transported in different ways. For example, some products are **PERISHABLE** (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).
METHOD COST 	The method used will depend on the amount of **FINANCE AVAILABLE** and the costs of the method. For example trains may be used instead of lorry due to lower costs.
INFRASTRUCTURE 	The method used will depend on the **INFRASTRUCTURE** options available. For example planes may not be used because there is no available airport.

PROMOTION DECISIONS

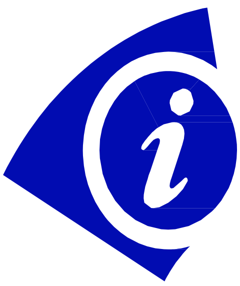
> *The **PROMOTION** element of the marketing mix involves making sure that consumers **KNOW ABOUT** products and are **ENCOURAGED** to consume them.*

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.

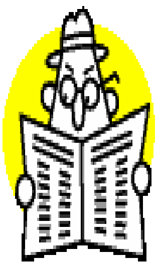
The main areas of activity in the promotion element of the marketing mix for small to medium sized businesses can be seen below.

1 ADVERTISING

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

Type	Features	Examples
INFORMATIVE ADVERTISING 	This type of advertising aims to simply **INFORM** people about important facts and events that they should know.	• Health adverts (eg flu jabs) • Product recall adverts
PERSUASIVE ADVERTISING 	This type of advertising aims to **PERSUADE** people to change their consumption by **HIGHLIGHTING** or **REMINDING** them about the USP's and branding of a product.	• Adverts for business products

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

Method	Examples	Features
BROADCAST ADVERTS 	• Local TV • Local Radio • Local Cinema • Internet	Broadcast adverts can be very effective for the following reasons. • *ATTENTION GRABBING DUE TO VISUAL/SOUND NATURE* • *REMEMBERED DUE TO VISUAL/SOUND NATURE* • *TARGETS SPECIFIC LOCAL MARKETS (called **MICRO REGIONS**)* • *TARGETS SPECIFIC SEGMENTS (through viewing/listening info)* However, broadcast media can have the following drawbacks. • *CAN BE VERY EXPENSIVE* • *CONSUMERS SOMETIMES IGNORE OR SKIP ADVERTS*
PRINTED ADVERTS 	• Local Paper • National Paper • Flyers given out • Leaflets to houses • Letters to houses	Printed media can be very effective for the following reasons. • *HOLDING CONSUMERS ATTENTION AS THEY CAN BE SEEN AGAIN* • *PERSUADING CONSUMERS AS THEY "BELIEVE WHAT THEY READ"* • *TARGETING SPECIFIC SEGMENTS THROUGH LOCAL PAPERS* • *TAPPING INTO LOYALTY FOR A NEWSPAPER* 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.
OUTDOOR ADVERTS 	• Posters on buses • Posters on taxis • Bus shelter posters • Billboard posters • Street posters	Outdoor media can be very effective for the following reasons. • *ATTENTION* GRABBING DUE TO HIGH VISUAL IMPACT • *REMEMBERED DUE TO HIGH VISUAL IMPACT* • *REMEMBERED DUE TO FREQUENT CONTACT* • *TARGET SPECIFIC LOCAL MARKETS (called **MICRO REGIONS**)* However, outdoor media can have the following drawbacks: • *CAN BE EXPENSIVE FOR SOME BUSY LOCATIONS* • *CAN BECOME PART OF THE BACKGROUND AND GO UNNOTICED*
ELECTRONIC ADVERTS 	• Info on Websites • Internet Pop Ups • Internet Adverts • Targeted e-mails • Bluetooth message • Facebook • Twitter	Electronic media has all of the strengths of broadcast media with the following additional benefits. • *24 HOUR WORLD WIDE ADVERTISING* • *LOW COST WORLD WIDE ADVERTISING* • *CAN INVOLVE CONSUMERS IN ADVERT (eg viral ads)* • *CAN DIRECT TO WEBSITES TO ALLOW IMMEDIATE PURCHASES* However, electronic media can IRRITATE consumers if it was not wanted or expected (eg spam e-mail and web popups).

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.

- *WHICH TYPES OF ADVERTISING HAVE BEEN EFFECTIVE IN THE PAST?*
- *WHICH TYPE OF ADVERT BEST SUITS THE TARGETED SEGMENT(S)?*
- *HOW MUCH MONEY IS AVAILABLE FOR THE ADVERT?*

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
ADVERTISING STANDARDS AUTHORITY (ASA)	The ASA is third sector organisation which makes sure that all advertisements in the UK follow its' "**LEGAL, DECENT, HONEST AND TRUTHFUL" 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.
OFFICE OF COMMUNICATIONS (OFCOM)	OFCOM is a Government Agency which makes sure that TV and Radio programmes in the UK follow the rules of the **BROADCASTING CODE**. They examine complaints by viewers or listeners and can demand apologies and the prevention of repeat action if the complaint is upheld.

2 PROMOTIONAL ACTIVITIES

The aim of the promotional activities is to **ENCOURAGE** consumers to buy or use the products of a business by giving them a special offer. The main methods of promotion that a business can use are:

- *BUY ONE GET ONE FREE (also known as BOGOF)*
- *SPECIAL OFFERS (eg one child free for each adult)*
- *DISCOUNTS (money off – eg ½ price sale)*
- *MONEY OFF VOUCHERS*
- *FREE GIFTS*
- *COMPETITIONS*
- *FREE SAMPLES/TASTINGS*

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
FINANCE 	When a business has **LOTS** 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.
HUMAN RESOURCES 	When a business has **LOTS** 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.
CAPITAL 	When a business has **LOTS** of modern and efficient capital 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 capital then the poor quality research and limited placement and advertising are likely to reduce the effectiveness of its marketing.

2 EXTERNAL FACTORS

Issue	Activity
POLITICAL ISSUES 	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.
ECONOMIC ISSUES 	Economic forces such as **INTEREST**, **UNEMPLOYMENT** and **INFLATION RATES** 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.
SOCIAL ISSUES 	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.
TECHNOLOGY ISSUES 	Technology has drastically affected marketing in the following ways. • CREATING NEW TECHNOLOGY PRODUCTS TO MARKET (eg MP3 v CD) • CUTTING THE COST OF ONLINE FIELD AND DESK RESEARCH • CHEAPER LOCATIONS THROUGH INTERNET SALES • ONLINE DISTRIBUTION METHODS • 24 HOUR, CHEAP AND TARGETED ELECTRONIC ADVERTISING
ENVIRONMENT ISSUES 	Marketing of products which are environmentally friendly has become more successful in recent years as this is a HIGH GROWTH market (ie an area with a quickly increasing numbers of customers).
COMPETITIVE ISSUES 	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 customers. In addition, products with LOW GROWTH markets provide businesses with FEW potential customers or opportunities to use effective marketing to develop.