THE MARKETING DEPARTMENT

1.1 Explaining how marketing and market research can be used to enhance the effectiveness of large organisations.

1.2 Explaining how the marketing mix can be used to enhance the effectiveness of large organisations

1.3 Describing the costs and benefits to large organisations of having a product portfolio

1.4 Describing how current technologies are used in the marketing function

1.1 Explaining how marketing and market research can be used to enhance the effectiveness of large organisations.

What is a market?

A market can be defined as a **meeting place for buyers (consumers) and sellers**. Markets can be set up in a shop, restaurant, over the telephone/internet, at a car boot sale etc.

A market consists of the **individuals or organisations** who are **actual or potential buyers** of a product or service. Markets may be classified as **consumer markets or industrial markets.**

Consumer markets are made up of individuals who purchase goods or services for personal or domestic use. They make the most of their purchases from retailers and buy a combination of consumable (non-durable) goods, such as food, and durable goods, such as cars, computers and clothing. Consumable foods are bought more frequently than durable goods.

Industrial markets are made up of the organisations which purchase foods or services to use in the production of other goods and services. They buy a combination of consumable goods, such as raw materials, and longer-lasting durable goods, such as machinery and equipment.

Market-led Product

A marketing strategy in which a company seeks to determine what products a consumer might want, and then moves the company to develop those products.

It relies heavily on market research. A market-led marketing strategy asks,
"What do consumers want?
“How can we satisfy this want?"

Product-led Product

These are made by the business because they think it is a good idea, with no market research. These are prone to failure as in the Sinclair C5.

Try this link to see more failed products.

www.walletpop.com/specials/top-25-biggest-product-flops-of-all-time

Market-led products have **less risk of failure** and more chance of success as they are **driven** by what the **consumer wants** which is constantly changing.

What is marketing?

> Marketing manager required
>
> Here is your chance to influence the spending habits of a discerning sector of the population and manage a world-famous cosmetics company. Reporting to senior management, you will develop and implement a marketing strategy for a range of brands. You will have responsibility for ***market research, promotion and advertising, direct mail*** activity and ***preparation of publicity material*.** Additional responsibility will be for ***new product development*** and ***branding*** in order to expand our market base.

The marketing activities contained in the above job advertisement are in ***bold italics*** in the text.

The Chartered Institute of Marketing (CIM) defines marketing as:

> The process involved in **identifying, anticipating** and **satisfying customer requirements profitably**.

The role and importance of marketing

Identify consumers' requirements

Businesses must identify what exactly a **consumer wants** from a product or service. There is little point in providing something that does not meet consumers' requirements – they simply will not buy it. Marketing departments aim to ensure that consumers buy products or services and that they continue to do so (that is, make repeat purchases). They will only do that if their **needs and wants are satisfied.**

Businesses today face a lot of competition and consumers' expectations are increasing and becoming more sophisticated. Requirements change frequently and the marketing department must make sure **the product or service is developed or altered to meet these requirements.** The role of marketing is, therefore, an increasingly important one in today's business environment.

Price and quality have always been important factors in whether or not a consumer will buy, but so too have **prompt delivery**, **attractive packaging** and **after-sales service**. **Advertising and promotion** play a big part in influencing consumers to buy by creating an **image**.

Anticipate consumers' requirements

The role of the marketing department is to find out **what consumers want today and predict what they will want in the future.** Consumer trends must be considered in order to **anticipate future needs**. This is especially important in markets where **trends and fashions change rapidly**, for example clothing and toys, or where **technological changes** occur frequently, for example **mobile phones**. It may be necessary to **develop new products** quickly to **stay ahead of competitors**.

Satisfy consumers' requirements

The consumer is the most important consideration for most businesses today – businesses are often said to be **'consumer (or customer) focused'**. Without **consumers the business will fail. Good service** and **quality products** which offer value for money are essential. Prompt delivery and good after-sales service are also important, as are well-presented and packaged goods. It is vital that the product is available at the right price and at the right time.

These three aims, for the majority of businesses, must be achieved profitably. There is little point in spending large amounts of money on marketing if costs are greater than revenue. However, organisations do exist where profitability is not an objective. Schools, hospitals and charities also use marketing techniques in order to become more effective in satisfying consumers' requirements.

The customer is king

The key objectives of marketing can be summarised as follows:

- increase sales revenue and/or profitability
- used to reduce the risk of failure of a product
- maximise satisfaction of consumers
- increase or maintain market share
- maintain or improve the image of the business, its brand and its product
- target new markets or market segments
- improve existing products or develop new products.

Marketing as a strategic activity

Marketing is concerned with every aspect of an organisation's product or service, for example its **design, price, distribution, selling and promotion**, from its **inception until it finally reaches the hands of the consumer**. Even **after the sale**, marketing still has a job to do: it must ensure consumer satisfaction through the provision of **after-sales service**, such as maintenance, repairs, instruction booklets, spare parts and quality guarantees.

Marketing is far more than just selling the product. It is concerned with:

- what is to be sold
- how it is to be sold
- when it is to be sold
- where it is to be sold.

Amongst the most important functions of marketing is the assessment of the market:

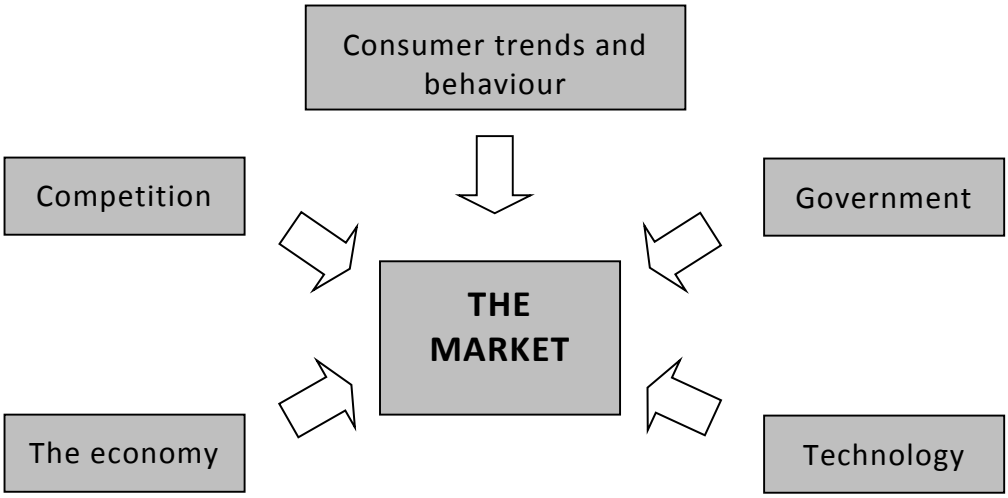
- Where are the consumers of the product to be found?
- How many consumers are there?
- What are the attitudes and preferences of the consumer?
- How effective are the distribution methods?
- What are the strengths and weaknesses of competitors?

The **current position** must be looked at along with the **future position** – marketing departments must **anticipate what will happen in the future** in order to allow **adjustments to goods and services** to be made and new goods and services to be **produced that consumers want**.

The marketing environment

Organisations operate in an environment that is constantly changing. It is vitally important that marketing decisions take account of the forces that shape that environment in order to compete more effectively.

The factors that determine and influence the marketing environment are:



They are the same kinds of factors that influence all aspects of the behaviour and activity of an organisation.

The economy
Economic forces affect different markets in different ways. During periods of economic growth, consumer confidence is higher. Consumers are willing to spend more money as they have more job security and disposable income. Consequently, businesses will invest in developing and marketing new products to meet consumers' needs. However, during recession consumers spend a larger proportion of their income on necessities such as food, housing and clothes, and less on luxury items. Businesses therefore invest less time and money in developing these items.

When interest rates are high, borrowing becomes more expensive so consumers are less likely to buy high-value, high-cost products or services. A business may offer promotions such as 0% finance to attract customers during these times.

When the value of the pound is high, goods imported into the UK from overseas will become cheaper for consumers. However, UK manufacturers will find it more difficult to export their products as they will now be more expensive for consumers abroad.

Competition

All market places have some competition, whether it is directly or indirectly. In the modern market there is so much choice for consumers that they can readily substitute one good or service for another. To be competitive the manufacturer must offer something to the consumer which makes them decide to purchase their product/service instead of the competitors. This is known as a **unique selling point (USP)**. However, advances in technology mean that it can be difficult to obtain and maintain the USP, and many manufacturers now believe that the **emotional selling proposition (ESP)** is more important. ESP works on the assumption that consumers will respond emotionally to products and brands, encouraging brand loyalty and making it difficult for them to switch to a different product or brand.

Consumer trends and behaviour

Consumers form the population of the market place. The structure of the population is known as the demographic and includes factors such as age, gender, household income, buying patterns and lifestyle.

- **Age:** The UK is said to have an ageing population, ie there is an increasingly larger proportion of middle-aged and elderly people. Many businesses have responded to this change and identified new market opportunities, for example Saga Holidays provide package holidays exclusively for the over 50s.

- **Gender:** Males and females spend in different ways. Females spend more on cosmetics, clothes and jewellery, while males spend more on cars, leisure and alcohol.

- **Household income:** Disposable income has increased significantly, resulting in increased demand for clothes, holidays, cars and leisure activities. In many households both partners work, which has led to increased demand for convenience foods, labour-saving devices and a flexible way of shopping, for example home delivery of groceries.

- **Household status:** An increasing number of households are made up of people living on their own, for example single, divorced or widowed people. This has increased the demand for smaller homes and products specifically designed for the single household, for example ready meals for one.

Social class:

One way of understanding **how consumers will respond to marketing activities** is to divide them into class based on a system that reflects employment conditions such as job security and career prospects. The assumption is that the members of each group will have similar priorities, which influence their needs and wants. The official definitions are also intended to help government statisticians to evaluate better the allocation of health and social services. For instance, where an individual is placed on the social scale can help to determine whether he/she is more or less likely to die early of a heart attack or cancer. People in Class 6, semi-routine occupations, are twice as likely to suffer from a limiting and long-term illness as those in Class 3.

Socio-economic group	**Description**	**Examples**
1	Higher managerial and professional occupations 1.1 employers and managers in large organisations 1.2 higher professionals	1.1 Company director; corporate manager 1.2 Doctor, lawyer
2	Lower managerial and professional occupations	Nurse, journalist, police
3	Intermediate occupations	Clerk, secretary, computer operator
4	Small employers and own account workers	Farmer, taxi driver, window cleaner
5	Lower supervisory, craft and related occupations	Plumber, TV engineer, train driver
6	Semi routine occupations	Shop assistant, traffic warden, bus driver
7	Routine occupations	Waiter, road sweeper, cleaner
8	Never worked/long term unemployed	

Taste, fashion and lifestyle (Social):

Consumers are easily persuaded to buy goods that are popular at a particular time, for example clothing trends These trends can change rapidly. Lifestyle choices are also important as they influence the behaviour pattern of consumers, for example a consumer with a healthy lifestyle will demand healthy food and drink, and buy exercise equipment and clothes. The increasing importance of environmental issues has also proved to be a major cause of change. Manufacturers and marketers have responded by introducing environmentally friendly products, such as environmentally friendly washing powder, bio-degradable disposable nappies and ozone-friendly aerosols. The market for

home insulation, solar energy and energy-saving products has grown rapidly to reflect the increasing consumer demand for efficient use of the Earth's diminishing natural energy resources.

Government

The government is in the position to influence markets through legislation and economic policy. For example, consumer protection laws influence the provision of goods and services in the UK to ensure that minimum safety requirements are met and advertising claims made about products must be true.

Technology

Technological advances create new markets and cause the inevitable decline of others. The development of compact disc players during the 1980s created a rapid growth in sales of music on CD, to the extent that by 1991 major retailers no longer stocked albums in vinyl form. However, this market has developed further and most music is now downloaded directly onto computers and mp3 players, reducing demand for CDs and CD players.

Market segmentation and Target Marketing

You cannot please all of the people all of the time.

Market segmentation is where the **market is broken down** into identifiable **groups of people with similar needs and wants**, which allows the business to **identify its target market** and produce a product that will **maximise their satisfaction.**

This can be achieved **by targeting all consumers** or by choosing to **target specific groups.**

Undifferentiated marketing (mass marketing) is **where one product or service is sold to the entire market**. **Costs are low** due to the organisation being able to benefit **from economies of scale** with **high volume production**.

Differentiated marketing is where **different products** or services are sold to **different groups** of people within the overall market.

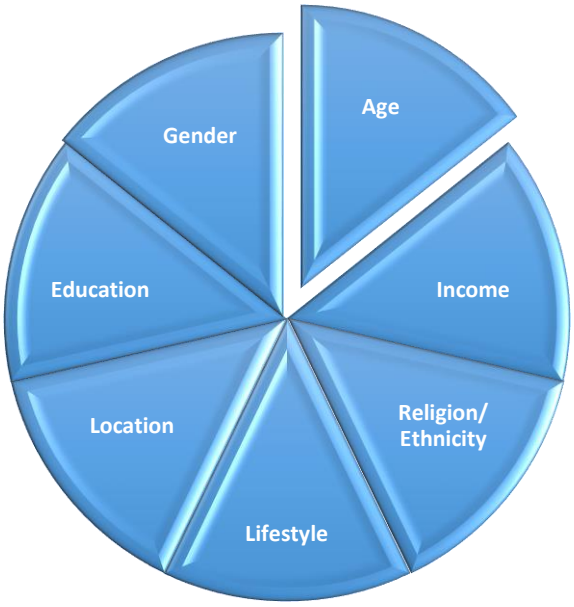
Breaking a large market down into a number of segments and **targeting those segment(s**)has **several advantages:**

- ✓ It enables the seller to meet the requirements of buyers more closely, for example a car can be designed for families with children or for use in city traffic etc.
- ✓ It can make advertising and promotion more focused, for example Saga Holidays can advertise in publications read by people aged over 50.
- ✓ It can enable businesses to specialise in particular segments and develop expertise in meeting the needs of customers in these segments, for example 18–30 holidays.
- ✓ It can help a business achieve higher sales and build up a stronger market position.
- ✓ It can help to increase the profits of a business.

Differentiating the market should lead **to higher satisfaction** for the consumers in that segment.

Methods of segmentation

In order to **segment the market**, most businesses try to **identify broad classes of buyers**, all members of which have similar requirements. Markets are usually segmented by identifying relevant buyer characteristics. For example:



The producer may make a range of products, e.g. a manufacturer of canned drinks may make a **caffeine-free version** for the health conscious and a diet version for those concerned about their weight.

In any situation, the seller will **segment a market on the basis of those buyer characteristics** that are most relevant to the product or service concerned. It is important, however, that the result is an **effective segment** that can be **successfully targeted**. For example, it is essential to make sure that any segment chosen **is big enough or profitable enough** to be worth targeting. This means that it must have **sufficient consumers** or those involved must have a lot of purchasing power. Similarly, there is no point in identifying **several segments if the company lacks the resources** to target them or cannot adapt the product or service to **best meet the needs of those in the various segments**.

Niche marketing

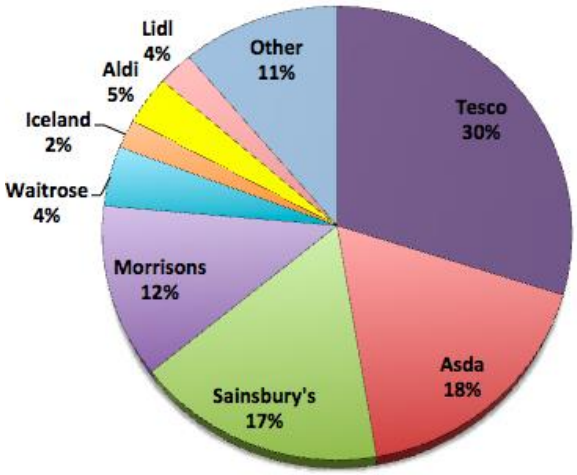
This is when a business concentrates on **selling to a specific market segment**. It is commonly used by **smaller businesses** which concentrate their limited resources on establishing themselves in their chosen niche. Large businesses tend to be less active in niche markets; they tend not to bother chasing such a low volume of sales. Output and sales volume may be low, but profit levels may be high, for example TVR cars and Saga Holidays. However, if a business is very successful in a niche market, competitors may choose to enter the market at a later time, possibly undercutting the original producer. Also, the business may face problems if it provides only one product or service. Niche market businesses are less able to spread risks and may be more likely to experience bigger swings in consumer spending.

Market share

The **percentage of total sales of a product or service** achieved by one organisation is known as market share. It is often considered by businesses to be an indicator of their success – the larger the market share, the larger the profits. The advantages of having a large market share are as follows:

- High market share businesses have the power to buy their raw materials in bulk, which will reduce costs. This may be passed on to the consumer in the form of lower prices, thus edging smaller competitors out of the market or resulting in higher profits for the business.
- High market share businesses may be able to make special components or ingredients for themselves, rather than buying them from other firms. This will reduce costs and potentially increase profits.
- If larger profits are made, more can be reinvested into the business.
- Additional research and development may give the business a competitive edge.
- Costs, such as marketing and transport, are spread over a larger output, making this expenditure more worthwhile.

Below is an illustration of the market share held by supermarkets in 2010.

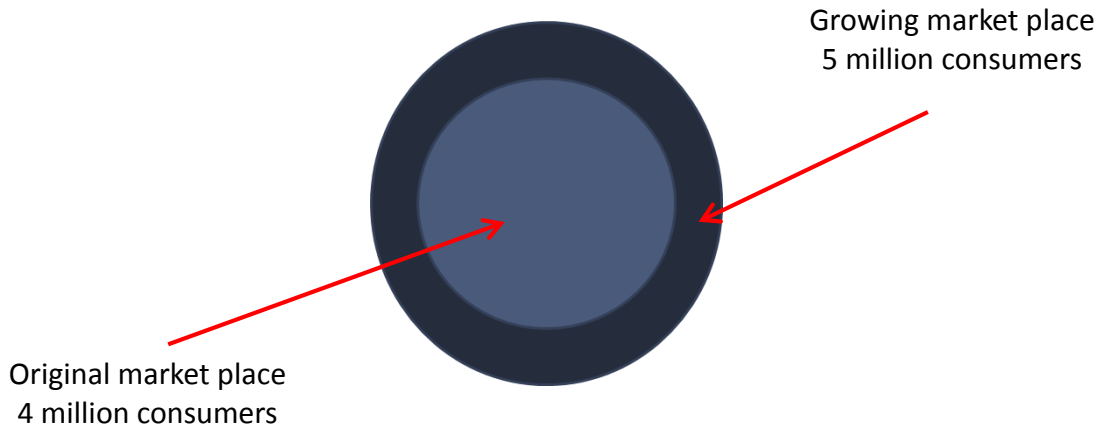


Source: http://www.economicshelp.org/blog/6288/economics/uk-grocery-market-share/ Market growth

Market growth

An organisation may be selling in a high or low growth market. Markets that are growing offer more potential for products to develop than declining or static markets. High-growth markets are attractive to organisations that wish to increase their market share. It becomes very difficult to gain market share from established market leaders when market growth has slowed down.

Market growth occurs when the number of consumers in the market place grows overall. For example:



Why is target marketing important to a business?

A business can ensure that it:

- Provides a product that meets the needs/wants of the consumers
- Sells its product in the right place
- Sells its product at the right price for the consumers in that segment
- Provides appropriate promotions to the group of consumers

Differentiated marketing involves providing different products and services for particular market segments,

Undifferentiated marketing involves aiming products and services at the population as a whole without producing different products for different market segments.

Market Research

Market research is the means by which those who provide goods and services keep themselves in touch with the needs and wants of those who buy these goods and services.

Market research is the systematic gathering, recording and analysing of data about problems relating to the marketing of goods and services.

Market research **provides organisations** with **information about what consumers want** and need and reasons why they make purchases.

Market research helps to **identify:**

- How consumers **feel about products currently on the market**
- **What consumers will want in the future**
- **Who is buying the product**
- **Where** are they **buying the product**
- **What changes need to be made in the product**
- Why consumers **purchase certain products**
- How **consumers feel about new products**
- **What consumers want** – this will help in the development of new products
- **Information** about the **organisations competitors**

Why is market research so important?

- Indicates the **size** of the market and potential growth of the market
- Provides information about **where** the best place would be for selling the product
- Helps organisations find out **why some products are more successful** than others, and how to make their product more successful
- Help organizations **avoid costly mistakes** – for example, making products that people don't wish to buy
- Gives organizations ideas about **how to promote or advertise their products**
- **Takes some of the risk out of launching new products** or redesigning products as organizations are making decisions **based on information that they collect and can rely on**
- Allows organizations **to decide on the target market** – i.e. the particular segment of consumers a firm wishes to sell to.

Benefits of market research

- ✓ Identifies the needs and wants of customers.
- ✓ Identifies the future needs of customers.
- ✓ Identifies how much the customer is willing to pay.
- ✓ Reduces the chance of failure.
- ✓ Identifies where to sell the product.
- ✓ Identifies the most appropriate method(s) of advertising the product.
- ✓ Gain a competitive advantage.

When carrying out market research a business can use **information that already exists (secondary information)** or find out **new information (primary information).**

Market research is classified into two types:

Desk research

Information that the business **uses for its own purpose** but that has **been gathered by someone else.**

This is known as **secondary information**.

Field research

Information which the **business gathers for their own purpose** – either themselves or via an agency.

This is known as **primary Information**.

Each type of market research has its own methods. When deciding on the most suitable method of research the following must be considered:

- Cost/budget available
- time available
- alternatives.

Desk Research

Secondary data is obtained by desk research, ie by reading through documents containing data collected for a different purpose and usually by someone else. It may therefore have to be **adapted for a business' own purposes**.

Methods of desk research

Sometimes it may be insufficient on its own. However, it is a much cheaper method of collecting data than field research.

Internal sources
- Sales figures.
- Stock figures.
- Financial records.
- Customer feedback.
- Sales representatives' reports.
- Market research gathered previously.

External sources
- Internet.
- Government statistics.
- Financial reports of competitors.
- Websites of competitors, for example prices, special offers.
- Trade directories and journals.
- Market research organisations, for example Gallup.
- Newspaper articles.

Advantages and disadvantages of desk research

Advantages	Disadvantages
As the information already exists is it easy to obtain	It is not as reliable as field research
It is a more cost-effective method of market research compared to field research	Information is also available to competitors
Decision-making can be speeded up	Information may contain bias
	Information gathered may be out of date

	Examples	Advantages	Disadvantages
Internal Information	Sales Records Financial Information	If accurate records have been kept for several years, the amount of information is plentiful. By looking at past performance, targets can be set. Easy to access.	There may be significant costs involved in setting up such records, in terms of the cost of software and training staff in using it. New organisations may not have access to a lot of internal information. Records are required to be updated regularly.
External Information	Newspapers e.g. The Financial Times Government Statistics Trade Magazines e.g. Drapers Journals Online Databases Market Research Reports e.g. Mintel	Can provide very useful information on PESTEC factors. Easy to access. Cheap to obtain.	Time consuming to gather. May be out of date. Information could potentially be biased or unreliable. Competitors also have access to this information.

Field research

Field research is **used to gather primary information**. The **broad advantages and disadvantages of field research** are detailed below.

Advantages	Disadvantages
The information has been gathered for a specific purpose and is therefore relevant	Staff need to be trained, which is costly and time-consuming
The information is up-to-date	Collecting the information is expensive
Discussion and clarification can take place	It is time-consuming to gather the information

Methods of Field Research

Questionnaires

The basis of field research is often a questionnaire, which is a systematic list of questions designed to obtain information from respondents about their attitudes, values and beliefs. A questionnaire ensures that all respondents are asked the same questions in the same way.

It is important when compiling a questionnaire to follow the checklist below:

- Write a clear, persuasive introduction, stating the purpose of the questionnaire and why the person should participate.
- Assure confidentiality.
- Keep questions clear, short, easy to understand and relevant.
- Avoid jargon.
- Do not ask questions which rely too much on the respondent's memory – people may give unreliable information as they cannot remember mundane matters, for example how may bottles of washing up liquid they purchased last month.
- Do not ask leading questions where you strongly influence the answer given.
- Start with easy questions and move onto more complicated ones later.
- Keep sensitive questions until the end, for example age or income.
- Group questions into topics and arrange them in a logical sequence.
- Use a variety of question types to maintain interest.
- Make sure instructions are clear.
- Avoid terms such as 'regularly' or 'occasionally' as they mean different things to different people.
- Use groupings for age or income as people are often reluctant to answer the question directly.
- Close the interview with filter questions – this allows you to place the respondent within a market segment according to age, income, job etc.
- Test the questionnaire before using it live.

The following table, which contains examples of questions and their weaknesses, illustrates how difficult it is to design a good questionnaire.

Question	**Faults**
1. *Do you buy crisps regularly?*	What type of crisps and what does regularly mean? To some people the word regularly may mean every day. To others it could mean once a week or twice a month.
2. *How many times last month did you buy Golden Wonder crisps?*	This is relying too heavily on the respondent's memory and the answers are likely to be very approximate.
3. *Do you think Golden Wonder crisps are reasonably priced?*	What is meant by a reasonable price? To some people it could be 45p, to others it may mean 60p.
4. *Would you buy Golden Wonder crisps if they were available in a wider range of flavours and in more colourful packaging?*	The question involves two issues. First, the flavour; and second, the packaging. The answer to the first part might be 'yes' while the answer to the second part might be 'no'. This should be split into two questions.
5. *Which flavours do you like best?*	The question is ambiguous. One person might reply, 'cheese and onion', while another might reply, 'strong flavours'.
6. *Do you think crisps are good for you?*	The concept is too vague. Does the question relate to diet, nutrition or general enjoyment?
7. *Do you eat crisps:* *very often?* *hardly ever?* *frequently?* *mainly at weekends?* *rarely?* *never?* *sometimes?*	The categories of response appear in an illogical order. It would also be difficult for the respondent to distinguish easily between 'very often' and 'frequently'.
8. *How much do you earn?*	This is a personal question which may cause offence to many respondents.
9. *Are your children allowed to eat more than one packet of crisps a day?*	This is a question that may produce a negative reaction from the respondent who may feel that to answer 'yes' would convey an impression of being a parent who is unconcerned about the child's diet and nutritional requirements.

Methods of field research

- Postal survey.
- Telephone interview.
- Online survey.
- Personal interview.
- Test marketing.
- Focus group.
- EPOS.
- Observation.
- Social networking.

Postal survey Questionnaires can be sent out by mail to people to complete themselves and return. Free gifts or entry to prize draws are often included to encourage people to reply.	
Advantages	**Disadvantages**
✓ It is relatively cheap to send the survey to large numbers of people spread over a wide geographical area ✓ People can complete the survey at their own pace at a time that suits them ✓ No interviewer bias ✓ No need to train interviewers	× People need to open the survey sent to them in the post and send it back; they might not do this – response rate is less than 10% × There is no opportunity for the respondent to clarify anything they do not understand × Questionnaires cannot be as comprehensive as those used for a personal interview – the questions must be easy for people to understand as there is no interviewer to explain them

Telephone interview This is when people are contacted by telephone and asked a number of questions.	
Advantages	**Disadvantages**
✓ Large numbers of people all over the country can be contacted ✓ It is less expensive to carry out compared to personal interview ✓ Information can be obtained instantly ✓ Points can be clarified	× People might not want to participate in a telephone survey, especially if they have been telephoned at an unsuitable time × Unsuitable for long surveys as people are often only willing to answer a short survey over the telephone because of the time it would take to respond to a longer one

Online survey This is when people answer a number of questions that are displayed on a website. It might involve them clicking on the appropriate answer and/or typing in comments.	
Advantages	**Disadvantages**
✓ A link to the survey website can be sent to large numbers of people via email	✓ Relies on people having a connection to the internet

✓ Do not need to spend money on printing surveys ✓ People from all over the world can participate	✓ No personal contact

Personal interview This is an interview in which information is obtained face to face. This usually takes place on the high street where shoppers are asked for information or at the home of the interviewee.	
Advantages	**Disadvantages**
✓ The interviewer can encourage the respondent to answer questions ✓ The interviewer can ask the person being interviewed to clarify a point if they are unsure of something ✓ Body language and facial reactions can be observed ✓ Allows for two-way communication between the researcher and the respondent	× It is time-consuming and expensive to carry out × The interviewer will need to be trained in interview skills × It takes time to find respondents who have the desired characteristics – age, sex, income bracket, occupation etc.

Test marketing This may involve selling a product in a small section of the market, for example a limited geographical area, to assess consumer reaction before the full launch.	
Advantages	**Disadvantages**
✓ Modifications can be made to the product before the full launch ✓ Reduces the risk of failure	× The correct market for the product may not be chosen for the test

Focus group A focus group is a discussion between selected people about a specific good or service. People taking part will be asked a number of questions about the good or service with the aim of generating a discussion on these things.	
Advantages	**Disadvantages**
✓ The feelings and views of people can be observed, as can their body language ✓ Points that are not understood can be clarified	× It is time-consuming and expensive to carry out × Information can be difficult to analyse × The sample of people used in the focus group might not represent the views of the whole population

EPOS EPOS systems gather information when consumers are making a purchase at the checkout.	
Advantages	**Disadvantages**
✓ Large quantities of information can be gathered ✓ The information gathered is factual and not just opinions	× It can be expensive to purchase an EPOS system, especially for a small business × No opportunity to gain the opinion of the customer

Observation An observation involves watching something and recording what happens. The observer might have to count how many times something happens or someone does something or what someone's reaction is to a situation.	
Advantages	**Disadvantages**
✓ Facts and figures (quantitative information) are gathered, which are easier to analyse than qualitative information	× Those being observed are not usually asked for their opinion or to give an explanation as to why they did or did not do something × There are issues of privacy and ethics to consider when observing people

Social networking	
Social media, for example Facebook and Twitter, can be used to gain feedback from people on goods and services. Many businesses use these sites to interact with their customers and to find out their reactions and opinions on different issues.	
Advantages	**Disadvantages**
✓ A two-way interaction occurs between the business and customers ✓ Large numbers of people can be reached ✓ Questions can be posed to customers very quickly	× Customers might not want to join the social network website of the business

Sampling

It would be **very costly and time-consuming to interview every consumer**, therefore a representative group must be chosen, ie a sample of the population. It is assumed that the tastes, preferences and habits of a sample of the population represent those of the whole population. If the chosen **sample is not representative**, then the **findings are likely to be invalid**.

Random sampling

Random sampling involves producing a random list of individuals to survey. Those picked for inclusion in the sample could be generated randomly, using a computer and the telephone directory or the electoral register. A **large sample is required** if the sample is to be **representative of the whole population**.

Advantages

- No chance of bias being introduced when selecting individuals for the sample and it is simple to do.

Disadvantages

- It may not be focused on any particular market segment.
- It assumes that all members of the group are the same, which is not always the case.
- The random sample must be maintained – if someone is chosen for the sample then they must be interviewed this can be expensive.

Quota sampling

The researcher is given instructions as to the number of people to interview and their characteristics (e.g. age, gender, material status and income groups.)

Advantages

- It is cheaper to operate than random sampling as less interviews can be used.
- Statistics showing the proportions of different groups within the population are readily available.
- Interviewers can substitute someone else in the interviewee is not at home at the time of the visit or phone call.

Disadvantages

- Results from quota sampling can be less representative than using the random sampling method.

Problems with market research

Market research does not guarantee success. For example, the research carried out before launching the **new recipe for Coca-Cola** (New Coke) indicated that the change would be **welcomed by the public**. This was not the case and the company returned to the original recipe – a costly mistake!

Market research is not always reliable. Unreliability may be due to:

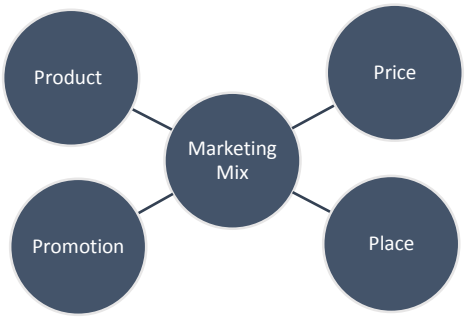
- **sampling bias:** results from a small group of people may turn out to be completely at variance with the reactions of the wider population
- **human behaviour:** while the responses of the sample may be correct at the time of the research, opinions can change
- **interviewer bias:** the interviewer may have led the interviewee into saying what he/she thinks the interviewer wants them to say.

The **larger the sample**, the more **reliable the information**. Researchers do expect some deviation from the research and the figures may be adjusted (deviation formulae may be applied).

1.2 Explaining how the marketing mix can be used to enhance the effectiveness of large organisations

The marketing mix

In order to market or **sell its products successfully** a business must **develop a strategy** based on **four key elements**: product, price, place and promotion, known as the 4 Ps. These elements are combined to form the business' **marketing strategy** and are called the **marketing mix**.



The **marketing mix** must be **designed** to maximise the **satisfaction of consumers.**

The **marketing mix** should be **guided by the information given in the Market Research and targeted at the marget segment(s) chosen.**

Product

Product/service

The product must **meet the needs of actual and potential consumers** and be something that they are willing and able to buy. Products are not necessarily tangible: the bank, travel agent and solicitor all offer products, normally referred to as services.

The product tends to be the most important element of the marketing mix as it will determine how all the other factors in the mix are implemented, for example the pricing strategy, methods of promotion and the channel of distribution (place).

Branding

A method of attaching a 'persona' to a product based on an established make."

Brands are products or ranges of products which have a unique and easily recognisable character. It may be a word or symbol that is registered, so can only be used on products produced by the organization. The brand can relate to the company as a whole, or individual products. Such products are marketed so that they are instantly recognisable to the consumer, and are made out to be of better quality than other similar products. Customers will generally have to pay more for a branded item, which can be partly due to the high packaging and advertising costs.

Advantages of Branding	**Disadvantages of Branding**
Money can be saved on marketing as the customer is already aware of the brand when launching new products.	Brands (in particular clothing and accessories) can be copied or faked, which can be difficult for the organisation to fight.
Higher prices can be charged for brands.	In order to remain in the mind's eye of the customer, brands can require high levels of research and development and advertising.
Customers can become loyal to the brand.	Poor products in the brand can affect the whole range that is produced by the manufacturer.

Own brand

We see and interact with own brands in everyday life. These are goods/services that are branded under the name of the retailer. For example, Tesco Finest, Tesco Value, George at ASDA.

F&F Clothing at TESCO

GOK for TU

George.

Retailers do not normally manufacturer their own brands.

For example, McVities manufacture biscuits for Marks & Spencer, who specify that their biscuits be cut from the middle of the batch to ensure they are fresher. Marks & Spencer also manufacture Sainsbury's own brand pizza.

Own brand products are generally of a similar quality to well known brands, with similar packaging however can be much cheaper than branded goods.

Log on to the Tesco Direct website and compare the price of own brand goods to well-known branded goods.

Compare the following products:

Coca Cola	*Baked Beans*	*Shampoo*	*A4 Notebook*

Generic goods

For example, light bulbs and matches. Very little marketing is carried out by companies who sell generic goods as they are seen by consumers to have no differences between them.

Packaging

Packaging provides:

- Protection during transport
- Customer appeal
- Easy access to the product.

In addition, packaging will also have legally required information printed on it such as ingredients and weight. This is a requirement under laws such as the Trade Descriptions Act and the European Union rules on food additives.

Product life cycle

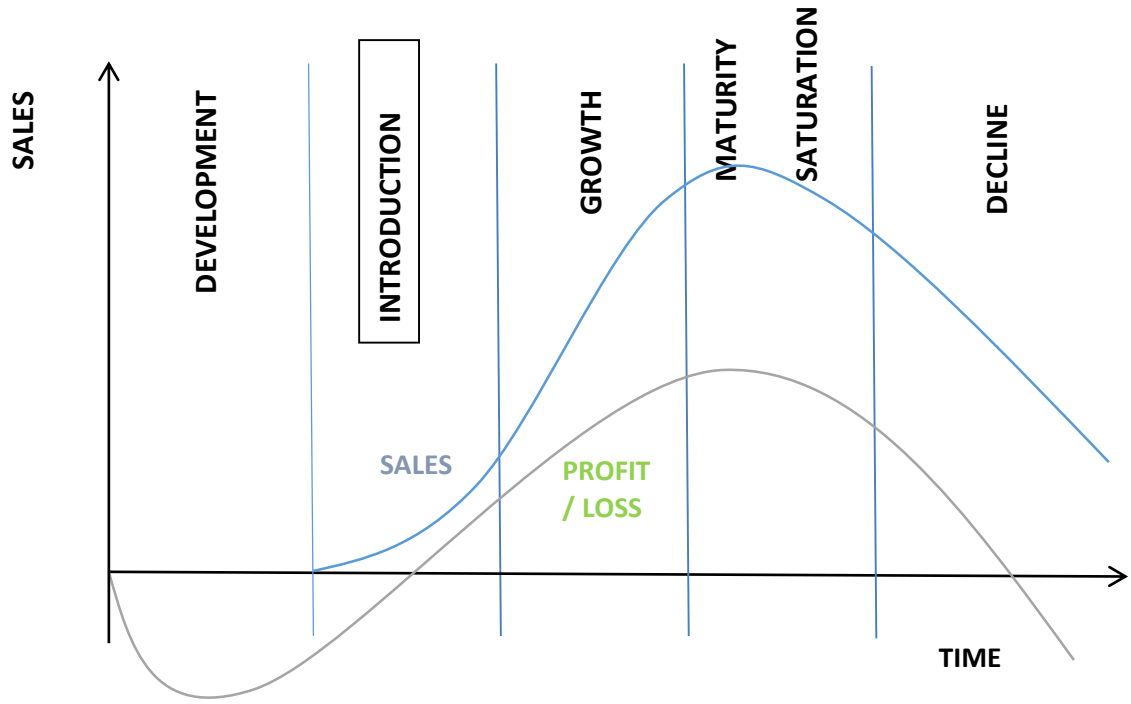
Changes are continually occurring in the market place as a result of external factors (PESTEC). All products will have a life span – some longer than others – but ultimately all products will become obsolete. Products such as Dairy Milk have a long life span, having been originally launched in 1905, whereas others, such as Playstation 1, have been overtaken by newer models.

There are a number of brands that seem to go on forever, without any sign of decline. Such products include Heinz Baked Beans, Kellogg's Cornflakes and Mars Bars.

The pocket calculator is a good example of a product that has moved through the product life cycle. It originated as an exclusive, expensive item and became a widespread, moderately priced item accessible by the mass-market in just a few years. However, similar functions on mobile phones have now replaced pocket calculators.

Changes in the marketing environment dictate that there will always be a demand for new products while, at the same time, old ones will decline. The notion of the product life cycle has emerged and helps businesses to analyse the process by which their products emerge, grow, stabilise and decline over time.

The product life cycle concept is based on the assumption that, from the time it is launched on the market until it is finally withdrawn, a product passes through a number of recognisable phases.



Stages of the product life cycle

Development: This stage is when the product starts its life. Many products will never progress beyond this stage, as management will make the decision that they will not be profitable. During the development stage, a prototype of the product might be produced, which can be used to gather essential market research and will assist management in deciding if the product should be launched in its current state or modified before release into the market.

At this point the business is incurring costs to create and design the product and there will be no sales revenue, resulting in a loss.

Introduction: The product is launched onto the market and the business must work hard to raise awareness and encourage consumers to choose the new product over brands or products they are currently loyal to.

At this point a loss will occur due to the high level of costs incurred to promote the product, compared to relatively low sales revenue.

The length of time at this stage will depend on the product. For example, Dyson vacuum cleaners had a long introductory stage but are now the market leader as customers believe that the additional cost compared to a standard vacuum cleaner is justified.

Growth: The product becomes established and consumers are aware of it. Sales increase rapidly.

At this point the product will become profitable as sales revenue grows rapidly and the costs of promotion can be reduced.

Maturity: The point where sales have reached their maximum and will level off. Sales will not grow any further unless the business takes further action. Competitors may enter the market to take advantage of the profits available.

At this point the product will be most profitable as sales revenue is maximised and costs can be reduced as the product is well established.

Many products will remain at this stage for a long time, for example Dyson vacuum cleaners.

Saturation The end of maturity. Most consumers who want the product have it and demand starts to drop.

Decline: Most products will eventually reach the decline stage, where sales fall dramatically. This can be caused by a change in consumer tastes, advances in technology, introduction of competitors' products or the launch of an updated product.

At this point the product may remain profitable in the short term, but as sales decline rapidly a loss will be incurred.

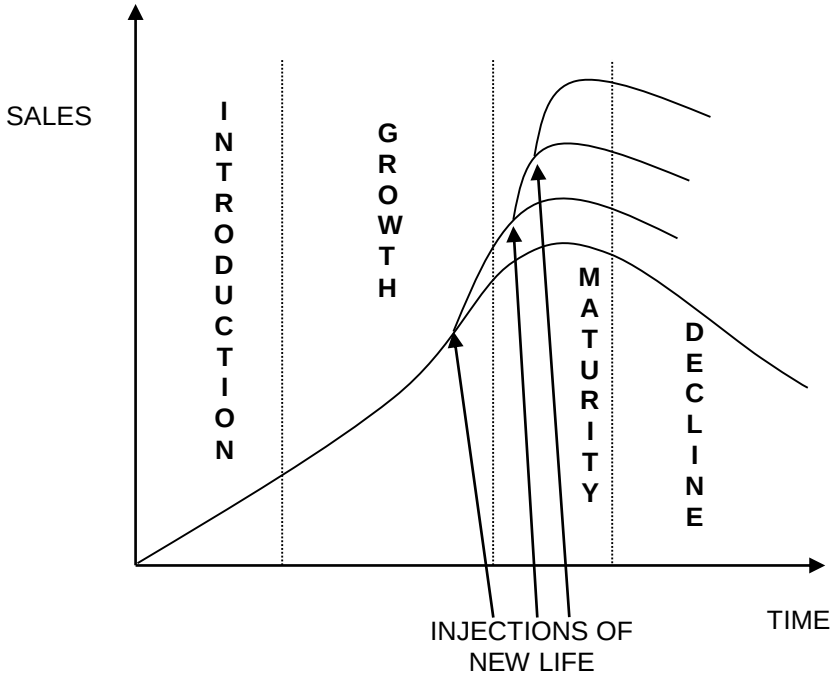
The audience, market, sales and profit at each of the stages of the product life cycle are summarised below.

	Development	**Introduction**	**Growth**	**Maturity**	**Decline**
Audience	None	Early adopters	Mainstream	Late adopters	Laggards
Market	Test	Small	Growing	Large	Contracting
Sales	None	Low	High	Maximum	Decline
Profit	None	None	Growing	Maximised	Diminishing to a loss

Extending the product life cycle

When a product reaches the decline stage of the product life cycle, sales volume and profit are in decline. The business may decide that the product has come to the end of its life cycle, but it may be possible to extend the life of the product by implementing an extension strategy. These strategies are developed and implemented during the maturity stage of the product life cycle to maintain high sales volume and profit levels.

The effect of periodic injections of new life on the life cycle of a product can be illustrated as follows:



Extension strategies

- **Develop new markets for existing products**, for example computers and mobile phones were originally targeted to businesses, but both of these products are now widely used by consumers.
- **Improve the product**, for example new cleaning products are often promoted as being 'new and improved'.
- **Find new uses for existing products**, for example breakfast cereal is promoted as being a healthy snack at any time of day. Lucozade was originally a medicinal drink but is now marketed as a sports drink, targeting a different market.
- **Produce line extensions**, for example Diet Coke, Coke Zero, Cherry Coke etc.
- **Introduce new variants**, for example fun size Maltesers, white chocolate Maltesers.
- **Change the channel of distribution**, for example e-commerce, reserve and collect.
- **Change packaging** to appeal to a different segment of the market.
- **Introduce additional models**, for example car manufacturers can have petrol/diesel and three/five door models of the same car.
- **Promotional activities**, for example lowering the price or offering incentives.

Price

The importance of price in the overall marketing mix will vary depending on the product being sold. In the market for white emulsion paint, price is considered to be the most critical element in the purchasing decision made by the consumer. However, in the fashion industry style, design and quality will be more important to the consumer than price.

A business will make decisions regarding price when:

- a price is being set for the first time, that is, when the product is launched onto the market
- the price of the product needs to be adjusted according to its stage in the product life cycle or the actions of competitors
- a product is being launched in a new market place, for example overseas
- there is a change in costs, for example labour and raw materials.

Pricing strategies

Price is the amount that the customer will pay for a product. When deciding on price a business must consider the following factors:

- how much the customer is willing to pay
- the quality of the product
- the cost of producing the product (Cost Plus)
- the profit margin required (Cost Plus)
- the price charged by competitors
- the stage of the product life cycle
- the target market
- external factors (PESTEC)
- government restrictions.

The pricing strategy adopted when pricing a product will also depend on the **objectives of the business at the time**. A business whose primary objective is **profit maximisation** may adopt a **different pricing strategy** to a business whose main **objective is to maximise sales**. A public sector organisation will have different objectives from private sector organisations and will adopt different pricing strategies to achieve these.

The **simplest form of Pricing is Cost Plus**. The costs of production plus the margin of profit added to meet the objectives of the business.

Price is determined in conjunction **with the other elements of the marketing mix**. For example, a **change in price will often be accompanied by a change in product specifications, packaging, advertising or channel of distribution.**

Long-term pricing strategies

Low price
The price is set below that charged by competitors and tends to be used when consumers respond positively to changes in the price and a reduction in price will result in higher sales. Low price is most effective in a market where there is little brand loyalty and competition is high, for example laundry detergent. Supermarkets have also used this strategy to sell large quantities of CDs, DVDs and computer games at a price lower than their competitors.

Market price (Competitive Pricing)
There are situations when one or more of the following market conditions exist:

- products are bought frequently by consumers
- competitive prices are very similar
- a few large companies dominate the supply in a specific industry.

The market for petrol is a good illustration of the market price strategy in operation. Companies such as BP, Esso and Shell set their prices at an identical market level as they are aware that they could quickly lose their entire market share if they set and held prices above the competition. Conversely, if they lower prices, competitors are forced to follow suit for fear of losing their market share. There is very little to be gained from either lowering or raising the price of petrol and price is therefore not a significant factor in the marketing mix for these companies.

Consequently, petrol companies use the other elements of the marketing mix to increase their market share, for example offering additional services at their petrol stations or offering free gifts and loyalty points.

High price
This strategy is used when selling high-quality premium goods and the exclusive image is reflected in the price. High prices are an essential feature of upmarket products and the exclusive image is reflected in the price, for example Bentley cars. Consumers are also willing to pay a high price for well-established brands because of the status attached to owning these products.

High price can also be used as a short-term pricing strategy if the business has a temporary advantage over their competition gained by, for example a unique selling point (USP) or a patent.

Short-term pricing strategies

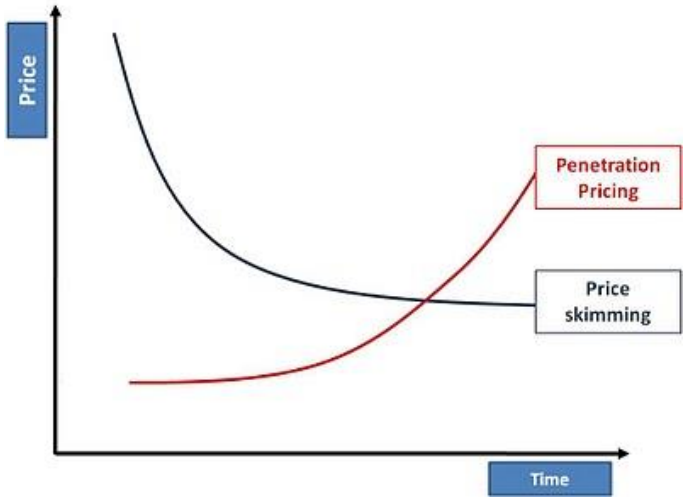
Short-term pricing strategies are used by a business to gain a competitive edge over a short timescale.

Skimming pricing
This is a strategy used during the introduction phase of the product life cycle. At the launch of a new product, there is usually little competition in the market place, so demand will not be significantly affected by the price charged. Skimming involves setting a high price for a new, unique or highly desirable product as consumers are willing to pay a high price for the novelty value of the product.

The high price allows the business to make a large initial profit and recoup some of the research and development costs incurred. Once the first segment of consumers is saturated, the manufacturer will lower the price to attract another segment of the market. Eventually competition will enter the market place and the price will be lowered.

Penetration pricing
This is an appropriate strategy when the business is aware that the success of a new product will be affected by the price charged. A low price is set when penetrating (entering) a competitive market to attract customers to the product. The combination of low price and low sales could result in an initial loss to the business. However, it may be the only way to overcome strong brand loyalty and persuade customers to switch to the new product.

Once the product has become established in the market place, the price will be increased.



Destroyer pricing
This is a strategy employed to undermine competitors' sales. It involves reducing the price of an existing product to an artificially low level. While this may result in a short-term loss, it is designed with a view to long-term market success. It is frequently used by established companies to prevent new companies or products entering the market. When the competition has been eroded or eliminated the price will be raised to the previous or even a higher level.

Promotional pricing
This strategy can be used at different stages of the product life cycle, for example to create fresh interest in an existing product or to create interest in a new product. It can also be used to reduce stock levels quickly. Prices are lowered for a short period of time in the hope that consumers will purchase increased quantities of the product. Examples of this strategy include '20% off this weekend' and buy one get one free (BOGOF).

Another form of promotional pricing is the use of loss leaders, where the price of the product is reduced substantially to the point where no profit is made from its sale. Supermarkets frequently use this strategy on a few of their products which are heavily advertised. The aim is to attract customers into the store in the hope that they will also purchase a number of other (profitable) products at the same time.

Demand-orientated pricing
Some businesses will charge different prices for a product at different times of the day or year, depending on the level of demand. When demand is high, high prices are charged; when demand is low, low prices are charged. This is known as price discrimination. For example, holiday companies charge higher prices during school holidays.

Use of price comparison websites

Price comparison sites are designed to do just what their name implies: compare the price of products and services from a range of providers, allowing the consumer to make an informed decision about which to choose in order to save money. The websites appeal to consumers as they can receive quotes from a variety of businesses in a single search. This is particularly beneficial for insurance products as it prevents the consumer having to complete multiple forms online to receive quotes from individual insurance companies.

Comparison websites exist for a range of products and services but the most well-known specialise in financial products such as insurance, mobile phone contracts, credit cards, personal loans and energy tariffs eg Compare the Market or Go Compare

Price comparison websites generate revenue from 'click-throughs' every time a potential customer views a business' listing. They will also receive commission for purchases made through their website.

Advantages to the business

- ✓ Wider exposure to the market than relying on their own website.
- ✓ A cost-effective way of promoting products/services to a large number of consumers.

Disadvantages to the business

- × Cost of linking to the price comparison website.
- × The business may suffer if the price comparison website makes mistakes or does not represent it favourably.
- × Many consumers do not know how to use the websites effectively.
- × If the business' product is not one of the cheapest consumers will ignore it.
- × Consumers are wary of sharing personal data, despite the protection under the Data Protection Act 1998.

Advantages to the consumer

- ✓ Saves money by searching through the products/services available. The consumer is empowered and can select the quote they see as best value for money for their requirements.
- ✓ Data only has to be entered once onto the price comparison website instead of entering it multiple times on each provider's website. This is convenient as more data can be gathered in a short space of time.
- ✓ There are a variety of price comparison websites to choose from; therefore quotes can be validated.
- ✓ Less well-known businesses that the consumer was previously unaware of may be able to offer a better deal than the high-profile companies.

Disadvantages to the consumer

- × Not all companies use price comparison websites, so the consumer may miss out on getting a quote from one of the market leaders. For example, Direct Line doesn't use insurance comparison sites in order keep its prices low.
- × Some companies may pay extra to have their results promoted to first position in the search results. Consumers need to have an awareness of how to understand the results of their search so they are not misled.

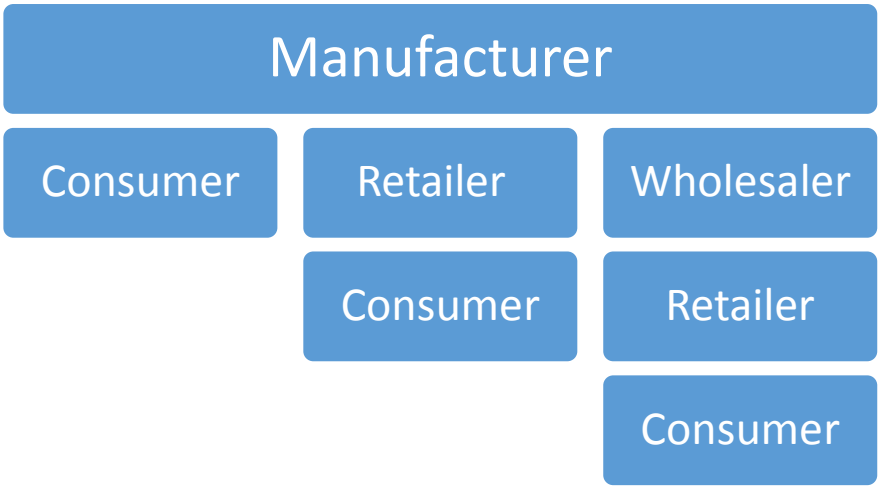
× It is not always clear what assumptions have been made when insurance quotes are compared. Many insurers use quotes for no-frills cover so that company appears at the top of the results page. By the time all the extras have been added on the quote may no longer be competitive.

Place

The nature of the product or service will determine where a business decides to sell it. This is known as the channel of distribution, which is the route taken by a product as it passes from the manufacturer to the consumer. The channel refers to the ownership of the product, not the physical movement of the goods.

Channel of distribution

The *Channel of Distribution* is how the product gets from the manufacturer to the consumer. The three main options are as follows:



The above can be applied to the sale of potatoes:

- The consumer stops at a farm to buy potatoes directly from the farmer.
- The consumer visits a local shop which has purchased bags of potatoes from the farmer. The customer is able to buy as little or as much as they want.
- The customer visits a supermarket and is able to buy potatoes in many sizes of bags, some prewashed or chipped, and has a choice of many different varieties.

For some products or services, for example holidays, agents may be involved in the distribution process. Agents provide a link between the buyer and seller in exchange for commission. Agents are often used by a business trying to enter a foreign market as a local agent will have knowledge about the laws of the country and its trading practices.

A business must decide which channel of distribution provides the most effective means of getting the product from the manufacturer to the consumer. Failure to choose the most appropriate channel will damage sales of the product. The channel chosen will depend on a number of factors:

The product: If the product is very technical and requires expert knowledge the selling is often done directly between the manufacturer and the consumer. Similarly, if a product is perishable with a limited shelf life a direct channel is the most appropriate.

The market place: If the market is small and local then the manufacturer can sell directly to the consumer, for example a farmer selling fresh eggs or strawberries. On the other hand, Mars would find it very expensive and time-consuming to deliver small quantities of Mars Bars to every retailer in the country and therefore use wholesalers and retailers as their market place is large and dispersed.

Legal restrictions: The government restricts the sale of some products through legislation. For example, chemists are the only outlet for certain drugs and alcohol cannot be sold to under 18s and must be sold from licenced premises.

Buying habits of consumers: Consumers will often dictate how products will be distributed based on their current buying habits. For example, if consumers tend to purchase car wax in specialist hardware retailers rather than supermarkets then the manufacturer will choose to distribute a new car shampoo primarily through specialist retailers such as Halfords. Market research will be used to highlight changes taking place in consumer buying habits.

Change in lifestyle: Increased car ownership means that consumers are willing to travel away from town centres to do their shopping and retail parks have become popular.

Stage of the product life cycle: If a product is new to the market it is likely to be available in only a few outlets. However, as the product becomes more popular additional channels of distribution will be used.

Image of the product: If the product has an exclusive image it will only be available in a small number of selected outlets. For example, Haagen-Dazs ice-cream was originally marketed as an exclusive product although it is now available in the wider market place such as supermarkets.

Distribution capability: The manufacturer may decide to use a delivery company and wholesaler rather than employ staff themselves to carry out these functions.

Direct selling (manufacturer to consumer)

Direct selling is based on the principle that by cutting out the middleman (wholesalers and retailers), businesses can sell their goods at competitive prices directly to the consumer.

Traditional methods of direct selling include mail order, telephone selling (cold calling) and television selling. More recently e-commerce has become a significant method of dealing with consumers directly.

- **Mail order** companies sell through agents or through members of the public ordering from a free catalogue. The company buys stock in bulk from manufacturers and displays it attractively in a glossy colour brochure. Products sold in this way include kitchen equipment, wines, tools and clothing. Mail order companies will offer credit facilities to customers and save costs by operating from a warehouse rather than expensive high street stores.

- **Telephone selling** involves telephoning people at home and trying to sell them a product or service, for example solar panels or windows and doors. It has the advantage that the seller is dealing directly with the customers, but many consumers find this method of direct selling very intrusive. Products sold in this way can be demonstrated to the customer and made to their specific requirements.

- **Television selling:** Manufacturers present their products on a television shopping channel in an informative and entertaining way. Viewers can use a Freephone telephone line to order products and pay by quoting their credit card number.

  Internet selling (e-commerce): The volume of trade on the internet continues to grow year on year. Websites offer the consumer ease of access from home or office 24/7 and also contain useful information such as product descriptions, customer reviews and promotions. On Christmas Eve 2013 there were 90 million online visits and 114 million online visits on Christmas Day, which was a 6% increase from the previous year. Boxing Day 2013 saw 129 million visits to retail websites for the traditional sales, a 15% year-on-year increase, making 26 December 2013 the biggest online shopping day ever.

Advantages of direct selling

- ✓ 100% of the profits are retained by the seller and do not have to be shared with intermediaries (wholesaler and retailer).
- ✓ Stronger relationships are built with the customer, meaning the business can respond to their needs and develop loyalty.
- ✓ The business has total control over the pricing and distribution of the product and can react quickly to changes in the market place.
- ✓ Staff are trained to deal with customers in a way that reflects the businesses objectives.
- ✓ A business can have access to more customers, particularly through e-commerce, than using other channels of distribution.

Disadvantages of direct selling

- × It can be expensive to employ sales staff to interact directly with the customer. They may spend considerable time with the consumer and still not make a sale.
- × Some methods of direct selling are obtrusive and inconvenient for both business clients and consumers.
- × It can be more expensive to establish direct selling than to use an intermediary to achieve the same level of sales.
- × Consumers may be reluctant to pay for products online because of the risk of fraud.

As an alternative to selling directly to customers, many manufacturers use retailers and wholesalers to act as intermediaries.

The retailer

The retailer is the local outlet for a business' products, where the consumer can physically go to buy the goods or services. The retailer will offer a variety of goods and services from many different manufacturers, resulting in competition. The retailer stores stock on their premises, prepares the products for sale and displays them.

The consumer will receive information from the retailer through advertising, displays and trained staff. In addition the retailer will also offer a range of related services such as credit facilities, after-sales service, guarantees and delivery.

The growth and dominance of supermarkets during the 1970s and 1980s led to the extinction of a large number of independent traders. Increasingly these powerful companies are now moving away from town centres to large out-of-town retail parks which offer good car-parking facilities.

There are a number of different types of retailer.

Independent retailers
These operate usually from only one outlet and offer personal service, a convenient location and close customer contact. Around 80% of retailers are independent, including hairdressers, dry cleaners and corner shops. The prices in an independent store are often higher than chain stores as they cannot benefit from bulk-buying discounts. However, some groups of independent retailers might join together in order to benefit from bulk purchasing of stock or joint advertising, for example Spar, in an attempt to compete with larger chains.

Multiple chain stores
A chain-store company has many stores which operate in different geographical locations. Some multiples are classed as specialist stores, concentrating on a narrow range of items such as clothing, for example Top Shop and River Island. Others are variety chains that provide a range of goods, for example Marks & Spencer and Boots.

Supermarkets
Supermarkets are a key feature of consumer shopping as they offer a very wide range of food and other products at low prices, operating on the principle of low mark-up and rapid turnover. Many supermarkets now operate superstores which offer an even wider range of products, including DIY equipment, cosmetics, clothes and gardening equipment. The aim of these stores is to provide families with a cost-effective option to meet all of their needs under one roof.

Consumer co-operatives
These stores are owned by ‘members’ rather than shareholders and profits are distributed to customers in the form of dividends instead of being paid to shareholders.

Department stores
Department stores such as Debenhams and Jenner’s have a large number of different departments offering a range of goods all under one roof. They tend to have an upmarket image and charge higher prices. This type of retailer has declined in recent years.

Discount stores
Home Bargains, TK Maxx and Poundland are all examples of discount stores. They tend to sell large quantities of a limited range of products at discounted prices. The expenditure on displays is kept to a minimum to minimise costs and keep prices low. The recession has resulted in significant growth of this type of retailer.

Franchise

A franchise is a licence to market a product in a specified area. The franchisee invests a sum of money and is issued with equipment by the franchise company to sell or manufacture the product in which the company deals. Franchise deals are very common in the fast food business, for example McDonalds, but they are also used in other areas of retailing, for example Body Shop and the British School of Motoring.

Advantages of using a Retailer

- Provide a source of market research
- Often located close to customer
- Provide an after sales service
- Retailer may offer credit facilities
- Retailer may already have an established customer base
- Retailer incurs cost of store, sales staff and retail premises
- Selling to a retail is more direct than through a wholesaler
- Higher percentage profit for the manufacturer
- Bulk buying discount

Disadvantages

- May not have specialist product knowledge
- Product is more expensive to buy

The wholesaler

The general function of the wholesaler is to buy goods from the manufacturer and then sell them on to the retailer. Manufacturers sell to the wholesalers for the following reasons:

- The wholesaler buys in bulk, which relieves the manufacturer of the cost of making a large number of small deliveries and saves on the cost of transportation.
- Administration costs are lowered as the number of sales staff required and the volume of paperwork, for example invoicing, are reduced.
- The wholesaler bears the cost of holding large stocks. If it were not for the existence of the wholesaler, the manufacturer would need to tie up more capital in holding stock of their product and would incur further costs through the need for greater storage space.
- The wholesaler bears the risk of stock becoming obsolete or perishing.
- The wholesaler breaks down the bulk supplies he receives and offers a wide variety of goods in relatively small quantities to the retailer.
- The wholesaler will sometimes finish off the packaging and labelling of goods.
- The wholesaler provides advice to the manufacturer. By being in the middle of the distribution process, wholesalers know what goods are popular and they are well placed to advise retailers on what to buy and what not to buy, and manufacturers on what to produce and what not to produce.

Since distribution via wholesalers would appear to offer such advantages, why is it that so many manufacturing organisations now cut out the wholesaler and prefer to sell direct to the retailer?

- The manufacturer retains control over how the product is presented to the consumer.
- Profits are kept by the manufacturer rather than having to be shared with the middleman (wholesaler).
- Manufacturers can control the efforts of their sales force with advertising, promotion and in-store merchandising.
- Manufacturers do not want to be reliant on the wholesaler to deliver their goods.
- Developments in transportation networks have made it easier to make deliveries direct from the manufacturer to the retailer.

Advantages

- Provide a source of market research
- Saves the manufacturer from making small delivers to retailers, saving on transport costs
- Saves the manufacturer on high storage costs due to the wholesalers purchasing in bulk
- Saves the manufacturer having money tied up in stock and being left with stock if consumer trends change
- Its saves the manufacturer from labeling the product for the retailer.

Disadvantage

- Control of after sales is handed over to the wholesaler
- Wholesalers has limited specialist knowledge

Factors Influencing the Location of a Business Premises

The **location** of a business will **depend upon**:

- What the product is
- Who the consumers are
- The preferences of the consumer

When choosing a location the manager will look at:

- **How far** the **location is from the customer**
- How far the location **is from infrastructure such as roads and public transport**
  - Products and materials can be delivered to the organization easier
  - Easy access for customers
- The **price of land or premises** in the area
  - The cost of land, premises and taxes in some areas may be very high whereas in other areas the costs could be significantly lower.
- Whether or not there are **car parking facilities** for employees and customers
- The **proximity to raw materials** for example, fishing fleets are usually located on coastal areas where the best fish stocks can be found.
- The **availability of labour** in the area &
- The **cost of labour** in the area
- The **level of competition** in the area
  - An organisation wouldn't open a shop on a high street which already has 6 similar shops
- The **workforce** available in the area

How Government Incentives in an Area Influence Location

Different authorities use incentives to encourage organisations to set up businesses in certain areas. This is done in order to increase the levels of business and enterprise, reduce unemployment in the area and ensure that derelict land is being put to use.

Scottish Government Assistance

New Enterprise Scholarships (NECs) for new entrepreneurs in disadvantaged areas (http://nesprogramme.org.uk/).

Regional Selective Assistance

A grant scheme which helps to create and safeguard jobs in Scotland. To qualify organisations must fulfil certain criteria, for example they should be located in areas of high unemployment.

Local Government Assistance

- Local authorities are active in providing detailed information to organisations about applications for grants and other forms of financial aid
- Providing detailed information to businesses about local available sites and premises
- Providing grants for starting up businesses in their area
- Providing grants for research and development

Transport Infrastructure

Businesses need to **decide how to transport tangible products to their consumer**. It is vital that businesses also consider the **environmental impact** when choosing a channel of distribution as they need to be seen as being socially responsible. The **four main methods of distribution are:**

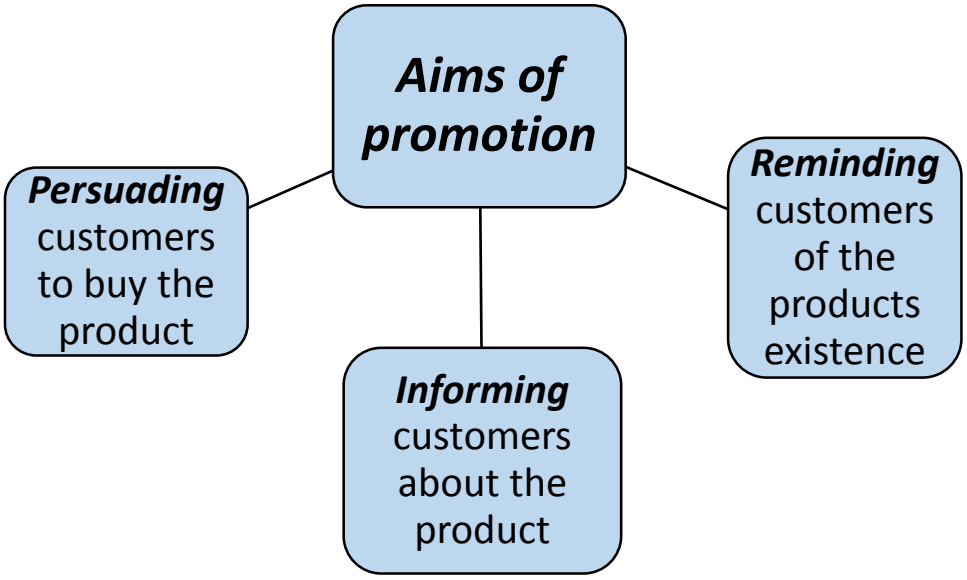
Method	**Advantages**	**Disadvantages**
Road Network	Cheaper method Delivery is quick Product delivered direct to the customers door 24 hours a day	Difficult to transport large goods Not the most environmentally friendly method Roadworks can cause delays Restricted by legislation that states number of hours drivers can drive
Rail (train)	Large products and quantities can be transported	Not a train station in every location Not a door to door store Requires road haulage to final destination.
Air	Can be transported across the world more quickly than by sea Large amounts of only small products can be transported.	Not a door to door service Large items cannot be transported An expensive method as products need to be taken to the airport to be loaded onto the aircraft Requires road haulage to final destination

Method	Advantages	Disadvantages
Sea (Boats)	Can import/export bulky goods. Products can be transported worldwide.	Very time consuming process to transport the products. Not a door to door service also requires road haulage.

Promotion

Promotion is any form of communication used to make new and existing customers aware of a product and persuade them to buy it.

There are three main aims of promotion:



There are two main types of promotion:

Above the line (mass media): This is advertising that will target a large un-differentiated market with advertising and sales promotion. Independent media are used, such as television and newspapers, enabling businesses to reach large audiences easily.

- This is very expensive
- Difficult to produce an advert or sales promotion that will appeal to all, so, to a certain extent, the promotion can be said to be wasted.
- Larger areas can be targeted by the promotion

Below the line (target audience): This type of promotion is directly controlled by the business, for example sales promotions, direct mail, trade fairs, personal selling and sponsorship. It allows businesses to target more directly the consumer they hope will be interested in their product.

Advertising

Advertisements are messages sent via the media that are intended to inform or influence the people who receive them. Advertising can be classified in two broad categories: informative and persuasive. Typically, an advertisement contains elements of both.

Informative advertising
When a product is first launched, sales are low because few people know that it exists. A business will therefore advertise to inform the public that the product exists and to show its features. The same applies when a product has been modified or improved. Sometimes the nature of the product may be such that a large amount of technical information has to be given and advertising again may have to be informative, for example car advertising. Advertising that informs and educates consumers gives them greater knowledge on which to base their choice of goods and services.

The government also uses advertising to inform the public, for example the need to complete tax forms, availability of vaccinations etc.

Persuasive advertising
Persuasive advertising is used to persuade consumers to buy a particular product and is used in a competitive market place where consumers see little difference between one product and another. It is often based on qualitative information (statements of opinion rather than fact), for example Marks & Spencer's 'It's not just food; it is M&S food'. Powerful images and language are used to imply a positive image of a consumer who buys the product. (See suitable examples of advertising images from internet.)

When choosing a method of advertising a business must consider the following factors:

- What effect does advertising have on sales? Can the influence be measured effectively?
- Who is the target market? The business needs to know who buys the product, why, where and when they buy it and for what purpose.
- Why do consumers not buy the product or service?
- Which form(s) of advertising is/are the most effective?

Market research is key to providing answers to these questions and determining how best to target customers.

Advertising media can be categorised under three broad headings:

- print media: newspapers, magazines, journals
- broadcast media: television, radio, cinema
- outdoor media: fixed posters, billboards, buses.

The effectiveness of advertising will often depend on selecting the most appropriate media to reach the target segment of the market.

Medium	**Advantages**	**Disadvantages**
Television	• Exposure to a national audience • Exposure to all market segments/socio-economic groups • Use of colour, sound and movement to influence consumers • Product can be demonstrated • Regular adverts can be very persuasive	• Very expensive • Product may not interest all market segments, therefore inappropriate • Many viewers ignore or skip adverts
National daily newspapers	• Exposure to a national audience • Products can be targeted to market segments based on readership of paper • Adverts can be retained by consumer for future reference	• Adverts are often ignored • Often in black and white so less eye-catching • Can be expensive
Sunday newspapers	• Readers pay more attention to adverts as they have time to scrutinise the Sunday paper • Large national circulation • Advertising in colour supplements is more attention grabbing	• Expensive • Difficult to define market segment of readership
Local newspapers	• Readers tend to scrutinise the local papers more closely than national newspapers • Greater density of readership on a local basis therefore useful when targeting a local audience	• Local papers do not have the same authority as national newspapers
Magazines	• Colour adverts have bigger impact • Can target a particular market segment by advertising in special interest magazines • Readers often keep magazines for future reference	• Expensive • Limited readership

Radio	• Less expensive than press and television advertising • Captive audience as listeners do not tend to channel surf when adverts are on	• Listeners often 'tune out' when adverts are played • Difficult to target specific market segments • Relies solely on sound to make an impact on listener
Direct mail	• Can target particular interest groups for specialist products	• Many consumers dislike 'junk mail' and discard without reading • Poor strike rate if target audience is not carefully selected
Cinema	• Messages can combine voice, image and colour • Captive audience • Adverts can be shown before particular films to appeal to a particular market segment	• The message is short lived • Limited audience • Expensive to produce good quality adverts
Outdoor media	• High visual impact • Wide choice of locations potentially reaching a wide target audience • Passers-by will see the advert frequently	• May go unnoticed – part of the scenery • Can suffer weather damage and or be subject to vandalism • Can be expensive, for example hoardings at football grounds
Internet	• Adverts can target particular markets if placed on the correct website • Adverts can be changed and updated easily • Can be relatively cheap compared to other forms of advertising	• May be ignored by internet users

The **method of advertising** chosen by a business will **depend on the following factors**:

- product being advertised
- cost
- target audience
- desired impact
- competitors advertising
- size of the business
- legislation (restrictions on tobacco and alcohol)
- other elements of the marketing mix.

The **Advertising Standards Authority (ASA)** is an organisation that monitors all advertising, sales, promotion and direct marketing. If an advert is found to be offensive or untruthful, the ASA can request that the advertiser withdraws or amends the advert.

The Trades Description Act states that a product must be advertised in an honest way that is not misleading to consumers.

Advertising alone does not sell goods and services. At best it can only stimulate interest. This interest must be converted into a buying decision by means of other marketing tools such as merchandising, distribution channels and packaging appeal.

Advertising is not the only promotional strategy a business can use; there are a number of others:

- sales promotion
- personal selling
- public relations
- publicity.

Sales promotion

Sales promotion describes techniques that are designed to encourage customers to make a purchase. They usually complement advertising campaigns but the essential feature of a sales promotion is that it is a short-term inducement to encourage customers to react quickly, whereas advertising is a much more long-term communication process designed to build brand image and loyalty.

There are two main types of sales promotion: into the pipeline and out of the pipeline.

Into the pipeline
Manufacturers use 'into the pipeline' promotions to encourage distributors (wholesaler and retailer) to purchase more stock.

Into the pipeline	
Point-of-sale displays	Posters, racks to hold leaflets, window display materials or in-store displays are provided by the manufacturer free of charge, for example short videos of holiday destinations in a travel agent.
Dealer loaders	The retailer is offered an inducement to attract more orders, for example ten boxes for the price of nine.
Sale or return	Any unsold stock can be returned to the manufacturer. Can encourage retailers to stock new products as it removes the risk of having unsold stock.
Dealer competitions	Can be linked to dealer sales with attractive prizes offered to the most successful dealer, for example car manufacturers offer holidays to the most successful dealership.
Staff training	If products or services require technical explanations or demonstrations the manufacturer will offer staff training. For example, car manufacturers will train staff on technical specifications, how to promote new cars and customer service.
Credit facilities	The wholesaler or retailer receives stock and has time to sell it before having to pay the manufacturer. This reduces the risk for distributors.

Out of the pipeline

These promotions are offered by the wholesaler or retailer to encourage the final consumer to purchase the product.

Out of the pipeline	
Free samples	Samples of a product are offered to a customer, for example perfume samples or food tasting.
Credit facilities	Customers can purchase a product now and pay for it at a later date. This encourages customers who could not afford to pay upfront for a product.
Demonstrations	At the point of sale the retailer will offer to demonstrate the product to encourage sales, for example test drive a car.
Competitions	Customers have to buy the product to allow them to enter competitions or prize draws. This is promoted on the packaging.
BOGOF	Used for a limited time frame to encourage customers to purchase selected products. Can be used to sell excess stock.
Bonus packs	More of the product is offered for the same as the original price, for example 20% extra free.
Free offers	For example, a fashion magazine offering a free lipstick with every purchase or a free bowl with the purchase of cereal.
Coupons and vouchers	These offer money off future purchases and can be made available in many different ways, for example newspapers, bus tickets and direct mailing. Often used to encourage loyalty, for example spend £40 and receive £5 off your next shop.

Personal selling
There are some situations where customer needs can only be satisfied by personal contact between buyer and seller, for example:

- where the customer needs specialist advice in the selection of the product, for example life insurance
- where the customer needs special benefits not provided by the standard offering
- where the price the seller wishes to charge and the price the buyer is prepared to pay are not in accord and negotiation is required.

In these situations, advertising and promotion alone will not result in a sale. Where satisfying the individual needs of the customer is paramount, personal selling is essential.

Personal selling involves persuasive communication between a seller and a buyer, and is designed to convince the consumer to purchase the products or services on offer. The objective of personal selling is, therefore, to make the sale and it is the final piece in the jigsaw of marketing activities that have taken place beforehand.

Public relations
This is when a business tries to communicate with customers, shareholders, employees and the government – all of whom form the business' 'public'. The aim of public relations is to improve the public image of products and the image of the business itself.

Public relations activities might include:

- charitable donations
- event sponsorship of sporting an cultural events
- product endorsement, for example David Beckham endorses Adidas and Pepsi
- press conferences and press releases.

Publicity
Public relations cost time and money. Publicity, on the other hand, does not always have to be paid for and can be generated outwith the business as well as within. For example, the mention of a company's name on a news broadcast or in a magazine article generates publicity. While this indirectly promotes the business and its products, the publicity may also present a threat: the media often find negative stories, for example the horsemeat scandal, more newsworthy than routine statements issued by a business.

In summary, public relations and publicity together can:

- provide the public with information about the business
- build confidence in the business and an awareness of its products
- develop goodwill in the community and present the business in a positive way
- support and enhance other areas of the promotional mix such as advertising and selling.

Extended marketing mix

People

The people employed by a business are integral to its success.

Employees and managers represent the business and have a substantial influence on their reputation – positive and negative. To achieve a competitive advantage it is essential that a business recruits people who are:

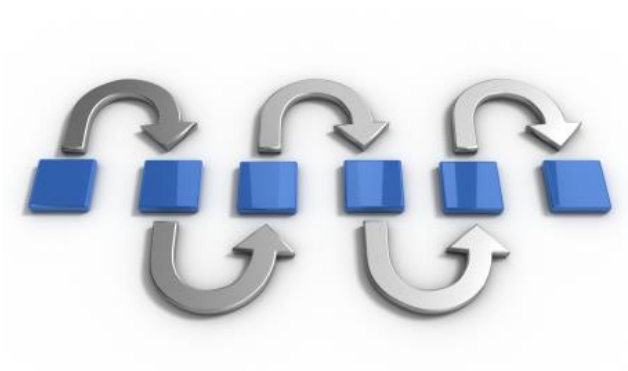
- appropriately qualified
- motivated
- committed to training and development
- able to fit into the culture of the business.

Many customers cannot separate the product or services received from the staff member who provides it, and make judgements on the business as a whole based on the people representing it. Customer service is therefore essential to achieving success and staff should have appropriate interpersonal skills, aptitude and excellent knowledge of the product or service to provide a high level of customer satisfaction.

Process

Processes ensure that all employees know what to do and how to do it. This will guarantee that the level of service and quality of products and services received by customers will be consistent.

For example, fast-food restaurants have well-defined processes in place so that all consumers will have the same experience irrespective of the individual restaurant they are dining in. This includes the sourcing and transportation of the raw materials, the storage and cooking of products, and the service received in the restaurant.



An efficient system avoids confusion, streamlines business practice and increases the chances of having satisfied customers who will become loyal, repeat customers. Customers are not interested in how the processes work – what matters to them is that they do work. If processes are inefficient or fail then customers are likely to take their custom elsewhere and share their negative experience with others, resulting in a negative image for the business.

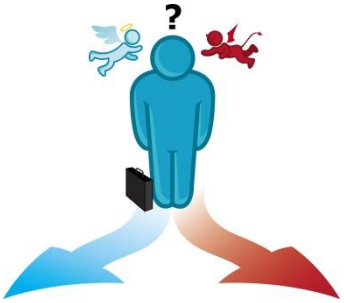
Physical evidence

One element of physical evidence is how the products/services, people and the name of the business are represented in the market place, ie branding. A strong brand image will help a business stand out from its competitors and attract customers who have pre-existing expectations when they see, for example, the McDonalds golden arches or the Nike swoosh.

Physical evidence is very important when delivering a service as a customer cannot feel or experience the service before purchase. To overcome this a business can publish reviews from previous customers on its website, encourage positive comments on social media or become a member of recommendation websites, for example RatedPeople.com, Tripadvisor.co.uk.

This element of the marketing mix is used to distinguish a company from its competitors and can be used to justify charging a premium price. The basic service a hotel provides is a bed to sleep in. Premier Inn's position in this market is as a budget hotel providing value for money in a clean, basic environment, whereas Hilton Hotels & Resorts provide a more luxurious experience, often with extra facilities, such as pool and spa, and charge a premium price for this. The physical evidence is the condition of the room, the quality of the food, and the level and choice of service provided.

Ethical marketing



Ethics are **moral guidelines** that regulate good behaviour, therefore ethical marketing means making marketing decisions that are morally right.
Behaving ethically is not quite the same as behaving lawfully as:

- ethics is about what is right and what is wrong
- the law is about what is legal and what is illegal.

All business decision should be lawful **and** ethical. Behaving in this way is seen as good business practice and will help to build positive customer relationships and develop a reputation of being socially responsible. Fairtrade is an example of ethical marketing.

In marketing there are specific issues relating to ethics.

Market research

- Invasion of privacy – a business must collect and use data gathered appropriately, in accordance with the Data Protection Act 1998.
- Stereotyping – conclusions drawn from data collected may be unfair or inappropriate.

Advertising and promotion

- Truth and honesty – claims made by the business must be authentic and not exaggerated.
- Use of violence, sex and profanity – this is likely to offend many consumers therefore care needs to be taken to ensure it is only use at appropriate times, eg after the 9pm watershed on television.
- Controversial advertising – this type of advert aims to deliberately offend the audience by breaching the norms. Graphic images and blunt slogans are used to shock viewers and capture their attention.

Target market

- When vulnerable groups are being targeted, for example children and the elderly, they should not be exposed to high-pressure selling techniques.

Pricing

- Price fixing – this is where the price of products/services is set by agreement with competitors rather than allowing market forces to determine the price. Usually this means that prices are set artificially high to maximise profits for the business.

Most businesses follow an ethical marketing code as they believe it is what customers expect. Increasingly consumers make the conscious decision to only buy products or services from businesses that are seen to be ethical.

However, defining consumers' expectations is not easy as an individual's view of ethics will be influenced by factors such as culture, religion and upbringing. Ethical marketing should therefore aim to meet the expectations of the majority while not causing offence to the minority.

1.3 Describing the costs and benefits to large organisations of having a product portfolio

It would be very risky for a business to **wait until all of their products enter the decline stage** before launching new products. The business will have **a portfolio of products**, each at different stages of the product life cycle and will plan the introduction of new products to replace those that are becoming unprofitable.

Having a portfolio of products helps to maintain relatively stable profit levels and enables the business to manage the cost of developing new products with the ongoing sales revenue from products which are mature.

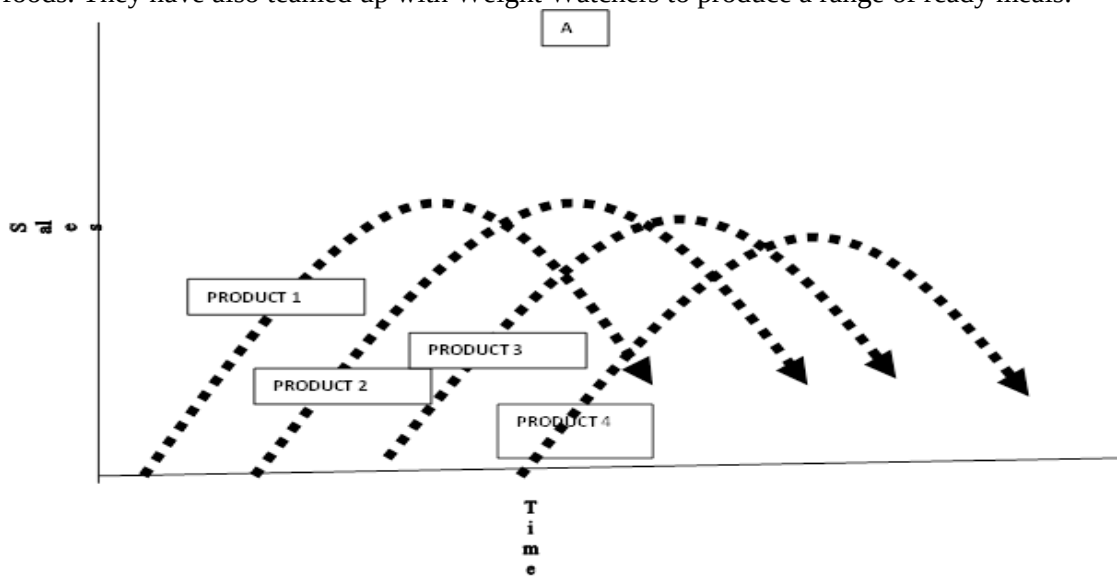
Product line portfolio

A **product line** is a group of products that are closely related as they function in a similar manner and are sold to the same customer groups. For example, Heinz sells a range of tinned soups, including cream of tomato, lentil and vegetable, which form one product line.

A **product item** is a distinct unit within the product line that is distinguishable by size, flavour, price, appearance, or some other attribute. For example, Heinz cream of tomato is a **product item** within the **product line** of soups.

A **product line portfolio (product mix)** is the **sum of all the products** a company has for sale and includes **all product items and product lines**.

Heinz product line portfolio includes soups (tinned and sachets), beans, pasta meals, sauces and baby foods. They have also teamed up with Weight Watchers to produce a range of ready meals.



Advantages of product line portfolio

- ✓ Risk is spread as if one product fails other products will remain profitable.
- ✓ Development stage of product life cycle is reduced as experience gained from existing products underpins new developments. Consequently, products are introduced onto the market sooner, generating sales revenue.
- ✓ The chance of success of the new product is increased as existing, loyal customers are more likely to try new products from a business with an established reputation.
- ✓ Increased customer satisfaction as a range of products will appeal to ever-changing customer needs and should increase sales revenue.
- ✓ Market share can be maintained and/or increased using market segmentation to attract customers with different preferences.
- ✓ New products can give a business a competitive edge over their rivals. If it is the first on the market, a premium price can be charged.
- ✓ Profits from products that are at the growth and maturity stage can be used to fund the development of new products.
- ✓ Helps the business cope with seasonal fluctuations.

Disadvantages of product line portfolio

- × Negative publicity for one product could damage the reputation of other products in the product line portfolio.
- × Operations within the business can become complex as different machinery and processes may be required to produce a range of products.
- × The research and development costs for a new product may outweigh the potential future sales revenue.
- × Additional finance may be required to invest in new machinery and to train staff to produce new products.

Diversified product portfolio

Growth is often one of the primary objectives of marketing. Focusing on product line portfolios allows a business to grow internally by developing their core products and launching them into existing or new marketplaces. An alternative, and more risky, method of growth is to develop a **diversified product portfolio**, when a business sells a mix of different products.

A diversified product portfolio widens the business activities to include new products and new market segments. Diversification is a high-risk strategy as the business is expanding to areas outside its core activities and experience, and targeting different segments of the market. In addition, the business will also incur potentially high costs to research and develop the new product.

One of the most successful businesses with a diversified product portfolio is Virgin. Below are some of the companies' successes:

- **Virgin vie at home**
- **Virgin money**
- **Virgin RADIO**
- **Virgin media**
- **Virgin Galactic.**

Sir Richard Branson's reputation as the 'have a go' businessman has brought him considerable success and wealth, and his brand extends to more than 360 different companies worldwide. However, his risks have not always paid off. For example, in an attempt to compete with Coca-Cola and Pepsi he launched Virgin Cola in 1994 amid a blaze of publicity, and Branson was confident that his brand would outsell Pepsi in the UK. However, there were sceptics; an American publisher was quoted as saying: 'It would be easier to make a snowman in July in Florida than to take on Coke and Pepsi'. He was proved right in August 2009 when production of Virgin Cola ceased.

Advantages of a diversified product portfolio

✓ Increase market share/exposure, which should result in higher profits.
✓ Can help to flatten peaks and troughs in cash flow, particularly for seasonal businesses. For example, a heating engineer will be busy in the winter months replacing boilers etc. By diversifying to installing air conditioning they will also be busy in the summer months.
✓ Risk is spread, i.e. if product A fails or is entering the decline stage of the product life cycle, new products B and C, which are at the introduction/growth stage, will be profitable.
✓ Growth should give the business more financial stability therefore it will find it easier to raise finance from banks etc.

Disadvantages of a diversified product portfolio

× Considerable additional expenditure to research and develop the new product.
× Cost of market research to identify new target market.
× Time-consuming as there will be a time lag between identifying the idea and launching the product onto the market. During this time costs are being incurred with no sales revenue to compensate.
× Higher risk as the business is operating outwith its comfort zone. Success may take longer than growth through product line portfolio growth.
× Inability to identify new markets accurately could result in damaging the reputation of the brand and existing products.

Before deciding on which strategy to follow a business must always weigh up the opportunity (benefits) presented with the effort (costs) needed to turn the strategy into a success. This is known as a **cost–benefit analysis**.

1.4 Describing how current technologies are used in the marketing function

Electronic surveys

One type of electronic survey is the **email survey**, which is contained within an email message or as an attached file. Respondents read the message, **answer the questions** and then **reply to the researcher**. From a business perspective these surveys are **easy to develop** and use as they do not require a high level of IT skills. Respondents need only basic IT skills to respond, making the collection of data straightforward.

A second type of electronic survey is the **web based survey**. Respondents are typically sent an **email containing a link to the URL address** for the survey. These surveys offer greater flexibility as a wide variety of response options can be used, for example check boxes and pull-down menus. Once the survey is completed the respondent simply clicks 'submit'. **Statistical analysis software** is used to scrutinise the data and present it as useful information, for **example graphs and charts**.

Electronic surveys have many advantages:

- emails can be sent 24/7 and read by the respondent when it is convenient – this eliminates the issue of time zones
- the respondent can choose to complete the survey at a time which suits them
- designing the survey is relatively easy and cost-effective
- the cost of sending the survey is low compared to mail, phone or personal survey methods
- they can be sent to a large amount of people.

Issues which may arise from using electronic surveys are:

- concerns over the privacy and anonymity of respondents' details included in the completed survey
- reluctance of respondents to transfer information over the internet
- response rate falls rapidly within 3–4 days of the survey being issued
- messages may be deleted by respondents before survey is completed
- compatibility with different operating systems and devices
- sample will contain bias as the population is unknown compared to traditional methods of selecting a sample, for example the majority of internet users are male, educated to degree level and have a higher than average income.

Internet/online advertising

The internet can be used to **deliver promotional marketing** materials to consumers when they are looking online. Internet usage increases daily and it is now the **predominant method of communication** and entertainment for the majority of the population, replacing traditional formats such as newspapers and television.

Marketeers realise that traditional promotional methods such as free pens and mugs are expensive and ineffective, and use of long-established media formats such as radio, magazines, TV and newspapers are being superceded by the internet. To achieve the best value for money from advertising budgets, businesses are increasingly moving **towards internet advertising**, at the expense of traditional methods.

Internet advertising includes **email marketing**, **search engine marketing**, **social media marketing**, display advertising **and pop ups**. Adverts can be randomly generated, but online advertisers often use cookies which identify a specific computer and the browsing history of the user. This data allows them to **deliver targeted advertising**, customised to an individual's interests and tastes, and can even identify when a user has left a page without making a purchase, allowing the advertiser to contact them with a reminder to complete their purchase. Research has indicated that consumers prefer to **receive targeted adverts** instead of random adverts.

Internet advertising allows the customer to directly interact with the advert at the click of a mouse, making it significantly more powerful than other forms of advertising. Marketeers capitalise on this to drive direct sales via e-commerce.

Viral marketing can be a very effective and inexpensive way of generating lots of interest in a business. When information about a product or service is promoted in an attention-grabbing way it can go 'viral' very quickly. For example, one person sees the information and forwards it to 10 people, who then also each forward it to 10 people and so on, causing the message to spread very rapidly. This is the electronic equivalent of word of mouth.

Viral marketing may create a large amount of interest in a business, but this does not necessarily lead to an increase in sales.

Social Media is also becoming a strong influence on customers behaviour as more people use review site eg **Trip advisor**.

Advantages of using websites

- Cheaper than traditional methods
- Can reach a large audience
- Can use different forms of media and be interactive eg video
- Can be directed at a segment through cookies

Disadvantages of using technology

- Limited to internet users
- Pop ups can be blocked
- Adverts can be ignored