AS Business
Marketing

Marketing

Definition:

- Marketing is the management process involved in identifying, anticipating and satisfying consumer requirements.
- The management process of getting the right product, to the right place at the right price and at the right time.

Marketing involves a wide range of activities:

- **Researching the market** – this involves gathering and analysing information on consumers, the marketplace and competition.
- **Analysing the market** – this is an examination of market conditions to identify new opportunities.
- **Setting of marketing goals** – these must be linked to the business's overall objectives.
- **Developing a marketing strategy** – this involves constructing a plan that details how the marketing objectives can be achieved. This strategy should be based around the use of the marketing mix, the 4Ps of marketing.

Marketing involves a whole range of activities that are aimed at providing goods and services that will satisfy the customer and make a profit for the business. The better the marketing, the more desirable (or desired) the product or service that is provided for the customer, and the more profits the business should be able to make.

Market Orientation / Market-Led

Definition: When a business bases its marketing mix on its perception of what the market wants.

Features of market orientated approach:

- consumers are central to a business's decision making – strong understanding of their needs
- can respond quickly to changes in the market
- in a strong position to meet the challenges of new competitors entering the market
- more able to anticipate market changes
- more confident that the launch of new product will be a success.

Benefits:

☑ **customers get greater satisfaction**
☑ customer focus means the business will continue to improve and upgrade products/respond to changes
☑ satisfaction leads to repeat purchases and brand loyalty
☑ loyal customers buy more frequently and in greater volume
☑ loyal customers are less susceptible to competition and are more willing to pay higher prices
☑ long term profitability means that a business will remain viable and successful
☑ familiarity with the market allows a business to build emotional impact into their advertisements, i.e. to market more effectively objectives **of the business – increase growth.**

Disadvantages:

☒ high-cost market research to understand the market
☒ constant internal change as the needs of the market are met
☒ unpredictability of the future, especially from the point of view of staff
☒ abandonment of earlier product investment.

Product Orientation

Definition: When a business bases its marketing mix on what the business sees as its internal strengths.

Businesses with a product-orientated approach to selling try to sell whatever they can make, without trying to find out if it is what the customers want.

Example: McDonalds' approach with its products is heavily product-orientated, with core products produced the same way in a range of very different international markets. The initial focus is on developing and making the product then trying to sell it to consumers.

Features of product orientated approach:

- emphasis on developing, producing and selling a technically sound product
- contact with the consumer largely at the final stage
- an approach that is more likely to succeed when there is little or no competition
- fashion and tastes are not accounted for in product mix.

Benefits:

☑ increase economies of scale
☑ focus on product development
☑ easier to apply production management methods
☑ focus on quality.

Disadvantages:

☒ changes in market structure will not be responded to
☒ fashion and taste are not accounted for in the product mix.

Asset-Led Marketing

Definition: A marketing strategy based on a business’s strengths, not solely on the customers' needs.

Taking an asset-led marketing approach means that a business can build on:

- its tangible strengths, which might include its product, production techniques and distribution network
- its intangible strengths, such as goodwill, branding, experience and image.

The Worlds most valuable brands

Advantages of Asset-led:

☑ Strengths linked to market needs. This could be a reputable brand extending their product range, e.g. the makers of Marmite have produced marmite flavoured rice cakes.
☑ The business will be aware of its weaknesses and will not produce products that it does not believe it can do well just because the market has requested them.
☑ The cost of market research may be less.
☑ Likelihood of success likely to be greater.

Case study example:
Tesco sending details of their back-to-school children’s clothes promotions to customers on their database, who spend money on fish fingers and burgers (these customers are likely to have young children). Tesco are targeting a market segment that is most likely to buy the promoted product. In this example, we see that the internal strength of the business is the effective application of IT. This is then related to seasonal market demand, increasing product sales.

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Product

The Marketing Mix

Definition: The marketing mix is the combination of product, price, place and promotion for any business venture.

No one element of the marketing mix is more important than another – each element ideally supports the others. Firms modify each element in the marketing mix to establish an overall brand image and unique selling point that makes their products stand out from the competition.

Market research findings are important in developing the overall marketing mix for a given product. By identifying specific customer needs, a business can adjust the features, appearance, price and distribution method for a target market segment.

Ways to Market a Business

- Businesses can find out their customers' requirements and make sure that their products meet them.
- They could assess whether the layout/presentation of the business is attractive enough.
- Review the product range – is it appropriate? Are they targeting the right market?
- Review the pricing, e.g. in comparison with the competition.
- Review the way the business promotes their products. Alternative promotional offers.
- Find out about competition again via market research and try to match what they are doing.
- Consider the location – is it suitable – for the business/customer?

Product Portfolio

Definition: The product portfolio is the mix of products the business produces and sells. Having a product portfolio makes a great deal of sense in a number of ways.

A product portfolio:
- spreads fixed costs
- allows for greater economies of scale
- allows the targeting of wider markets
- reduces risk
- smooths out overall sales
- creates opportunities for growth.

Purposes of Packaging

- **Design** – Packaging should be eye catching. It should help the consumer distinguish them from other products. Should be consistent with the brand image. Colour may be important.
- **Convenience** – Consumers must be able to open the products easily in order to access the contents. Must not be too bulky as this will add to distribution costs and may deter customers.
- **Protection** – The contents must be well protected and not easily damaged as this will be a problem for both distributors and customers. This will also be costly for a business and may lose customers if the products are poorly protected. Storage. Needs to maintain freshness.
- **Information** – Customers now require to be fully informed about the ingredients used in their products that they purchase. This is also required by law and all legislation must be complied with. The sources of raw materials are increasingly important for ethical customers.
- **Environmental factors** – More consumers are becoming environmentally aware and recyclable materials are used when possible. Also manufacturers are increasingly coming under pressure to reduce waste in relation to packaging.
- **Cost** of materials to make the packaging, e.g. comparing cardboard and plastics.

Unique Selling Point

Definition: Something that differentiates the product from its rivals.

- May help a business to gain a competitive advantage over its rivals.
- Can help to justify why a premium price may be being charged.
- Likely to attract more customers.

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The Marketing Mix

Branding

Definition: It is a name, term, sign, symbol or design that identifies a seller's products and differentiates them from competitors' products.

Increasing brand awareness is important:

- ☑ To create brand **loyalty** – important as it encourages repeat purchasing by loyal customers and will increase market share.
- ☑ **To differentiate the product** – important to be able to clearly distinguish the product in a market where products can be fairly similar.
- ☑ **To gain flexibility when making pricing decisions** – important as prices can be raised without significant loss in revenue.
- ☑ **To help recognition** – important as this might mean that customers trust a product that they instantly recognise and are therefore more willing to buy it.
- ☑ **To develop a brand image** – important because if customers have a strong desire to be associated with the brand, then they are likely to pay significant price premiums in order to get the brand of their choice.
- ☑ Customers tend to **trust** the product and may purchase other products that are associated with the brand.
- ☑ Gives a business a **clear and easily recognisable identity**, which will help to differentiate products from those of competitors.
- ☑ **Retailers will be more willing to stock** and sell the branded products.
- ☑ **Competitors have to discount heavily** to attract customers away from their preferred brand.
- ☑ **Might damage the business' reputation** if a new product is not successful.

Disadvantages:

- ☒ High cost of advertising – brands must constantly be kept in the consumer's eye.
- ☒ Loss of brand value for one product can affect a whole range of similarly branded products.
- ☒ Brands invite competition – often from copycat manufacturers.
- ☒ High cost of research and development in ensuring that the brand continues to develop and lead the market.

Is the Provision of Quality Products the Most Important Element in the Marketing Mix?

Arguments in favour of quality products:

- For some businesses, the concept of quality is central to the image of that business – for example, Apple; they are at the expensive end of the market and therefore cannot allow their reputation to be damaged by either poor quality or poor quality service.
- Some businesses aim to be the very best in the industry – therefore providing a quality product will be integral to that.
- Customers will not repeat purchase if the quality is poor – lost revenue in the longer run – word of mouth.
- Retails will not stock a business' products if they cannot be relied upon, as their own reputation will be damaged.

However:

- **The price for its products must be set at the right level.** Too cheap and it will not fit in with the image of the business. Too expensive and they may lose some customers.
- **The place where the products are sold/displayed is important** – a wide geographical spread is important in order to allow people to access the products.
- **The promotion of its products and service is also important in maintaining the right image** as well as informing the customers of the products existence. Well-designed website and impressive brochures.

Product Differentiation

Making your products different from the competition is important. This separates your brand from competitor brands. Products might be very similar in the way that they are made or how they are used but may be perceived quite differently by consumers.

Products can be differentiated from the competition by:

- **methods of promotion** – creating a personality for the product
- **packaging** – eco-packaging
- **form** – making your products look different from the competition
- the **provision of add-ons** – Kia cars have a seven-year warranty
- **quality and reliability** – these are features which can be emphasised (for example, BMW and Rolls-Royce cars).

Product differentiation helps create customer loyalty and gives a business more control over the pricing strategies used.

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Marketing Plan

Definition: A marketing plan is a detailed statement of how the company's marketing strategy will be put into action.

Advantages:

- ☑ the plan forces a business to think about the future
- ☑ it will improve co-ordination, takes a holistic view of a business marketing activities and helps to ensure that all departments work together
- ☑ it will help ensure that the business achieves its objectives
- ☑ employees will be more informed and perhaps better motivated
- ☑ a marketing plan should make banks feel more confident about offering loans to a firm.

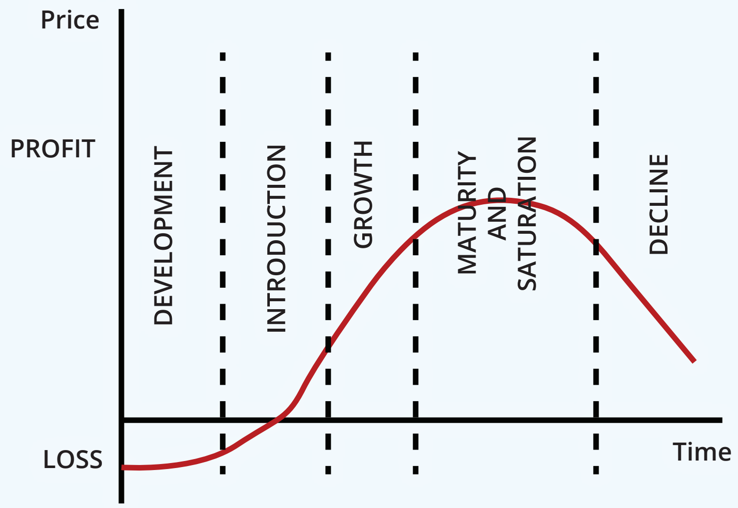
Disadvantages:

- ☒ the plan itself is costly and time-consuming to devise
- ☒ if the plan is not well drawn-up or includes too much information, it may do more harm than good as it fails to help the business achieve its objectives
- ☒ a bad plan can de-motivate employees who have no faith in it
- ☒ businesses are often organised into departments and the success of the marketing plan will depend upon each being prepared to put aside their own goals to satisfy consumers' needs.

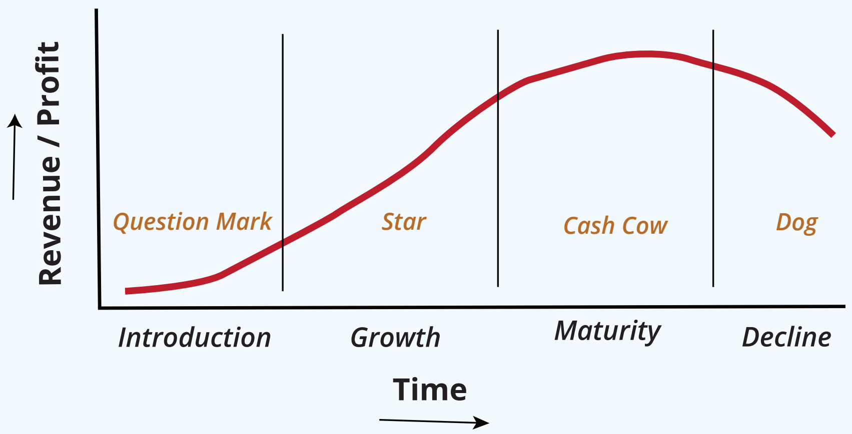
The Product Life Cycle

Definition: Product life cycle has to do with the life of a product in the market with respect to sales. Products pass through these stages at different speeds – some products do not make it past the early stages and fail!

Diagram:



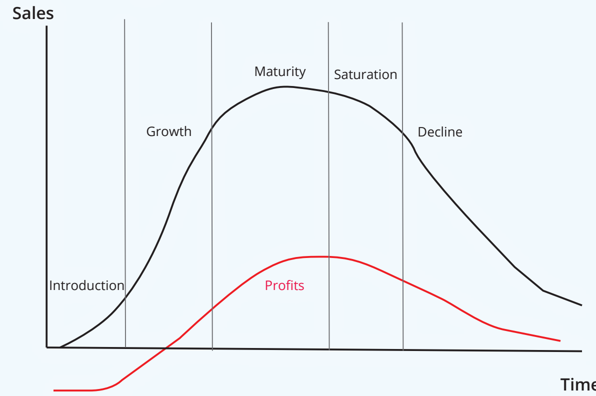
BCG Positions throughout the product life cycle:



Stages:

- **Development** – During the development stage, there is substantial negative cash flow caused by spending on R&D, market research, product design and preparing for production.
- **Introduction** – The product is launched onto the market but sales are usually slow – a good deal needs to be spent for promotion in order to boost sales.
- **Growth** – As sales increase, the business will hope to earn enough money to pay back their initial investments.
- **Maturity and Saturation** – Sales increasing/revenue increasing – cash can be reaped from sales once they have stabilised during the maturity stage. As the product enters the saturation phase there is slower rate of growth – competition may be entering the market.
- **Decline** – Sales of the product begin to fall – decisions have to be made as to whether to support the product or remove it from the market.

Relationship between the Product Life Cycle and Cash Flow



Reasons for changes in product life cycle

- **Fall in demand for products** – people are buying alternatives.
- **Same quantity of goods sold** – at lower price so value fallen.
- Goods **available from alternative suppliers** – supermarkets etc. – internet.
- **Recession** – loss of jobs – fall in purchasing power – all goods fallen in demand.
- **Technological change** – e.g. downloading.
- **Products already owned** – don't need any more.
- **Products last longer** – don't need to buy them as so often.

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Extension Strategies

Definition: A medium-/long-term plan for lengthening the life cycle of a product or brand, or to generate more sales. Likely to be implemented during the maturity or decline stages.

Examples include:

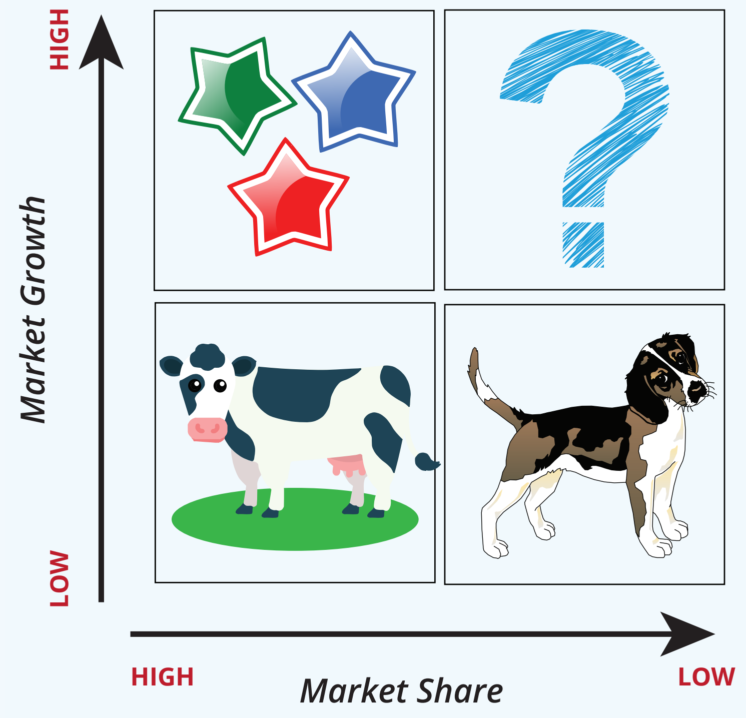
- **New feature** – attract new customers – expensive to design.
- **Develop a wider product range** – reformulate the product – new flavours, new recipes, etc. can attract new customers – existing customers may not like the new flavour.
- Aim at specific **target markets** that have not purchased the product before. New image promoted by revitalised advertising campaign.
- **Change brand name/packaging/appearance** – customers may not recognise product, cost of advertising to let customers know of the change.
- **Produce different quality** – appropriate to customers demand/income – in environment for market segment – but may discourage some looking for, e.g. less/more expensive goods.
- **Market in different places**, e.g. the internet, geographically in different areas or countries – but costs of promotion, transport, etc. may impact on prices.
- **New promotions** – through competitions/gifts/open events they may attract different customers – but may add to costs and discourage some.
- **Adopt new pricing strategies** – may adopt skimming/creaming – customers willing to pay high prices – but may discourage some looking for lower price. May charge lower prices to attract wider market but may discourage some customers. This could lead to less profits.

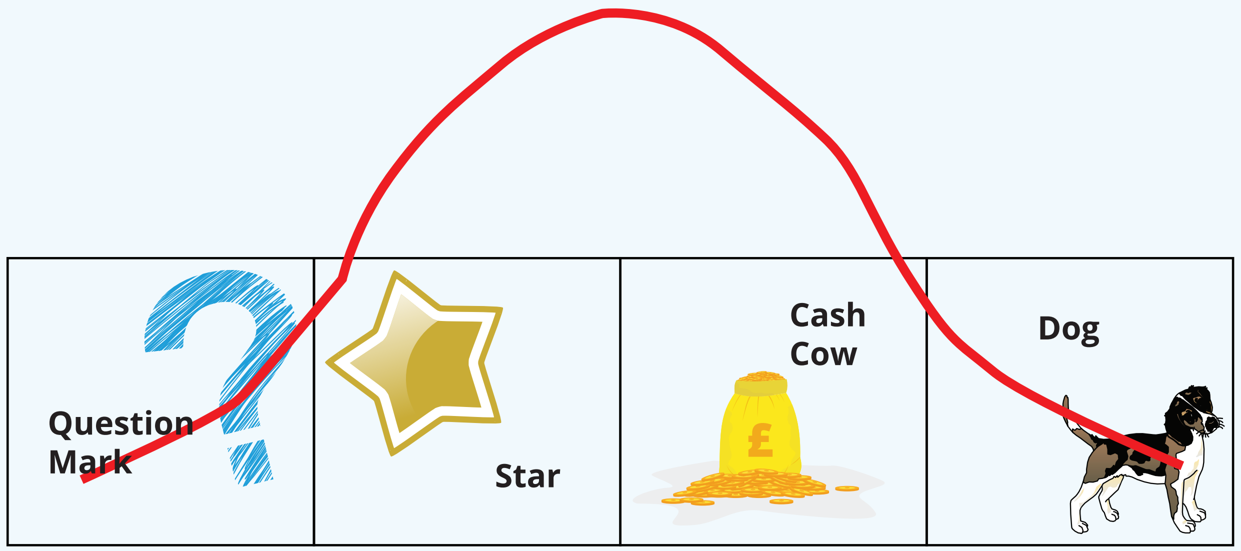
Boston Matrix

Definition: The Boston Matrix shows the market share of each of business' products and the rate of growth of the markets in which they operate.

By highlighting the position of each product in terms of market share and market growth, a business can analyse its existing situation and decide what to do next.

- **Cash Cows** – high market share in a relatively slow growing or declining market. High sales generate cash, which may be used to help support new products being launched in new or existing market segments. Less money is likely to be used on supporting cash cows as they are already established.
- **Problem Child** (also known as a **Question Mark**) – low market share in a high growth market. Could well provide a lot of revenue in the future, but are probably the most difficult to manage. The market is growing and, therefore, achieving a higher market share would be the objective. Relatively high levels of investment are needed to keep the products going with re-launches. If this has been tried before, may abandon the product.
- **Star** – high market share in a high growth market. Does well in a growing market. May well need protection from competitors and money from the cash cows can help to fund heavy promotion.
- **Dogs** – low market share in a low growth market. They hold little appeal unless they can be revived. Will probably be withdrawn from the market or may be given one last chance. Dogs may be sold onto other companies and removed from the portfolio.





How does the BM help in managing a business’ expanding product portfolio?

- As the business’ portfolio grows, the Matrix may be helpful in giving business owners a **structure/method for analysing** how each product is doing in relation to market share and market growth.
- A firm can access if any of its products have become **cash cows** yet. Do they need as much promotion as some of their other products? Can any of their products be regarded as cash cows given that the business may only have been trading for a few years?
- Are any of the products **problem children**? Do they need to withdraw them from the market or seek ways of boosting sales?
- Are any of the products doing very well – are they **rising stars**? Should production capacity be increased at the expense of other less successful products?
- **It isn’t good to have too many items in each category.** If this is the case, then perhaps they should allow the products they have to mature in the marketplace before introducing any new products.
- The Boston Matrix is **just a generalisation**. Cash cows can lose money and dogs can be profitable in the right circumstances.
- **Customer opinions and loyalty need to be taken into account.** Market share can be a reflection of how long a business has been in a market or the success of its recent marketing mix. If there is a high degree of loyalty among a business' customers, this might enable it to overcome apparent weaknesses in terms of its products' position in the Boston Matrix.
- The Matrix can cause businesses to **focus too much upon pursuing increasing market share** as opposed to, for example, attempting to consolidate market share or improve other aspects of the performance of the product.

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Price

There are a wide variety of pricing strategies available to businesses. Businesses must take into consideration the effects of supply and demand in the marketplace before they decide what pricing strategy they will use.

Price Takers

The market mechanism, through the interaction of supply and demand, will set the price of products and also determine the quantity supplied. The whole marketing mix is used to influence the pattern of demand in the marketplace, so businesses can have some control over price. However, in certain circumstances, businesses will have to accept the price set by the market. This type of business is known as a price taker. Accepting the market price (being a price taker) is the only option under perfect competition.

Price Makers

When a business is not a price taker, which is the case in the majority of markets, then it has the opportunity of using pricing strategies.

Pricing strategies fall into two broad groups:

1. **Market-orientated strategies** – businesses are market-orientated when they produce what the market wants. With regard to price, this means that a market-orientated business will set a price at the level the market is willing to accept.
2. **Cost-based strategies** – Businesses that concentrate on internal costs when pricing products are known as product-orientated businesses. Pricing strategies used are based around the costs of production.

Penetration Pricing

Definition: In this case, the objective is to gain market share. It involves pricing a product at a low level so that retailers and consumers are encouraged to purchase the product in large quantities.

- used by businesses seeking to gain a foothold in a market
- raise price once a certain market share is gained.

☑ This pricing strategy can help **establish brand loyalty** – when the price of the product does rise from the initially low level, customers will continue to purchase it.

☒ However, if the price is set too low, **customers may think that the product is low quality** and therefore they will not purchase it in the first place.

☒ Businesses using this policy to break into a new market **may initially lose revenue**. If the life cycle of the product is relatively short, this policy should be avoided, as the business will not have enough time to recover the cost of this strategy. There must be enough time for market share to grow and then the price can be gradually raised and the initial cost of the penetration strategy can be recovered.

Going Rate Pricing

Definition: For many small businesses, accepting the current market pricing structure is all they are able to do. When this is the only option there is a strong element of being a price taker. They must sell their goods or services at a price broadly in line with the price charged by their competitors.

Normally as new entrants enter the market, the price charged will have to be similar to that of the market leader.

Price Skimming

Definition: Market skimming (creaming) involves charging a high price for a product that has a unique selling point (USP) for a limited period. This involves selling a product to the most profitable segment of the market before it is sold to a wider market at a lower price.

Why use the price skimming strategy:

☑ **To take advantage of the newness of the product and gain as much revenue/profit as possible** while it remains unique in the market, i.e. before competitors come into the market with a similar product.

☑ To **generate revenue in a short period of time** so that high R&D costs can be recovered quickly and/or further investment in the product can be made or to cover launch costs/R&D costs.

Destroyer/Predatory Pricing

Definition: This involves setting a price low enough to drive competitors out of the market. This type of pricing is not only used by the largest businesses on a national scale, but it can also appear in battles between local businesses.

Destroyer pricing is often seen as anti-competitive and therefore illegal. Microsoft has been investigated by competition authorities in the US and Europe for allegedly using destroyer pricing strategies through the bundling of free programmes (such as Windows Media Player) within its operating systems.

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Loss Leader Pricing

Definition: This strategy involves the selling of products at a loss, with the expectation that this will generate further sales of some form elsewhere in the business. The additional sales that occur will hopefully recoup the initial loss and subsequently make a profit for the business.

Examples include:

- Supermarkets selling goods, like bread, beer and wine, at a loss or heavily discounted in order to attract customers into their stores.
- Free mobile phones, where profits will be made on line rentals. Most mobile phones are now sold on a loss leader basis.

Psychological Pricing

Definition: Using this strategy, prices are set at the level that matches what consumers may expect to pay. Consumers perceive that they are receiving value from the price paid.

For example, a producer of shirts that has established a reputation for quality and style would set a price well above what a high street store such as Marks and Spencer might charge, even though the difference in quality may be marginal. This will help to reinforce the image of the company and will be in line with the advertising messages that the business has put in place.

The policy of pricing goods just a little below a round figure, such as £19.99, is also an example of psychological pricing. Businesses using this tactic hope to convince potential purchasers to buy their goods in the belief that they are getting value for money.

Cost-Based Pricing Strategies

Businesses that concentrate on internal costs when pricing products are known as product-orientated businesses. Pricing strategies used are based around the costs of production.

Contribution Pricing

Definition: This is another variation on the same theme, but in this case price will be based on the variable costs plus a contribution towards overheads and profits.

This method can give flexibility because orders can be accepted on a different contribution basis for different products. This flexibility allows pricing strategies, such as price discrimination between different buyers, to be used.

Cost Plus Pricing

Definition: Using this method, a profit percentage is added to the average cost of producing the good. This is known as adding a mark-up. Therefore, if the production costs of the good are £1, and the business adds a profit percentage of 40%, then the business will sell the good at £1.40.

Advantage of this simple method of pricing:

☑ Changes in costs can be passed directly on to the buyer.
☑ Every good sold is sold at a profit.

Disadvantages:

☒ Actions of competitors are often totally ignored. This can lead to loss of sales or loss of profits if a higher price could be charged because of little or no competition.
☒ Also, for exporters, this method makes no allowance for currency changes that will affect the price of goods and order levels.

Why is Getting the Right Pricing Strategy Important?

Advantages of using pricing strategies to maintain the sales of their products:

☑ right strategy will increase sales – increase revenue – profits will rise
☑ prices can be applied to specific niche – market segment
☑ prices can reflect the market for the product – skimming may work in some markets, i.e. high income and penetration in others
☑ prices can take into account actions of competitors – stopping switching etc.

Disadvantages of using pricing strategies to maintain the sales of their products:

☒ competitors may follow pricing strategy – so no effect – no increase in sales
☒ competitors may not follow pricing strategy – customers not attracted
☒ need for expensive advertising to promote pricing strategy – so profits not as expected
☒ some segments may not be happy with pricing strategy – allowing less well-off to afford expensive products.

AS Business
Promotion

Objectives of Promotion

- **To increase sales** – to increase the revenue of the business by obtaining new customers and retaining existing ones. This will satisfy the shareholders and create retained profit for reinvestment into the business.

- **Raise awareness** – some potential customers may not have heard of their products and some existing customers may be unaware of new products that have been introduced.

- **To target specific groups** – aiming their promotion at specific sub-groups in order to encourage sales of particular products. For example, targeting children with the range of products that they have designed for younger customers.

- **To try and beat the competition** – they will attempt to try and persuade customers to switch to purchasing the business' products and thereby increase their market share.

- **To develop/improve the image of the company** – this will raise the brand awareness and give people confidence in the company's products. Corporate advertising.

- **To reassure consumers after the products have been purchased** – this attempts to build confidence in the product hoping that more will then be purchased at a later date.

Promotion

Definition: Promotion is the attempt, through various forms of media, to draw attention to a product and thereby gain and retain customers.

Above-the-line Promotion

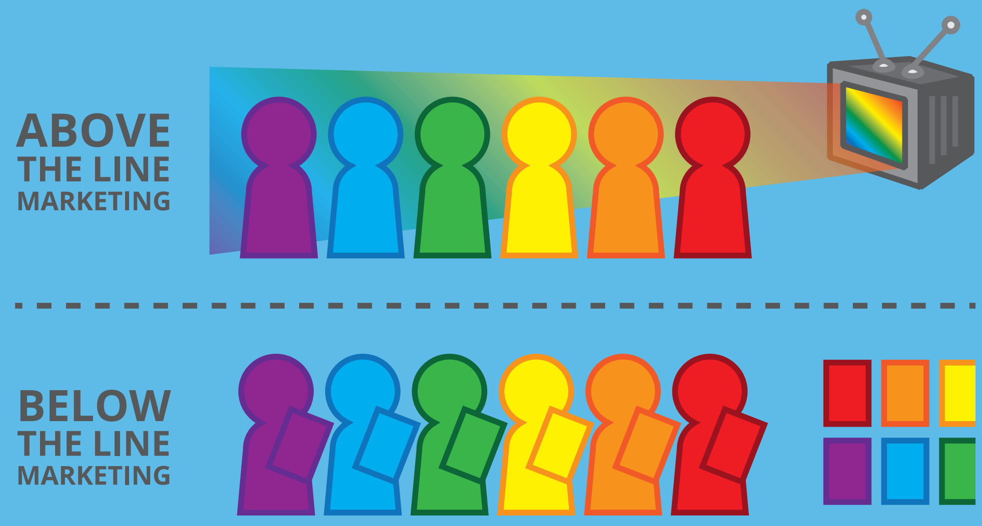
Definition: Above-the-line promotion is through independent, mass media, which is indirect and allows a business to reach a wide/large audience.

Methods:

- (Regional) **television** – reaches large audience but expensive
- (Local) **newspapers** – can be kept but may be ignored
- (Local) **radio** – cheap broadcast media but limited coverage – limited audience
- (Local) **magazines** – targeted – colour – kept long time – but limited coverage
- **Billboards** – eye catching but easily missed in busy traffic
- **Cinema** – local/captive audience – can be ignored
- **Website / Internet** – cheap to operate – wider market – may be expensive to set up.

The choice of media used depends on a number of factors:

- **Target market** – who is the business trying to sell to?
- **Whether the objective is to convey information or another type of message** – will the product sell only when consumers fully understand its function, or do people buy on impulse?
- **Cost** – for many small businesses this is the first question they ask about any form of promotion.
- **The reach of the media** – who reads the magazine or watches the adverts? Are they likely to buy the product?
- **The product itself** – is the product suited to a certain type of promotion? For example, is the best way to promote plastic food containers through personal selling door to door or by an advert in the local paper?



Below-the-line Promotion

Definition: Below-the-line promotion offers a wide range of alternative promotional strategies. These are often used to support above-the-line promotion. Below-the-line promotion targets consumers directly.

Methods:

- **Direct mailing** – may be targeted – easily ignored
- **Point of sale** – close to customer – may not be seen by busy customer
- **Merchandising/shop window** – relevant to shop – passing trade – but this may be limited
- **Exhibitions and trade fairs**
- **Flyers** – will provide detail – cheap to produce – easy to throw away
- **Personal selling**
- **Packaging**
- **Public relations** (PR)
- **Sales promotion**.

For many consumer products, below-the-line promotion is used only for short-term periods. Offers and promotions come and go quite quickly. However, for other products, such as industrial goods, producer goods and financial services, personal selling plays a long-term strategic role in establishing a relationship with the customer.

Factors impacting on the promotional strategy

- **Product differentiation** – many markets are highly competitive. It is important that promotion provides a method of product differentiation. The role of promotion is to differentiate its product in the market and make it stand out from the crowd. The focus here remains on those features, functions or benefits that may not be offered by a competitor or may not be offered so well, e.g. coffee brands can be differentiated through types of user – value for money or luxuriously expensive.
- **The marketing budget available** – it is normal to set a total budget for promotional activities based on the objectives of the business, the availability of cash and actions of competitors.
- The **stage in the product life cycle** – during the introduction and growth stages of the product life cycle there may be a more informative approach, in order to raise customer awareness. During the maturity and saturation stages a more persuasive approach may be adopted to reinforce customers' allegiance.
- **Cultural sensitivity** – if a product is to be launched in a new international market or translated across markets, it becomes imperative to take into consideration local affiliations and sensitivities.
- **The target market** – the people who make up the target market need to be considered before committing to a promotional strategy, e.g. the younger generation, who are used to accessing information on a daily basis via their iPhones, may be targeted via the internet.
- **Competitor actions** – the promotional strategies a competitor uses need to be taken into account as well. If a competitor is about to launch a campaign that targets a segment of the population not previously targeted, then perhaps a business needs to react in order to protect market share.

Internet Marketing

Benefits of marketing via an internet website:

- ☑ **Widens potential market** – could lead to increased sales and profits.
- ☑ **More and more people shop on the Internet** – 'most buying decisions start at a keyboard' - an increasingly important factor for many businesses.
- ☑ **Raises awareness** of the existence of a business – gives businesses a competitive edge.
- ☑ A well constructed and up to date website can **improve the image** of the business.
- ☑ For some businesses, it is their core marketing tool, e.g. Amazon.
- ☑ Open 24/7.

Drawbacks:

- ☒ **Can be expensive** to set up – £10,000 plus is a significant investment for a small business, especially in a recession.
- ☒ **May not be cost-effective** – has to generate enough profit to justify the initial expenditure. Does the business have the capacity for increased orders?
- ☒ A poorly constructed or out of date website **can project a negative image** of the business and sales may be lost to competitors.
- ☒ Not particularly useful where personal service is the key to sales.
- ☒ Not all have the Internet.
- ☒ Technical problems on website can result in loss of reputation and sales.

Whether a business advertises on the internet will to some extent depend on the nature and size of the business concerned. In a competitive market, where rivals have set up websites, can a business afford not to have a presence on the web?

Few businesses rely solely on their internet website and tend to combine their website with the more traditional market mix.

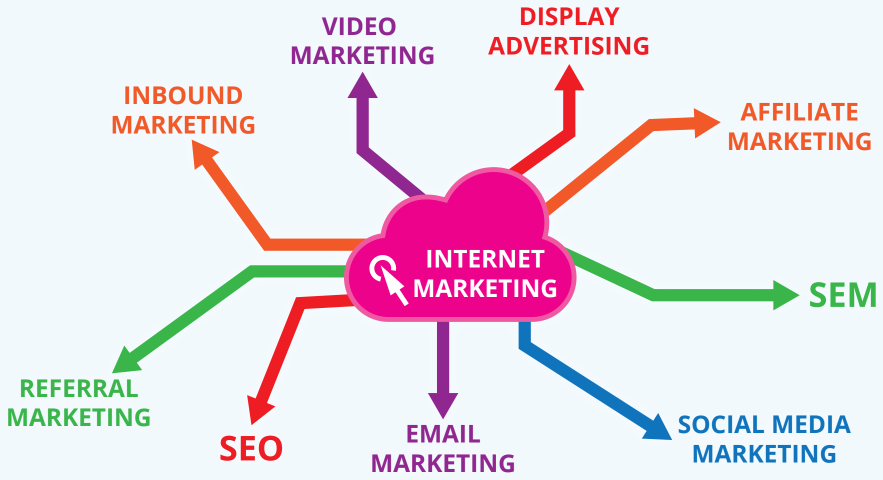
Effect of the Internet on Business

Benefits:

- ☑ Selling via the Internet can **eliminate or reduce the need for expensive high-street premises**, although it would appear that consumers want both.
- ☑ **Costs can be lowered** by moving to places where rent and wages are considerably lower.
- ☑ It can **reduce the need to employ staff**. Organisations such as banks have closed many of their branches as people have moved to Internet banking.
- ☑ It **adds flexibility** to business operations and businesses can reach their customers 24 hours a day.
- ☑ **Data on customers can be cheaply stored and easily accessed**, enabling businesses to target their customers more effectively.
- ☑ They can **reach a world-wide audience**, which may not have been possible for small to medium sized businesses in the past.

Drawbacks:

- ☒ **Maintaining quality websites is costly** and businesses have little choice but to offer products on-line if they wish to remain competitive.
- ☒ Most businesses today are customer-orientated and they are, in effect, **responding to the wishes of their customers by facilitating on-line shopping**. Those who have to maintain a high-street presence will find it particularly costly, especially if their outlets are increasingly used as showrooms.



Effect of the Internet on Customers

Benefits:

- ☑ **Convenience** – it is often easier to shop from home rather than physically visit the shops!
- ☑ **Home delivery** – even groceries can now be delivered, saving busy people time to do other things.
- ☑ Orders can be placed anytime day or night – **24 hour shopping** for those who want it.
- ☑ Customers **do not have to travel or pay parking fees**.
- ☑ Customers can view a **huge range of products** which might otherwise take a considerable time to do so on a conventional shopping trip.
- ☑ It is possible to **buy products from other countries** and pay using services such as PayPal to pay in relative safety.
- ☑ **Compare prices and read reviews** in order to inform their choices more effectively.

Drawbacks:

- ☒ **Delay in delivery** – the item ordered may arrive to late.
- ☒ **Fraud/security** – there is always a risk when paying online that security details may get stolen or that the site you are purchasing from is indeed a fake.
- ☒ **Unable to try** – there is then the hassle of returning the item and awaiting for a refund.
- ☒ **Lack of access** – in some parts of the country access to the internet is still limited. There is also the issue that some internet company will not deliver to certain parts of the UK, e.g. Shetland Isles.

Distribution Channels

Definition: The route/chain/path taken by a product as it passes from producer to the ultimate/final consumer. The more distribution channels a business has means they have the ability to reach a wider potential market.

Manufacturer – agent – wholesaler – retailer – consumer

Wholesalers 'break bulk' - they buy in large quantities from manufacturers and break into smaller quantities for retailers.

The choice of distribution channel is decided by cost, type of product, market coverage (to get a wide coverage intermediaries might be necessary) and control (a firm has less control if intermediaries are used).

- The **traditional approach** is for wholesalers to buy in bulk, reducing the need for producers to make small deliveries to retailers and providing a fast supply service to retailers who do not have the facilities to hold large stocks (such as village shops).
- The **modern approach** is for large retailers to have regional warehouse systems and the size to buy in bulk directly from producers (such as Sainsbury's). Producers also use it to sell directly to consumers using mail order (for example, clothes), telephone sales (such as insurance) and the Internet (for example, DVDs).
- **Retailing** can take many forms: department stores (John Lewis), supermarkets (Tesco), out-of-town speciality stores (IKEA), town centre speciality stores (Clarks' shoes), convenience stores (One-Stop) and showrooms (DFS). Over the past few years there has been a growing trend towards out-of-town shopping centres, retail parks, on-line shopping, call centres, second-hand shops and diversification.

Pros and Cons of Various Distribution Channels

Factory – businesses own retail stores/showrooms – customer's home

- Direct control over the whole process. Easier to maintain quality of service and ensure customer satisfaction at each stage. Use their own staff who are likely to be well-trained. Enables a business to keep a greater share of the profit.

Factory – independent retailers – customer

- The business does not have to bear the cost of the retail outlet. Allows the products to be displayed to a much wider potential market on a nationwide basis.

Agents

Definition: Agents do not take ownership of the goods. They are not employed by a business but represent it and try to gain sales. They are often used to enter overseas markets. Examples are travel agents, ticket agents and agents used by footballers and actors.

Why use them when operating abroad:

- ☑ To negotiate sales on behalf of a seller.
- ☑ A link between those providing a good or service and those wishing to buy them.
- ☑ Can help a business when they are unsure about the trading practices and legal requirements in the countries in which they hope to trade.
- ☑ Will reduce the risk a business is taking when trading abroad.

Industrial Marketing

Definition: Offering the right product at the right price at the right place and at the time to sell profitably to business customers. **B to B**. Selling goods and services that are **not directly aimed at consumers**. It may sell finished goods, raw materials, components or services.

Methods adopted when selling to industrial customers:

- Will require a **finely targeted approach** – homing in on the few people in any organisation whose responsibility it is to purchase goods and services from outside.
- Industrial marketing is more focussed and does **not aim at mass markets**.
- **Trade fairs and exhibitions** may be used to establish contacts and display goods.
- May involve highly **specialised sales personnel** – one to one relationship with purchasing manager/buyer likely to be more important. Price negotiation.
- **Trade magazines and journals** may be used to advertise the goods or services.

International Marketing

Opportunities when marketing globally:

- ☑ a much **larger potential market** – important as the UK market seems to be saturated
- ☑ an opportunity to **earn greater profits** and thereby grow the business
- ☑ **spreads the risk** – being in a number of different markets can safeguard against economic downturns
- ☑ **may enhance the business' reputation** – investors may be attracted towards the business
- ☑ **economies of scale** – marketing economies.

Difficulties when marketing globally:

- ☒ selling abroad can be **more risky** than the domestic market
- ☒ need to be aware of **government stances and policies** so that marketing is appropriate
- ☒ **cultural differences** – language, religion, attitude towards advertising, etc.
- ☒ **products may need to be adapted** to suit the requirements in different countries – this could cause margins to be squeezed
- ☒ **economic factors** such as the general level of income will need to be taken into account so that marketing can be targeted effectively
- ☒ **differences in business practice**
- ☒ understanding the **degree of competition** that already exists in the markets being considered – the use of reliable agents who have an understanding of specific markets
- ☒ exchange rate difficulties.

Marketing Budget

Definition: It sets out targets for the marketing department. For example: how much money is available to be spent, targets for sales, targets for market share etc.

Purpose: It is a planning and control tool. It ensures that spending is kept under constant review.

Benefits of a marketing budget:

- ☑ it helps to control marketing costs
- ☑ it can help to identify where costs have been too high
- ☑ it identifies situations where marketing expenditure has been ineffective
- ☑ it helps to plan the future of the business
- ☑ it helps to co-ordinate strategies with other departments
- ☑ it sets targets which may help to motivate employees.

Problems might include the following:

- ☒ they may be too rigid and not be responsive to changes in market conditions
- ☒ if too ambitious they may demotivate employees
- ☒ they may be inaccurate and lead to poor decision making
- ☒ they might conflict with other objectives of the business
- ☒ resources might be redirected from other departments
- ☒ time and expense of setting the budget.

New Technology and Marketing

The development and widespread use of the internet over the last twenty years has had a huge impact on marketing. Each of the 4Ps has had to change and evolve to meet the demands of this new method of reaching customers.

Clicks and bricks	Clicks and bricks is a marketing term, which means that businesses need to have a web presence (clicks), plus a physical presence on the high street or in shopping centres (bricks). Examples of businesses using this form of widening of distribution channels include PC World, Argos and Tesco. Each of these businesses has been very successful in using a web presence to increase sales and customer loyalty.
Social media	Zoella, the hugely popular fashion and lifestyle blogger, has just bought a £1 million house. She has seven million YouTube followers and each video she posts is topped and tailed with adverts aimed at the demographic of her followers. This is a typical example of how social media is used to market products. Viral advertising is another form of social media advertising, with funny or stylish ads being sent from person to person. This form of marketing is of growing importance as fewer young people consume traditional media (TV and newspapers) and instead consume entertainment and information online.
M-commerce	M-commerce (mobile commerce) is the buying and selling of goods and services through wireless handheld devices such as mobile phones. This means ‘having your retail outlet in your consumers’ pocket’. Through mobile technology it is now possible to reach your customer 24 hours a day. M-commerce does not just mean buying; it is about providing your customers with product information, promotions and all other aspects of the marketing mix. Consumers use m-commerce to compare prices online, take photos for future reference and research their potential purchases online.
Pricing and the internet	A comparison of prices has become a great deal easier for customers. Using the web, individuals can carry out their own research or use comparison sites, such as Money Supermarket, to find the best deal across a huge range of products. This access to pricing information has had an impact on prices charged by businesses. It has been argued by economists that the increase in internet shopping has had a direct impact on lowering inflation rates.
E-tailing	Online shopping (sometimes known as e-tailing, from ‘electronic retail’ or e-shopping) is a form of electronic commerce that allows consumers to directly buy goods or services from a seller over the internet. The internet has changed buying habits and e-tailing is now a very important part of the retail industry and is continuing to grow. The internet, and the use of search engines, has made accessing customers a great deal easier than in the past. All a business needs to sell its products is a decent website, some form of payment processing and ‘shop’ software. All of this can be created for less than £500. In fact, there are 1000s of entrepreneurs running their businesses through auction sites such as eBay, with hardly any fixed costs at all. All of these businesses mean extra competition for existing traditional businesses – as well as lowering prices for customers.