GCSE Business 5

Marketing

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Marketing

Marketing is a very important function for any business. Marketing is the process in a business of identifying customer needs and satisfying those needs at a profit in such a way that the customer will buy the product or service again and again. In other words, it is the art of making it as easy as possible to get potential customers to buy products and services.
In a very competitive and dynamic business environment, marketing is important to the whole business, as without it the business will be unable to sell its products and services at a profit.

Marketing involves the following activities:

- finding out **who** your customers are – known as **market segmentation**
- finding out **what** your customers want – known as **market research**
- producing a **product** or service that meets their needs
- calculating a **price** that customers will pay
- **promoting** the product or service to persuade customers to buy it
- making the product or service available to buy at the right **place**

Explain why the following products and services have to be marketed:

- a new movie to be shown in cinemas
- mobile phones
- a sofa retailer carrying out a sale
- a locally owned and independent fast food outlet located on a busy street

Which of the following activities would the marketing function of a business carry out?

- selecting the right materials to make a product
- deciding on the types of products a business will sell to its customers
- designing a television advertising campaign
- paying bills to suppliers
- deciding where to sell the product or service
- employing people to help sell the product or service
- finding out who buys the product or service
- deciding how much to charge for the product or service
- asking customers what they think about a product or service

Identifying and understanding customers

Without customers, a business will fail. Any successful business must be able to identify potential customers and then be able to understand the reasons why customers are willing to pay for the products or services the business is selling. Businesses that are attentive to customer needs will be rewarded with customers that are loyal and continue to spend their money on the business's products and services.

Every product or service a business has to sell must be aimed at potential customers; a business needs to consider what the needs of the customers are before it decides to invest in developing, producing and selling a product or service. Many new businesses have failed as they assumed that customers would buy their product or service – they failed to identify customers and consider what the customers needed. Established and successful businesses have also introduced new products that were not popular with customers and turned out to be failures.

Read the following article and answer the questions that follow.

Sinclair C5 voted biggest innovation disaster

The Sinclair C5 three-wheeler has been voted the greatest innovation disaster of all time.

Sir Clive Sinclair's battery and pedal-powered C5 trike topped a list of inventions which included those from big names such as Sony, Sega and Amstrad.

With a top speed of 15mph, the C5 was launched in 1985, but was widely ridiculed and just 20 000 were sold. It was voted the biggest gadget disaster ever in a poll of 1000 technology fans ahead of the Gadget Show Live at Birmingham's NEC.

Some on the list simply failed to capture the public's imagination while others seemed a good idea at the time but were soon overtaken by better technology. In second place is the Rabbit mobile, an early mobile phone that worked only when the user was near a specific location, marked by a box with the Rabbit logo.

The phones failed to take off and were overtaken by mobile phones that were a lot more mobile. However, the company behind the Rabbit went on to become the mobile phone giant, Orange.

In third place is the Betamax video, which tried and failed to compete with VHS, and fourth is Sony's MiniDisc, invented to replace cassettes but which were quickly overtaken by CDs.

Sally Bent, marketing manager of Gadget Show Live said, 'Gadgets like the Sinclair C5, pizza scissors and e-mailer telephone failed to take off because they misjudged consumer demand and were designed to solve problems that simply didn't exist.

'But there are many other reasons why gadgets fail and it's not always because the products are poor. The Betamax, for example, was widely acclaimed to be superior to VHS, but a lack of marketing prowess pushed it out of the market. Sony's MiniDisc and Sega's Game Gear

were great bits of kit that were simply overtaken by competitor products.'

The top ten in full:

1. Sinclair C5 – the electric tricycle designed to revolutionise commuter travel, but became an object of ridicule.
2. Rabbit mobiles – the location-specific telephone service that promised mobile capability, but failed to deliver, bagging just 10 000 customers.
3. Betamax video – widely considered as superior technology to VHS, but lacked the marketing prowess to beat its rival.
4. MiniDisc – developed by Sony to supersede the digital cassette tape, but quickly replaced by recordable CDs.
5. Laserdisc – failed home video format replaced by DVDs.
6. Sega Game Gear – the 8-bit handheld console that could not compete with Nintendo's Game Boy.
7. The Squarial – the BSB square-shaped rival to the Sky dish.
8. E-mailer telephone – the Amstrad-made office 'superphone'.
9. Pizza scissors – spatula/scissor combination to cut a slice of pizza.
10. DAT (digital audio tape) – another Sony home recording invention and predecessor to the doomed MiniDisc.

Adapted source: http://www.telegraph.co.uk/technology/news/9951876/Sinclair-C5-voted-biggest-innovation-disaster.html

1. Why did the Sinclair C5 fail?

2. Explain how the products listed in the article showed that the business introducing them did not understand the needs of potential customers.

3. What are the consequences for a business when it introduces products that do not sell?

In 1985 the Coca-Cola Company took arguably the biggest risk in consumer goods history, announcing that it was changing the formula for the world's most popular soft drink. This turned out to be a disaster for the company.

Use the internet to carry out research to find out what happened and why it was a disaster.

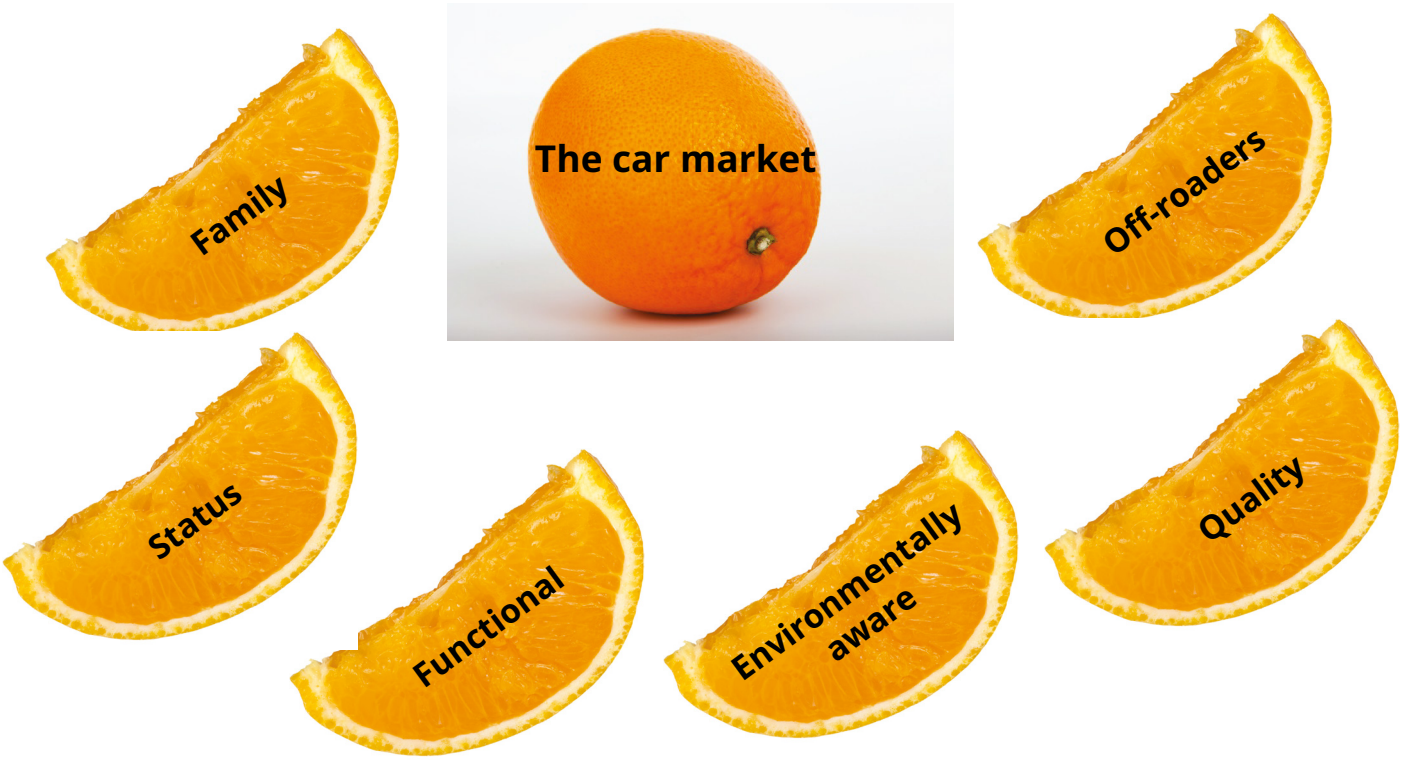
Market segmentation

To identify the right customers and find out what they need, a business will segment the market.

If a business sells its products to a wide range of people – its market – it may divide these into smaller groups called segments. Market segmentation splits up a market into different types (segments) to enable a business to better target the relevant customers with its products. This allows the business to make different products to meet the different needs of each group. Think of the whole market as an orange which is made up of many segments; when you eat an orange, you will break off a segment. Each segment can represent a different group within the whole market.

The market segment at which a business aims its products is called its target market. The market is divided into groups of people with similar characteristics, each group making up one segment. The different segments will have products or services with common features or made up of customers that make buying decisions which are based on common factors.

A good example of how a market is segmented is the car market. The following segments below are possible ways the car market is divided into different market segments – these are based on the needs of the customer:



1. For each of the car segments identified on the previous page explain the needs of the customers in each segment.

2. Identify what segment the following cars will be in:

VW e-Up! electric car

Ford C-Max

Porsche 718

Dacia Sandero

3. Explain why car manufacturers produce and sell cars aimed at different market segments.

4. What would happen if a car manufacturer made just one model of car and tried to sell it to every customer?

Select one market below and suggest how the market is divided into different segments:

- hotels
- confectionery (chocolate bars)
- sport shoes
- fast food
- bicycles

Produce a poster, using images of different products, to be displayed in your classroom that shows the possible different segments for the market you chose.

How markets are segmented

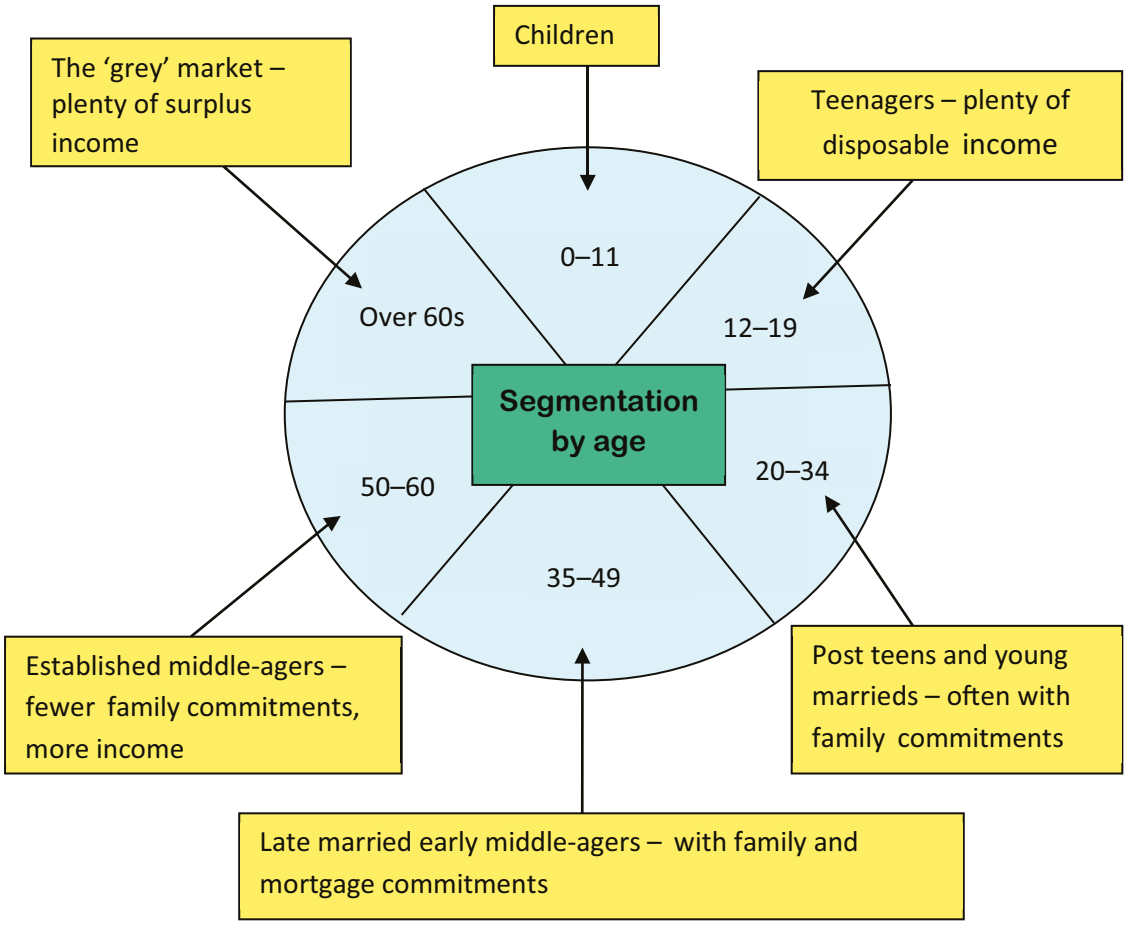
Businesses can use several recognisable and targetable market segments, these include:

- age
- gender
- income
- geographical location
- lifestyle

Age

A business will offer products that will appeal to people of certain ages. For example, businesses such as Cadbury, Kellogg's, Heinz and McDonald's all include products that are aimed at young children. Many products are specifically aimed at teenagers and there is a growing market for products and services aimed at the over 60s, often referred to as the 'grey market'.

As it is too difficult to match products and services to actual ages, marketers categorise customers into age ranges, such as:



Most businesses will try to target as many age groups as possible. They will adapt, develop or introduce new products to make as many sales as possible.

A good example of this is how Nintendo DS introduced Brain Training to target adults to buy the game console and games which were initially designed for children.

1. Consider how the following products have been adapted to appeal to as many different age segments as possible:

    - Cadbury's Dairy Milk chocolate
    - PlayStation games
    - Clarks shoes
    - Innocent drinks

2. Retailers such as Toys R Us, Currys and Halfords will stock a range of products aimed at different age ranges. For each retailer, outline the types of products it stocks to make sure it attracts customers in different age ranges. Explain why it does this.

You are the marketing manager for McDonald's UK. You are concerned that your market share of the 'grey market' is falling. You must develop a new product that appeals to this segment of the market and increases sales.

You must draw a prototype for this new product and explain the name, ingredients, packaging and any other relevant details. Label your design.

Beware – children, teenagers and young families are the main customers of McDonald's, so your new product must fit into the product range and the image McDonald's has.
Explain how your new product will appeal to the 'grey market'.

Gender

Some products are aimed at men and some at women. Some businesses will target a particular gender while others will adapt their products to appeal to both genders to increase sales. For example, clothes retailers will often have different sections for men and women. Some retailers, such as Dorothy Perkins, will concentrate on one gender only.

The Arcadia Group is a British company that owns several of the most well-known high street clothing retailers in the UK. These include Topshop, Topman, Miss Selfridge, Burton, Evans, Dorothy Perkins, Wallis and Outfit.

Together, the group is responsible for more than 2 500 outlets in the UK alone, making the group the UK's second largest clothing retailer.

1. Why does the Arcadia Group have different shops for men and women?

2. From your experiences of shopping, how do businesses adapt their stores to appeal to men or women?

Adapting successful brands to appeal to men and women is an effective way to increase sales. Sometimes this may just involve a slight change to the product, using different packaging and a different brand name.

Gillette is a global brand of razors. Look at the two products below and describe how Gillette has adapted the product to appeal to men and women.

Source: https://www.tesco.com/groceries

Income

People who earn different amounts of money will buy more expensive or cheaper products. Businesses know this so they will offer a range of products at different prices. Larger businesses will have a wide range of products to meet the needs of people with different incomes. However, smaller businesses need to consider the quality of their products and their pricing and match this to their local market. An example of this is designers such as Zac Posen and Isaac Mizrahi who have created a line of affordable clothing and accessories so that they can attract customers who cannot afford their high-end range.

The following tomato soups are some of the products available in Tesco. Explain why it sells a range of the same product.

25p

45p

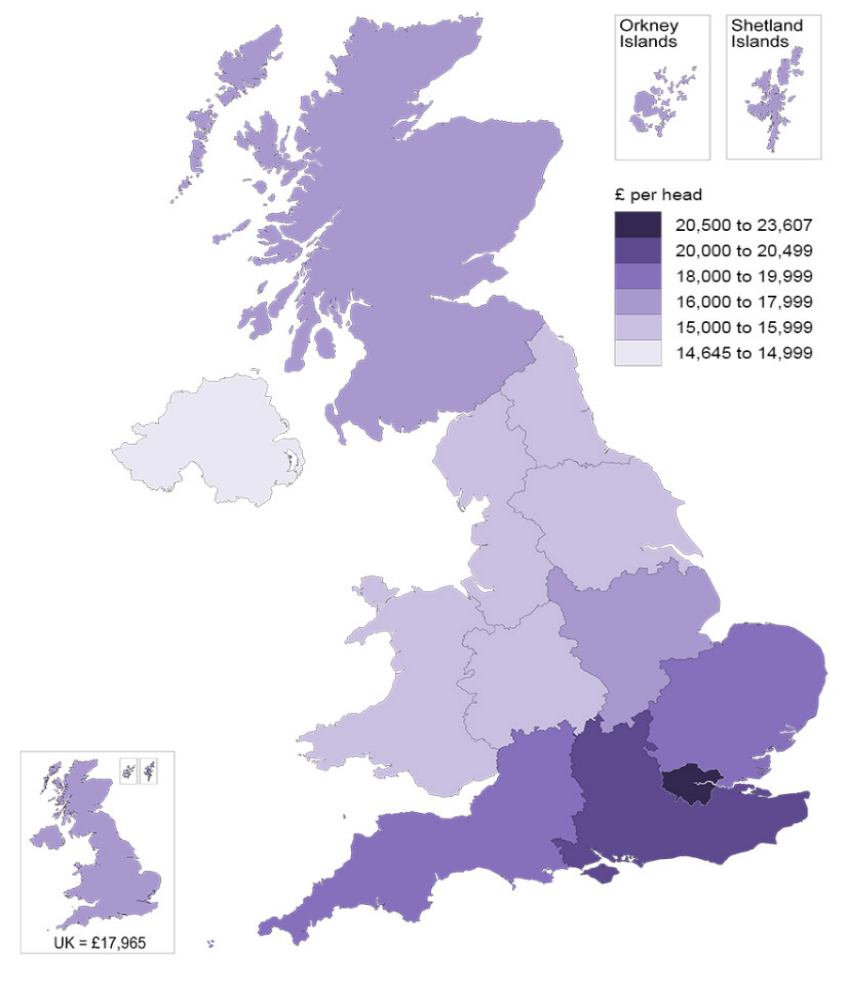
95p

£2.50

Source: https://www.tesco.com/groceries

In recent years consumers in the UK have experienced a fall in their disposable incomes. As a result, many businesses who sell cheaper products have experienced an increase in their sales. These include retailers such as Lidl, Aldi, Poundworld and Poundland. The main supermarkets have increased sales in own brands and saver brands and manufacturers of cars, televisions, clothes and shoes have increased the range of products aimed at the lower price range. However, businesses also must provide for customers who have a higher income, in other words, a business should offer a range of products to match the full range of customer incomes.

The map below shows the disposable income by region in the UK.



Map source: https://cy.ons.gov.uk/economy/regionalaccounts/grossdisposablehouseholdincome/bulletins/regionalgrossdisposablehouseholdincomegdhi/2014

Source: https://cy.ons.gov.uk

1. What does the figure of £17 965 represent?

2. Which region has the most disposable income?

3. Explain how this information could help business target potential customers.

4. Give examples of businesses that would only target the areas where there is a higher disposable income.

Argos sells a range of beds to attract customers with different incomes. http://bit.ly/2niXYLe

The cheapest double divan bed is on sale for £189.99 and its most expensive is £1399.99, with another 352 to choose from.

Procuring and storing so many beds will be very expensive for Argos. Explain why it stocks such a wide range of beds.

Geographical location

Markets can be segmented according to where the customer lives. Businesses need to be aware of the different tastes, preferences and lifestyles of customers who live in different areas of the UK, Europe and the world. For example, washing machines sold in Mediterranean countries have far lower spin speeds than those sold in northern Europe because the washing is much more likely to dry in the open air. McDonald's changes its menus for restaurants in different countries. Supermarkets will often stock products that are popular in certain areas only in those stores.

Geographical differences can be important for large global businesses who sell nationwide or internationally. For smaller businesses who concentrate in one local area, location is not a major factor when they analyse their customers.

Segmenting the market by location also includes targeting different types of locations such as urban, suburban and rural areas. For example, a hospitality business may set up a high-end wine bar in a busy urban area, a pub in a suburban area and a family pub/restaurant in a rural area. All three outlets will be owned by the same business, may sell similar food and drink, but will have different aspects such as décor, music and prices to match the potential customers who are likely to be attracted.

Lifestyle

People's lifestyles are their individual pattern of behaviour. This is made up of their attitudes, beliefs and habits. Lifestyle also includes people's interests and hobbies, so businesses will target people who have a special interest in a particular activity. Lifestyles are changing all the time and businesses need to keep up with current trends. In recent years there has been a growth in people wanting to live and eat healthily, exercise and reduce the harm they do to the environment.

Lifestyle can also be linked to age, for example lifestyles can be grouped into the following categories:

Dependent	Pre-family	Family	Late
Mainly under 24s, living at home or full-time students.	Under 35s who have their own home but no children.	Parents under 65 with children in the house.	All adults whose children have left home, or who are over 35 and childless.

Many businesses will offer products and services aimed at these broad categories. Marketers will assume that most people in these categories will have similar lifestyle needs and will offer

products and services that will cater for these needs.

Read the following article and answer the questions that follow.

Ready meals catch on

Research shows the British are the biggest consumers in Europe of ready meals.

Previously associated with junk food and indulgence, the ready-made market has become increasingly targeted at those seeking 'healthy eating'.

The report by analysts Mintel said around £1.9 billion was spent on the meals in the UK last year – double the amount spent by the French and six times more than in Spain.

Mintel analyst Anne Bourgeois said, 'In the UK the ready-made meal has undergone a change of image, from being deemed as unhealthy, lazy food to being repositioned as a premium, indulgent option'.

The report claims 30% of adults in the UK eat a ready-made meal more than once a week, compared with just 16% in France.

This 'convenience culture' is also suggested by figures showing 80% of households in the UK have a microwave, compared to only 27% in Italy.

Ethnic meals are particularly popular, the report found, with Indian, Chinese and other Asian recipes making up 40% of the chilled ready-made market across Europe.

Adapted source: http://news.bbc.co.uk/1/hi/uk/2787329.stm

Shoppers splash out on premium treats

Sales of supermarkets' premium own-label brands are booming as shoppers decide to treat themselves.

Figures from Kantar Worldpanel for the twelve weeks to 4 December show a 13% sales rise for the products, despite sluggish growth overall for food retailers.

Sales of Morrisons' The Best range are up 35%, Asda's Extra Special products have increased sales by 15%, while Aldi's Specially Selected is up 10%. Kantar expects premium private label sales to rise further this Christmas.

Fraser McKevitt, head of Kantar's retail and consumer insight, said 88% of consumers now bought items from premium own-label ranges.

'In the past twelve weeks, 6.3% of own-label purchases were from premium lines such as Tesco Finest and Sainsbury's Taste the Difference – well ahead of the 5.7% recorded last year', he said.

Adapted source: http://www.bbc.co.uk/news/business-38299544

1. With reference to the data in the article, outline the lifestyle choices made by UK consumers.

2. How have supermarkets reacted to this change in lifestyle?

New businesses open all the time to satisfy new interests and changes in lifestyle. When a new business identifies new opportunities, this is referred to as 'finding a gap in the market'. There is a lot of money to be made if a business can identify a gap as it can build up a customer base with little competition. Twenty years ago, no UK consumer would consider spending £5 on a cup of coffee; however times have changed. When Starbucks first opened its cafés in the UK, it was the first to offer high quality coffee on the high street and quickly became the market leader.

Yet more growth in UK coffee shop market as coffee shops become the new local

Estimated at 22 845 outlets, the total UK coffee shop market delivered a growth of 6% in outlets and 12% in turnover to reach £8.9 billion in 2016.

After 18 years of considerable continued growth, the coffee shop market is one of the most successful in the UK economy and is set to outnumber pubs by 2030 as coffee shops become the new local.

Costa Coffee, Starbucks Coffee Company, and Café Nero remain the UK's leading chains with a 53% outlet share of the branded coffee shop market. Market leader Costa operates 2121 UK outlets, adding 129 units in 2016, and Starbucks and Café Nero operate 898 and 650 UK outlets respectively. For the seventh year in a row, Costa has been voted the nation's favourite coffee shop chain by an independent panel of 5000 consumers, ahead of Starbucks and Café Nero. However, Starbucks has seen a notable rise in popularity in 2016.

Adapted source: http://www.ukcoffeeleadersummit.com

With the use of examples, explain how:

- restaurants have adapted their products to appeal to the greater number of people who want to eat healthy food
- travel agents offer holidays to appeal to dependents, pre-family, family and late categories
- retailers have responded to the popularity in consumers' needs for e-commerce

Mass versus niche markets

Some businesses will target the mass market with their products. A mass market is where a high volume of sales can be made, as most people will be interested in buying the product. An example of a mass market product is baked beans. Some mass market products are difficult to segment as they are used by many consumers.

Niche markets offer different products that appeal to a smaller number of people. They are often supplied by smaller businesses, as the demand is lower than mass market products and there is no need to mass-produce. An example of niche market products is gluten-free food, magazines aimed at caravanning enthusiasts or those who enjoy collecting stamps and specialist sizes in clothing and shoes that are not available in high street shops. It is generally easier to segment the market for niche markets as the needs of consumers in these markets are clearly identified.

Customer profile

After businesses identify their target market they can build up a customer profile which shows the characteristics of their customers and what makes them behave in a certain way.

These characteristics are the segments we have just studied:

Characteristics
Their income
Their age and gender
Their lifestyle and interests
Where they live

Establishing a customer profile can give a business the information it needs to generate business from new and existing customers. Existing customers are important sources of information. The more a business knows about them, the easier it can be to increase their spending.

The information a business needs to collect depends on the business. For example, if a business sells to individual consumers, it will want to know their age, gender, location, spending habits and income. This can be done by analysing sales records, talking to customers and carrying out research.

A business could create a database of customer information that includes customer feedback and details of purchasing behaviour, such as what products each customer buys, when and how. The information a business gathers makes it easier to distinguish why customers buy from the business. The more information a business has about its customers, the easier it is to spot opportunities to sell them new products. The information in the database can be grouped into different market segments. This will enable the business to target each group with specific offers tailored to their needs.

Tesco carries out customer profiling using its Clubcard. Every time customers shop in Tesco, their sales are recorded on their database. Then it can find out the pattern of spending and target specific products at the customers. The information it gets allows it to see what is being bought, how often and in what areas.

Tesco customers are segmented into five main groups based on:

- recency, frequency and value of shopping, and time of day
- life stage of customers (students, young adults, older adults, young families, older families, over 60s)
- lifestyle (basket typology)
- customers driven by product promotions
- customers loyal to specific brands

Segmentation on this basis allows Tesco's communications with its customers to be very specific.

However, some people, mainly consumer groups who are concerned about the power supermarkets are creating for themselves, consider the use of these databases as a violation of customer privacy.

1. What is customer profiling?
2. How can a business gather information to allow it to profile its customers?
3. How does the Clubcard help Tesco in profiling its customers?
4. Consider the advantages and disadvantages to customers of Tesco using the Clubcard to profile its customers.

Not all businesses will have a customer database; they might have a smaller database with basic details or no database at all. However, they will still try to establish the profile of their customers. The two examples below show how a small business can identify its typical customer profile:

Business	Customer profile
Jo runs a small business making dried flower arrangements	40+ age group Female Interest in gardening/flowers Homeowners Lower to middle earners Local area
Freddie runs a nursery and childminding service	Adults with children Women aged 18–45 Working parents Local area

For the following three businesses, identify their likely customer profile:

- Chris is a sole trader, he owns a decorating business offering a specialist service in high-quality room makeovers
- Butlin's – UK-based holiday resorts which enable the maximum number of families to enjoy an affordable holiday in a safe, secure and appealing environment
- Marks & Spencer's Simply Food outlets

Wall's ice cream is a multinational brand. Wall's sells many products, including the ones shown below. Identify what market segments the following are aimed at:

Source: http://www.icecreammakesuhappy.co.uk

Why do businesses segment the market?

By targeting customers and providing them with products and services that satisfy their needs, a business will benefit by:

- **dividing the mass market** – to offer products that match the specific needs of the customer. By only offering mass market products, customers will not get a product or service that satisfies their particular need and they are likely to look elsewhere. Offering a range of products or services within a mass market will match the product or service to the specific needs of the customer;

- **targeting the right products at the right people** – all consumers are different and segmentation allows a business to adapt its product or service to attract different types of customers with a product or service they want to buy. All customers are different, they will have different needs, different amounts of money to spend, use different media that will grab their attention and buy in different places. Consumers are usually willing to pay a higher price for a product that fulfils their needs. Segmentation allows the business to focus its products and services and other marketing activities, such as advertising, on the right people so that it is targeting likely customers. Marketing activities can be tailored to attract the right type of customer;

- **satisfying customer needs** – in a competitive market it is essential that a business provides a product or service that will satisfy customers and make them want to come back to the business and become loyal customers. By adapting products and services for different ages and life stages, a business can retain customers as their needs change. Businesses will try to make a customer believe that the product or the service they

provide is an essential need and only they can satisfy this need;

- **increasing sales and profits** – by giving customers what they want, the business will attract more customers and may allow it to charge higher prices if other businesses are not adapting their products or services to satisfy customer needs. Businesses will try to develop a unique selling point (USP) for their products and services which allow them to make their product or service stand out from competitors and result in higher sales and profit. A business that can clearly identify the right type of customers will be able to target them and ignore customers who are unlikely to buy its product or service. This can save time and money (reducing costs) in pursuing the mass market or customers who are unlikely to be able to afford the product or service or who will have no interest in buying it. Different customers will have different amounts of disposable income that they are willing to spend. By offering products and services at different prices a business will be able to capture as many customers as possible.

1. Explain the importance to a business of identifying and understanding its customers.
2. What is meant by a target market?
3. Outline how businesses segment their market.
4. Discuss the advantages and disadvantages of market segmentation to a retailer.

Market research

Market research is concerned with finding out information about the market in which a business operates.

It involves collecting data that can be analysed to find out about customers, competitors and market trends. Market research will attempt to discover what potential customers need and what they want to buy to enable the business to make decisions which are more likely to lead to success.

Market research will allow the business to:

- **discover the needs of customers** – who are these customers and how many are there likely to be? What motivates them to purchase the product? How much are they willing to spend?
- **understand the structure of the market** – market research will inform the business if the market is subdivided or segmented;
- **discover whether market demand is increasing,** in order that future sales predictions can be made. What might be the sales and profit potential of the product or service and its likely future success?
- **establish what stage the product is in its life cycle** – is it near maturity or in decline? From this information the business can then consider if it is worth investing in the product – for example, should extension strategies be used?
- **test consumer response to new products or services** – once consumer reactions have been discovered, the product can be adapted and developed to meet consumer needs;
- **assess the effectiveness of previous promotion campaigns** – have the intended aims been achieved? Questions asked will reveal if the target market has been made aware of the product or service and the benefits it can give them; and
- **monitor competition and understand the activities of existing, new and potential competitors** – what are the strengths and weaknesses of competitors in relation to their products/services, pricing, distribution and packaging?

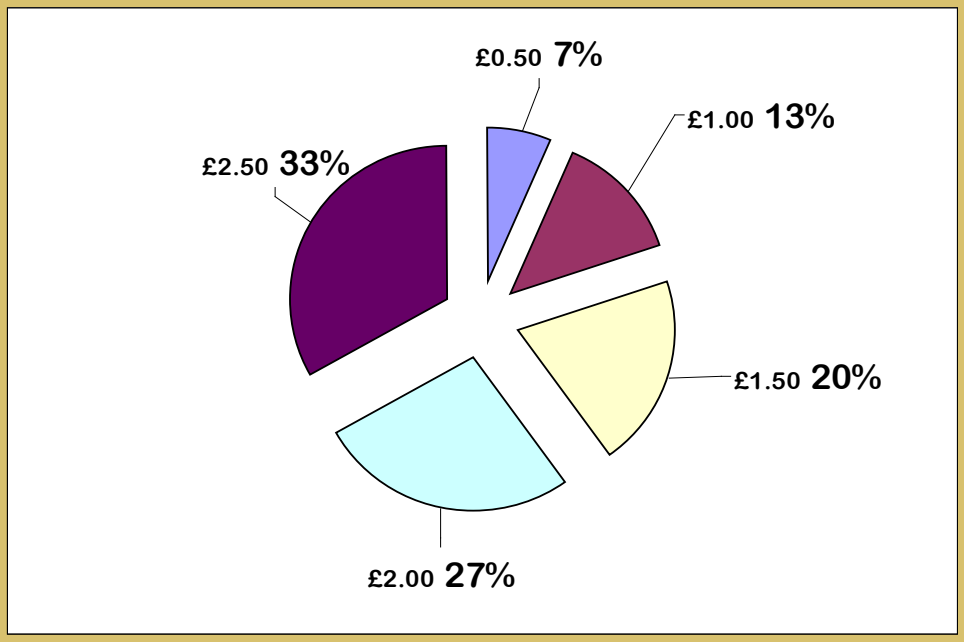
Businesses that carry out market research are called market orientated. This is where they try to find out what consumers want before making the product. Many businesses today think that they are more likely to do well if they are market orientated as they listen to the consumers and give them what they want.

Researching the market helps to reduce the risk of spending a large amount of money launching a product which proves to be a failure. When launched, a carefully researched product stands less chance of failing.

Therefore, to find out what the consumer wants, businesses must carry out market research. This information will provide them with important information:

- what type of customer will buy the product or service
- the style of packaging that customers like
- how often consumers will buy the product or service
- where is it best to sell the product or service
- the features of a product or service that customers particularly like
- the price consumers expected to pay
- what customers don't like about the product or service

Dibble Designs makes calendars. It is considering extending its business to selling handmade greeting cards. The average price of competitors' cards is £1.80. It has carried out some research to see how much people will be prepared to pay.



1. What does the market research tell the business and how might it use this information?
2. Discuss the possible problems for Dibble Designs if it had not carried out this research.
3. Dibble Designs are a market orientated business. What does this mean?

There are several ways of collecting market research data. Some large businesses have their own marketing departments, whilst others employ outside agencies to do the research for them.

The two main methods of market research are field research and desk research.

Field research is also referred to as **primary research**

Field research involves collecting primary data. This is data from a new source collected especially for the business for a specific purpose. Primary research is the collection of first-hand information from a new source that nobody has collected yet and can provide up-to-date exact information for the business.

However, primary research can be expensive and time-consuming.
It can also be difficult to collect reliable and accurate primary research if the business has no experience of carrying out primary research.

Desk research is also referred to as **secondary research**

Desk research uses secondary data. This is information which is already available and has been collected by someone else. It is called desk research because it is information that can be collected whilst sitting at a desk. As it has already been collected by someone else, it is also known as secondary data.

This is the easiest, quickest and cheapest way of collecting data, although it might not be specific to the business and could be out of date.

1. Explain the difference between primary and secondary data.

2. Decide whether field or desk research is the best way to find out the following information:

    - population in a geographical area
    - the demand for a new product to be launched by a business
    - the disposable income of potential customers
    - feedback on the service received by an online insurance business
    - demand for healthy eating products.

There are two types of information that can be gathered by market research, which are quantitative data and qualitative data.

Quantitative data is statistical information that includes numbers and values that are measurable. The findings can be expressed numerically. This data can be collected by field or desk research and allows the researcher to quantify attitudes and opinions as well as collect numerical values data such as incomes, sales quantities, prices and spending patterns. Quantitative data is straightforward to use as it gives clear and measurable values.

Qualitative data is information about opinions and views. It cannot be expressed numerically or provide statistical information. This data is subjective and will give more in-depth and insightful information to the business. This data can be collected by field or desk research and is used to gain an understanding of underlying reasons, opinions, and motivations of why consumers act in a certain way. Qualitative data can be more complicated to analyse.

Identify if the following data is quantitative or qualitative:

- the average spend in a shop is £25.50
- comments on the quality of customer service received
- why a customer buys a particular brand of soft drink
- population trends in the UK
- using the Tesco Clubcard database to analyse the spending patterns of a particular customer
- rating the quality of food on a 1–9 scale
- using an open question to rate the quality of food

Methods of primary (field) research

Primary research can be carried out in different ways:

- surveys
- focus groups
- consumer panels
- interviews
- observation

Surveys are a popular method of field research and of collecting primary data. Surveys are carried out using **questionnaires**. There are different ways of conducting surveys:

- personal surveys are carried out face-to-face either in the street or through an interview at an agreed meeting place. They are expensive to carry out and can take time to complete. The interviewer can help people to understand the questions and often the interviewer rather than the interviewee will fill out the responses to the questions;

- postal surveys involve the sending of questionnaires through the post. It is a relatively cheap method, but the response rate to postal surveys is poor; often only 10% or less is returned. Questions tend to be short, so detailed questioning may not be possible. Questionnaires must be well designed and easy to understand;

- telephone surveys can be expensive as interviewers have to phone many people. The response rate is not as good as personal surveys as people do not want to be disturbed at home. However, telephone surveys are cheaper than a personal survey and allow a wider geographical area to be covered;

- internet surveys are increasingly used due to the huge growth in the number of people with internet access. Online surveys are cheap to carry out and response rates are getting better. Questionnaires must be well designed and a wide geographical area can be covered.

A questionnaire is the main tool used in carrying out surveys. A questionnaire is a set of questions, which can include a choice of answers (closed questions) or have open questions,

Open questions allow respondents to give more detailed answers. They are free to give any response.

- These can be hard to analyse
- They give good in-depth response
- These give qualitative data

Example:
How do you feel after drinking Lucozade Sport?

Closed questions only allow respondents to answer with a specific answer or from a limited range of answers.

- These are easier to analyse
- These give quantitative data

Example:

Age

Under 18 ☐
19–28 ☐
29–38 ☐
39–48 ☐
49+ ☐

devised to obtain quantitative and qualitative information for a specific purpose.

When designing a questionnaire there are some rules that should be followed:

- decide what you need to find out. Be clear about the purpose of the questionnaire. Explain to the respondent the purpose of the survey;
- decide what questions to ask and lay out the questionnaire so it is easy to read;
- make the questions clear and unambiguous. If respondents don't understand the question, they can't give an honest answer;
- use a balance of open and closed questions;
- avoid leading questions. For example – do you think that Lucozade makes you feel healthier?
- allow respondents to give an answer that reflects their opinion. For example, make sure they're given the option to say no to a question;
- make sure questions don't upset anyone. Asking a person's age or income outright might seem rude;
- test the questionnaire before starting the survey, some questions may have to be rewritten; and
- allow for a systematic analysis of the data.

1. Search online to find examples of online surveys. Note the types of questions and complete one of the surveys.
2. Design a questionnaire to find information from your classmates on what they eat from the school/college canteen and what they think about the food. You need to make sure you follow the rules listed above.
3. Carry out the survey, asking at least ten respondents. Record your findings and produce charts to illustrate your findings.

Focus groups

Focus groups are small, carefully-chosen groups of people who discuss products and services offered by a business and are encouraged to give their true opinion. A cross-section of the public is chosen to ensure a wide range of viewpoints are considered.

Focus groups normally involve a small number of people and are therefore a cheap method of research. There are usually six to ten members in the group, and the session usually lasts for one to two hours. A moderator guides the group through a discussion that probes attitudes about a customer's opinions.

Through the internet it is now possible to link respondents electronically. Respondents share images, data, and their responses on their computer screens. This avoids a significant amount of travel expenses. It allows respondents from all over the world to gather data

electronically, while avoiding countless logistical headaches. Like in-person focus groups, online groups are usually limited to eight to ten participants.

Focus groups will usually give qualitative information. This information gives details and depth and is not easily presented in graphs and tables. The results are often summarised in a report.

The manager of a Hilton Hotel has asked a member of staff in marketing to carry out some research into their new refurbished health spa. The decision has been made to use a focus group to gather this information.

1. Describe how the focus group could be carried out.

2. Why do you think the marketing staff decided on a focus group rather than another type of research?

Consumer panels

Consumer panels are similar to focus groups, though they differ as consumer panels tend to be more product-orientated. They often ask consumers to test a new product and comment on their findings before the product is put on the market.

These are used to gauge reaction to new consumer products and services. Consumer panels are widely used by television companies to judge the reaction of viewers to new programmes. If the reaction is negative, they may not air the programme and avoid a ratings disaster.

Like focus groups they normally consist of six to ten members and will try to select a good cross-section of the public. Consumer panels give qualitative information. They have the same advantages and disadvantages as focus groups.

1. Focus groups and consumer panels usually involve a small amount of people to answer questions. What are the advantages and disadvantages of this form of primary research?

Interviews

Interviews are structured conversations used to obtain detailed information from a limited number of respondents. Interviews will often involve one interviewer and one respondent. This will allow detailed information to be gathered. The interviewer is often a trained interviewer who can conduct the interview in a way that obtains honest and relevant information. A set of pre-written questions will be used to make sure the interview remains objective and asks the questions that the business needs answering. The advantages of carrying out interviews include the use of specific questions and responses for a particular business and the in-depth responses given by the interviewee. The interviewer can obtain the detailed feelings and motivations of the interviewee; no other primary research method allows for such detail from individual respondents. However, conducting interviews can be very expensive and time-consuming. It requires the suitable selection of the right respondent and the data obtained is not easily analysed. Interviews give qualitative information. This information gives details and depth and is not easily presented in graphs and tables. The results will be summarised in a report.

Observation

Observation involves looking at what people do and how they behave, and recording it. For example, a supermarket may find that sales from one aisle in the store are very poor. By observing people, it would be possible to determine whether shoppers were avoiding the aisle. However, observation couldn't determine the specific reasons why shoppers were avoiding the aisle.

Observers look out for the amount of time consumers spend making decisions and how readily they notice products, displays and other aspects of the business. A tremendous number of consumers can be surveyed in a relatively short space of time. The main advantage to conducting observational research in business is that consumers are often unaware they are being monitored, allowing the researcher to make an objective analysis.

Observation gives quantitative information. This information is easily measurable and can be presented in graphs or charts.

Complete the table below:

Primary Research	Description	Advantages	Disadvantages
Surveys			
Focus groups			
Consumer panels			
Interviews			
Observation			

Methods of secondary (desk) research

Secondary research can be carried out in different ways:

- internal sources
- external sources

Internal sources include information the business already has. This can include sales figures, customer details and financial information. Business databases can be used to show information on customer profiles, spending habits, past promotional campaigns and the amount they spend with the business. This information is specific to the business and should be the starting point before any new primary research is carried out or before the business starts to look at external secondary data.

An established business may have a wealth of information about its customers and the products it sells. Using this information for market research will benefit

the business, involving limited costs and time. Most of this information will be quantitative and relatively easy to analyse. However, the data may be out of date and not suitable or relevant for what is needed.

Businesses can collect information from a range of internal documents. These include:

- invoices showing them how much they sell and who they are selling to
- till receipts showing what they are selling, at what times and their top-selling products
- reports
- accounts
- databases of customers and stock which provides a wide range of data

1. List the types of information businesses will hold in their customer database that would be useful in analysing their sales.

2. How could they use the information to segment their market?

External sources include data from outside the business that already exists. These include:

- the internet
- newspaper articles
- magazine articles
- competitor information
- market research agencies
- government statistics
- Office of National Statistics reports
- census reports

The **internet** has had an enormous effect on the way in which businesses of all sizes can obtain secondary research. This can range from a simple search to see how many competitors there are in a geographical area, to searching for reports and other market research carried out by other businesses. Many **market research agencies**, such as Mintel and Ipsos Mori post market research data which can be purchased for a fee. The **Office for National Statistics** and the **Census** website has a vast amount of information about the UK that can be used free of charge.

The Office for National Statistics (ONS) is the government department responsible for collecting and publishing official statistics about the UK's society and economy. This information can give a wealth of information to businesses on people's spending, income, trends and employment. The home page of the ONS website is https://www.ons.gov.uk/.

A census is a survey of all people and households in the country. It provides essential information from national to neighbourhood level for government, business and the community. The most recent census was on 29 April 2011. A full census is carried out every ten years, though smaller scale research is carried out all the time. The results of the 2011 census can be found at https://www.ons.gov.uk/census/2011census.

1. Use the internet to search for free secondary information which would help the following businesses:

   - an entrepreneur in your local area wants to open a new pet shop. Find out how many competitors there will be;
   - a multinational manufacturer of computer and electronic components wants to open a large factory, employing over 1000 workers in the UK. It wants to identify areas of the UK with high levels of unemployment;
   - a food manufacturer would like to bring out a new range of vegetarian and vegan products to sell throughout the UK. It is unsure if there is enough demand for these products.

2. Search the information from the 2011 census to find the changing trends in the population structure of the UK.

There are numerous printed media, such as **newspapers** and **magazines** that can provide useful secondary data for businesses. Many newspapers carry out their own primary research and will publish this in their newspapers for the public to read. Specialist magazines (trade magazines) like *The Grocer* and *Marketing Weekly* provide information on consumer trends.

Launched in 1862, *The Grocer* is the only magazine that can keep retailers up-to-date with the latest news and issues facing the UK grocery market, as they happen each week.

Marketing Weekly was started in 1978 and is a business magazine that focuses on the marketing industry.

The Grocer carries out numerous reports that are useful for businesses. An example is shown below:

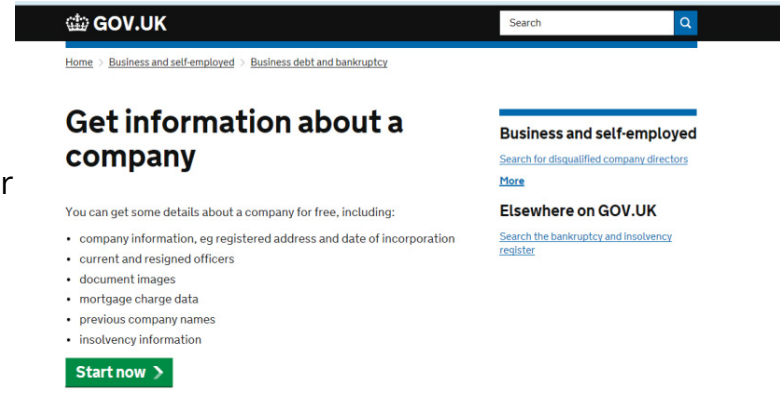
https://www.thegrocer.co.uk/reports/digital-features/cakes-and-biscuits-report-2016/

1. Use the link above to visit *The Grocer* website and consider how retailers could use the information shown in its report.

2. How reliable is this information? Explain your answer.

Competitor information can be very useful for a business. Limited companies have to publish their accounts.

Private limited companies must send their financial records to Companies House. Some of this information is free to access and there's a £1 charge for other filed documents such as company accounts and annual reports. Anyone can see these.



Public limited companies also have to publish their accounts and an annual report outlying their business over the previous year. The information in these accounts and reports may be useful for competitors, customers and suppliers of the business.

Procter & Gamble (P & G) was founded in the US in 1837 by William Procter, originally from England, and James Gamble from Ireland. P & G have many brands including Fairy, Bold, Braun, Pampers, Olay, Gillette, Lenor and Vicks.

Download the annual report for P & G and summarise the type of information that could be useful for a competitor.

http://www.pginvestor.com/CustomPage/Index?KeyGenPage=1073748359

For each of the business situations below, select what you think is the most appropriate type of desk research that will give the best data (there should be more than one option).

- HMV wants to find out about changing consumer tastes in music;
- Thomas the builder, a local sole trader, wants to find out how reliable a local supplier of building materials has been in recent years;
- Davies and Sons, a local plumber, wants to research the most reliable boiler to use for customers;
- Domino's Pizza wants to find out if the increase in healthy eating will affect its sales;
- Hilary and Terry James want to open a day nursery in the Bristol area. They have little money but would like to see how many competitors there will be and how long they have been in business.

Market research is very important for all businesses and especially for all new business start-ups. Amongst other things, it helps the business understand whether what it is offering is likely to generate demand. The research can help it make informed choices and decisions.

If a business is not able to afford primary research it may find that it has to use secondary research already gathered by another business. It may find that this research does not give the specific information it was looking for. It also may be out-of-date and not accurate enough to suit its needs.

Emma Lewis had always been interested in old types of transport and had always wanted to set up her own business. Emma had the opportunity to buy a 27-seater 1948 Bedford coach in very good condition. She bought the bus and used it to organise trips around the Isle of Wight.

Emma became very successful. Her coach trips proved to be popular with both locals and visitors and so she acquired more buses and ran a regular service. Emma must now decide whether she should further expand her business.

1. Explain the importance to Emma of carrying out market research.

2. Describe the types of market research Emma could use to help her decide whether to expand her business.

3. With reference to the use of relevant, accurate and up-to-date information, advise Emma on the best market research methods to use.

Produce a poster that summarises the advantages and disadvantages of primary and secondary research.

V

Presenting market research data

There are several ways of presenting market research data.

Quantitative data can be presented in a variety of ways that help the reader understand the main issues and trends.

Qualitative data tends to be presented in reports and short written summaries. The presentation of market research should help the researcher show key aspects of what the research found out.

The main ways to present numerical data includes:

- tally charts
- tables
- pie charts
- bar charts
- ine graphs

Tally charts are used to record responses to surveys and observations. This is a quick way to record data and will automatically group responses.

Favorite ice cream flavours

Mint Choc Chip	𝍸 ||||
Cherry	𝍸 ||
Lemon	|||
Coffee	||||

Tables can present numerical data in a straightforward way with a numerical amount presented clearly next to labels.

Supermarket	UK market share May 2017
Tesco	27.8%
Sainsbury's	15.9%
Asda	15.4%
Morrisons	10.5%
Aldi	7%
Co-op	6%
Waitrose	5.2%
Lidl	5%
Iceland	2.2%
Others	5%

The table above organises the supermarkets in a rank order to give a clear presentation of the supermarkets and their corresponding market share.

However, using graphical presentation can help to present data in a more vibrant way and help the viewer to see quickly the values and trends the data shows.

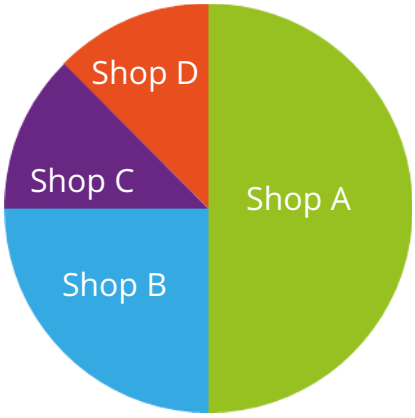
Pie charts

A pie chart is so named because of its resemblance to a pie which has been sliced. It is a circular chart divided into sectors or segments. In a pie chart, the area is proportional to the quantity it represents. Add up all the slices and you get the complete pie. A pie chart is an excellent way to show data in percentages.

For example, four coffee shops in a high street may sell 400 cups of coffee in a day. The sales for each shop may be as follows:

Shop A	200
Shop B	100
Shop C	50
Shop D	50

This information may be shown in a pie chart as follows:



The complete circle represents 400 cups, so as Shop A sells 200 - or half of this number - It takes up half of the circle, and so on.

The chart shows how the market is divided between the four coffee shops and clearly shows that Shop A is the market leader in this scenario.

Bar graphs

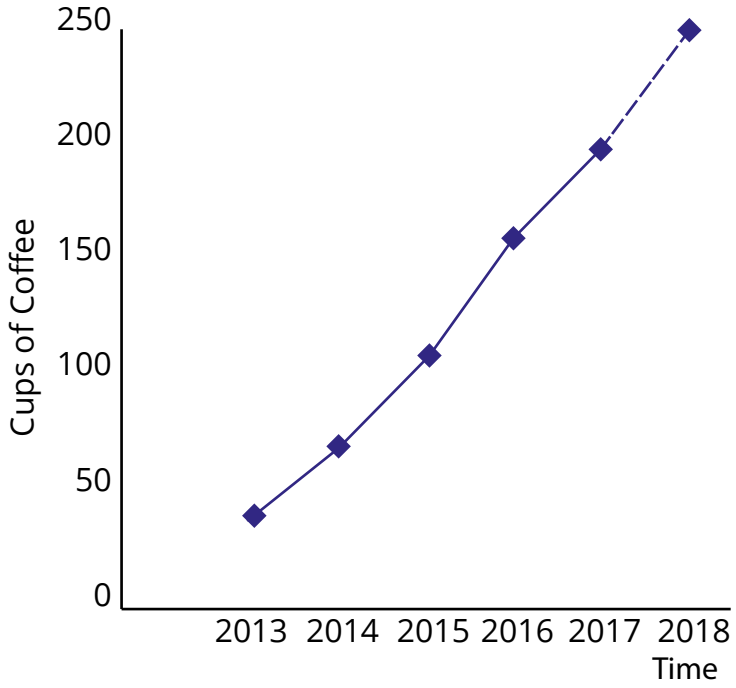
A bar graph or bar chart is a diagram with rectangular bars with lengths proportional to the values they represent. The bars can be plotted vertically or horizontally.

The information about the coffee shop shown above may be displayed as follows. The graph compares the number of cups sold by each shop.

Line graphs

Line graphs show trends in data, so the coffee shop information shown above is unlikely to be displayed in line graphs.

However, if we consider Shop A, although it is now selling 200 cups of coffee a day it might have taken some time to build up to this number. The line graph will present the average number of cups of coffee sold each day over the last 5 years. The progress of coffee shop A may have been similar to that shown in the line graph below:



The dotted line shows the possible future sales of cups of coffee if the sales follow the previous trend. This is a useful feature of line graphs to present data.

Read the following market research data about a business and then select the most suitable way of presenting the information. You should use each one of the following presentation techniques:

- a pie chart
- a bar graph
- a line chart

Daredevil Theme Park has carried out some market research to find out why visitor numbers are falling. Visitor numbers to the park were at its peak in 2012 when 200 000 people visited the park. In 2014 the number of visitors fell to 180 000 and to 150 000 in 2016.

In 2016 the visitors of the following age categories made up its total visitor numbers:

Under 16 – 32%, 16–24 – 28%, 25–34 – 18%, 35–44 – 12%, 45–54 – 8% and over 54 – 2%.

1000 visitors took part in a survey carried out over one week in the summer. The results showed that:

22% were visiting the park for the first time.

47% thought the entry price was too expensive, 43% thought the entry price was suitable and 10% thought the entry price would have been higher.

The visitors rated their experiences by selecting a number between 1 and 7, 1 representing a very poor experience to 7 being an excellent experience:

1 – 90 3 – 151 5 – 195 7 – 105 2 – 114 4 – 190 6 – 155

The visitors found out about the park by:

radio advert - 15%, internet - 33%, word of mouth - 31% and leaflets - 21%.

1. Write a short summary of the main findings of this market research.

2. Based on these findings, recommend a plan of action for Daredevil Theme Park to improve visitor numbers.

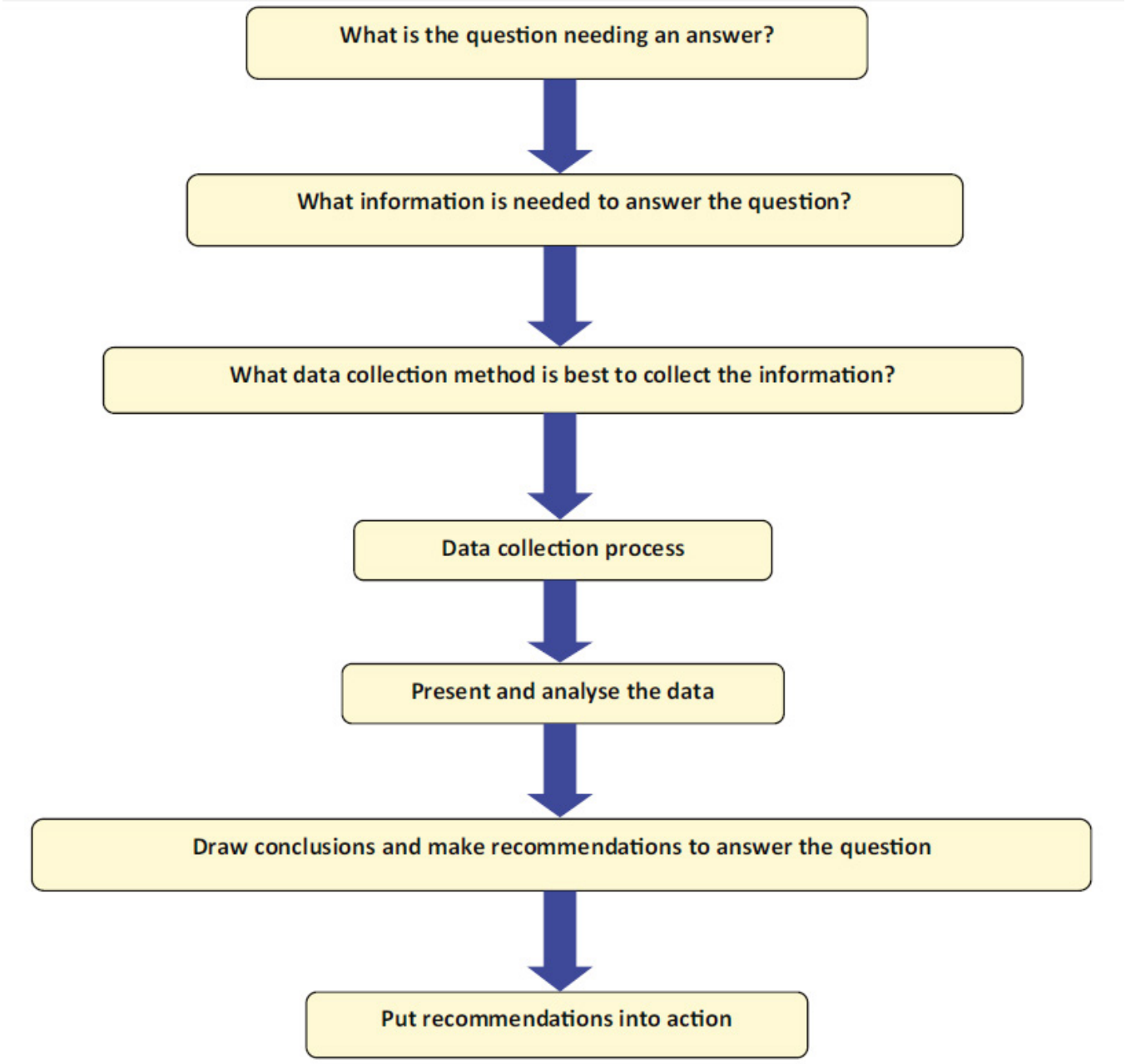
Analysing market research data

The last stage of the market research process is making decisions on how the business will respond to the data collected.

Remember, the whole purpose of carrying out the research is to help businesses make decisions. This is why time is needed to plan the research and care is taken in using the most reliable and relevant method of research.

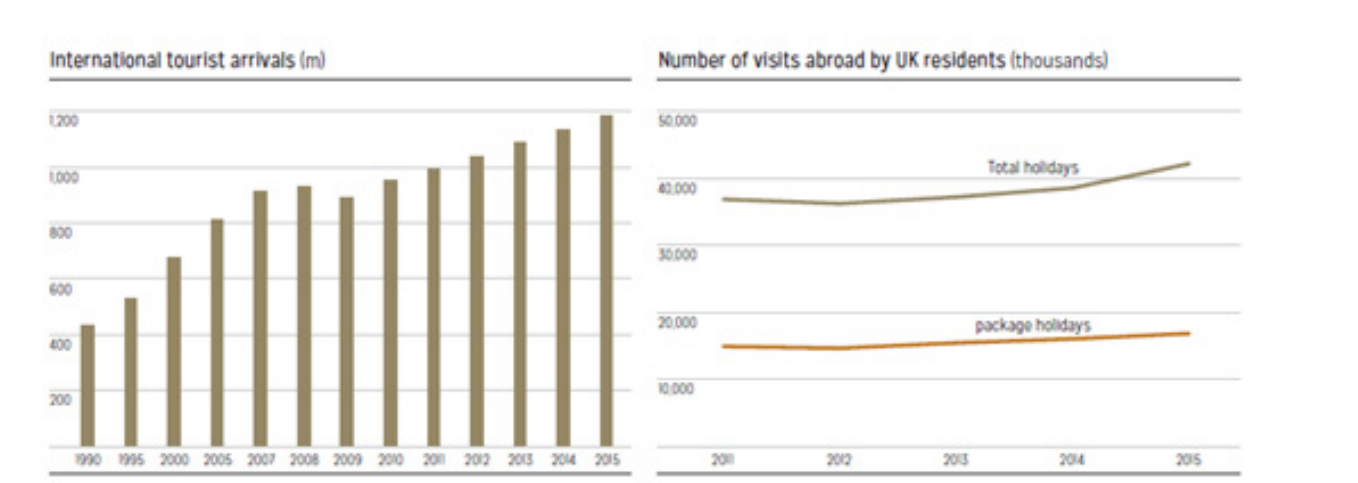
A large business may spend millions of pounds on new products or adapting its products on the recommendation of the market research results.

Regardless of the methods used to collect the data, the business will tend to use the stages outlined in the diagram below:



1. Analyse what is presented in the two graphs below on tourist arrivals in the UK and UK residents travelling abroad.

2. Discuss how this information could be used by appropriate businesses in the UK.



Source: ONS

Use the link to look at market research data:

http://www.ibe.org.uk/userassets/briefings/ibe_survey_attitudes_of_the_british_public_to_business_ethics_2016.pdf

1. Summarise the main findings in the data.

2. Explain how businesses could respond to this research.

Limitations of market research data

There are limitations to the data gathered when carrying out market research. A lot will depend on the quality and selection of the questions used in the research. If the business does not set clear objectives, the research team may not gather the right information. Research data can become out-of-date quickly, especially in a dynamic market.

The limitations of primary data:

- the quality depends on the sample size (the number of people who take part in the research) and who is in the sample. This could give information that is not representative of all customers;
- people's wants and opinions can be quite different;
- a business may be limited by the resources it has, i.e. time and budget. This could mean that the sample could be quite small; and
- the results can be affected by the views of the researcher/interviewer. This can be down to bias.

The limitations of secondary data:

- you don't know the accuracy of the information already collected;
- the data collected may not match the objectives of the research being carried out; and
- it may be out-of-date.

Market research can also have the following constraints:

- **financial** – market research can be very expensive and businesses may choose the cheaper methods of gathering information that may not be up-to-date or accurate;
- **time** – accurate data may take a while to collect and analyse and this can delay decisions that the business has to make; and
- **data quality** – it is very difficult to collect data that is free from bias. The quality of data can be affected by the finance available to the business and the time it has to collect the data. Care must be taken in selecting a suitable sample of respondents to survey, as incorrect or small samples may reduce the quality of the data collected.

1. Explain why care must be taken when carrying out market research.

2. What is meant by bias?

3. What is meant by selecting an appropriate sample?

4. Explain how incorrect or out-of-date market research data could cause serious problems for a business. Use suitable examples to illustrate your answer.

Conduct a survey about crisps.

The purpose of this survey is to find out:

- who eats the most crisps?
- what are the favourite brands?
- what are the favourite flavours?
- where they are bought from?
- how many packets people eat?
- what influences people to buy a particular brand and flavour?

1. Create a questionnaire. Include closed and open questions to collect quantitative and qualitative data.

2. Conduct your survey. Choose a suitable sample.

3. Present and analyse your findings.

4. Summarise the main findings. Make recommendations to crisp manufacturers.

1. Explain why understanding market and customer data is important for a business.

2. Money spent on market research would be better spent on other business functions. Discuss.

3. Carrying out effective market research will always lead to business success. Discuss.

The marketing mix

Marketing is the art of making it as easy as possible to get the potential customer to buy your product. So, marketing is important to the whole business as without it the business will be unable to sell its products or services. If a business cannot meet customers' needs, they will go elsewhere.

When a business understands its customers and has obtained information from market research, it is able to carry out marketing activities to satisfy customers' needs. All the marketing activities that take place are called the marketing mix.

The marketing mix consists of four important factors needed to market a product or service successfully. All the factors begin with P – product, price, promotion and place – and so they are known collectively as the 4Ps. The four factors of the marketing mix combine to help the business sell as many of its products or services as possible.

A successful marketing mix will sell a good **product** that satisfies customers' needs, at the right **price** which customers are willing to pay and which makes a profit for the business, with effective **promotion** which informs and persuades the customer to buy, in the right **place** to allow a customer to access it.

Businesses must make sure they get their marketing mix right if they are to succeed. If they get just one of the 4Ps wrong, the business is more likely to fail.

The idea of the marketing mix is like mixing a cake. A baker will alter the proportions of ingredients in a cake depending on the type of cake that is being made. The proportions in the marketing mix can be altered in the same way and will differ from product to product.

Some products rely on advertising to sell, others carry out little advertising, some products are sold locally and some are sold globally. Some products are part of a larger product range or focus on high quality, whilst others may be priced very cheaply and not focus on developing a good reputation for quality.

It is important that a business considers all 4Ps and make sure they work together in order to succeed. If the combined 4Ps don't work together then the business is likely to struggle and be unable to meet its objectives. The marketing mix selected by the business will depend on several factors, such as the scale of business operations, the financial resources available, the uniqueness and reputation of the product or service, competitors' products and services, the needs and purchasing power of target customers.

What is the marketing mix and why is it also referred to as the 4Ps?

The Marketing mix

Product

Businesses need to have the right product or service for the customer that satisfies the customer's needs.

Businesses need to consider:

the quality;
the range (portfolio);
product features;
product design;
product differentiation;
the packaging;
branding;
USP; and
after-sales service.

Price

The price of the product or service must reflect the value the customers place on the product or service.

Businesses need to consider:

how much it costs to make the product or supply the service;
prices charged by competitors; and
pricing techniques.

Promotion

Customers need to know that the product or service exists. Promotion is all about giving them knowledge about the product or service and persuading them to buy it.

Businesses need to consider:

how much to spend on promotion;
what type of promotion method to use;
what advertising media to use;
image/style of advertising; and
use of technology.

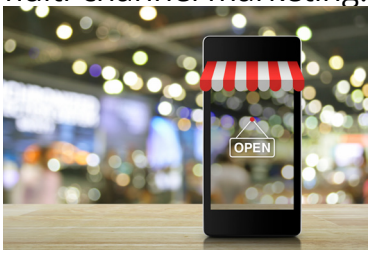
Place

A successful business must have its products and services available both where and when a customer wants to buy.

Place is all about distributing the product or service to the customer.

Businesses need to consider:

selecting the right outlet to sell;
where to sell geographically;
channels of distribution;
use of e-commerce; and
use of multi-channel marketing.



Complete the tables below to describe the 4Ps for Twix and iPhone:

Product	Price
Promotion	Place

Product	Price
Promotion	Place

Consider the following products and explain how they may differ in their marketing mix:

Rowse was established 70 years ago and sells across the UK. In 2002 it became the number-one brand for honey.

Honeywell Farm is a local business that has just started producing honey to sell to the local population.

The marketing mix is the tool used by a business to implement its marketing strategy. Businesses can adapt their marketing mix to achieve their objectives. For example, if a business has an objective of increasing its market share then it may use promotional and pricing strategies in its marketing mix to increase its sales. It may also decide to repackage the product or service and sell its products in new outlets and online.

Businesses can also adapt their marketing mix to reposition themselves in the market. Lidl and Aldi have done this recently by opening new stores, redesigning their stores, selling a wider range of products, selling well-known British brands and adapting their advertising to focus on quality as well as price.

Suggest how the 4Ps of the marketing mix could be used to achieve the following business objectives:

- profit maximisation
- growth
- customer satisfaction
- ethical and environmental

When deciding on the marketing mix, a business must also consider how the other functions of the business will be affected and how they can work together to achieve the objective. For example, if a business decides to improve a product's features (as a result of the information received when market research was carried out) the business must make sure its production facilities have the capabilities to make the changes, new supplies are sourced, the finance is in place to buy new machinery or supplies and employees receive training to operate new machinery or make the adjustments to the product. The business will also need to communicate with sales staff to ensure they are aware of the changes and are able to inform

customers of the new improved version of the product.

Deciding to launch new promotions, using a wider range of advertising media or selling through the internet will all have financial implications for the business. The marketing function has to take these financial controls into account when creating or changing its marketing mix. It may wish to carry out a national advertising campaign to launch a new product. However, the business may not be able to afford this and will have to be aware of how much money is available to spend on advertising.

The business must also make sure the production, warehousing and distribution functions have enough finished products to supply the increased demand created through a promotional or advertising campaign.

With the use of examples, outline how the marketing mix will need to work with the following business functions to make sure the business can achieve its aims and objectives:

- operations
- sales
- finance
- human resources

In a dynamic market, a business will change its objectives over time. As the main tool of the marketing strategy, the marketing mix will therefore be altered to make sure the 4Ps are suitable and effective in the market. The expectations and needs of consumers also change over time. For example, disposable income can increase or decrease and tastes, lifestyles and fashions are constantly changing. A business needs to be aware of these changes and then adapt its marketing mix to respond to these factors to maintain and grow the business.

In recent years consumers have wanted businesses to act in a more environmentally friendly way.

Explain, with the use of examples, how businesses have altered their marketing mix to respond to the change in consumer behaviour.

Read the following information then answer the questions that follow:

How Marks & Spencer changed its marketing mix

Marks & Spencer (M&S) is a major British retailer with over 900 stores in the UK. It is a major clothing retailer in the UK, as well as being an upmarket food retailer.
Since Marks & Spencer opened its first store in 1894 it has put its main emphasis on quality. It also had a reputation for offering fair value for money.

However, from 1973 to 2000 the company encountered serious difficulties when its reputation began to suffer. Rising costs of its British suppliers (unlike most of its competitors who imported their goods from abroad and were much cheaper), the outdated range of fashion, which people found dull and uninteresting and its refusal to accept any credit cards all contributed to a drop in sales and profits. It was not considering its customers' needs.

The company's share price fell by more than two thirds, and its profits fell from more than a billion pounds in 1997 and 1998 to £145 million in the year ended 31 March 2001.
The St Michael brand used as the selling label for all M&S products was discontinued in favour of Marks & Spencer and a new logo.

YOUR M&S

This was rolled out across store fascias and carrier bags. The St Michael name was subsequently adopted as a 'quality guarantee' and appeared as the St Michael Quality Promise on the back of food products, on the side of delivery vehicles and on in-store ordering receipts. This has since been phased out, although the store-ordering receipts given to customers still feature this 'seal of approval' on the bottom.

In 2004 a new brand under the 'Your M&S' banner was introduced, this is now its main advertising and merchandising logo. It uses clean fonts and modern colours to adapt the original green logo.

The new television adverts for its food range have the tagline 'This is not just food, this is M&S food'. They feature slow motion, close-up footage of various food products, described in a sultry voiceover to an enticing instrumental song – most notably Fleetwood Mac's Albatross.

Both fans and critics have referred to these adverts as being food porn, with many other companies copying the idea, such as Aldi and, most recently, Waitrose.

A new store format designed by Urban Salon Architects won much praise and was rolled out across all stores. The full new look makeover was a reworking of store design, including the gutting of old stores, and installation of a brighter, more spacious, modern and contemporary design; replacing carpets and laminate floors with white tile throughout (black tile in Foods) thus opening the floor instead of having pathways, having new contemporary white mannequins in new designs and poses, new displays and kit such as new design clothing rails.

M&S was the first retailer in the UK to introduce self-checkout tills in the food halls of a small number of trial stores back in 2002. Self-checkout was implemented in the general merchandise sections in three trial stores in 2006 and is now in most stores.

M&S has opened over 600 Simply Food stores selling predominantly food but with most also carrying a small selection of general merchandise. Some of the stores are franchises.

1. Which elements of the marketing mix was causing problems for Marks & Spencer?

2. How has Marks & Spencer changed its marketing mix to increase sales?

3. Why do you think it introduced a new logo?

4. What element of the marketing mix is being considered when Marks & Spencer redesigned its store format?

5. Why has Marks & Spencer opened new outlets just for its food range?

Product

The product itself is often thought of as the most important of the 4Ps. Getting the product right is the basis of the whole marketing process. It is important that businesses develop and design a product or service which satisfies the customers' needs or wants.

A product in a marketing sense is any good or service offered for sale by a business.

Give two examples for each type of product:

Consumer goods		
Producer goods		
Durable goods		
Non-durable goods		
Services		

The main features that make up an attractive product include:

- reliability – is it fit for the purpose for which it was designed and does it do the job well?
- quality – is the product top of the range or budget?
- design – how does the product look, its size, colour, weight and shape?
- flavour – how does the product taste?
- image – the product needs to create its own identity
- features – what can the product do?
- packaging – shape, size and design

Products can also have some extra features to make them more appealing, such as:

- pre-sales service – such as credit facilities
- after-sales service – such as free service/repairs of products
- manuals – instruction booklets
- guarantees – such as extended warranties

Complete the table by giving appropriate examples; a couple have been done to help you.

Strong product feature	Example 1	Example 2
Reliability	AA breakdown service	
Quality		
Design		
Flavour	Birds Eye fish fingers	
Image	Apple iPhone	
Features		
Packaging		
Pre-sale	Asda has friendly helpful staff	
After-sale		
Manuals	Ikea furniture have instructions to put the furniture together	
Guarantees		

Mobile phone companies are constantly striving to increase their market share in an intensely competitive market. Use the internet to research the different mobile phones offered by companies such as Apple, Samsung and Sony.

How do mobile phone companies vary the features of their products?

Select **one** mobile phone company and create a leaflet which shows the different features, designs, names, quality and prices of its mobile phones.

You will need to explain the relationship between the features and the price charged. You should also identify the likely target market for each handset.

Product portfolio

Most businesses will not offer just one product for sale. They are likely to have many products that they will sell to a range of customers. More established businesses and businesses operating on a larger scale, such as multinationals, will tend to have a wide product portfolio. For most businesses, the products they have in their portfolio will be similar and sell them in a specific market. However, some businesses will have an extensive portfolio that includes a wide range of different products and different markets.

Businesses will often offer a range of products - not just one. This is called the **product range**. Most businesses produce a range of products because different consumers want different products. A business can sell more and make more profit by satisfying different consumers' wants by targeting different market segments.

Why does Cadbury offer a range of chocolate bars?

Procter & Gamble and Unilever are two large multinational companies that own many of the soap powders on the market.

FAIRY

Unilever

ARIEL

Daz

P&G

Persil

Surf

Lenor

Bold 2in1

Comfort

1. Why do Procter & Gamble and Unilever have several different brands in their product range of soap powders?

Small scale and local businesses can also offer a product range.

Consider the product range that the following businesses can offer:

- a local fast food outlet
- a builder
- a hairdresser
- a local manufacturer making wood furniture and accessories

A business' product range is part of its total **product mix**. Many businesses produce more than one type of product. The product mix is the complete range of items made by the business. By offering a product mix a business will compete in more than one market and be able to increase overall sales and profits for the business.

Nestlé is one of the world's largest food manufacturers.

Since Henri Nestlé developed the first milk food for infants in 1867 and saved the life of a neighbour's child, the Nestlé Company has aimed to build a business as the world's leading nutrition, health and wellness company. Nestlé has more than 2000 brands across the world. Below is a snapshot of its UK product mix.

Each image represents a market; identify each market.

For each product in the mix there is a large product range.

1. Log onto http://www.nestle.co.uk/brands/coffee to see how many different coffee products Nestlé has on sale to customers.

2. Why do businesses such as Nestlé offer a product mix and product range?

3. What disadvantages are there for businesses such as Nestlé offering so many different types of products?

1. Explain the difference between a product range and a product mix.

2. (a) Investigate a local business and identify and describe:

   - its business name
   - type of ownership
   - range of products and services
   - mix of products and services
   - its competitors

   (b) Explain why you think this business provides a range of different products.

   (c) Identify the different market segments this organisation is targeting with its products and services.

Product differentiation

Product differentiation is used by businesses to make their products different from other products they sell and make them different from those offered by competitors. By altering the design, features, or some other aspect of its product, the business can target certain groups, attract more customers and charge higher prices.

McDonald's offers one basic product – burgers, but it differentiates the burger by offering a range of different flavours.

1. How are the burgers differentiated from each other?

2. If McDonald's offered just one burger, what would happen to its overall sales?

3. What is the link between product differentiation and market segmentation?

4. McDonald's also differentiates its products to stand out from the competition. How does McDonald's differentiate its restaurants and products from its competitors?

A business can differentiate its products and services in several ways:

- product design and innovation
- name and promotion
- unique selling point (USP)
- packaging
- branding

Product design and innovation

The way in which a product is designed will help it stand out from competing products. Many customers will be enticed by attractive designs that make the product appear superior to alternative products. The different functions of products can also offer customers different experiences; some products have unique designs and functions that make them different from other similar products on the market. Food and drink products can do this by including different ingredients and formulations that give a unique taste.

Products can be improved and adapted through innovation. From time to time, many businesses will update their products with new and improved features. For example, the iPhone is updated every year or so with small but innovative features that improve it from the previous model. Superior design can also give the product higher quality and reliability which can lead to customer loyalty.

Businesses selling electrical products such as televisions, audio equipment, laptops, smart phones, etc often differentiate their products by offering different designs and functions for customers.

Sony adapts the design of its televisions to appeal to different target markets.
Each year Sony will introduce new designs with improved visual and audio functions with cosmetic features. For example, the model below promises to give customers the best viewing experience:

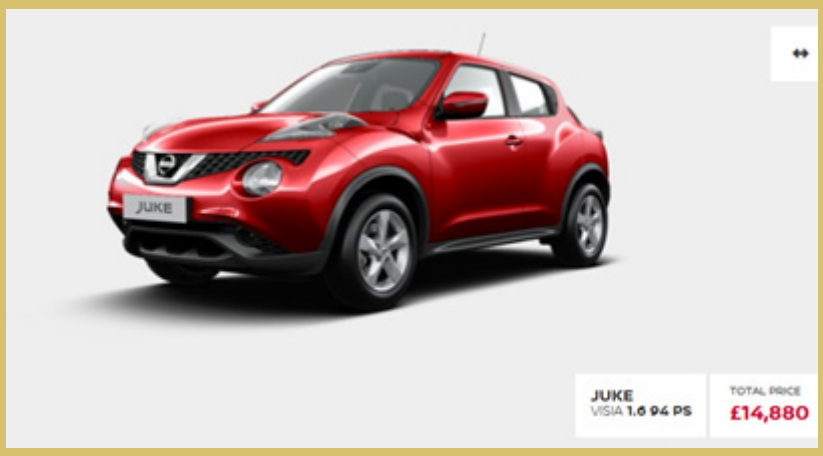
Discover incredible contrast on an OLED 4K HDR television with 8 million self-emitting pixels. Pictures are amazingly real with the deepest blacks providing detailed shadow expression and vibrant colour. Innovative Acoustic Surface™ technology delivers engaging sound directly from the screen.

Source: www.sony.co.uk

1. Visit the Sony website to find out the range of televisions it sells. Note the prices.
2. How do design and features differentiate the product from competitors' products?
3. Explain why products that have innovative design and features can increase prices.

Car manufacturers produce a range of cars. Each car model may have hundreds of different feature combinations, from the colour of the car to the engine size to whether it has alloy wheels.

Many manufacturers will have a configurator to help customers design their own car. For example, Nissan offers a range of cars – one of its models is the Juke. There are a number of different choices and functions customers can select to personalise their car to suit their needs:



1. Outline the ways in which customers can personalise the features of their car.

2. What are the benefits to Nissan and to customers of being able to personalise their car?

3. Nissan will have spent millions of pounds designing the latest Juke models. Explain why car manufacturers spend so much money on the innovation of new cars.

Identify three different products with a unique design, in your opinion, that makes you wish to buy them. Describe why you like the product and what makes it stand out from similar products.

Are you willing to pay more for a product that has a design you like? Explain your answer.

Name and promotion

Another way of differentiating the product is by the name used. Different products have different names; the name is important if it is to sell. Calling a coffee 'café stink' is likely to be a disaster.

Some products have names which are easy to remember and say something positive about the product. An attractive and memorable name will make it stand out from the competition.

The name can be used in promotion to give the product a personality. Consumers will be attracted by an attractive and memorable promotion that stands out from the promotion of other products. Types of promotion will be discussed in more depth in the promotion section of this resource.

Explain why the names of the following products are suitable and attract customers:

Daz

The following products are new and about to be launched onto the market. Think of suitable names that will help them sell:

- toothpaste
- healthy cereal
- Jenny Francis is opening her new restaurant in a few months. It is aimed at high end customers, mostly adults and will sell locally grown organic food
- Tony Evans is opening a fast food takeaway close to the nightclubs. He will sell pizza, kebabs, burgers, chips, etc mostly from frozen and poor quality

Unique selling point (USP)

Successful businesses will aim to have at least one unique selling point.

This is something which sets its product or service apart from its competitors' in the eyes and minds of potential customers.

Stand out from the crowd!

A USP may encourage and give potential customers a reason to purchase the products of one business rather than those of another business. Having a USP will help to maintain customers and create customer loyalty.

If a business does not have a USP, then:

- the business will be just another 'also ran'
- customers will tend to compare its product with others purely on price
- the business will have no clear competitive edge, and there will be no outstanding reason for customers to consider buying from it

Some USPs that were pioneers when they were introduced:

- Domino's Pizza: you get fresh, hot pizza delivered to your door in 30 minutes or less – or it's free
- Kia cars: having a seven-year warranty (other car manufacturers have a three-year warranty)
- M&M's: 'Melt in your mouth, not in your hand'
- Head & Shoulders: you get rid of dandruff
- Olay: 'for younger-looking skin'

Do the following products and services have USPs? If so, what are they?

- Dyson vacuum cleaners
- Esso petrol stations
- KFC
- Pepsi
- milk
- iPad
- Lush cosmetics
- Polo mints

Explain why having a USP is important in a competitive market.

Packaging

Packaging is an important tool in selling products as well as protecting the product. Every product we buy has to be packaged, so packaging is an essential part of the marketing mix and helps to differentiate the product.

Packaging is used:

- to protect and contain a product

  The main purpose of packaging has always been to protect and contain a product. Packaging may protect the product from damage or keep it fresh and clean. It may also be used to control the size of portions. Some packaging is designed to deter tampering to ensure products reach the consumer in good condition.

- for convenience

  Packaging often enables products to be transported and displayed more easily. The shape and size of packaging is carefully designed to ensure products can be displayed effectively by retailers and used easily by consumers.

- to provide information

  Packaging is used to provide product information to consumers such as product ingredients, usage instructions and recycling details – some of which are required by law.

- to brand and promote the product

  In a competitive market, branding and packaging are important. Consumers instantly recognise products by the size, shape and colour of its packaging.

A good pack design can encourage impulse buying. The colour of the packaging also has a remarkable effect on sales. Research has shown that consumers' attitudes are influenced by the colour of the packaging and that colour conveys different images.

Match the colour to the image you think it represents:

Black	Natural/clean
Blue	Warm
Orange	Rich/extravagant
Brown	Expensive/high quality
Purple	Strong
Red	Cool/refreshing
Gold	Practical
Green	Hot/sexy

To sell food and drink products in the UK, the label must be:

- clear and easy to read
- permanent
- easy to understand
- easily visible
- not misleading

A business must show certain basic information and list the ingredients. Packaging might also have to show certain warnings. When packaging food, a business must use packaging that's suitable for food use. Suitable packaging is marked 'for food contact' or has a symbol on it that looks like a wine glass and a fork.

Businesses that do not follow these rules can be prosecuted. The following information is provided by www.food.gov.uk:

Mandatory information (what must be on the label)

1. The name of the food
2. List of Ingredients
3. The quantity of certain ingredients (QUID)
4. Instructions for use (if needed)
5. 'Use by' or 'best before' dates
6. Special storage instructions
7. Name and address of the manufacturer, packer or seller
8. Place of origin or provenance (if implied)

1. The name of the food

It is illegal for food to have false or misleading names or descriptions.

There are three types of names

1. Legal name

2. Customary name

3. Descriptive name

Trademarks, brand names, or fancy names may be used **in addition** to the name of the food.

Source: https://www.food.gov.uk/sites/default/files/multimedia/pdfs/gceone_class.pdf

2. List of ingredients

The list of ingredients on a food label must have a heading that includes the word 'ingredients'.

In most cases, ingredients have to be listed in descending order of weight when the product was prepared.

Ingredients:
Wheat Flour, Water, Vegetable Oil, Beef (13%), Beef Kidney (10%), Onion, Cornflour, Salt, Dextrose, Yeast Extract, Malted Barley Extract, Milk Proteins, Black Pepper, Onion Powder, Glucose Syrup.

INGREDIENTS

Cod (65%), Batter (Water, Wheat Flour, Starch (Wheat, Potato), Salt, Corn Flour, Vegetable Oil, Raising Agents (Diphosphates, Sodium Carbonates), Skimmed Milk Powder, Dextrose), Breadcrumbs (Wheat Flour, Yeast, Water, Salt, Spices, Vegetable Oil, Colour (Capsanthin)), Vegetable Oil.

3. The quantity or category of certain ingredients (QUID)

When ingredients are emphasised on the label to categorise the food, the quantities of these ingredients should be indicated to ensure that consumers are not misled. This is the Quantitative Ingredient Declaration (QUID).

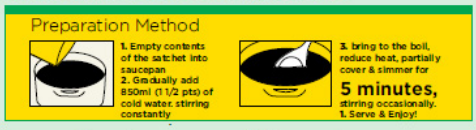
It should be used where:

- the ingredient is in the name of the food or is usually associated with that name
- the ingredient is emphasised on the labelling in words, pictures or graphics
- the ingredient is essential to characterise a food and to distinguish it from another product that it could be confused with.

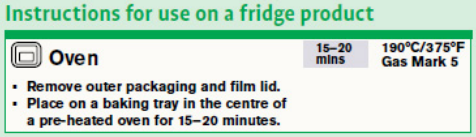
4. Instructions for use

These are the manufacturer's instructions for preparing the food.

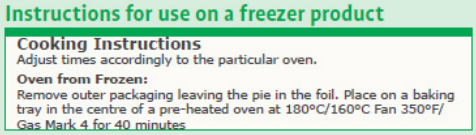
Instructions for use on a dry product



Instructions for use on a fridge product



Instructions for use on a freezer product

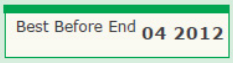


5. Durability date

This information is about the storage and use of food which aims to help consumers to use food safely and reduce waste.

There are two main types of date marks required

1. **Best before**
   - This date mark appears on most pre-packaged foods
   - Consumers can use the food after this date but it may not be best quality



2. **Use by**
   - This date mark appears on perishable foods
   - Consumers risk food poisoning if they use the food after this date

6. Special storage instructions

Following these instructions makes sure the food will last as long as the date shown if it hasn't been opened, or that it remains safe after opening.

Storage instructions for a dry product

Store in a cool, dry place

Storage instructions for a fridge product

Storage
• Keep refrigerated

Storage instructions for a freezer product

STORAGE INSTRUCTIONS
Store frozen below -18°C
Do not refreeze once thawed

7. The name or business name and address of the manufacturer, packer or seller

- The label should contain the name or business name and address of the manufacturer, packer or seller in the European Community
- If a consumer is not satisfied with how a food is labelled, they should contact the manufacturer, packer or seller

Made in England
Good Food Company Co. Ltd.
Haynes, UB4 8AL

Made in Scotland: 1234
© Food Central plc
PO Box 6666 Chester
CH99 9QS
www.foodcentral.com

Produced in the U.K. for ABC Company Ltd,
1 High Street, EN8, 95L U.K. SC0111

8. Place of origin or provenance

Place of origin or provenance becomes mandatory on a label if the name implies that the food comes from or has been made in a different country to where it was produced.

For example:
Salmon smoked in Ireland but made from Norwegian salmon should not be described as 'Irish smoked salmon' but as 'Norwegian salmon smoked in Ireland,' or 'Imported salmon smoked in Ireland.'

If the Norwegian salmon had been labelled as 'Irish smoked salmon' in the example below this would be incorrect, because it implies that the salmon came from Ireland when it is in fact Norwegian.

Correct

Incorrect

Voluntary labelling

Certain pieces of information are often included on food labels but are not required by law. These are added by the manufacturer or retailer voluntarily. Examples of additional information that may be included in a label are:

General	Nutrition	Marketing	Production
Vegetarian or vegan labelling	Nutrition information*	Marketing terms, for example fresh, pure, natural	Production methods, such as organic
Country of origin (where not required)	Nutrition signposting, for example traffic lights or guideline daily amounts	Pictures and graphics	Method of slaughter, for example Halal and scechita slaughter
Serving suggestions			

*Nutrition information becomes mandatory when a food or non-alcoholic drink makes a nutrition or a health claim.

Use the government guide to complete the following task:

Select one piece of packaging from home and stick it onto a piece of A3 paper. You must then identify and label the information contained on the package. Make sure you select a suitable example and that it fits in the space.

Comment on how the following products are good examples of effective packaging. Refer to:

- protecting and containing a product
- convenience
- providing information
- branding and promoting the product

In recent years packaging has been under scrutiny from people who think it harms the environment. Many businesses have reacted to this by reducing the packaging of their products or by using recycled material to reduce the effect of waste packaging on the environment

Max the Bunny has lost weight. M&S's best-selling chocolate animal used to have a 2ft-high plastic circular drum made up of three pieces of rigid polymer and cardboard. Now the Easter rabbit with the ghastly grin comes in a simple lightweight vacuum bag made of thin film that can be recycled. The packaging now weighs just a tenth of what it did.

Kraft Foods who make the coffee brand Kenco, changed its packaging a few years ago and promoted this with a £7.5m campaign promoting the launch of an eco refill. The Kenco Eco Refill pack format, which was one of the first of its kind in the UK, has 97% less packaging weight than the Kenco glass jars. It has been developed to encourage consumers to switch to the more environmentally friendly pack.

Explain why businesses such as Marks & Spencer and Kraft Food want to 'go green' with their packaging.

Branding

A brand is a named product which:

- customers see as being different from other products and services
- is easily recognised and identifiable
- builds its image with a recognisable design, name, logo, promotion and packaging
- allows a business to charge a higher price for the product or service
- is viewed by consumers as superior to other products offered by competitors
- may develop a loyal following of customers who are willing to make repeat purchases
- represents certain values, benefits and personality to consumers

Product design and innovation, the name, promotion, the USP and packaging all contribute towards the branding of a product. All businesses will want to create a strong brand for their products and services as it will lead to increased sales and profits. Strong branding means that a business may be able to charge a premium price for the product. This is a price that is higher than those of competitors.

1. How do businesses make their brands recognisable?

2. Why is the brand so important in the marketing of products?

Explain why the Olay product below is a good example of a strong brand.

There are two main reasons why customers are willing to pay premium prices for branded products:

- the quality of the product is usually higher. The brand will place emphasis on the quality and consumers will perceive that the quality is higher than competitor products; and

- brands are advertised heavily. Advertising and other forms of promotion mean that customers are more aware than they would otherwise be of the claimed advantages of the product.

In addition to the two reasons above, can you think why consumers are willing to pay premium prices for a branded product?

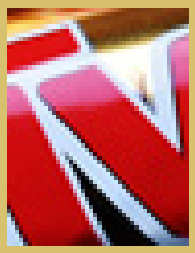
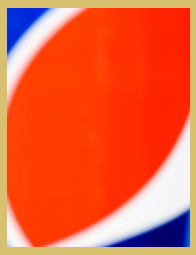
Businesses brand their product by carefully selecting the:

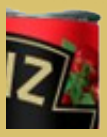
Name Logo Image Packaging Font/colour

However, creating a strong brand is very expensive due to the high cost of constant advertising as the product or service has to be kept in the consumer's eye. In addition, as branded products tend to be more innovative and of higher values, there is a high cost in product development and design.

Businesses that create a brand image across their product range and/or mix must also be careful that the loss or poor performance of one of those brands does not have a negative effect on their whole range of brands.

Throughout this resource there are many examples of branded products, identify them from the following clips:



Name the top ten brands in the world (according to research).

Brands v. own brands

A product which is sold under the brand name of a supermarket chain or other retailer, rather than under the name of the business which manufactures the product, is known as an own brand.

Own brands are usually cheaper than the branded products.

Often own-brand products are of a similar quality to that of branded products but can be sold for lower prices due to savings made in promotion and packaging costs.

A concern for businesses like Nestlé, Hovis and Heinz is that customers might see own brands just as high-quality as more expensive manufacturers' brands.

1. Explain the advantages and disadvantages of buying an own-brand product instead of a branded product.

V

V

2. Discuss why the sale of own brand products have increased in recent years.

The product life cycle

The product life cycle shows the stages which a product passes through over time. The stages show how the demand for the product will vary throughout its lifespan. The lifespan of different products varies greatly. For some products, the life cycle can be short – for example, one-hit wonder pop stars or this summer's fashion. Others appeal for a longer period and then go out of fashion or are replaced by newer, more up-to-date or technologically advanced products.

However, there are some products that are unique: for these the life cycle goes on and on. Coca-Cola, the VW Golf and Mars bars are examples of products with impressively long and ongoing life cycles. Whatever the product, it will have a life cycle of some sort.

The stages of the product life cycle:

- introduction/launch
- growth
- maturity
- saturation
- decline

Some product life cycles also show an additional stage before the product comes onto the market. This is called the **development stage**. This is where the research and development takes place and can take years for certain products. For example, it can take three years to develop a new model of car. At this stage money is needed to invest in developing and testing the product and no income is received by the business, so costs are high and sales and revenue are zero.

The product is then **launched** or **introduced** onto the market. This is normally backed up by an advertising campaign and other forms of promotion. Sales will begin at this stage. The product is new to the market and few potential consumers know of its existence.
Prices can be high and sales may be restricted to early adopters (those that must have new technology, gadgets or fashions first). Profits are often low as development costs have to be repaid and advertising expenditure can often be high.

In the **growth stage** sales and profits rise and the products are sold in more and more outlets. Marketing will continue to focus on increasing awareness of the product. Advertising tries to establish or strengthen the brand and develop an image for the product. Costs can still be high.

In the **maturity stage** the product reaches a peak in sales, and profits should be high. All the research, development and advertising costs have been paid off. Marketing efforts will focus on persuading customers to make repeat purchases. The product is profitable enough to finance the development of other products. The rate of sales will slow down as competitors launch competing products or consumers may be looking for different or new products. A business may consider introducing an **extension strategy** at this stage to boost sales.

In the **saturation stage** very few new customers are gained and sales start to decline as more customers either buy a competitor's product or simply stop buying the product. The product may be established but there is little opportunity for further growth, the business could try to reduce its costs, so that prices can be reduced. The battle to survive is beginning and the market for the product is 'full'. Profits may start to decline.

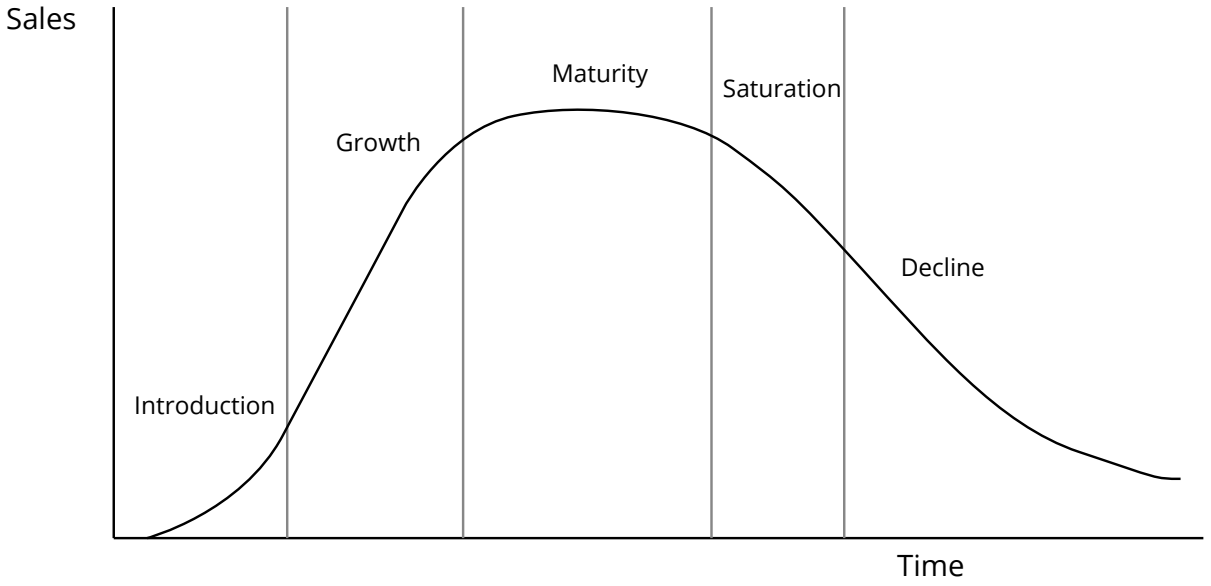
In the **decline stage** sales fall fast and profits will decrease. A business may decide to increase advertising costs in an attempt to boost sales or it may reduce advertising and eventually stop selling the product and withdraw it from the market. Prices of products in the decline stage often fall to sell remaining stock quickly.

Businesses will try to make the product stay in the maturity stage as long as possible as this will maximise profits and help the business gain the greatest return on the money invested in the product. To do this, the business will need to use extension strategies.

The marketing mix for a product will change during the different stages of the product life cycle.

Suggest how the 4Ps will differ for products in the different stages of the product life cycle.

The product life cycle can be illustrated in a diagram. The following product life cycle diagram shows a classic or typical product life cycle:



In this example we see the five stages, starting with introduction, through to growth, maturity, saturation and finally decline. The product life cycle measures the change in sales of the product that occurs over time. We can see that sales increase through introduction, growth and into maturity until we reach the saturation stage of the product life cycle. Sales now start to fall and the product moves into decline.

All products will have their own life cycle; some are short, lasting only months and some last for many years.

Coca-Cola has had a very long product life cycle. The product was introduced in 1886, and has spent many years in the maturity stage.

Draw the product life cycle for Coca-Cola. On the time axis, draw a scale that starts in 1886 to the present day.

Name some other well-known brands that will have a similar product life cycle to Coca-Cola.

Apple introduced the iPod in October 2001. The global sales figures for the iPod are shown below:

2001 125 000

2002 475 000

2003 1 million

2004 8.2 million

2005 22 million

2006 39.41 million

2007 51.63 million

2008 54.83 million

2009 54.13 million

2010 50.31 million

2011 42.62 million

2012 35.17 million

2013 26.38 million

2014 14.38 million

Apple has not reported iPod sales since 2014.

1. Using these figures construct a product life cycle for the iPod.

2. Analyse the iPod product life cycle.

Construct a product life cycle for a new blockbuster film that is to be released in cinemas in July.

Extension strategies

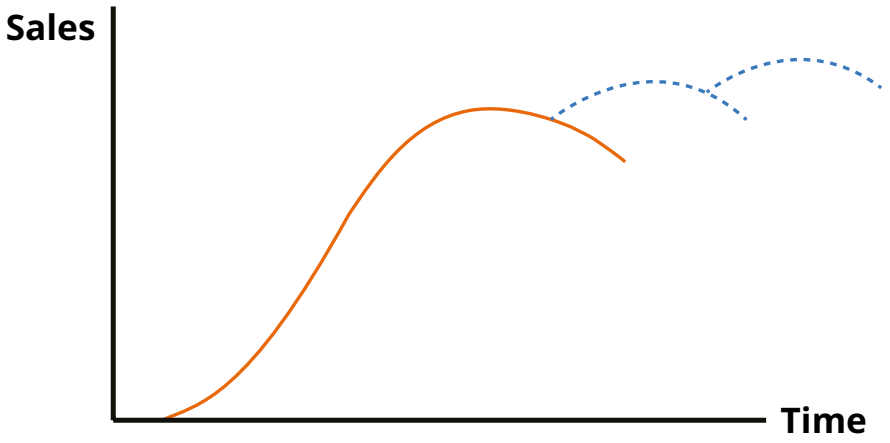
When a product is in the maturity or decline stage of its life cycle, the business may decide to take the product off the market or to prolong its life by carrying out an extension strategy.

Extension strategies include:

- bringing out new versions with additional or new features
- changing the packaging
- lowering the price
- carrying out more advertising
- finding new markets
- finding new uses and persuading consumers to use the product more frequently.

Extension strategies are used to stop sales from falling and to prolong the life cycle as long as possible. An extension strategy will mean changing the marketing mix for a product and will have the following effect on a product life cycle:

Product cycle - extension strategies



In the example above, the first extension strategy was introduced at the end of the maturity stage, resulting in a boost of sales for some time. When these sales started to drop off, a second extension strategy was introduced. This again resulted in a short boost of sales.

Identify examples of products and services that have used the following extension strategies:

- bringing out new versions
- changing the packaging
- finding new markets
- persuading the consumer to buy more frequently

Lucozade was invented in 1927 by William Walker Hunter, a Newcastle pharmacist who was worried about his daughter's jaundice. He mixed up an easily digestible, tasty glucose drink that was full of energy. He called it Glucozade, later dropping the G.

The drink, distinctively packaged in yellow cellophane, was an immediate success and for eleven years was produced and sold by Hunter's company, W. W. Owen and Son. It was then taken over, first by Macleans in 1938 then by Beechams, and within a few months of national distribution, it had become a household name.

The drink was marketed for convalescents and endorsed by the medical profession. It soon became associated with recovery from sickness. It sold well during and after the war, but by 1980, with general concern about children's consumption of sugar, sales began to drop alarmingly.

Something had to be done. Lucozade was transformed into a sports drink. In 1983 Lucozade was re-launched with new lemon and tropical barley flavours – as an energy-replacement drink for sports players. It was soon available in cans, and in a diet version.

Launched in 1990 to phenomenal success, Lucozade Sport was the UK's first mainstream sports drink, its advertising was costing 45p for every litre sold. But this huge investment paid off as sales soared from £12 million in 1985 to £84 million in 1990.

Television commercials featured famous sport stars such as Daley Thompson, Linford Christie, John Barnes, Alan Shearer and Michael Owen. Lucozade is also a leading sponsor of sporting events and was the sponsor of the tenth series of *Big Brother*.

In the 1990s the brand was updated again, using words like 'isotonic' and 'hypotonic'.

It is now owned by GlaxoSmithKline plc and it is the biggest non-cola carbonated soft drink in the UK. Since its re-launch Lucozade has been the market leader in the energy drink category. Key competitors include Red Bull and Powerade.

1. Draw a product life cycle for Lucozade.
2. Describe the extension strategy used in the 1980s.
3. How did the new packaging help to boost sales?
4. Why were sports stars used to advertise the new versions?
5. What would have happened to Lucozade if no extension strategies were carried out?

You work for Nestlé. Recent sales of your leading brand of chocolate, KitKat, have fallen. You do not want KitKat to fall into decline.

You have been given the job of devising new extension strategies to increase sales.

Think of two different extension strategies to put forward to the marketing director.

You have to present these ideas in a five-minute presentation. You need to make some notes and present your ideas through designs, promotion, prototypes etc.

You may use PowerPoint in your presentation.

1. Why is branding so important for a business?
2. Explain why creating a successful brand can be expensive.
3. Product life cycles can help a business create an effective product portfolio. Discuss.

Price

Marketing also involves getting the price right, so that the product is affordable to customers, but at a price which allows the business to make a profit.

The price of the product must reflect the value the customers place on the product.

Businesses need to consider:

- the market price
- how much it costs to make
- prices charged by competitors
- pricing techniques

Businesses want to sell at high prices, but consumers want to buy at low prices. Luckily the marketplace forces them to come together and reach a market price. If the price is too low then there will be a shortage, as no business wants to sell products that will lead to it making a loss. If the price is too high, there will be a surplus of products as consumers are not willing to pay the price and will not buy the product. So businesses and consumers have to agree on the market price.

Most businesses operate in a competitive market so the price they charge customers has to compete with the prices charged by competitors. By using the other 3Ps of the marketing mix a business can create a higher demand for its product and this can affect the price it charges, compared to other competitors. Having a USP or a strong brand can help a business charge higher prices.

The price a business decides for its products will also depend on its overall objectives. For example, if the objective is for growth and increasing market share, the business may decide to set lower prices and accept lower profit margins in the short term to allow it to become the market leader. In the long term it may then raise prices when it has established a strong position in the market.

There are two main ways of deciding how to price products:

Cost-plus pricing

The business will charge a price based on the production costs.

The costs will be calculated and then a mark-up or profit margin will be added to arrive at the price charged.

Market-led pricing

A business will charge a price based on the market and competitors.

Several different market-led pricing strategies can be used:

- competitive
- penetration
- skimming
- psychological
- loss-leaders
- price discrimination

Are the following products and services likely to use cost-plus or market-led pricing?

In reality, a business will use a combination of cost-plus and market-led pricing when deciding on the price to charge customers.

Cost-plus pricing

This simple way to decide on price is to just see how much the product costs to make and then add some amount to make a profit. The business will calculate the price based on the costs it incurs in producing and distributing the product. 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 cost of the good is £1, and the business adds a profit percentage of 40%, then the business will sell the good at £1.40. This simple method of pricing does have advantages: firstly, changes in costs can be passed directly on to the buyer and secondly, every good sold is sold at a profit.

Cost-plus pricing is often used by businesses offering services, such as plumbers, builders, solicitors, IT support and retailers who buy products from suppliers and then sell them to

customers with an added-on percentage.

However, there are disadvantages too. Actions of competitors are often totally ignored. Cost-plus pricing takes no account of the prices charged by competitors. If a competing product is selling for less, cost-plus pricing may not be a good strategy. Cost-plus pricing takes no account of customers' needs or wishes. This can lead to loss of sales or loss of profits if a higher price could be charged because of little or no competition. When a business produces a large range of products, calculating all the costs can be a complex and time-consuming procedure.

A business has calculated that it costs £12 to make a pair of shoes. Work out the price based on the % mark-ups below.

Cost of making the shoes	% mark-up	Selling price
£12	20%	
£12	50%	
£12	100%	
£12	10%	

Read the following information and answer the questions that follow:

Mackie's of Scotland says rising costs could hit profits

Ice cream maker Mackie's of Scotland has warned that a significant increase in the cost of ingredients could hit profits this year. The Aberdeenshire-based company said the rising cost of cream and sugar had put pressure on margins.

However, it added it still expected growth to come from the expansion of existing products and the addition of new ice cream flavours. Ice cream sales continued to grow, with a 5% increase in turnover on the previous year.

The family business said it now had an 8% share of the UK-wide market for all take-home premium ice cream, with more than 50% of the company's sales outside Scotland. Mackie's said its overall costs increased slightly last year, with lower ingredient costs being offset by increases in packaging, freight and labour expenses.

The company has been investing heavily in renewable energy, having installed four wind turbines and a 1.8MW solar farm. The company is now 70% powered by its own electricity from wind, solar and biomass energy.

Managing director Mac Mackie, said, 'We have made progress in every part of the business. Our 30th birthday has resulted in another profitable year'.

Source: http://www.bbc.co.uk/news/uk-scotland-scotland-business-39103305

1. What affect could the increase in ingredients have on the price Mackie's charges its customers?

2. What could happen to the price and demand for its products if it decides to:

   - maintain current profit margins?
   - keep the price it charged customers the same?

3. Why must Mackie's consider its market position when deciding on its price?

Market-led pricing

This is when the price is based on analysis of the market and competitors. This is a much more intelligent way of determining price as it considers what the customers are willing to pay. This can be found out by market research.

The price that is charged will be closely tied to the product in the marketing mix. For high-quality products that are popular, or have a USP or strong brand, a higher price can be charged. For products where there is a lot of competition in the market then the business must be careful and may need to lower prices. Low prices also tend to be set for low quality products.

For each of the following products below, tick the price column you think is the most likely price to be charged. Explain why you think the business will choose this price.

Brands	Low price	Average price	High price	Reason
New PlayStation console				
Primark jeans				
Levi jeans				
Premier league football match				
Ford Fiesta motor car				
Rolls-Royce motor car				
Reebok footwear				
Own brand supermarket goods				
Ben & Jerry's ice cream				

There are a few market-led strategies a business can use if the price of the product helps decide whether consumers will buy it. These market-led strategies should only be used after the business has carried out an analysis of the market and its characteristics.
These market-led pricing methods include:

- competitive
- penetration
- skimming
- psychological
- loss-leaders
- price discrimination

Competitive pricing

This is where businesses will charge similar prices to other businesses – their competitors. The businesses will compete by using non-price competition, such as the quality of the product, advertising and branding.

This takes place in markets where there is a lot of choice, where there is no one superior brand and where there is not much product differentiation. Setting a price above that charged by the market leader will only work if the product has better features and appearance, and if customers are willing to pay a higher price.

Petrol companies find it impossible to compete on brand – no motorist cares what brand of petrol goes into the tank. Consumers will not pay more for Shell petrol because they like the petrol! So the petrol companies will all charge similar prices and will compete on a non-price basis – providing good customer service, being open for 24 hours, selling a good range of products, cashpoint machines, promotional offers, loyalty cards.

1. What would happen if one petrol company decided to raise its price?

2. What would happen if one petrol company decided to lower its price?

Explain, using teenage magazines as an example, what is meant by competitive pricing.

These two products are huge competitors in the cola market – they dominate the market and are worldwide brands.

Do they compete on price?

What pricing strategy do they use?

How do they compete?

Penetration pricing

This is when a business charges a very low price when the product is introduced in order to get lots of people interested in it. This will help gain market share very quickly. The product will be advertised as a special introductory offer.

This is a useful method of pricing if the market is very competitive and difficult to get into because it is dominated by a few big businesses. When the product has become established the business will increase the price.

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. A problem is that when the price is increased, consumers may refuse to continue to buy the product. The business will hope that it has built up brand loyalty by the time it raises the price.

However, if the price is set too low, customers may take the view that the product is low-quality and therefore 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 the market share to grow, then the price can be gradually raised and the initial cost of the penetration strategy can be recovered.

Publishers launching new magazines often use penetration pricing to get potential customers interested. Often the first few editions are set at a low price and then raised when they have created interest and loyalty with readers.

Suggest why manufacturers of cereals, like the ones shown below, will use penetration pricing when launching a new breakfast cereal.

Explain how internet suppliers, satellite broadcasters and insurance companies use penetration pricing to attract customers to their services. Consider how customers usually pay for these services.

Skimming

This is the opposite of penetration pricing. It is setting a high price when the product is introduced to the market. It will then be lowered later. There should be a potential high demand for the new product for this strategy to be effective.

This strategy will result in high profits but not high sales.

It is often used for new technological products such as game consoles, smart televisions, computers, etc. It is also used if the product has a USP and gives something new to consumers. This strategy helps to make the product desirable.

The idea is to introduce it as a luxury good, charging a high price for it so that only the wealthy or enthusiasts (called early adopters) buy it. Often businesses need the initial top price in order to recoup the development costs.

Eventually the price drops after they have 'skimmed' the market – taking off the top layer of consumers who have more money to spend. When the price drops, the products become available in the mass market and everybody buys them.

When the iPhone 5 was launched in 2012, the price was £699 for the 64GB model. Every year since then it has reduced in price and in 2017 it was on sale for £189.99, with the price even cheaper in some outlets.

1. Explain how this is an example of skimming.

2. Consider why Apple can use skimming when introducing new products.

For the following products decide if they would use penetration pricing or skimming when they are launched onto the market.

- toothpaste
- curved HD Smart TV
- chocolate bar
- pet food
- DVD box set
- Dyson vacuum cleaner

1. Identify products you would be willing to pay a high price for when they are launched on the market. Why are you willing to pay this price?

2. Any product can use skimming as a pricing strategy. Discuss.

Psychological pricing

The business wants the consumer to respond to its prices on an emotional, rather than on a rational basis. The policy of pricing goods just a little below a round figure, such as £19.99, is an example of psychological pricing. Most businesses use this aspect of psychological pricing, whether it is for a 99p product or a car priced at £29 999.

Businesses using this tactic hope to convince potential purchasers to buy their goods in the belief that they are getting value for money. Using words such as 'only' and 'best deal' will also help to convince customers that they are getting a good deal.

Examples of psychological pricing include:

Click on the links to view more examples:

https://gdblogs.shu.ac.uk/b3023955/wp-content/uploads/sites/75/2015/04/maxresdefault.jpg

http://www.towntalk.co.uk/subdomains/lib/image.php/88063_price-crash.jpg?domain=.co.uk&image=http://www.edinburgh.towntalk.co.uk/images_folder/eventsimg/88063_price-crash.jpg

https://mpk732t22015.files.wordpress.com/2015/09/p1.jpg

Explain how the four examples above are examples of psychological pricing.

Loss-leaders

This is when a business sells a product at cost price or at less than cost price, to gain a share of the market. Once the business has established a customer base it will raise the price.

This is similar to penetration pricing, but loss-leaders are selling their product for a loss or no profit, whereas for penetration pricing a small profit might be made.

Loss-leaders are also used by businesses who know that the product they sell will lead to the consumer having to make further, more expensive and profitable purchases.

The expectation is that the business 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. The classic example of this has been supermarkets selling goods like bread, milk and vegetables at a loss in order to attract customers into their stores. An increasingly common example, which is much more controversial, is supermarkets selling heavily discounted beer and wines.

Other examples of loss-leader pricing include free mobile phones, where profits will be made on line rentals. Most mobile phones are now sold on a loss-leader basis.

Explain how the following products are loss-leaders:

Many other retail stores and online shops use loss-leader pricing. These businesses will price a few items so low that there is no profit margin. The hope is that once shoppers are in the store or on the website buying the advertised loss-leader, they stay and buy more. However, consumers are now aware of this strategy and clever consumers look for these

bargains and only visit the store for these products.

Explain how supermarkets use loss-leaders such as bread and milk to help them increase sales in their stores.

Explain how some people believe the use of loss-leaders in supermarkets is unethical.

Discrimination pricing

This is where businesses charge different prices to different customers for the same product.

This can be based on:

- geography – different prices charged in different parts of the country/world;
- time – peak prices can be charged at busy times;
- age – people of different ages get charged different prices for the same product; and
- channel pricing – different prices charged for using different channels to buy the product or service, such as online and physical store.

The price list below for the Odeon cinema shows two examples of price discrimination. Identify them and explain why you think the cinema uses these pricing strategies.

https://bellmqegs.files.wordpress.com/2013/03/odeon-cinema-ticket-prices.png?w=830

Using your personal knowledge and from researching on the internet, describe how the following businesses carry out discrimination pricing:

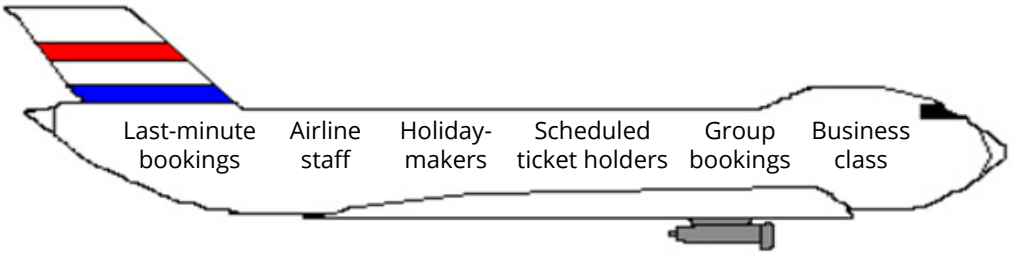
- Currys
- British Rail
- McDonald's outlets located in central London
- Uber taxis
- hairdressers
- hotels
- iPad prices in the USA compared with prices in the UK

To carry out price discrimination a business needs to research and clearly identify its target markets. A business with identifiable market segments is likely to use price discrimination to maximise profits.

A good example of this is the different prices a business charges to consumer and producer markets. For example, Microsoft Office's edition for schools is available for a lower price to educational institutions than to other users in the mass market.

If a business can identify times when there is a strong demand for its services (peak times), it can raise prices during these times as it knows customers have a strong need to purchase these services at that time. For example, when demand for a particular flight is high, airlines raise the prices of available tickets. In contrast, when tickets for a flight are not selling well,

the airline reduces the cost of available tickets. Consumers buying airline tickets several months in advance typically pay less than consumers purchasing at the last minute. Hotels also use this strategy in selling hotel rooms.



When deciding on a pricing strategy a business must consider the other elements of the marketing mix. A major consideration is the type of product or service it sells and its position within the market. Does it have a USP? Is it the market leader? Are there many competitors? Is it a strong brand? Will the price cover all the costs?

What will work well for one business may be a disaster for another.

All the pricing strategies listed above can be used successfully if the strategy supports the product, promotion and place elements of the marketing mix. However, the business must also consider its position in the market, where the product is in its product life cycle, its overall strategy, the actions of its competitors and the external economic environment.

Sally Adams, a sole trader, is opening a new sports clothes shop on her local high street in a busy town centre. She will sell branded sports clothing and footwear and some accessories. Advise Sally on the various pricing strategies that she could use when her business opens.

1. Create a poster that summarises the main features of the following pricing strategies and include an example for each one:

   - cost-plus
   - competitive
   - penetration
   - skimming
   - psychological
   - loss-leaders
   - price discrimination

2. Devise suitable pricing strategies for the following businesses:

   - a nail bar
   - a restaurant introducing a new à la carte menu
   - a theme park
   - a baker specialising in making cakes for special occasions
   - a new pub opening close to many established pubs in a busy city centre location

3. Competitive pricing is always the best pricing strategy to use. Discuss.

Read the following information and answer the questions that follow:

Ross County cuts season ticket costs by £100

Scottish Premiership club Ross County has cut the cost of its season tickets for next season. The football club has reduced the price of an adult season ticket for the Jail End south stand by £100 to £200.

It has also reduced the prices offered to young fans, including a new £5 season ticket for under 12s, and cut costs for the over 65s and over 75s.

Ross County's chairman Roy MacGregor said the decision to offer cheaper season tickets had followed a meeting with fans. He said, 'We have been holding regular supporters' meetings this season and it became apparent from those that football in general has become too expensive. We've not raised the price of season tickets for five years but we wanted to go further than that and try to make football more affordable and get more people along on a Saturday afternoon.

'Bringing down the price of an adult season ticket for the Jail End down from £300 to £200 is quite a dramatic discount and we hope it will really make those seats more accessible to those who may have struggled at the old price'.

Ross County are in the bottom half of the Scottish Premier League.

Source: http://www.bbc.co.uk/news/uk-scotland-highlands-islands-39882137

1. Describe the pricing strategies used by Ross County football club.

2. Analyse the advantages and disadvantages of using these strategies.

Promotion

Promotion is telling the public about a product and persuading them to buy it. It is the communication between the business and the customer. It involves:

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

'But surely if a product is good enough, you won't need to promote it'

What do you think?

Why does a business need to communicate with the customer?

How much time and money a business will spend on promotion will differ for every business.

Remember from the beginning of this resource – the idea of the marketing mix is similar to mixing a cake. A baker will alter the proportions of ingredients in a cake, depending on the type of cake that is being made.

The proportions in the marketing mix can be altered in the same way and differ from product to product. Some products rely on advertising to sell, others carry out little advertising.

In your class, discuss businesses that use a huge amount of promotion in their marketing mix. Why do they do this?

Businesses will use a number of different promotional methods to communicate with their customers. They will use a combination of these in order to communicate in the most effective way. This is called the promotional mix.

Methods of promotion

There are a number of methods/techniques a business can use to promote its products and services. These include:

- advertising
- sales promotion
- direct marketing

Advertising

Advertising includes any messages sent to customers about a business or its products that a business has paid for. Advertising can be informative and/or persuasive.

Informative adverts just give details of the product. Businesses use informative advertising, especially local businesses in local papers and in leaflets. Informative advertising will just state the information, such as the opening times of a restaurant.

Informative advertising leaves consumers free to make up their own minds about the product.

The government uses informative advertising to inform the public of the dangers of drug and drink driving. However, in recent years this has become more persuasive.

Identify if these adverts are persuasive or informative:

https://wrappartners-production.s3.amazonaws.com/preview-images/e9/23a5b93ef04746.jpg

http://www.iamcreative.org.uk/sites/default/files/imagecache/entry_image_big/Talk%20Talk%20poster%20official_5.jpg

http://4.bp.blogspot.com/-ztV4pI8Uzkw/URTOqeJLL5I/AAAAAAAAAC4/oBUnR_6UuyY/s400/andrex+1.jpg

Produce an informative newspaper advert for a new chip shop opening near to where you live.

You have paid for a maximum of 50 words and nothing else. Make sure you include all the important information needed.

Persuasive advertising tries to convince consumers that they cannot survive without the product. There are many ways in which adverts can persuade people to buy it.

An informative advert

New Gobbo toothpaste contains the active ingredient chompoglean. It is clinically proven to reduce tooth decay by 37.6% and lasts up to eight hours. Now available in all good shops. Priced at £1.25.

A persuasive advert

1. Explain why the persuasive advert may be more effective than the informative advert.

2. Give examples of different ways an advert can be persuasive. Think of the adverts you watch on television and the internet to help you.

Look at the informative advert for Fab Foodstores. By changing the lettering, using more adjectives (like smashing, wonderful, special, amazing, awesome etc) and adding images and colour, produce a persuasive advert.

FAB
Foodstore
would like its customers to know that
this week we have reduced the
prices of the following lines:

BREAD

EGGS

CHEESE

BUTTER

BEANS

POTATOES

Advertising is carried out through the use of media. There are many types of media that can be used. The most popular are:

- television
- radio
- local and national press (newspapers, magazines and journals)
- online
- cinema
- point of sale
- leaflets
- directory listings
- billboards and posters

The type of media used will depend on:

- **the target audience** – it is important to use the media that customers and potential customers use

- **the size of the market** – local and small businesses will use different media to large and global businesses

- **the size of the advertising budget** – advertising is expensive and a business must use media that it can afford

Television advertising can reach millions of people in most households; however, it is very expensive both to book advertising slots and to create the advert. Television advertising is generally used by larger businesses. Smaller businesses may be limited to advertising during off-peak time slots that tend to be cheaper due to lower viewing figures.

The use of music, famous personalities, colour, humour and appealing scenery makes television advertising very effective.

Television advertising can target people who watch particular programmes. Television is the most powerful medium, reaching 98% of households, and viewing figures for some programmes can exceed 10 million.

However, with the development of digital and satellite television there are far more channels and viewers can switch between channels during the advertising break. Also, with the introduction of Sky+, fewer people now watch adverts.

Small local businesses can also use television advertising. The cheapest television slots are however restricted to off-peak periods and localised audiences (regional television). It is also costly to make an effective television advert, particularly if celebrities are used in it. The use of music, famous personalities, colour, humour and fantastic scenery makes television advertising very appealing.

Read the following information and answer the questions that follow.

How much does it cost to advertise on UK television? Here's what Channel 4, ITV and more charge for slots – February 2017

As the likes of Facebook continue to muscle in on the spending on television adverts in the UK, this article looks at how much it actually costs to buy a slot on some of the UK's most popular channels.

While television remains a central part of the advertising mix, there's no denying that spending on digital advertising is leapfrogging it at a superheated pace. eMarketer predicts that by 2020 online advertising will account for 60% of marketing budgets while television will represent just 21.5% – a decline from the projected 25% slice anticipated this year.

The Broadcasters' Audience Research Board (BARB) claims that the average UK viewer watches 45 television adverts a day without skipping through them.

The figures below provide a guide to the average cost of a 30-second slot on each network, although pricing can change throughout the year.

A 30-second advert during ITV's breakfast schedule between the likes of *Good Morning Britain* or *Lorraine* costs from £3000 to £4000 on average. For a daytime slot, adverts of the same time length come in at £3500 to £4500, while a peak-rate alternative can cost anything from £10 000 to £30 000.

On average, Channel 4 is cheaper than ITV. A 30-second slot on daytime television can cost between £1000 and £2000. Peak rates during shows like *Hollyoaks* or *Catastrophe* clock in at £10 000 to £20 000.

Channel 5 is the cheapest national terrestrial channel to advertise on, according to estimates. The typical cost of a day-rate advert is £800 to £1600. A peak-time slot – which can be purchased for breaks during programmes like *Neighbours* or *Big Brother* – can cost from £2500 to £4500.

The approximate cost to advertise on Sky 1 during daytime shows like *Stargate Atlantis* can

be anything from £150 to £250. A 30-second slot during peak time between the likes of *The Simpsons* can cost anything from £650 to £1150.

Rates for a half-minute-long advert on Sky Sports vary widely, depending on the type of sport, the type of advertiser and even the team that's playing. For instance, a Chelsea v. Arsenal match will have a totally different price to Sunderland v. Hull. The average estimated cost of a 30-second slot on Sky Sports during peak time can fall anywhere between £60 and £750. Daytime rates for the channel come in at £10 to £50. Eurosport's rates are a little different. The channel's peak rate adverts clock in at £100 to £150, while day-rate campaigns cost between £50 and £100. An early peak-time slot on BT Sport will come at a price between £20 and £200 for advertisers, while a night-time slot, like those offered during *NBA Action*, cost a modest £5 to £30.

Big brands are no stranger to buying spaces on Channel 4 or Sky 1, but away from the more popular channels there are a few digital alternatives which offer adverts at lower rates for those on a budget. For instance, slots on the Horror Channel start at £50 to £150 for a day rate and go up to £150 to £300 for a peak-rate advert, which would run during programming like the 1993 version of *Attack of the 50ft Woman*. Meanwhile day rates on Animal Planet, E! and Hum all come in at between £0 and £50.

Source: http://www.thedrum.com/news/2017/02/22/how-much-does-it-cost-advertise-uk-tv-heres-what-channel-4-itv-and-more-charge-slots

1. When will be the most expensive time to advertise on television?

2. Why are there different rates for different channels?

3. What types of business are likely to advertise on television? Refer to scale of business and product types in your answer.

4. Why is it predicted that television advertising will become less popular with businesses?

5. Advertising on smaller satellite channels (such as the Horror Channel) is much cheaper than the main channels. Suggest why a local business that could afford this may choose not to use this medium to advertise its business.

1. List your three favourite television adverts.

2. Explain why you like these adverts.

3. Explain how adverts use branding and USPs in an attempt to persuade consumers to buy products and services.

The cost of television advertising has declined dramatically over recent years, primarily because of the wide choice that viewers now have with the introduction of satellite channels and the growth of a number of online options. Satellite channels have benefits as niche audiences now exist, so businesses can select channels that match their target customers. There was once a time when you'd be hard-pressed to carry out a television advertising campaign with a budget of £100 000. However, costs have fallen so dramatically that some agencies can work on budgets as small as £10 000.

The cost of advertising on television depends on a number of factors:

- **the time of year** – airtime tends to be most expensive in the run-up to Christmas and least expensive during the months of January, February and August;
- **the time of day** – advertising during the day on weekdays is slightly more affordable, and rates are cheapest during the early hours of the morning. However, a business should not choose airing time based on the rates – if a business can only reach its target audience during peak times and can't afford this, it will be better off avoiding advertising on television until it can afford it;
- **the channel** – terrestrial channels are generally used for building brand awareness quickly and the cost usually puts it out of the reach of smaller businesses. However, there are many small digital channels where highly targeted audiences can be reached at a fraction of the cost of a terrestrial channel;
- **the target audience** – advertising agencies will plan a campaign against a business's target audience. For example, if the target audience is men between 35 and 54 then a business should buy advertising that matches this segment to a corresponding channel. A highly-selective target audience can be more expensive to reach on a 'per person' basis;
- **the type of commercial** – the two main types of commercials are branding and immediate response. Immediate response commercials attempt to encourage the viewer to act immediately through calling a number or visiting a website, whereas branding commercials work through trying to associate a brand with a certain feeling. Branding commercials are more expensive to produce and must be shown more frequently to work well;
- **the length of the commercial** – the industry standard length is 30 seconds but commercials can be as short as 10 seconds. In general, 10-second commercials will be approximately half the cost of a 30-second commercial; and
- **additional aspects** – many television advertising campaigns are supported with online advertising and even a competition to encourage a response. These additional complementary items can increase the cost of the campaign as a whole.

Although the cost of television advertising has fallen greatly it is worth noting that this form of advertising is still a huge gamble. For some industry sectors it works extremely well, such as supermarkets, mass products, travel, loans and insurance companies, but for other sectors it is a gamble. A business should not expect instant results, so a business should only advertise on television if it can afford to carry out a sustained campaign and absorb the losses if it's a complete failure.

You are the advertising director for Pepsi. You have to organise the national television advertising for Pepsi products for the UK.

Outline your ideas for your advertising campaign on television (content of advert, channels, timing, target audience, length etc).

Radio advertising is cheaper than that on television, but is a very effective advertising medium. Radio advertising can use sound and music to appeal to the audience. The audiences are smaller than the main television channels, although there are many commercial radio stations that are aimed at specific audiences, allowing advertisers to target a particular market.

There are many regional radio stations – this suits local businesses as they can afford the advertising and target their local customers.

1. Name five commercial radio stations and identify their target markets.

2. Using the information below, explain why radio is an effective advertising medium.

Reasons for using radio

Radio offers efficient targeting

Radio targets audiences efficiently because different stations attract different listeners – Planet Rock listeners are worlds apart from Classic FM listeners etc. This allows advertisers to talk selectively to the groups they are most interested in. Added to this is radio's regional/ local structure, which means that brands can focus their activity very effectively onto key market areas.

Radio reaches people at relevant times and places

Most radio listeners are engaged in another activity, and this means that advertisers can reach listeners at key 'touchpoints' during the day – when they are on the school run, at work, before going out for an evening, and so on. Research shows that advertising which is relevant to what the listener is currently doing is likely to be more effective.
Radio reaches out in a world that avoids adverts

Research shows that radio, together with cinema, has the lowest level of advertising avoidance. People rarely switch stations and are therefore available to listen to any message that is relevant, creative, intriguing etc. This is a great opportunity for advertisers who want to reach out to new customers, or to tell existing customers something they don't know.

Radio is 'a friend'

Listeners use radio for emotional reasons – to keep their spirits up, to stop themselves from feeling bored in a car or while doing daily chores. This leads to them seeing radio as a kind of friend, and this is a valuable context for an advertiser to appear in.

The majority of people are listening to radio on their own and will have their own personal experience of the output which is not shared with other people. Radio presenters actively cultivate this relationship so that listeners feel they are being spoken to on a one-to-one basis. This makes for a more powerful advertising opportunity as when, for example, a radio presenter talks about 'our friends at Company X', the listener is hearing about a friend of a friend – and this has a strong effect on bringing a brand closer.

Adapted source: http://www.radiocentre.org/advertising/radio-basics/why-use-radio/seven-reasons-for-using-radio/

Local and national press

Newspaper advertising accounts for a quarter of all expenditure on advertising in the UK. There are several different types of newspapers:

- national newspapers
- local newspapers
- free newspapers

Advertising in a national newspaper can be very expensive, costing up to tens of thousands of pounds for a full-page advert. However, local newspapers are fairly cheap in comparison, costing hundreds of pounds.

The cheapest form of advertising in newspapers is classified advertising. Free newspapers are very good for small businesses with low advertising budgets. Free newspapers make their money from advertising revenue; the bigger their readership, the more they can charge businesses to advertise. Small businesses can also write a press release and give this to a local newspaper in the hope that it will be used.

The high cost of advertising in the national press such as the Mirror, The Sun, the Daily Mail and The Times means this choice of media is not an option for small businesses.

Read this information on *The Sun* newspaper and answer the questions that follow:

The Sun is the UK's best-selling daily newspaper with an average daily print circulation of 1.61m. 404 000 readers of *The Sun* have a family income of over £50K.

The Sun reaches more under 35s than the three main leading competitors combined.

Research has shown that £1 in every £7 spent on groceries is spent by a reader of The Sun.

'McDonald's chose to advertise through the Sunemployment programme for two important reasons. Firstly, we actively encourage local jobs for local people and support getting people back into the workplace. Secondly, *The Sun* reaches a broad sector of our customers and potential employees, and helps us take our messages to a wide audience. On the day our advert ran, we received a 20% uplift in applications, with a good conversion to hires.'

Resourcing and Reputation Consultant, McDonald's

'We have advertised with *The Sun* on a regular basis for over four years now and are very happy with the service provided. Working within the holiday and leisure industry, we have very busy periods during certain times of the year and being able to pre-book a campaign over a sustained period is a major benefit to us. We are very satisfied with the overall level of service and support provided by *The Sun* newspaper team.'

Colin Watson, Holiday Home Advisor, Patrington Haven Leisure Park

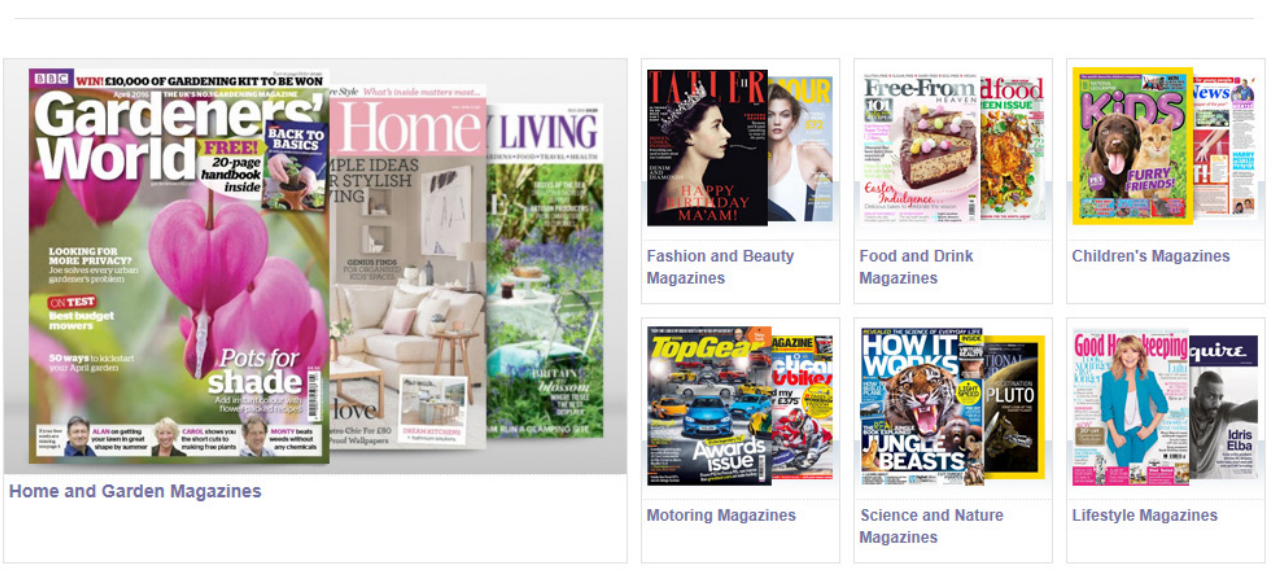
Source: https://www.newsukadvertising.co.uk/the-sun

1. Using the information, explain why a business will choose to advertise in *The Sun*.

Magazines may be weekly or monthly, and are even more effective than newspapers at targeting consumers. Particular magazines appeal to particular segments of the market. Magazine advertising is even more expensive than newspaper advertising. Magazines with the biggest readership will charge the most for advertising.

Adverts can be placed in the most popular mass-circulation magazines in order to reach the widest possible audiences. A further advantage is that magazines tend to be kept longer than newspapers – just think of your dentist's waiting room!

There are hundreds of different magazines a consumer can buy; some are shown below:



A business can select the most appropriate magazine for its products or services.

The bestselling magazines in the UK in 2016 are listed below. The figures show the sales for the magazine.

1.	TV Choice	1 232 038
2.	What's on TV	942 295
3.	Radio Times	662 329
4.	Slimming World	625 818
5.	Take a Break	556 012
6.	Good Housekeeping	370 506
7.	Saga Magazine	322 805
8.	Cosmopolitan	303 584
9.	Woman & Home	299 181
10.	Glamour	269 074
11.	Woman's Weekly	263 100
12.	Chat	246 249
13.	Closer	236 672
14.	Yours	236 050
15.	Prima	229 572
16.	The Economist	224 955
17.	Woman	220 441
18.	That's Life	218 614
19.	Private Eye	217 049
20.	New!	214 081

21.	BBC Gardeners' World	199 412
22.	HELLO!	197 913
23.	TV Times	196 100
24.	Woman's Own	187 668
25.	BBC Good Food	185 477

Source: http://www.campaignlive.co.uk/article/magazine-abcs-top-100-first-half-2016/1405423

1. Using the list above, suggest suitable magazines to advertise the following products. You could use www.whsmith.co.uk/magazines to find out about magazines you don't recognise.

   - men's aftershave
   - frozen pizza
   - membership of Slimming World
   - BMW 4x4 car
   - Butlin's holiday
   - Caribbean cruise holiday
   - range of Star Wars toys

2. Explain the reasons for your choices.

3. Explain the advantages of advertising in magazines.

4. Explain the disadvantages of advertising in magazines

Below are examples of effective magazine and newspaper advertising.

1. Explain why the adverts would attract potential customers.

2. How have the adverts used design features, branding and USPs?

http://fc00.deviantart.net/fs34/i/2010/193/d/b/Audi_R8_Advert_by_Bekkengen.jpg

https://fashionilious.files.wordpress.com/2015/02/scarlett_johnasson_the_rose_one_campaign.jpg

http://d.ibtimes.co.uk/en/full/1473137/dyson-advert-banned-by-asa.jpg

https://s-media-cache-ak0.pinimg.com/736x/07/cf/b6/07cfb6a07a8b2fd987a5d7513a5e7f13.jpg

Coca-Cola is an established brand with a long product life cycle. Over the years the advertising in the press has changed to take into account the changing needs and tastes of consumers:

http://static1.businessinsider.com/image/557b1c646bb3f788778b4567-1200-800/coke%20ad-1.jpg

https://devotionsbyjan.files.wordpress.com/2014/12/il_340x270-494706133_hwe0.jpg

http://i.dailymail.co.uk/i/pix/2015/08/02/11/2AF3304E00000578-3176967-By_1991_Coca_Cola_s_print_advertising_was_bold_and_simple_compar-a-14_1438510222488.jpg

http://www.coca-cola.ie/content/dam/journey/ie/en/hidden/History/advertising/non-hero-article-images/adverts-polar-bears-706x264.rendition.598.336.jpg

http://www.freeportpress.com/wp-content/uploads/2017/01/coca-cola-make-someone-happy-600-23613.jpg

1. Describe how the adverts have changed over time.
2. Identify the similarities in all the adverts.
3. How has Coca-Cola used persuasive advertising?

Journals or trade press include specialist magazines and journals for almost all trades and occupations. Some are 'in-house' magazines, produced for a particular business, while some are aimed at particular trades or professions. Many journals are free to the reader, paid for by the advertisements they carry.

A business will use journals if it wishes to target a specific target group as its products and services are targeted at a small and specific type of customer. Typical industries that have journals include food, hospitality, IT, transport, hair, architecture, business, marketing, medical etc.

Identify businesses that would be likely to advertise in journals and trade press.

Online advertising on the internet has rapidly grown to become a major medium of choice for businesses. Businesses now spend more of their advertising budget online than on any other medium. There are many different types of online advertising including:

- websites
- adverts on search engine results pages
- pop-up advertising
- adverts on social networking sites
- advertising directly to e-mail, often called spam

In addition, in recent years there has been a huge growth in the use of:

- **digital advertising** – the use of technology in online advertisements, e-mail, social media websites and mobile devices in a dynamic and interactive way;

- **social media** – businesses can use social media sites to advertise products and services and they are suitable for targeting adverts at specific customers. Social media are used by most consumers throughout the world; advertising on the most popular social media sites will potentially attract many consumers. Many marketing experts believe social media to be the most effective media to advertise new products in order to build brand awareness. Businesses hope that users of social media will share their views of products and services with their social network to help businesses increase brand awareness and broaden customer reach. The interactive parts of social media give customers the opportunity to ask questions or voice complaints and feel they are being heard. An increasing number of social media sites allow purchasing products and services directly from their site. Many customers also use social media to ask questions directly to the business and they are seen as a key customer service tool.

The most popular social media websites in June 2017 were:

1. Facebook
2. Twitter
3. LinkedIn
4. Google+
5. YouTube
6. Instagram
7. Pinterest
8. Tumblr
9. Snapchat
10. Reddit

These websites are popular with different types of people; for example, LinkedIn is popular with professional adults and Tumblr is popular with teens and young adults.
Businesses can use the social media that best match their target market and have to realise that the popularity of sites changes constantly with new social media sites starting all the time.

- **Blogs** – these are a discussion or an informational website, a type of journal or diary, set up by individuals and businesses. The blog is frequently updated with the views of the blogger and a place where thoughts and interests can be shared. Businesses that set up their own blog can use it to advertise their products and services and direct readers to their website. Blogging relies on the blogger to constantly update the blog and this gives fresh content that keeps the business fresh in the eyes of the reader. Blogging also

helps to develop relationships with potential and existing customers by asking questions and allowing feedback. Businesses can reward bloggers who mention their products in a positive way with discounts and free products. Blogs are used by businesses of all sizes, giving small businesses the opportunity to spread awareness through a cheap and popular medium and large businesses can come across as more personable and less corporate and give the impression that the views of readers are important to them.

Read the following information and answer the questions that follow:

What can a blog do for your small business?

The blogging movement is picking up speed as businesses begin to realise the benefits of blogging. Discover what a business blog can do for you.

According to Pyra Labs Blogger, 'A blog is a web page made up of usually short, frequently updated posts that are arranged chronologically – like a what's new page or a journal'. The term is actually weblogs, coined by Jorn Barger in 1997.

The boom of weblogs happened in 1999 when several companies and developers made easy-to-use blogging software and tools.

Since 1999, the number of blogs on the Internet has exploded from a few thousand to over 100 million.

Blogs can fall into two general categories:

personal blogs: a mixture of a personal diary, opinion posts and research links

business blogs: a corporate tool for communicating with customers or employees to share knowledge and expertise.

Business blogs are sweeping the business community. Blogs are an excellent method of sharing a company's expertise, building additional web traffic, and connect with potential customers.

What does blogging provide to small businesses?

- Blog software is easy to use. Simply write your thoughts, link to resources and publish to your blog – all at the push of a few buttons. Blog software companies such as Movable Type, Blogger.com and Typepad all offer easy blogging tools to get started.

- Blogging is a low-cost alternative to having a web presence. For small business owners without the time to learn web html or the money to hire a designer/developer, blogging offers an inexpensive method to get your company's name out on the Internet.

- Updating the weblog is a much quicker process than contacting a web designer with changes or doing the coding and uploading yourself.

- Business blogs provide your small business with a chance to share your expertise and knowledge with a larger audience – a powerful benefit for consultants and knowledge workers.

Blogs do have a downside. Blogging does not provide the functionality of web pages, has limits for e-commerce solutions and can be time-consuming with regular posts. But with minimal costs, it may be advantageous to start blogging.

Is your small business blog-ready?

Adapted source: https://www.thebalance.com/what-a-blog-can-do-for-your-small-business-2951219

1. Explain how a blog may be used by a business to advertise its products and services.

2. Why is blogging a good way for a small business to increase awareness of it?

One of the most common ways individual bloggers can make money is by having adverts on their site. When bloggers get enough traffic on their site, advertisers will approach them to advertise their products. Bloggers can also make money by reviewing products.

Below are two examples of popular blogs set up by individuals.

For each blog identify suitable businesses who may wish to advertise on that blog. You may wish to visit their sites to find out more information.

Anna Gardner of 'The Anna Edit' (previously 'Vivianna Does Makeup') began beauty blogging to distract herself from the stress of her psychology degree. Once she graduated, she kept on blogging and began working in PR – but not for long! Three years into blogging, Anna was able to focus entirely on her site and immerse herself fully in the blogosphere. Aside from beauty tips and vlog tutorials, her site now features an eclectic mix of daily edits on travel, style, fitness and recipes.

'Rock, Paper, Shotgun' (or RPS) is a blog dedicated to all things related to PC gaming. Authored by a team of six of 'Britain's top games critics' along with regular contributors, RPS posts multiple articles every day on the latest breaking stories, game exclusives, previews and reviews. The site has a popular social community and forum, where readers flock to discuss the latest PC games and tech advice.

Source: http://www.vuelio.com/uk/social-media-index/top-50-uk-blogs/

- **Mobile advertising** is a method of advertising that appears on mobile devices such as smartphones, tablets or PDAs that have wireless connections. The adverts can be tailored to individual consumers through using their browsing history and geographical location. The use of digital media has meant that these adverts can be high-quality graphics and videos. Versions of web-based adverts and material are adapted to appear on smaller screens. The recent increase in m-commerce (buying products through handheld devices) has increased the use of mobile advertising.

  In addition to image and banner adverts, mobile advertising also includes click-to download adverts, where users are directed to the website, and click-to-call adverts where users can directly call the seller. Push notifications are also used – these are messages that pop up on the device and can include a number of different types of information, including sports scores, weather and traffic messages that can also contain adverts.

Internet advertising is relatively cheap and is effective at reaching specific target groups searching for a particular site. Businesses of all sizes can use online advertising; the costs are significantly lower than more traditional advertising media. However, interactive and digital websites and adverts can still be expensive to create and to maintain.

Two common formats for online advertising are floating advertisements, which float above the content of the screen, and pop-ups, which are new windows that open in front of the current window being used. However, pop-up advertisements are often seen as a nuisance by web users and so may not be read.

A great advantage of online advertising is that it can reach a global audience. Placing adverts online can be a cost effective way of reaching so many people.

Using a cost-per-click model (CPC), advertisers only pay when users click on their advertisement. With a cost-per-view model (CPV), advertisers pay when a targeted user visits the advertiser's website.

Businesses can also target specific consumers through the increasing use of data being stored online. Browsing history can be used to target products and services at web users who show a particular interest in certain products.

Read the information and answer the questions that follow.

How much do online advertisers really know about you? We asked an expert

When you search for something online – say a vacation to Las Vegas – it's not unusual to see adverts for cheap flights and hotel deals in Las Vegas on every site that you visit thereafter for the next few days. Few of us understand what's actually happening behind the scenes for those adverts to be served.

'The modern web is a mash-up, which means that the content you're looking at on the page, which just looks like one single web page with text and graphics, is in fact assembled from multiple different sources, sometimes dozens, and these different sources can be a variety of different companies', explains Arvind Narayanan, assistant professor of computer science at Princeton. 'When you look at a web page, there's content visible to you and invisible stuff purely for the purpose of tracking what you're doing.'

Online advertising has been there since the early days of the web, but it has grown far more sophisticated in recent years. The adverts we see now are often the product of digital stalking as companies try to track our every browsing move. But how does this happen in the first place?

'What this technology is really good at doing is following you from site to site, tracking your actions, and compiling them into a database, usually not by real name, but by a numerical identifier', says Narayanan. 'Nevertheless, it knows when you come back and it knows to look you up. Based on what it has profiled about you in the past, it will treat you accordingly and decide which advertisements to give you, sometimes how to personalise content to you, and so on.'

'The information that's most useful for them to collect is your browsing history and your search history', Narayanan explains. 'This gets compiled and profiled into behavioural categories.' This data is collected, analysed, and used to target us with relevant adverts, but

it can also be used in other ways.

'It's not just tracking, but using that data to do data mining and see what you can conclude about those people's behaviour and their preferences', Narayanan says. 'In some cases, research has shown that data may even be used to tailor prices. Sometimes prices for the same product are subtly different, sometimes it's different products with different price ranges being pushed to the consumer.'

Adapted source: https://www.digitaltrends.com/computing/how-do-advertisers-track-you-online-we-found-out/

1. Explain how businesses use 'digital stalking' to target potential customers.

2. Consider whether 'digital stalking' is unethical.

1. Thistle Ltd, based in Edinburgh, manufactures and sells tartan-themed clothing on its website. Its products are very popular in Europe, the US and Japan.

   Describe ways in which it could use online advertising to attract potential customers.

2. Technology has had an enormous impact on the way in which businesses can advertise and promote their products and services.

   (a) Evaluate how technology has impacted on the advertising activities of small businesses.

   (b) Discuss how technology has changed the way in which large multinational businesses have adapted their advertising.

Cinema advertising

Cinemas have a high visual sound impact and a business can target certain films. Cinema advertising also has a captive audience. Cinema advertisements can be longer versions of television advertisements or may advertise things that are not allowed to be advertised on television.

There are 788 cinemas in the UK with 4194 screens. On average 3.25 million people visit the cinema each week.

The cost to advertise in the cinema is high, especially for a small business. Making the advert can be expensive and the business will also have to pay the cinema to show the advert. There are also cinema slots for local businesses, which could be slides projected on to the screens or short videos made semi-professionally. These are much cheaper, but not as dynamic as the more professional adverts.

Digital Cinema Media (DCM) is the market leader in UK cinema advertising, providing some 3207 screens at 517 sites for advertisers. DCM sells 82% of the cinema advertising market through exhibitors including Cineworld, ODEON, Vue, Curzon cinemas, Everyman cinemas, Picturehouse cinemas and many independent cinemas.

OUR YEAR-ON-YEAR PERFORMANCE

Year	Industry Admissions	DCM Revenue
2016	168.3m	£87.9m (+2%)
2017*	171.0m	£91.5m (+4%)
2018*	172.0m	£98.0m (+7%)

*Source: 2017 admissions data. CAA/Rentrak Admissions monitor. Revenue numbers DCM. *DCM Predicted admissions and revenue.*

TOP 10 CATEGORIES - CINEMA SPENDERS

	Annual spend
1. Motors	£36.0m
2. Telecoms	£26.0m
3. Retail	£22.4m
4. Entertainment & Leisure	£21.2m
5. Online Retail	£14.7m
6. Electronics & Household	£13.7m
7. Travel & Transport	£12.9m
8. Drink	£12.4m
9. Govt, Social, Political	£11.5m
10. Finance	£11.0m

Source: Nielsen AdDynamix cinema 01 January 2016 - 31 December 2016. Top 10 cinema spenders.

Source: https://www.dcm.co.uk/advertising

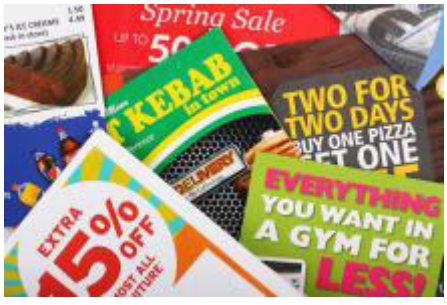
1. Use this information to discuss the use of cinema advertising in the UK.
2. Suggest how a business can target potential customers through cinema advertising.
3. Explain what is meant by a captive audience and how this is a major benefit when advertising in a cinema.

Point-of-sale advertising is a promotion that takes place where the product is sold. Manufacturers will provide posters, leaflets and displays to retailers to promote the product. There may be large displays in prominent places in shops to help sell the product. This form of advertising tries to tempt consumers to make impulse buys.

In recent years businesses have used digital point-of-sale advertising in shops that use videos and sound to make the advertising more attractive and persuasive. Some point-of-sale advertising is also interactive through the use of touch screens.

Restrictions have been made on products that are considered unhealthy. Supermarkets have agreed to reduce or take away point-of-sale material for sweets and chocolates at checkouts and no point-of-sale material is now allowed for cigarettes.

Leaflets and flyers are cheap to produce and distribute. They can range in size, most are A5 or A4. Leaflets tend to be divided into pages and flyers tend to be single sheets. Some are printed in colour and some are just in black ink.



Small and local businesses tend to use these because of the low cost and they can be targeted at certain people. Leaflets can be posted by hand to local households, placed in outlets in the area or given out by hand in busy areas. Large businesses also use leaflets to give information about products and services and to support other media they may use.

Many professional printers and advertising businesses offer a leaflet design, printing and distribution service to small businesses that do not have the equipment to print their own leaflets or the time to distribute them.

Leaflets and flyers should be brief and easy to read.

They are printed to give information, are made simple with large fonts and only a few words to attract attention, but they need to persuade a consumer to buy a good or service.

Leaflets and flyers can be cheap to produce. Some can be printed on both sides and can be produced for as low as a few pence per flyer. Home computers can be used to design one flyer then many copies can be produced through a photocopying machine. They can be made and distributed within a day. Many have coupons printed on them that give discounts, to encourage consumers to read them.

However, leaflets are often ignored by the person who is given them and often thrown away. For some consumers they are considered to be cheap and unsophisticated compared to more dynamic forms of advertising. They are often associated with junk mail. Direct or junk mail involves sending advertising leaflets directly to households or businesses through the post. It is a way of targeting particular customers. A profile of customers can be built up from the preferences they have shown, either by filling in questionnaires or guarantee cards or by buying particular goods or services. Information about customer preferences will be stored on a database so that likely customers can be approached. Direct mail is often personalised. This means that a name and address can be inserted into a standard document to make it seem personal.

1. Explain why leaflets and flyers are popular forms of advertising for small and local businesses.

2. Why is junk mail often considered an ineffective method of advertising?

3. Design a flyer for a new business idea you have. The flyer should be informative and persuasive.

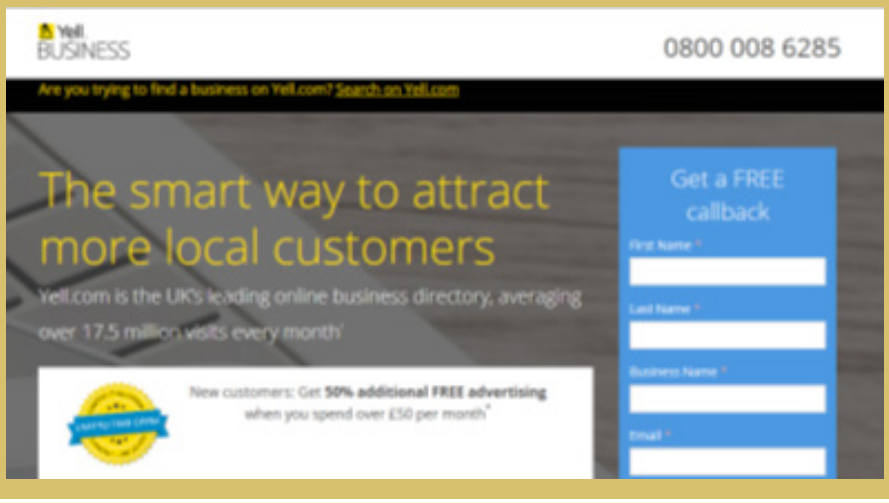
Directory listings are printed or internet-based listings of information for businesses. Before the growth of the internet these listings were mainly in the form of a printed directory or phone book. *Yellow Pages* and *Thomson Local* are examples of directory listings. In recent years these have been largely replaced with online listings. Yell.com is the online version of the original *Yellow Pages* and *Thomson Local* has stopped producing a printed version and now only offers a digital version through its website.

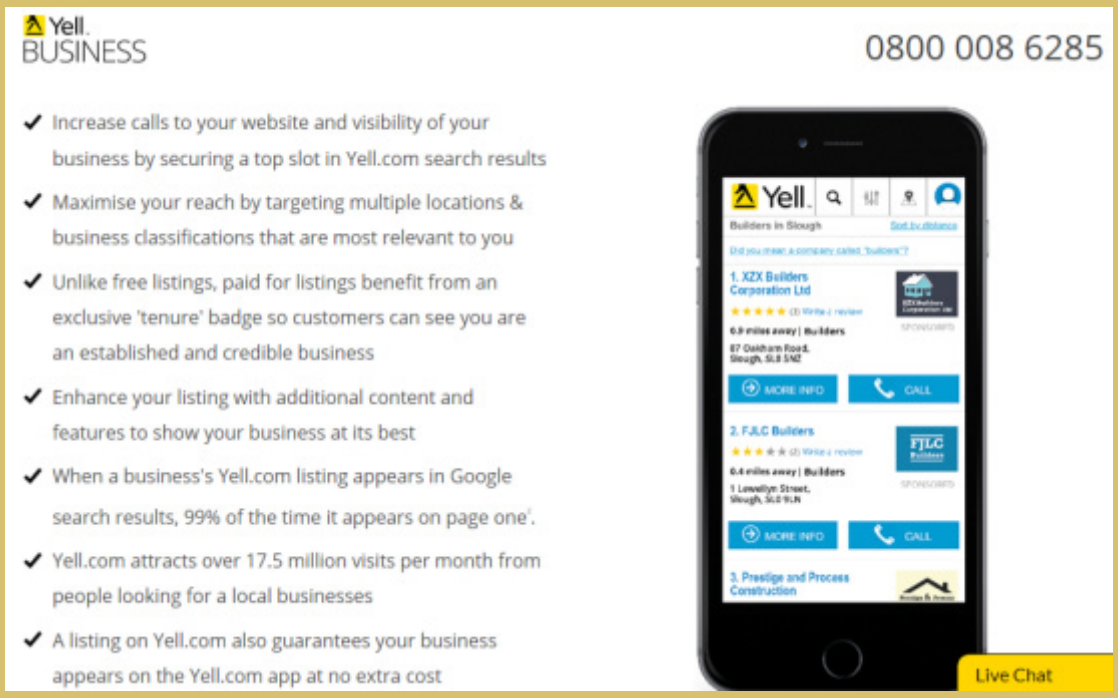
The directory organises businesses by type of business, location, size and activity. Potential customers can find possible businesses they want to use in a matter of seconds. The use of online search facilities has improved the speed and accuracy of searching business directories online.

Many consumers also use search engines as business directories, with businesses paying a premium to have their business placed at the top of the search results.

There are many online directories that a business can use, some of these are free and some of the more popular ones will charge a fee.

Using the information below, explain why businesses will use Yell.com to advertise their business.





Billboards and posters have a very high visual impact and can stay in place for a long time, being seen daily by a large number of people. However, billboards are often near roads and drivers only see them for a few seconds. Therefore they cannot contain much information.

The use of striking images and short catchy slogans are very important design considerations.

Posters and billboards are also vulnerable to wind, rain and graffiti. Outdoor advertising, particularly billboard advertising, can be very expensive. Small local businesses tend to advertise using posters in their local area.

Study the examples of billboard and poster advertising below.

1. Explain how this form of advertising is effective in grabbing the attention of consumers.

2. Identify the typical places used for billboard and poster advertising.

3. Explain why this advertising is perfect for both mass-market products with high sales and for smaller businesses in specific areas.

Smaller businesses have tended to avoid outdoor advertising, particularly billboard advertising, because of the costs involved. To illustrate this, the cost of advertising on one billboard for a month is anything from £500 to £1 500.

Costs do fall substantially on a per billboard basis for larger campaigns but the overall cost means that only larger brands can afford this form of advertising.

Although the costs are too much for the majority of small businesses, billboard advertising does work when used correctly. Despite traditional advertising being in decline, outdoor advertising is actually in a period of boom. Some businesses use billboard advertising as a cost-effective way of raising brand awareness amongst an affluent target audience.

To get the most from a billboard advertising campaign it should be as part of an integrated marketing campaign, with radio advertising often seen as the perfect compliment. Small local companies can also sometimes advertise on one or two billboards in their local area.

Taking advantage of digital technology, billboards are no longer just prints – many include moving images. These digital billboards display digital images that are changed by a computer every few seconds.

Businesses can use billboards to make huge impressions on the public; many contain artistic, funny and controversial statements.

Benetton, the multinational clothes retailer, has a history of using controversial billboards. In the 1990s it released a number of eye-catching billboards that resulted in many complaints. It wanted to distance its adverts from boring old commercial considerations and capture people's attention and provoke reflection. Two examples are shown below:

http://s3-eu-west-1.amazonaws.com/religiongoingpublic/benetton-nunpriset.jpg

https://s-media-cache-ak0.pinimg.com/originals/0b/28/45/0b2845ac4e8fbdd18d42d72e2dbe3293.jpg

This section has shown the different types of advertising media a business can use to communicate with its existing and potential customers. Businesses will use a selection of these media to construct their advertising mix. Very few businesses, if any, will use only one advertising medium.

Basically businesses can advertise anywhere, but any business must consider the following before it chooses its most effective media:

- mass-market products that appeal to a wide and large audience
- local products that appeal to a smaller geographical audience
- specialist products that appeal to a niche market
- the cost of making the advert and getting it out to the target audience
- the money the business has available
- its target market
- the image it wants to create
- use of technology

All media have their own advantages and disadvantages. The business must choose the right media for it and the one that will have the biggest impact on customers, whilst also considering what it can actually afford.

Select appropriate advertising media for the following businesses by creating a suitable advertising mix:

- Microsoft launching a new operating system for its computers
- Boots advertising its No7 range of cosmetics
- Hideki Tanaka, painter and decorator, who wants to advertise his business

Sales promotion

Sales promotion is an attempt to give a short-term boost to sales and there are many methods a business can use. Businesses will carry out sales promotion in addition to their advertising and will use their advertising mix to communicate their sales promotion to their customers.

There are a number of different sales promotion techniques a business could use and the technique it uses will depend on:

- the product or service
- the size and scale of the business
- the objective of the business
- the target market
- the cost of the sales promotion
- the expected result of carrying out the sales promotion
- external factors such as economic climate and technology
- the type of market the business operates in
- the creativity of the marketing function of the business

The most popular techniques used by businesses include:

Buy one get one free (BOGOF)

A method of promotion used by many businesses and for a range of products. Customers are attracted by getting two products for the price of one. Variations of this include buy two get one free and buy two and get one half price.

Boots uses mix and match promotion.

Click on the link below and answer the questions that follow

http://www.boots.com/wcsstore/cmsassets//Boots/Library/Icon/Homepage/Mother%20&%20baby/Department%20page/p06b%202011/101374_C9094_p06_BabyEvent_Sum_2babies-03/101374_C9094_p06_BabyEvent_Sum_2babies.jpg

1. Outline why this is an example/variation of buy one and get one free.

2. Explain the reason why Boots uses this sales promotion technique.

Discounts

A good way to get people to notice a product is to give a money-off deal. Money-off coupons can be used when a business wants to encourage consumers to buy a particular product. Discount vouchers can also be used to give money off future purchases.

The most common method used for discounts is holding sales at different times of the year. Sales are very popular with consumers; everybody likes the thought of getting a bargain. Sales are used for every type of product and service at different levels of price.

Consider the last time you bought a product in a sale.

- What was the product?
- How much discount was given by the business?
- Would you have bought the product if it was not in the sale?
- Why do you think the business is willing to sell certain products at discount prices?

Read the article and answer the questions that follow:

Black Friday sales rush reported by retailers

UK shoppers have rushed to buy Black Friday bargains, as retailers and payment firms report strong sales activity for the annual discount event.

Barclaycard said it had seen a record number of transactions on Friday, while Argos, John Lewis and Currys PC World reported a surge in orders.

Online retailers said initial figures indicated Black Friday, now into its third year, had topped expectations.

Meanwhile, in the US, where it all started, websites saw heavy traffic.

The boss of the department store, Macy's, said it had seen a strong start to the sales, although its website later suffered glitches.

In the UK, analysts expect sales on Friday to have topped last year's £1.9bn, with people hunting for discounts ahead of an expected rise in prices in 2017.

Barclaycard, which processes nearly half of the credit and debit card transactions in the UK, said payment transactions were 6% higher than last year's Black Friday.

The Nationwide Building Society said purchases by its customers were up 13% on a year ago, while the discount retailing site TopCashback reported a 43% increase in spending over last year.

Many retailers are stretching the one-day shopping extravaganza over several days. Amazon and some supermarkets started their sales up to ten days ago.

The total for the following four days is forecast to rise to more than £4bn once the weekend and Cyber Monday – an online-only event – are included.

Experts say that the shopping cycle has changed in recent years, with Christmas consumer spending stretching for many weeks.

'The Black Friday promotions at the end of November are the start of a longer, more drawn-out peak season, which begins with most of the activity online and then moves in-store as we get closer and closer to Christmas day', said Richard Jenkings, data analyst at credit reference agency Experian.

Increasingly, Black Friday, which came to the UK in 2014, is becoming an internet bonanza. According to the online retailing association IMRG, well over half the spend will be done online.

Andy Mulcahy, editor at Interactive Media in Retail Group (IMRG), which tracks online sales, said, 'It seems a safe bet from what we've seen today that our forecast of £1.27bn will be met [for Friday's sales]'.

Warnings have been issued to shoppers over the dangers of getting carried along by Black Friday marketing.

'The key is to make sure you only buy items you were looking for anyway, and not because you fall for the marketing hype', said Gary Caffell, from MoneySavingExpert.

'There are some great deals out there but make sure you do your own price comparisons, as prices can fluctuate wildly from store to store – don't just take a retailer's word for it that something is a bargain.'

He pointed to cut-price vacuum cleaners, which can already be bought cheaper online. This can be particularly difficult for people experiencing mental health problems, who sometimes find it harder to resist impulses.

Andy Webb, of the Money Advice Service said, 'A third of people felt pressure to spend more than they could afford during the whole of Christmas. That leads into debt.'

Even so, Paul Martin, KPMG's UK head of retail, said, 'For retailers, it has always been questionable whether Black Friday really benefits them in the long run, and in the current environment of rising costs and squeezed margins, perhaps it's even more so.'

Asda opted out of Black Friday in 2015 and again this year following chaotic scenes among bargain-crazed customers in 2014. Next, Ikea and fashion chain Jigsaw have also declared themselves Black Friday refuseniks.

Jigsaw chief executive Peter Ruis called it 'a complete and utter deception'. He said, 'In fashion, over 50% to 60% of Black Friday purchases are returned. It stays in the supply chain for two or three weeks, churns around, everyone's lost the chance to sell it and it just goes straight into the sale at 50% to 60% off.

'It is a double whammy: loss of profit, loss of margin, and that product just sitting around in supply chains,' he said.

Mr Mulcahy of IMRG said it can work for companies to stay out of the discounting 'if they play it well'. He said, 'Not everybody likes Black Friday. Some people absolutely hate it.'

Source: http://www.bbc.co.uk/news/business-38092509

1. What is Black Friday?

2. Outline why retailers use events such as Black Friday as a sales promotion technique.

3. Explain why some retailers do not participate in Black Friday.

Explain how the adverts below are persuading customers to buy the products and services:

http://20.theladbiblegroup.com/s3/content/dfc2b46456c25f1c208f211d3bfac673.png

http://banners.contentfeed.net/9415/ADV_Banner_7.jpg

http://i27.photobucket.com/albums/c159/patrick2403/may.jpg

Better value

Better value offers are very popular and include increasing the quantity of the product sold for the same price. The packaging and advertising make it very clear that customers are getting more for their money.

1. Explain why businesses may prefer to offer a better value deal, like the example shown in the link below, instead of discounting the price.

   http://www.bmstores.co.uk/images/hpcProductImage/imgFull/278668-Typhoo-160s--50-Percent-FREE-Foil-Fresh-Tea-Bags-750g.jpg

2. Suggest how the following businesses could offer better value deals in promoting their products and services:

   - a tanning salon
   - Cadbury chocolate
   - a mobile phone network

Competitions

Businesses offer prizes in competitions to encourage the customer to buy the product. Businesses have to be careful that the cost of paying for the competition is less than the expected increase in sales.

Often when people enter a competition, they are asked to provide information about themselves. The business running the campaign can then use this information for further marketing activities.

1. Explain why competitions like the one shown in the link below can help a business increase sales.
   http://i.dailymail.co.uk/i/pix/2016/08/11/16/371D15A400000578-0-image-a-1_1470929123783.jpg

2. Analyse the advantages and disadvantages to a business of using competitions as a sales promotion technique.

3. Why may small businesses not use competitions as a sales promotion technique?

4. Describe how the following businesses have used competitions as a sales promotion technique:

- McDonald's
- Vauxhall
- Debenhams

Free gifts

Free gifts may be given when a product is bought. It may make the product more appealing, for example a magazine with a free nail varnish. A business can offer a range of free gifts to get the customer to buy the product more often.

This technique is often used with children's products. Children put pressure on parents to buy the product because of the gift and not because they want that particular brand. Businesses then hope that the customer will then continue to buy the brand when the free gift promotion ends.

Outline the benefits to Kellogg's of giving away free gifts in its range of products.

https://s-media-cache-ak0.pinimg.com/236x/bf/44/b5/bf44b56653e7694a7670cb59e8ffe294.jpg

Explain how giving a free Sky+HD box to customers will increase revenue for Sky.

Customer loyalty cards

This form of sales promotion allows customers to collect points electronically every time they make a purchase and are rewarded with money-off or cash coupons. These cards are meant to ensure that customers will keep returning to the same store.

They also enable the store to build a database of its customers which will help when planning advertising or sales campaigns. Some small businesses can also use a loyalty scheme without the use of technology. For example, hairdressers may have a paper card to record the number of times customers visit the salon. When they have visited the salon and had ten haircuts, the next haircut is free.

Supermarkets and other major retailers use loyalty card schemes. Explain the benefits to the business of using these loyalty schemes.

Product trials

Product trials are often used in supermarkets, frequently for foods and drinks, in an attempt to attract new customers who may not have tried the product before. A product trial may involve the business setting up a small stall in the store and inviting customers to try its products for free.

Another example of a product trial would be taking out a prospective car buyer for a test drive.

The Pepsi Challenge has been an ongoing marketing promotion run by PepsiCo since 1975.

The challenge takes the form of a taste test. At malls, shopping centres and other public locations, a Pepsi representative sets up a table with two blank cups: one containing Pepsi and the other, Coca-Cola. Shoppers are encouraged to taste both colas, and select which drink they prefer. Then the representative reveals the two bottles so the tasters can see whether they preferred Coke or Pepsi.

Consider the benefits and drawbacks of the taste challenge to PepsiCo.

Collect examples of sale promotions. Look in newspapers, magazines and shops and on the web to collect examples. Create a sales promotion collage.

1. Explain the difference between advertising and sales promotion.
2. Identify and explain the factors that influence the choice of sales promotion.
3. All sales promotion is a waste of money and time. Discuss this statement.

Advertising and sales promotion will use famous organisations and people to help sell their products. These organisations and people will appeal to a number of different target markets. The hope is that by having a product endorsed by a famous organisation or person, it will encourage consumers to buy the product. This endorsement can cost the business a lot of money, so it must be sure that the organisation or personality has the right image and will appeal to many people.

Celebrity branding or celebrity endorsements use the social status or the fame of well-known personalities to help a business to:

- influence buyer behaviour – 'if it's good enough for them, it's good enough for me';
- attract new customers – favourite personalities and organisations may attract new customers to the brand;
- promote awareness – using famous personalities and organisations can make the product or service more noticeable. Consumers are more likely to remember the advert or promotion; and
- position the brand – the image and reputation of famous personalities and organisations will help to create a positive image for the product or service.

In recent years there has been an enormous growth in using celebrity endorsement through social media sites and blogs.

Examples of celebrity endorsements include:

https://s-media-cache-ak0.pinimg.com/736x/a7/dd/66/a7dd66607fabc6990bb1c4e885631476.jpg

In 2001, the pop star earned $8 million from a highly-publicized deal with Pepsi. During her contract with the beverage company, Spears filmed many commercials that appeared in top slots on television, including major sports events such as the World Cup.

Her last commercial with the beverage manufacturer was a group commercial along with fellow pop stars Pink, Beyoncé and Enrique Iglesias. Spears' tenure with Pepsi was followed by a slew of other pop stars that worked with the company, including Christina Aguilera, Beyoncé and Nicki Minaj.

Source: http://www.therichest.com/rich-list/most-influential/10-of-the-most-successful-celeb-endorsements-of-all-time/

In 2013, soccer superstar David Beckham began to appear in advertisements for European retailer H&M to promote his Bodywear line for the brand. The sexy advertisements showed a sweaty and intense Beckham sporting skin-tight underwear, shorts, t-shirts and more. He also starred in an advert for the line that ran during the 2014 Super Bowl.

The moody advertisements somewhat allow the clothing to take a backseat to Beckham's physique, a fact that has not gone unnoticed in the blogosphere.

Source: http://www.therichest.com/rich-list/most-influential/10-of-the-most-successful-celeb-endorsements-of-all-time/

1. Explain why the business chose these celebrities to advertise its products.

2. Use the internet to research examples of the costs to a business of using famous celebrities.

3. What are the dangers of using celebrities to endorse products and services?

Match the famous organisation and person to the products and services they are paid to advertise and promote:

Gary Lineker	EE
Kevin Bacon	J'adore Dior perfume
I'm a celebrity – get me out of here	Halifax
Charlize Theron	BT
Real Madrid football club	Müller
Nicole Scherzinger	Iceland
Ryan Reynolds	Walkers crisps
Top Cat	Just Eat
X Factor	Unicef

Sponsorship is a good way to advertise and promote a business. It normally takes place in the sport and entertainment industries. For example, a business may provide equipment for a famous athlete or sports team in exchange for brand recognition. The sponsor earns popularity this way while the sponsored can earn a lot of money.

Major sponsorship deals include:

London 2012 Olympics	Coca-Cola	$100 million
50 Cent	Vitamin Water	$100 million
Manchester United	Chevrolet	$80 million a year
McLaren F1	Vodafone	$75 million a year
Beyoncé	Pepsi	$50 million
George Clooney	Nespresso	$40 million

Rory McIlroy	Nike	$25 million a year
Cristiano Ronaldo	Nike	$21.7 million a year
Justin Timberlake	McDonald's	6 million
Nicole Kidman	Chanel No5	$4 million a year

Explain why the businesses listed above selected these events, organisations and people to sponsor their products.

Other reasons for sponsorship include signage at sporting events, local or national media coverage, promotional opportunities before and after the event, and the opportunity to entertain clients and prospective customers by inviting them as VIPs to sponsored events.

Other benefits of sponsorship can include access to on-site hospitality tents or skyboxes, the opportunity to meet athletes or teams in person, and possibly even the opportunity for sponsors and their VIP guests to participate in a pro-am (professional-amateur) type of event.

Another benefit is the ability to reach a specific demographic or target market.

Sponsorship can be local, national or global. Many sponsorship deals take place with local businesses that involve much less money. By sponsoring local events and teams, local businesses can promote themselves to their local customers.

Small businesses can get good publicity and create valuable goodwill by sponsoring a local team, event or good cause – and it doesn't have to break the bank.

McDonald's ends Olympics deal three years early

McDonald's and the International Olympics Committee (IOC) are ending their long-running sponsorship deal three years early. The fast food chain said it was 'reconsidering all aspects of its International Olympics Committee business' as part of a plan to re-invigorate its business.

The IOC said it understood 'that McDonald's is looking to focus on different business priorities'. The partnership began in 1976.

'For these reasons, we have mutually agreed with McDonald's to part ways,' said the IOC. The next Olympics will take place in Japan during 2020.

McDonald's had extended its sponsorship agreement with the Olympics in 2012 for a further eight years. As a 'Top Partner', it paid a reported $100m for each two-game deal covering the summer and winter Olympic Games up to and including 2020.

McDonald's partnership with the IOC will end immediately, but it will continue to be a sponsor of the Olympic Winter Games PyeongChang 2018. The IOC said on Friday, 'the financial terms of the separation was agreed by all parties, details of which are confidential'.

A number of companies have ended partnerships with the Olympics recently, including AB InBev's Budweiser, the hotels group Hilton and US telecoms giant AT&T.

McDonald's has been restructuring its business to arrest a decline in sales. Steve Easterbrook was appointed chief executive in 2015 when he said he would 'not shy away from the urgent need to reset this business'.

Source: http://www.bbc.co.uk/news/business-40304895

1. Explain why McDonald's may have decided to pull out of its sponsorship of the Olympics.

Sponsorship is often considered the domain of big businesses, but there are plenty of excellent opportunities for small businesses. These might include sponsoring a local cricket team, art exhibition, business competition, school project or recycling initiative.

For example, a florist sponsoring a local football team by buying the team's kit on which it prints its branding. The florist gains the visual awareness of its brand and builds a feel-good factor thanks to its association with the local team. It may also find networking opportunities at matches and opportunities to showcase its floral expertise at prize-givings. The team sponsorship may have cost £300, but a marketing campaign of the team's area could have cost closer to £1000.

Suggest suitable sponsorships for the following local businesses:

- Davidson Solicitors
- Sunnyside Hotel

Explain why your ideas are appropriate to the business.

Direct marketing

Direct marketing is a promotional method that involves direct communication from a business to specific customers. It is a targeted form of marketing that presents information of potential interest to a consumer that has been identified to be a likely buyer.

Direct marketing will attempt to persuade target customers to buy products and services. It is different from mass advertising, as potential customers are identified and then selected for the advert or promotional activity.

Popular forms of direct marketing include:

- **direct mail** – sending promotional material to target customers through the post. This can include leaflets, brochures, promotional letters, newsletters, catalogues and coupons. This is often referred to as 'junk mail' and has a relatively low response rate. Many consumers simply ignore junk mail and most of it is thrown away. It can therefore be an expensive waste of money. However, a well-thought-out and attractive (in terms of how the document is presented, special offers and discounts) direct mail campaign can result in an increase in sales and awareness of the business. Direct mail is popular in the financial services market and in holiday and leisure businesses;

- **e-mail** – this aspect of direct marketing has grown enormously in recent years with the continued growth and development of the web. Compared to direct mail it is a relatively cheap form of direct marketing and can also be introduced and carried out quickly.

However, e-mail direct marketing also suffers from the same problems as postal direct mail, in that many internet users simply don't read the e-mail or e-mail systems use spam filters to direct the e-mail to a junk folder. The vast number of e-mails consumers receive has resulted in many direct e-mails being ignored or missed. However, if a business carefully targets recipients of the e-mail and sends e-mails to consumers who, through their web browsing history or searches, have shown an interest in the product or service, or similar products and services, then the chances of increasing sales will improve;

- **telemarketing** – this is when a business contacts the potential customer on the telephone. Although this is a relatively cheap form of direct marketing (many large businesses outsource the phone calls to call centres, often abroad where wages are lower), it also has a low success rate. It is often referred to as 'cold calling' and many consumers will hang up or ignore the call. Telemarketing is often used as a follow-up customer service call, and then tries to promote or sell additional products to the customer. This is also used to carry out market research.

Direct marketing can be successful as the communication can be made personal and recipients may feel it is an offer specially meant for them. It can also be cost effective as the marketing campaign is targeted at specific customers. This reduces the amount of material and time needed to run the campaign. Direct marketing is also easy to measure through the response rate and sales that have taken place as a direct result of the marketing.

However, to be effective, a business needs accurate customer records that are kept up to date and can be filtered to target certain customers. Direct mail does have a negative image and many consumers not only ignore this communication but get angry when a business keeps contacting them for a product or service they do not want.

Examples of successful direct marketing campaigns are showed below.

Skoda direct mail example

Click on the following link to view the Skoda campaign:
http://www.approvedindex.co.uk/direct-marketing/best-direct-mail-campaign-examples

To highlight the driver assist feature on its Yeti model, Skoda sent out marketing postcards with an image of a couple of parked cars on the front with another one attached to the back. The recipient was instructed to remove the car on the back and place it in a specific place on the front of the card. As Skoda built in magnets, the car simply moved into the space available on the image.

Why was it so successful?

The card, like the driver assist feature, was innovative. Clever and well executed, Skoda's postcard interacted with the recipient and conveyed a message without needing to say a word.

KitKat Chunky direct mail example

Click on the following link to view the KitKat Chunky campaign:
http://www.approvedindex.co.uk/direct-marketing/best-direct-mail-campaign-examples

A strong, eye-catching and familiar-looking flyer was used by Nestlé to advertise its KitKat Chunky in 2012. Communicating its 'chunkiness', the business sent out a Royal Mail-inspired card which stated that the recipient's KitKat couldn't be posted because it was 'too chunky for your letterbox'.

The best touch? Recipients were advised to collect their free bar at a nearby location.

Why was it so successful?

Echoing the design of missed delivery notes was a genius move by the company. Mimicking a familiar and trusted symbol subconsciously creates a feeling of confidence and loyalty in the recipient.

The fact that Nestlé also offered a free chocolate bar probably didn't hurt either.

Source: http://www.approvedindex.co.uk/direct-marketing/best-direct-mail-campaign-examples

1. Explain how Skoda and Nestlé carried out an effective direct marketing campaign.

Read the following article and answer the questions that follow:

'Spammers' exposed in data back-up slip-up

Security researchers who got access to the internal database of a US company have accused it of being a prolific spammer. Security expert Chris Vickery got access to River City Media's (RCM) data via back-ups accidentally left online.

The database included more than 1.3 billion records detailing e-mail addresses and personal information.

RCM has not responded to accusations that it is involved in sending out junk mail marketing messages.

In a blog, Mr Vickery said he had 'stumbled upon a suspicious, yet publicly exposed, collection of files' that he had been able to view because whoever had put it online had forgotten to protect it with a password.

As well as a massive database of personal data, the files are said to include internal messages sent by staff at RCM and documents about its business practices. The BBC has sent e-mails to RCM asking for comment on the allegations but has not received any response.

Mr Vickery said the information showed the different ways in which the company tried to outwit security measures designed to prevent it sending lots of messages.

In marketing materials found in the data back-up, RCM allegedly said it had the ability to send up to one billion messages per day. It also detailed many other ways the company is believed to have used to skirt systems designed to stop spam.

Information about the net addresses and domains used by RCM were now being added to widely shared systems that helped block spam, said Steve Ragan, who helped Mr Vickery analyse the data.

Source: http://www.bbc.co.uk/news/technology-39180026

1. Explain why a business should use passwords to protect customer data.

2. Why has RCM been criticised?

3. What is meant by 'a prolific spammer'?

1. Outline what is meant by direct marketing.

2. How has technology changed the way in which direct marketing can be carried out?

3. Look in the inbox and junk folder of your e-mail account. Make a list of ten businesses that have sent you an e-mail. Are these targeted at you? Would they tempt you to buy their products or services?

4. Using direct marketing is a complete waste of time and money. Discuss.

Place

For a product or service to sell it must be in the right place at the right time. Products and services are unlikely to be a success if consumers find it difficult to purchase.

So, place is a vital part of the marketing mix.

Businesses have to decide how to get their product or service to the customer. In other words, place is all about distributing the product to the customer.

Suggest suitable places to sell the following products and services:

- a novel by a well-known author
- a new car
- a bank loan
- a bottle of Dom Perignon champagne
- a can of Pepsi or Coca-Cola

It is important that a product or service is sold in the right type of outlet. This may seem obvious for some products, such as bread, newspapers and beer. However, not all products are easily placed in the market.

What's a Fuzzy Brush?

Fuzzy Brush is a unique 'all in one' chewable toothbrush and breath freshener designed by dentists. All you have to do is place the soft mini toothbrush in your mouth and chew just like a piece of gum... the results are amazing!

While chewing the natural action of the brush cleans your teeth as you manoeuvre it around your mouth and sugar free Xylitol is released to freshen your breath... quick, easy and very effective!

No toothpaste or water is required so you don't have to rush to the nearest sink. A Fuzzy Brush will leave your whole mouth feeling clean and fresh – no fuss, no mess!

Discard Fuzzy Brush responsibly after use.

Source: https://fuzzybrush.com/

1. What is the USP of Fuzzy Brush?

2. Where would you sell Fuzzy Brush? Why did you select this/these outlet(s)?

Fuzzy Brush history

It took around twenty years to bring Fuzzy Brush from a fuzzy idea into a workable and popular product. Back in 1996, Fuzzy Brush founder Jim Drew found a disposable toothbrush in a vending machine in a pancake restaurant in Amsterdam. He thought it had the potential to be a great product, so he set about developing that potential. Since Fuzzy Brush was always intended to be a serious and effective oral hygiene product, dentists were brought on board to ensure that Fuzzy Brush really was able to deliver on that promise. Serial entrepreneur Jim Drew, meanwhile, focused on the business aspects such as packaging and distribution.

As is so often the case when any young company comes up with an innovative product, it took (quite) a bit of trial and error before the management realised that the way to get the sales traction they needed was to focus their efforts on putting vending machines into dentists' waiting rooms (and educating the dentists themselves on the benefits of the product). They further opted to concentrate on two key target markets, London and Florida. This strategy paid off and in 2001 the business had grown and matured enough to move to a licensing model.

Over the next ten years, Fuzzy Brush built up a network of distributors all across the world, literally. Fuzzy Brush was sold in the UK, Europe, the USA, Canada, South America, the Middle East and Asia Pacific. It also experienced phenomenal growth. By the end of 2008, it had sold over 70 million brushes worldwide and by end of 2016, it had sold over 120 million. One of the young company's most emotional moments came on 1 December 2004 when its Benelux distributor put a Fuzzy Brush vending machine in the restaurant in Amsterdam where the adventure all began.

Never people to rest on their laurels, in 2013 Jim Drew and the Fuzzy Brush team decided that the time was right to move into retail. To this end they created new packaging and also a new product called Fuzzy Rock, which is primarily a breath-freshening product, but also helps to clean teeth. Both products are available in three flavours – cool mint, peppermint and bubble-gum, for a total of six product lines.

At this point the key retail markets are the UK, South Korea, China, Japan, Thailand, Indonesia, India, Russia and Dubai where the products are stocked by major retailers. For example, in the UK the company works with Asda, Boots and Morrisons, while in Asia its partners include E-mart, Lotte Big Market, Lotte LOHBS, Olive Young, CVS, Watsons and Costco. At the moment, around 70 000 to 100 000 retail packs are sold per month. To support the expansion, particularly into the US market, which the company plans to target in 2017, it has upgraded its production facilities to bring production capacity up to 750 000 retail packs per month.

Source: https://fuzzybrush.com/about/

1. Describe how Fuzzy Brush grew from an idea to a global best seller.

2. How did the choice of distribution help the growth of the product?

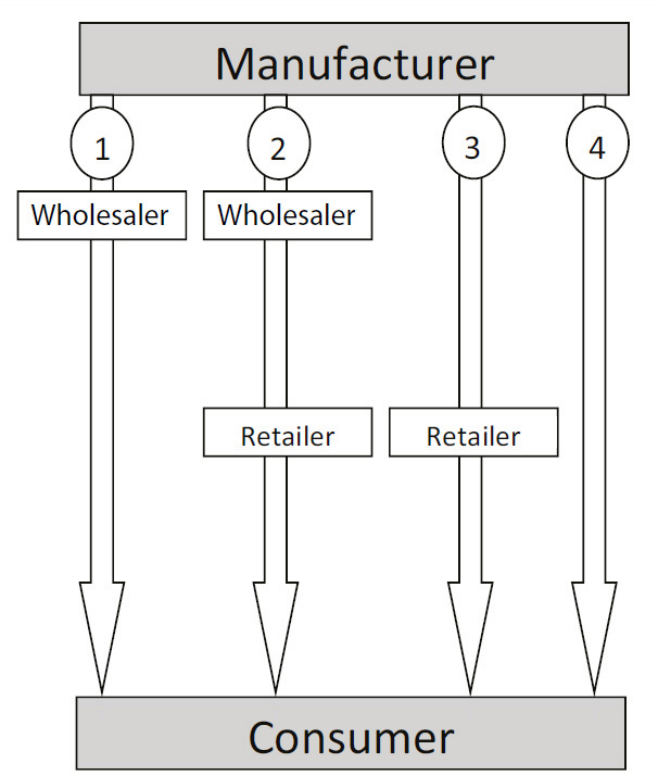
3. Explain why Jim Drew decided to 'move into retail'.

The marketplace is the place where buyers and sellers come together and can exchange payment in return for goods and services.

The ways in which businesses get the product or service from the manufacturer/producer to the consumer are called:

Channels of distribution

The main channels of distribution are:

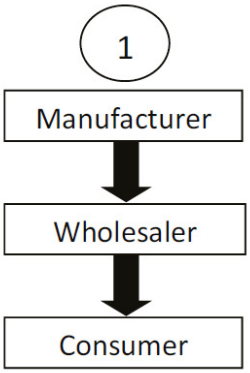


The manufacturer or producer makes the product in large amounts and will usually sell them on to a business that will buy them in large amounts.

The **wholesaler** buys from producers and manufacturers in bulk, and usually provides both transport and storage. Because the wholesaler is buying in large amounts, it is able to buy at relatively low prices. When it sells the goods on, it will have to recoup its transport and storage costs. The main customers for wholesalers are small shops and other traders. Cash and carrys are examples of wholesalers.

The **retailer** is any outlet where the consumer can buy the product. Most retailing takes place through shops, ranging from giant superstores to independent small corner shops. Products are displayed in a convenient way for consumers. Retailers will often provide other customer services such as a returns service, delivery, cafes and toilets. Other retail outlets include vending machines, mail order catalogues and direct mail selling. Internet, telephone and television are other examples. The internet is now a major channel of distribution for all types of products.

Wholesalers and retailers are intermediaries in the distribution channel.



This is when the customer buys the product from a wholesaler/cash and carry. It's good for the manufacturer as it gets bulk orders, so it sells more and the wholesaler will take on the cost of storing the product.

The prices the wholesaler charges consumers may be lower, though the consumer may have to buy larger quantities and the levels of customer service may be low.
Not all wholesalers will sell to the consumer.

Some examples include:

COSTCO WHOLESALE

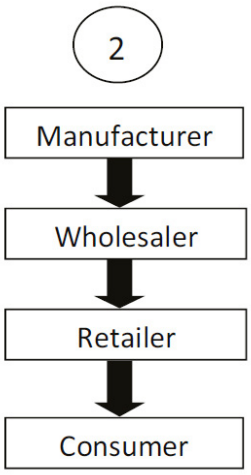
makro

PLUMB CENTER
a WOLSELEY company

MXWholesale.co.uk
maximum discount

DK
WHOLESALE LTD.
A GUARANTEE IN ITSELF

Identify the advantages and disadvantages of buying from wholesalers, such as the ones shown above.



This is the traditional channel of distribution and is still used by many products, in particular – household items, clothes, food and drink. Wholesalers buy in large quantities and then sell in smaller quantities to smaller businesses such as corner shops (this is called breaking bulk).

The advantage to the smaller business is that it can examine the products before committing itself to stocking them. Wholesalers will often supply goods to retailers on credit (buy now pay later).

Manufacturers would be unable to deliver their products to thousands of outlets that stock their product, so the wholesaler provides this service. The price that the consumer will pay is higher with this channel of distribution.

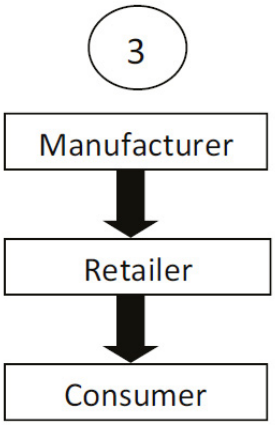
1. What is meant by 'wholesalers will often supply goods to retailers on credit'?

2. Why will the price for consumers be higher with this channel of distribution?

3. Identify which of the businesses below are likely to use this channel of distribution:

- Tesco
- local corner shop
- hairdresser salon
- bed and breakfast guest house
- Premier Inn
- school canteen

4. Explain the difference between a wholesaler and a retailer.



This is a very popular channel of distribution – where the manufacturer sells its goods straight to the retailer. It is much faster than the more traditional ② channel.

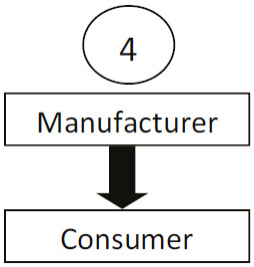
Examples include clothing, car, home electricals, vision and sound and the food industry. For example, large supermarkets will buy food and drink and other products that they sell in their stores straight from the manufacturer. Examples also include online retailers such as Ao.com and boohoo.com

By buying stock in large quantities the large supermarkets will get discounts on the price and will be able to charge lower prices or increase their profit margin. This is very important in a competitive market, especially when the businesses compete on price.

If smaller retailers buy stock from the manufacturer, they may need to buy in larger quantities and will have to hold a lot of stock, which can be expensive. Manufacturers may also charge higher prices for smaller businesses if they buy in smaller quantities than larger businesses.

Using this channel of distribution can result in the consumer paying lower prices as there are less stages, or levels, that the product has to go through to get to the consumer. Although the number of intermediaries are the same as ① prices can be more expensive, as the costs of operating as a retailer are often larger than operating as a wholesaler and retailers will often want the biggest profit margin possible on the product.

With reference to distributions channels 2 and 3, explain how large supermarkets can sell the same product much cheaper than smaller retailers and still have a bigger profit margin.



This is the quickest channel of distribution as the manufacturer is selling its products directly to the consumer. There are no intermediary businesses between the producer and the consumer. This is now a very popular channel with some businesses as they are able to obtain a higher profit margin and consumers can purchase the product or service for lower prices.

The manufacturer will have to finance and establish a way in which consumers can buy directly from them. The following are the most common methods:

Factory shops

Some manufacturers have factory shops such as pottery shops, farm shops and footwear.

Door-to-door selling/telephone

Some businesses employ sales representatives to visit people in their own homes. The sales reps will receive a basic wage, but will need to sell the products to get commission; no sales means low wages.

Typical products sold door-to-door are double glazing, telephone/internet services, energy such as that supplied by EDF and Swalec. Two other famous door-to-door businesses are Avon and Betterware.

Many businesses use the telephone to try to sell their products. This is very popular with financial products, such as insurance.

Cold calling is the process of approaching prospective customers or clients, typically via the telephone or door-to-door who were not expecting such an interaction. The word 'cold' is used because the person receiving the call is not expecting a call or has not specifically asked to be contacted by a sales person.

1. Why is door-to-door distribution a popular sales channel for some businesses?
2. Why is door-to-door distribution unpopular with some consumers?
3. What skills are needed by door-to-door sales reps?

Mail order

Some businesses supply their goods through mail order using catalogues. Goods are delivered through the post or special delivery, although some larger businesses may have

their own delivery vans. Prices tend to be low as there are no outlet costs. In recent years very few businesses use just mail order – they use mail order in conjunction with their website.

Vending machines

Vending machines are increasingly used to sell a wide range of products, including confectionery and drinks in leisure centres, personal hygiene products in public toilets and even reading glasses and electrical products in airports.

Internet

The use of the internet to distribute products and services has grown enormously in recent years and is continuing to grow. Buying products and services online is referred to as e-commerce and m-commerce (on portable mobile devices).

Many manufacturers are now able to sell directly to consumers through the internet, as long as they establish and organise effective storage and distribution systems. Manufacturers who sell directly to consumers through the internet can increase their potential market size, as anyone in the world can buy 24/7.

1. Explain the advantages and disadvantages for the manufacturer of selling directly to the consumer.
2. Explain the advantages and disadvantages for the consumer of buying products and services directly from the manufacturer.
3. Explain why some manufacturers will choose not to sell directly to the consumer.

1. What is a distribution channel?
2. Outline the different channels a business can use to sell its products and services.
3. There are many retailers in the UK, many located on busy high streets. Outline the functions of retailers.
4. Explain the benefits of selling products online

E-commerce and m-commerce

The business world today is dominated by e-commerce and m-commerce and is rapidly becoming an additional online distribution channel for many businesses.

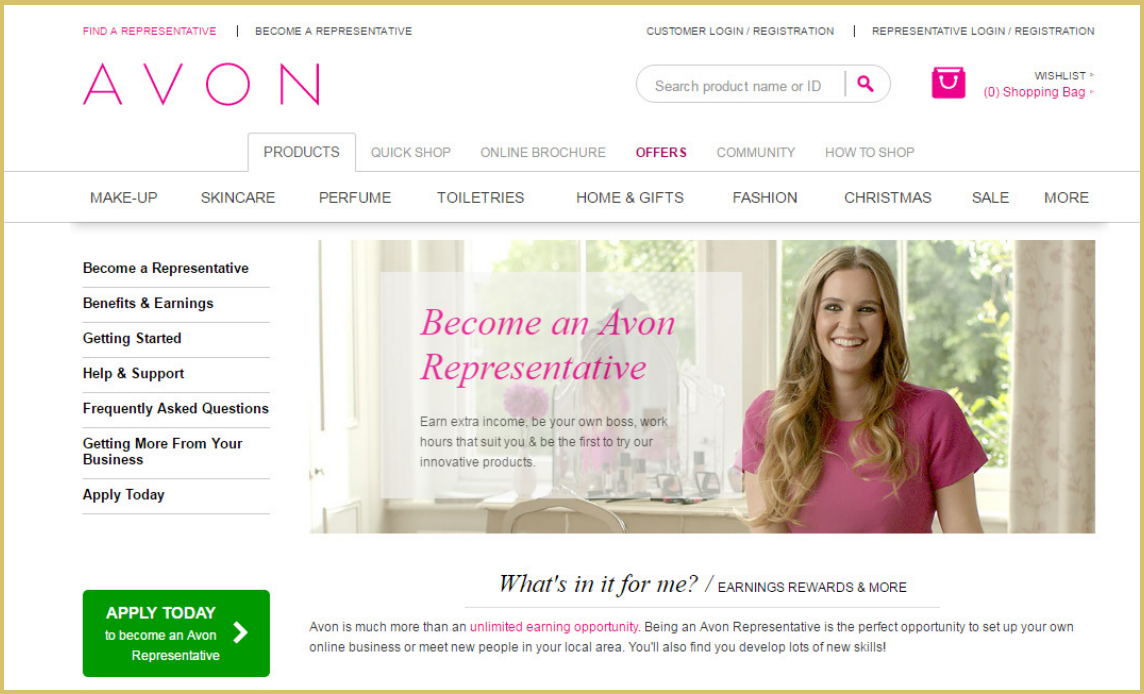
The internet has made it much easier for businesses of all sizes and in different markets to sell their products and services to a wider range of customers. Selling online also allows the business to offer a wider range of products and services to sell, as a physical store is not needed to display all the products. This is particularly useful if the business is selling large, bulky products. Very few businesses today can afford to ignore the internet – to do so will extremely restrict their competiveness.

Most large established businesses have an online presence in addition to physical stores and

other distribution channels. The growth of online shopping has had a negative effect on some retailers who have been unable to compete with the wider choice and lower prices which are often associated with online sales. Many small and local businesses, which have been unable to make the transition to e-commerce, have been forced to close down.

When considering the place aspect of their marketing mix, e-commerce and m-commerce will most probably play an important role for most businesses.

Avon is an established business that sells a range of products mostly aimed at women. It built its business success on door-to-door sales and catalogues. However, today it obtains most of its sales through the internet.



1. Explain why Avon changed its main channel of distribution.

2. Explain how Avon is a good example of adapting in a competitive and dynamic market.

Outline how the internet and growth of e-commerce and m-commerce have helped the following businesses:

Carry out research to find three local businesses in your area that have a website where local customers can buy products and services.

Compare the websites of these local businesses to the websites of large (national or global) businesses selling the same or similar products or services. Identify the differences and similarities.

All businesses need an online presence in order to succeed. Discuss this statement.

Multi-channel distribution

Very few businesses will use a single channel of distribution as part of their marketing mix. They will use multiple channels – this is called multi-channel distribution. Using a multi-channel strategy will increase the number of potential customers and therefore increase sales and profit. However, it will also increase costs as more resources will be needed and the business must make sure there is enough demand for its products and services to make the investment worthwhile.

Local, national and global businesses can use multi-channel distribution, with the most

popular choice being a physical outlet (e.g. a shop) and website that allows purchases to be made online. Many large businesses use further channels such as catalogues, telephone ordering and mail order to attract as many customers as possible.

Online sales can also be increased through the use of own websites and paying for listings on comparison websites. Other online channels include using social media such as Twitter and Pinterest and marketplace websites such as eBay and Amazon.

Increasing consumer expectations means that they expect most large, and some smaller businesses, to distribute products and services in physical stores and on the internet. Offering choice and convenience to customers in the way they can buy products, is a method in which businesses can increase sales and make them more appealing to a broader number of consumers.

Businesses will attempt to make their multi-channel distribution consistent by using the same branding, image and processes to give customers the same buying experience, whatever channel they choose. Physical stores, websites, e-mails, social media messaging all show the same messages, offers, and products. This is known as omni-channel distribution, helps to create customer loyalty and provides a continuous experience for the customer. For example, the retailer John Lewis has designed all its distribution channels to offer the same service to customers. Customers can buy from John Lewis the same way whether in-store, on its website and mobile app or on the telephone.

Beth Jones owns and runs a shop called Cambria Grocer. The shop sells food such as fruit, vegetables, cold meats and dairy products. Her customers are local people; however, tourists and some customers are willing to travel to her to buy her high quality goods.

Beth has realised the importance of using the internet to sell her products. Therefore, she is considering using the internet to sell her goods on her own site.

Evaluate Beth's plan to sell her products by using the internet in addition to her shop.

1. Explain what is meant by omni-channel distribution.

2. Outline how John Lewis can provide the same buying experience through its different distribution channels.

3. Bet365 is a UK-based online only betting/gambling business. It has over 19 million customers in almost two hundred countries in the world. The business employs over 3 000 people. Why has Bet365 decided to only operate online and not use a multi-channel approach?

The following businesses use multi-channel distribution. For each business, outline the places where customers can buy its products and services.

- Dell computers
- Thomas Cook travel agents
- Pandora jewellery
- Apple
- Burberry

Select one of these businesses and explain how multi-channel distribution has helped to increase sales and profit.

Choosing the right channel of distribution

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

- the type of product or service
- the nature of the market
- the suitability of intermediaries
- the type of customer
- the size of the business
- the size of the market
- the resources available to the business
- how competitors distribute products and services

Identify suitable channels of distribution for the following businesses:

- a multinational manufacturer of sports equipment wishing to increase its market share
- a business producing high-quality handmade sailing boats
- a sole trader baker making cup cakes
- a national chain of twenty hotels located in seaside towns around the UK
- a manufacturer of a range of branded chocolate bars

1. What is meant by 'place' in the marketing mix?

2. Explain the consequences for a business if it fails to use the correct channel of distribution. Refer to sales, costs, image and customer satisfaction in your answer.

3. Why do businesses like Kellogg's choose to distribute their products through wholesalers and retailers rather than directly to the customer?

4. What is a shopping mall? Why are these popular channels of distribution for many retailers?

5. What is an out-of-town shopping centre? Why have these grown in popularity?

Developing a marketing strategy and creating a marketing mix

Use what you have learnt about the 4Ps to create an appropriate marketing mix for the following two businesses.

Business 1

Sally is starting a new business in your local area. She hopes to set up a coffee and sandwich bar in the centre of the town. She will make a variety of fresh coffee drinks and sandwiches on the premises to sell to shoppers and workers. She wants to use local fresh produce to make good quality sandwiches and rolls. She will sell other snacks and drinks.

Sally has employed you as a marketing consultant.

1. What image do you want for the business?
2. Suggest a suitable name to go with the image.
3. Describe the main features of the products to be sold by Sally.
4. What is Sally's product range?
5. How will the product be differentiated?
6. What will be the USP?
7. Suggest suitable packaging for Sally's products.
8. Design a logo for the sandwich bar and the packaging. Remember to link this with the image you want.
9. How will Sally work out her prices?
10. Describe what pricing strategies Sally could use? Justify your choice.
11. Where in the town centre should Sally place her business?
12. Are there any other ways that Sally could sell/distribute her products?
13. How will Sally advertise her business? Include different media to be used.
14. Justify your decisions. Sally wants to know why you have suggested this advertising.
15. What additional sales promotions could Sally use to launch her sandwich bar?
16. Sally wants to take advantage of the number of customers who use e-commerce and m-commerce. Advise Sally on how these can be used to help establish the business and increase sales.
17. Sally is also interested in starting a blog on social media. Explain how this could help her promote her business.
18. Summarise the marketing strategy you have created in the marketing mix grid on the next page.

Product

Price

Promotion

Place

Business 2

Nokia used to be the market leader in the mobile phone market. However, in recent years it has lost sales to other manufacturers of mobile phones. Nokia has now designed and tested a new phone that it hopes will gain back some of its lost market share.

The new phone, currently called Nokia 8 will have the latest android technology and promises to offer a new level of entertainment for users, whilst having all the essentials of a modern smart phone. The phone has a sleek design.

You are the marketing director of Nokia and have been given the task of launching the new phone in an attempt to regain its market share. This phone will have to stand out from the other phones currently on the market.

1. Decide on a new name to catch the imagination of the public.
2. What will the USP be?
3. What pricing strategies will you use? Justify your decisions.
4. What will be the best channels of distribution for the new phone? Consider the use of multi-channel distribution.
5. You will have a very large advertising budget. How will you spend this? What media will you use? Will you use a famous personality in your advertising campaign?
6. What mix of sales promotion will you use when you launch the product?
7. Summarise the marketing strategy you have created in the marketing mix grid on the next page.

Product

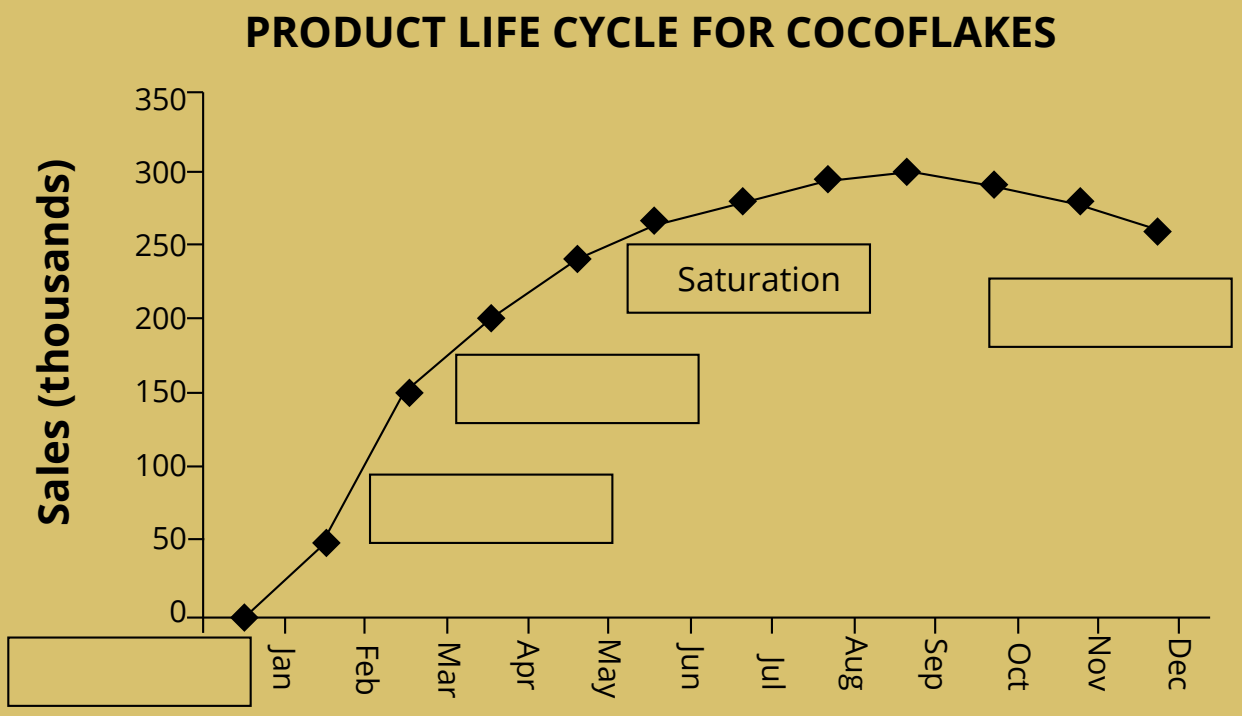
Price

Promotion

Place

Nettlies plc produces breakfast cereals. On 1st January it introduced a new breakfast cereal for children called CocoFlakes. Early promotions meant that the product sold well to begin with, but eventually sales fell.

1. On the product life cycle below, complete the labels to show decline, maturity, launch and growth.



2. In which month did sales begin to fall?

3. What was the highest level of sales in that month?

4. Explain what happens in the maturity stage of the product life cycle.

5. Consider two marketing strategies Nettlies plc might use to prevent sales from falling even further. Justify your suggestions.

Harriet and Zane have recently started their business partnership. Harriet is a plumber and Zane is a qualified electrician. In the first two months business has been slow and they now realise that they need to market their business in order to increase awareness and generate sales.

Suggest how they could use the marketing mix to market their business.

Explain how the marketing decisions made by a business will affect other functions of the business.

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