



Higher Still Notes

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Higher Business Management

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Marketing

What is a Market?

A market exists where buyers and sellers are in contact with each other in order to buy or sell *consumer goods*, *industrial goods*, and *services*.

Marketing refers to a seller's *anticipation*, *identification*, and *satisfaction* of their market's buyers (in a profitable and cost-effective manner) in order to maximise sales and revenue.

The main marketing activities are:

- Market research
- Market segmentation and targeting
- **Product** development
- **Pricing**
- **Placement** and distribution
- **Promotion** and advertising.

The Marketing Environment

The marketing environment (i.e. market) is affected by the following factors which will have to be accounted for if marketing is to be effective.

- Market competition
- Economic forces
- Market growth
- Market share
- Consumer behaviour
- Government
- Technology
- Nature of the good or service.

The behaviour of consumers is affected by their:

- Age
- Location
- Occupation
- Marital status
- Taste and fashion
- Gender
- Income
- Education
- Social status
- Personality
- Motivation and lifestyle.

What is the Marketing Mix?

The marketing mix is the specific combination of product, price, place and promotion, which will satisfy the needs of an organisation's market or market segment.

Why is this Important?

- It provides the organisation with competitive advantages
- It improves organisational performance.

Product

The product element of the marketing mix is concerned with the dynamic creation, development and management of goods and services which can be sold to satisfy consumer demands and generate profits.

This element of the marketing mix is of vital individual importance as without a product the organisation would fail, as it would have nothing to price, place, promote or use to generate revenue.

Product Issues

- Developing the product concept
- Producing innovation
- Brand creation and management
- Own brand creation and management
- Product mix management
 - Product line based production
 - Diversified production.
- Identification of product life-cycle
 - Development
 - Introduction
 - Growth
 - Maturity
 - Saturation
 - Decline.
- Extension of product life-cycles
 - Product change to keep ahead of the competition
 - Product change to appeal to new segments
 - Altering packaging to appeal to new segments
 - Altering the channels of distribution
 - Changing prices
 - Altering the methods of promotion and advertising.

Market Segmentation

Businesses can choose to either target the majority of consumers or specific groups of consumer, depending upon the type of business and sector they operate in.

Undifferentiated marketing is where a product is sold to the whole market, e.g. Kellogg's Corn Flakes.

Differentiated marketing is where different products are sold to the various target groups within society – e.g. Ready Brek for children, Special K for dieters, and so on.

Market segmentation is the process of classifying the consumers within the marketplace into separate and identifiable groups based upon similar characteristics or needs.

The basis for this breakdown can be any or a mixture of the following factors:

- Age
- Gender
- Socio-economic group
- Education
- Religion
- Income
- Occupation
- Family
- Ethnic grouping
- Location
- Lifestyle.

Why is Market Segmentation Important?

- It prevents undifferentiated marketing (or mass-marketing) which targets all consumers within the same market group.
- It allows differentiated marketing which will target different market segments with different tailored marketing strategies. Examples of differentiated marketing include *personal selling* and *niche marketing*.

The Benefits of Differentiated Marketing

- Improved customer satisfaction
- Improved customer loyalty
- Development of sales opportunities
- Improved sales
- Decreased resource wastage
- Improved profits
- Improved market share
- Improved stability and security.

Price

The price element of the marketing mix is concerned with the dynamic setting and management of the sales price of new and existing goods and services which the organisation sells.

Price is an important element of the marketing mix, as without effective price setting and management an organisation will fail to attract customers, generate revenue, or maximise opportunities for profits. This is the case because price is used by consumers to assess and compare the worth, value-for-money and affordability of different products, and, in turn, make decisions about which products they will buy.

What Affects Price?

Organisational Pricing Objectives

- Profit maximising objectives
- Competitive objectives
- Other objectives.

Pricing Strategies to Achieve Objectives

High Price Strategies

- Contribution pricing
- Demand-oriented pricing
- Skimming pricing.

Low Price Strategies (Competitive)

- Penetration pricing
- Promotional pricing.

Market Price Strategies (Stability)

- Competitive pricing
- Cost-plus pricing.

The Market the Product is to be Sold In

- Uncompetitive market (monopoly supplier) – high prices
- Competitive market – market prices
- Highly-competitive market (many suppliers) – low prices.

The Nature of the Product Itself

- New products with competition would use market prices
- New products without competition would use high or relevant market prices
- Existing (ordinary) products would use market or low prices
- Existing (quality or brand) products would use high prices
- Existing unique products would use high prices.

Place

The place element of the marketing mix is concerned with ensuring that at any specific point in time the best method of bringing a product to the right place at the right time to satisfy customers needs is being employed.

This element of the marketing mix is important as without it an organisation will lose sales, profits and market share because their products, which consumers want to buy, will not be bought as they are simply unavailable.

Placement Issues

Channels of Distribution

- Wholesaler
- Retailer
- Direct-sales.

The Choice Made will Depend Upon

- Existing buying habits
- Changing buying habits
- Product nature
- Market coverage required
- Producer-power demands
- Legal restrictions.