

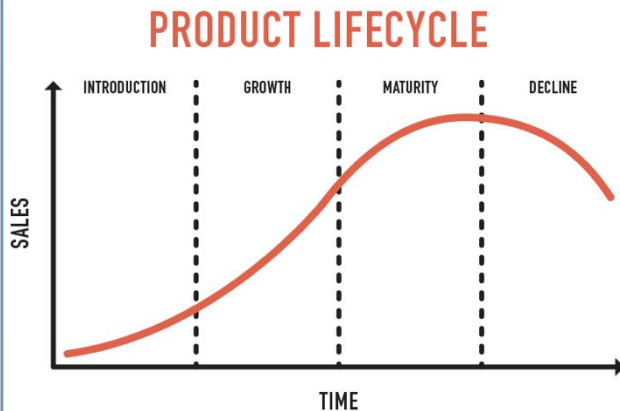
2.2.1 Product

The Design Mix

When designing a product we can use the design mix. These are three questions which identify the purpose of a product. They are:

- ☐ **Function-** what does the product do or solve?
- ☐ **Aesthetics/Design-** How does the product look/feel (aesthetics).
- ☐ **Cost-** can the product be made at a cost effective price? What are the margins of profit? Can you make the product at a lower cost than competitors?

Product Life Cycle



Introduction

During this phase of the product life cycle sales will be low as customers are not yet aware of the product. Also the costs of research and marketing may affect profits.

2.2 Making Marketing Decisions

Growth

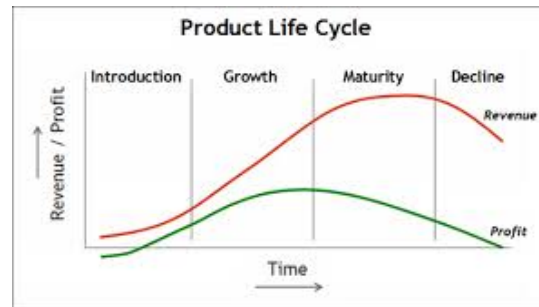
During the growth period customers are becoming more and more aware of your product and there is a high demand for it. Sales will be growing rapidly and so will profits.



Maturity

In the maturity phase products are now competing against their competitors as they will have a similar product in the market.

Sales may still be high but profits will start to fall as demand falls.



Decline

During the decline phase there may be a limited production of a product. Sales and profits will have fallen by this stage and the product may have been discontinued.



Extending The Product Life Cycle

To extend the product lifecycle the business can do the following:

- ☐ **Adapt the product-** updating a product to keep up with current trends. E.g. updated models of a car every 5 years
- ☐ **Promotions** – Repackaging, Discounting the product, Rebranding a product, Adding more features. Or even promotion overseas for new markets.

The Importance To A Business Of Differentiating A Product/Service

Differentiation is making products/services different from your competition. This can be done by:

1. **Branding-** Customers buy brands they like
2. **USP-** What is unique about your product that makes it different to the competition?
3. **Location-** is your product located in the best position e.g. a busy high street?
4. **Design-** is the design and packaging made to catch the customers eye? Is it designed to be more ergonomic?
5. **Customer Service-** do you provide customers with an after sales service?
6. **Quality-** is your product of a high quality?
7. **Product mix-** Is there a wide range of products on offer from your business?



2.2.2 Price

Pricing Strategies

There are various strategies a business can use when selling their product/service they include:

Skimming Pricing

- ❑ Product is initially priced high as it is seen as a desirable
- ❑ The price will then be lowered over time, there for the price is skimmed
- ❑ Examples: mobile phones & game consoles

Penetration Pricing

- ❑ This involves setting a low price initially to encourage purchases
- ❑ When the product gains market share the price is then increased
- ❑ Examples: Broadband providers

Cost Plus Pricing

- ❑ This involves working out the total cost to make a product and then adding a profit on top
- ❑ You can add a fixed value to the costs e.g. £3 or a percentage e.g. 10%
- ❑ Examples of this pricing include restaurants

Competitor Pricing

- ❑ Pricing similar to your competition
- ❑ This means customers will judge on the quality and other factors
- ❑ Examples include: Food and Drink in supermarkets

Promotion Pricing

- ❑ Products are being offered at a cheaper price for a limited time to encourage sales.
- ❑ Examples: buy one get one free



2.2 Making Marketing Decisions

Influences on Pricing Strategies

Technology

- ❑ Advancements in technology means the production process can be more efficient increasing profit margins
- ❑ This means products can be produced in less time
- ❑ If the production costs are lower this can be passed on to the consumers



Competition

- ❑ If a business is operating in a competitive environment this can influence the price of a product
- ❑ Examples being the price of petrol

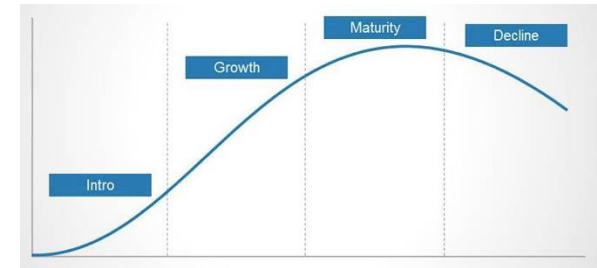


Market Segments

- ❑ In markets which have a wide range of similar products (**mass market**) pricing will be low to encourage sales
- ❑ In **niche markets** where products are unique and there is minimal choice, prices will be higher (premium price)

Product Lifecycle

During the product lifecycle a product will experience various pricing strategies.



- ❑ **Introduction**- During this stage the product will be launched possibly at a lower price to gain sales
- ❑ **Growth** – During the growth stage a business may offer a smaller discount on the product to encourage sales
- ❑ **Maturity**- During this stage the product will be priced high to take advantage of maximum profits
- ❑ **Decline** - During the decline phase of the product lifecycle the product will be heavily discounted to gain sales. Eventually the product will be discontinued and the low pricing strategy encourages the sale of the limited stock of the product.

2.2.3 Promotion

Appropriate promotion strategies for different market segments

Advertisements

A business will use advertisements in order to:

- ☐ Raise awareness of a brand
- ☐ Promote the brand
- ☐ Encourage customers to switch

A business can advertise via:

- ☐ **Websites** - a cheap form of advertising which can be seen 24/7 and by a worldwide audience
- ☐ **Printed** - National/local newspapers can be used to promote a business. A more local business would advertise in a local paper. Other forms of printing include magazines which can be specialised e.g. Autotrader.
- ☐ **Television** - TV can be expensive but expose a brand to a large audience. There are specialist channels that can be used to target specific markets e.g. kids TV such as nickelodeon
- ☐ **Radio** - Radio is a relatively cheaper form of advertising and can be used for local businesses on local stations.

Advertising to niche and mass markets

Niche	Mass
Local Radio	National Radio
Local newspaper	National newspaper
Flyers	Television
Social Media	

2.2 Making Marketing Decisions

Sponsorship

When a business sponsors another event they are associating themselves with the event. Sponsorships can be seen by a large audience e.g. if they are on a premier league football kit.

Local businesses can also sponsor smaller events in the local area to raise awareness.



Product Trials

Product trials can be used in order to let the customers get a hands on experience with your product. They can examine, use and test the product and then feedback to the company.

The trials can be used to test a product in a wider market to see if there is a demand for the product and also to see if their market research about the product was correct.

Special Offers

Offers can be used to encourage consumers to purchase goods such as:

- ☐ Buy One Get One Free
- ☐ Discounted goods
- ☐ Gifts
- ☐ Competitions



Branding

Brands distinguish one supplier from another, consumers will be brand loyal. This can be used to promote products

Use of Technology in Promotion

Target Advertising

If a user is searching for a new car on the internet, they may see adverts appear for cars on other websites. This is called target advertising.



Viral Marketing

Viral is where a advert becomes so successful that consumers will pass it on to each other so it is seen by a large audience.

Social media can be used for viral marketing as consumers can share and post about a viral campaign. It can be used to communicate, build trust, and interact with customers.

Social media is cost effective and can provide a new platform for businesses to increase engagement and to inform customers of new products.

Viral Advertising Via E-newsletters

This is where a business sends a e-newsletter (via email). The customer would then send it to their friends, this makes the newsletter go viral. The business would ask their customers to share the newsletter.

2.2.4 Place

Methods of Distribution

Retailers

This is a business that sells goods from a physical shop. Also known as a bricks and mortar shop.

- ☐ The retailer will sell goods directly to a consumer. The owner of the shop may have bought goods from a wholesaler to sell on to the customers
- ☐ The retailer will make a mark-up on the price of the goods that they sell. This means that they will sell the product for more than what they paid for it.
- ☐ This is one of the main ways in which the retailer will make a profit in their business
- ☐ Retailers may also have to pay rent for their shop as it is unlikely that they will own the premises that they are operating from.
- ☐ Examples of a retailer include high street shops, newsagents and many more.
- ☐ Larger retailers can be part of a corporation that sell in other countries
- ☐ Independent retailers are not part of a chain like Tesco. They tend to sell niche products and so charge a higher price.



2.2 Making Marketing Decisions

Advantages and Disadvantages of Retailers

There are several advantages and disadvantages of being a retailer some of which include:

Advantages	Disadvantages
Shopping can be an experience for the consumer	Limited opening hours for a shop
Try before you buy a product	Queues can occur in a shop making customers wait for their goods
Customers can have the product as soon as they have bought it	Can be higher prices than an etailer
Retailers can let the customers see, feel and test a product	Some customers may find it embarrassing to buy certain products
Face to face communication lets the retailer read a consumers body language	

Etailer

This is a business which sells goods online via the internet. These are websites such as Amazon.



Some etailers can also have a physical shop and and online shop, this is known as "clicks and mortar". Some examples being Currys, Argos, Tesco to name a few.

Advantages	Disadvantages
Low start up costs	Harder to establish trust with consumers
Can sell a larger range than a shop	Website setup can be expensive
Can sell products for less as you are not paying rent for premises of staffing costs	Security and fraud online can be an issue.
Access to a global marketplace	Distribution can damage a reputation e.g. if a delivery is late
Lower fixed costs	
Potential to grow rapidly	

2.2.5. Using the marketing mix to make business decisions

How each element of the marketing mix can influence other elements

Price		
Product Some products may be high in demand, this means that a higher price can be charged to the consumer for these goods and services. An example would be the latest smartphones	Place Transport costs can be high due to petrol prices, this means a higher price for goods will be charged.	Promotion Some brands promote their products heavily, this means that a higher price can be charged for their goods e.g. Nike



2.2 Making Marketing Decisions

Product		
Price If customers want a lower price the product may have to be made from lower quality materials	Place Technology is influencing customers to shop online.	Promotion Digital promotion methods need to be used for products online e.g. Groupon



Place		
Price The price of a product may dictate where a product is sold. E.g. a high end watch would be sold in a high end jewelers	Product The type of product will influence place e.g. a customer may want to test a car first so it would be harder to sell online than in a shop	Promotion With a larger advertising campaign more businesses will want to sell products

Promotion

Price Promotion can help similar priced products to gain market share	Place Some shops specliaise in providing discounted products so they may expect prices to include a range of sales /promotions	Product Older products may require promotions to boost sales
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Using The Marketing Mix To Build Competitive Advantage

All business owners must use the marketing mix effectively so that they are meeting the customers needs. If the business owner gets the mix right they will gain a competitive advantage.

How An Integrated Marketing Mix Can Influence Competitive Advantage

By having both an online shop and physical outlet you can maximise your presence in the market. If you make the right decisions then this will allow you to make significant gains in the market share.

The main reasons for this are that you are providing an outlet as well as a online website for customers to buy goods. By doing so you are reaching a global marketplace whilst remaining a local business.

Revision Questions

These questions are based around the previous slides. Test your knowledge to see if you can answer them!

1. What are the 3 aspects of the design mix that should be considered when producing a product? [3]
2. Explain what happens during the following phases of the product lifecycle [4]
 1. Introduction
 2. Growth
 3. Maturity
 4. Decline
3. What are some ways in which you can extend the product lifecycle? [3]
4. Explain the different ways in which a business could differentiate their product [6]
5. State what is meant by the following pricing strategies [5]:
 1. Skimming Pricing
 2. Penetration Pricing
 3. Cost Plus Pricing
 4. Competitor Pricing
 5. Promotion Pricing
6. How can the following influence a pricing strategy of a business:
 1. Technology
 2. Competition
 3. Market Segment
 4. Product Lifecycle
7. State 4 ways a business can advertise [4]
8. Explain the difference between sponsorship and product trails [4]
9. What are some ways in which technology can be used to promote a product [4]



2.2 Making Marketing Decisions

10. What is a retailer? [1]
11. State the advantages & disadvantages of a retailer [6]
12. What is an etailer? [1]
13. State the advantages & disadvantages of a etailer [6]
14. How can **price** influence the other elements of the marketing mix? [4]
15. How can the **product** influence the other elements of the marketing mix? [4]
16. How can **promotion** influence the other elements of the marketing mix? [4]
17. How can the **place** influence the other elements of the marketing mix? [4]
18. How can using the marketing mix gain a business a competitive advantage [3]
19. What is an integrated market? [2]
20. How can having an integrated marketing mix benefit a business? [3]
21. Which one of the following is a form of marketing [1]
 - ☐ Viral Advertisements
 - ☐ Online presence
 - ☐ Promotional Vouchers
 - ☐ Gift Cards
22. Which of the following is a characteristic of a Etailer [1]
 - ☐ Operate one the high street
 - ☐ Operate online
 - ☐ Used to advertise products
 - ☐ Owned by the government



Tips

For an essay style question use the following tips to ensure that you are maximizing your marks:

- ☐ Read through the question underlining any key points
- ☐ For these types of questions an extended answer is expected.
- ☐ Discuss both the advantages and disadvantages of the given context
- ☐ When discussing a point ensure that you contextualise your answer. This means give examples which relate to the scenario

Tip Top Trampolines are a business that specialises in providing trampolines to schools and gymnasiums in their local area.

They are currently trying to decide whether they should set up an online website and sell their products online. They feel this way as their sales are forecasted to be lower than the previous year.

Evaluate this business decision [12]

