

4.1 Introduction to marketing

Topic 4: Marketing

Unit content

Content	Assessment objective
<u>Market orientation versus product orientation</u>	AO2
<u>Market share</u>	AO2, AO4
<u>Market growth</u>	AO2, AO4
<u>The importance of market share and market leadership (HL only)</u>	AO3
Business Management Toolkit: <ul style="list-style-type: none">• <u>Porter's generic strategies (HL only)</u>	
<u>Introduction to marketing and the business management concepts</u>	

Needs and wants

- People have different needs and wants.
- Marketing exists to address people's needs and wants.
- Ultimately, the goal is to make customers want to buy a firm's products.

Needs

- These are essentials that all humans must have to survive
 - e.g. food, shelter, water and warmth.




Wants

- These are human desires (i.e. things that people would like to have).
- Humans have infinite wants

What is marketing?

- Marketing involves:
 - Identifying the needs and wants of customers.
 - Anticipating and predicting what customers want in the future.
 - Considering the price, product, place and promotion
 - Earning a profit

A collage of four images: a woman in a call center headset, a menu board for 'ASK To Go' listing pizzas, pastas, and salads with prices, a Coca-Cola vending machine, and a hand holding a smartphone displaying a social media feed.

Marketing is the management process involved in identifying, anticipating and satisfying consumer requirements profitably.

Chartered Institute of Marketing

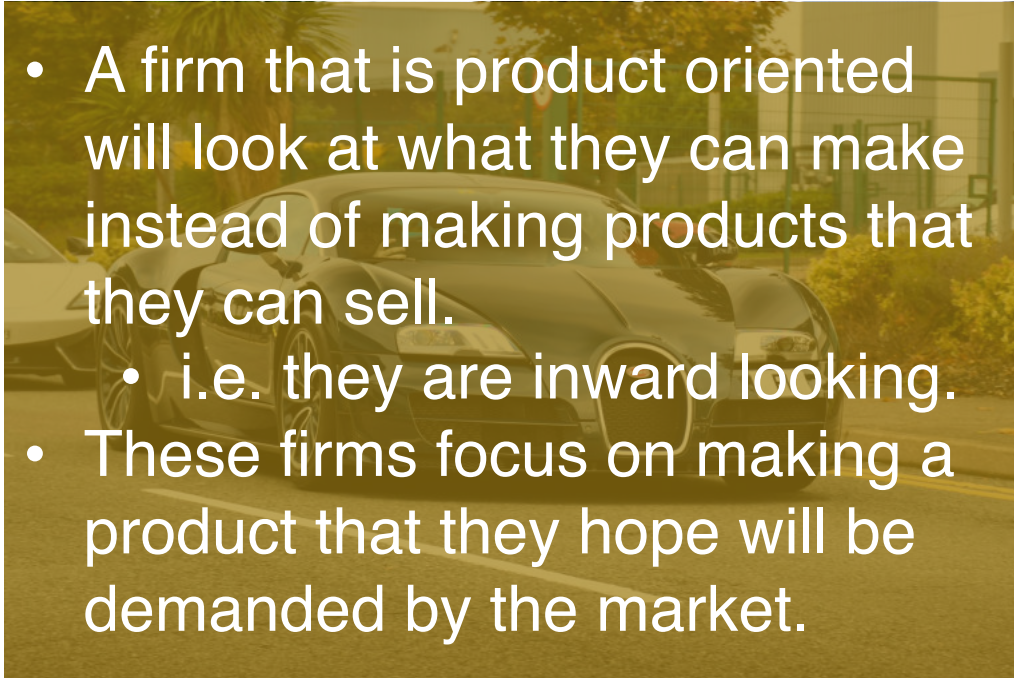
Market orientation versus product orientation

Market orientation versus product orientation

Market orientation

- 
- A background image for the Market orientation section showing a storefront with signs for "VEGAN STREETFOOD" and "100% PLANT POWERED".
- A firm that is market oriented will look to the market to see what consumers need and want.
 - i.e. they are outward looking
 - A firm will produce products to fulfill those needs and wants.

Product orientation

- 
- A background image for the Product orientation section showing a dark sports car parked on a street.
- A firm that is product oriented will look at what they can make instead of making products that they can sell.
 - i.e. they are inward looking.
 - These firms focus on making a product that they hope will be demanded by the market.

McDonald's McPlant burger

1. Why did *McDonalds* decide to introduce a plant-based burger?
2. Is this an example of market or product orientation?



The *Bugatti Veyron*

- The Bugatti Veyron, one of the fastest production cars in the world, capable of reaching a top speed of 431.072 kph.
- It retails for almost USD\$2 million but is estimated to make a loss of about \$6.25 million per car due to R&D costs.

Is Bugatti a market or product-oriented firm?



Advantages and disadvantages of market oriented firms



Advantages

- Greater flexibility
 - Able to respond quickly to the changes in the market because of its use of market information
- Lower risk
 - Firms can be confident their products will sell as they are tailored to meet the needs and wants of consumers.

Advantages and disadvantages of market oriented firms



Disadvantages

- Market research is needed
 - This is to find out what consumers want. This can be very expensive.
- No guarantee this approach will work
 - This is due to the dynamic nature of the external environment.

Advantages and disadvantages of product oriented firms



Advantages

- Quality can be assured
- More control over operations

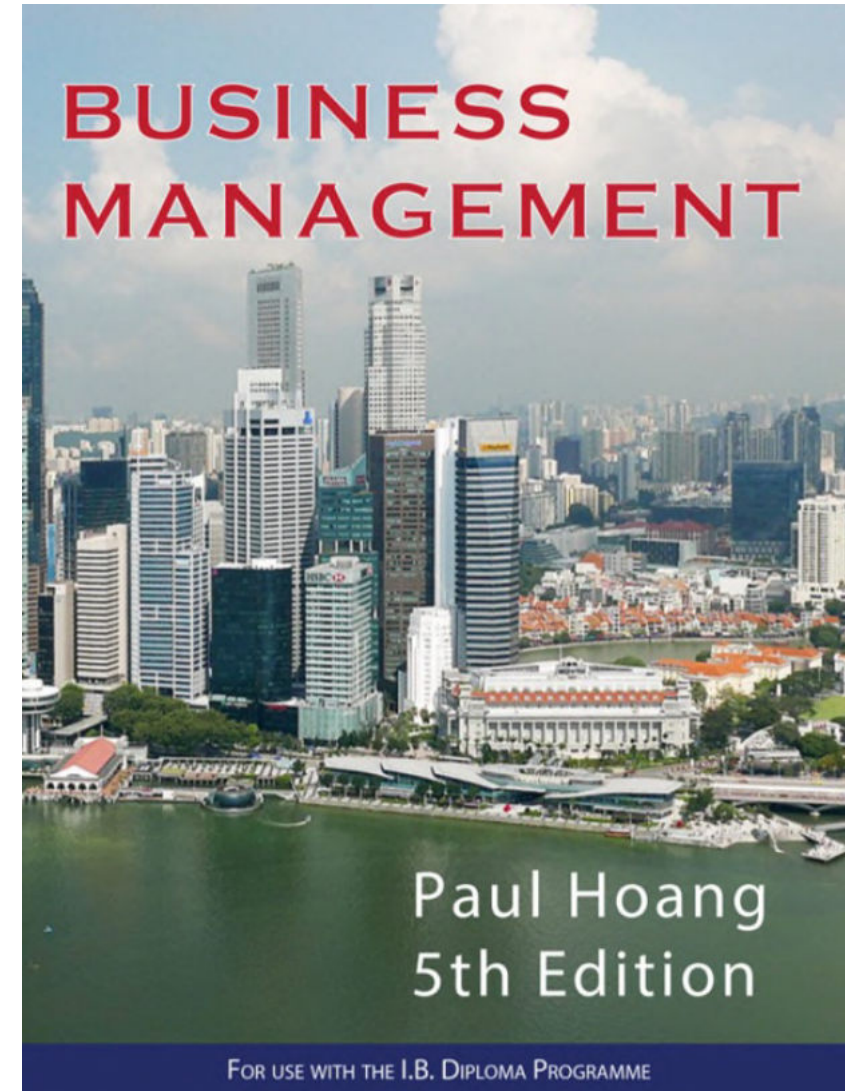


Disadvantages

- Needs of the market are generally ignored
- High risk strategy with high failure rate
- High research and development costs

Over to you

- Hoang textbook
- Question 23.1 *Sony*
 - Page 344
- Answer all parts



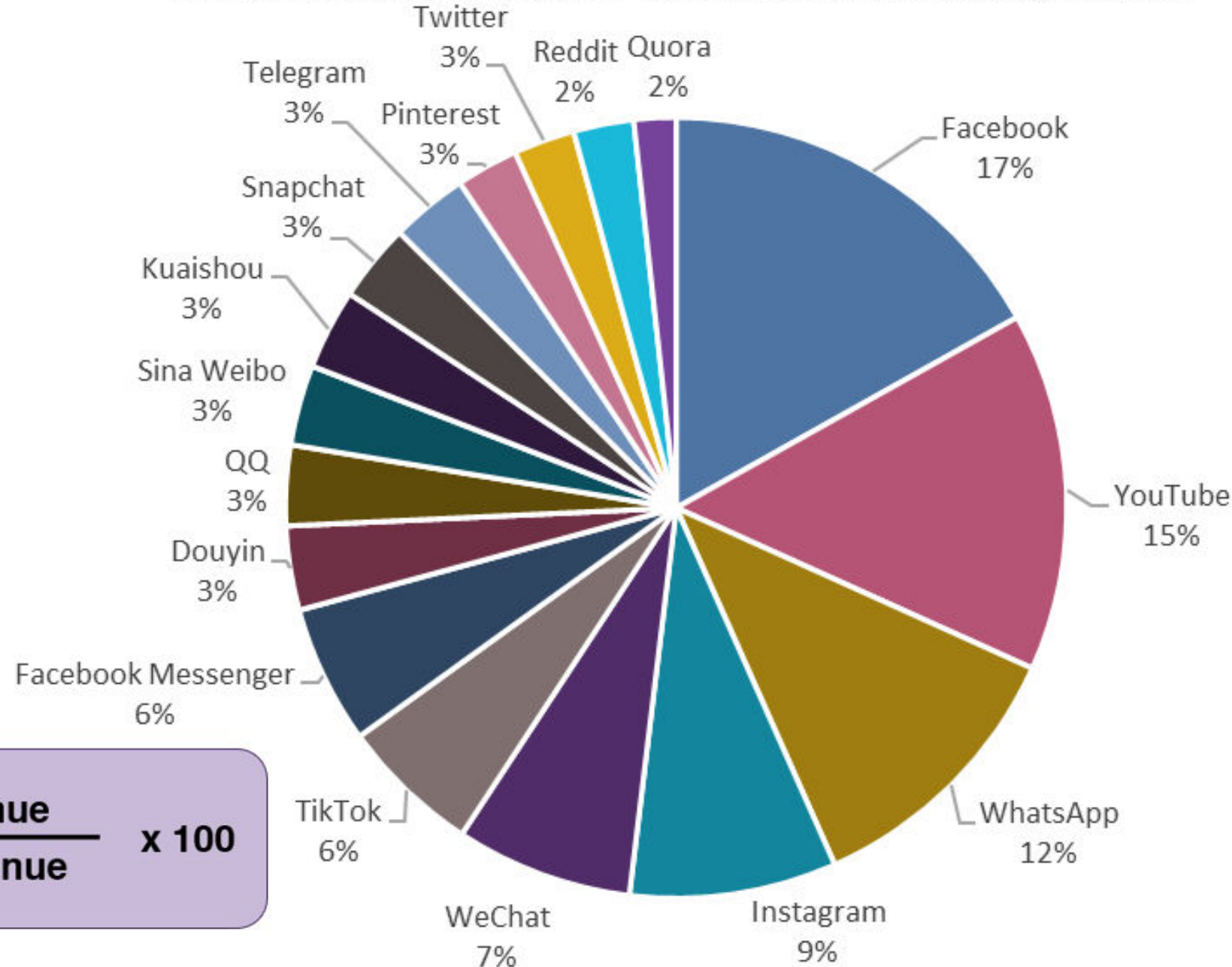
Market share

Calculating market share

- Market share refers to an organization's share of the total value of sales within a specific industry.
- Market share is calculated as follows:

$$\text{Market share} = \frac{\text{Firm's sales revenue}}{\text{Industry sales revenue}} \times 100$$

Market share of social networks worldwide 2022



The importance of market share

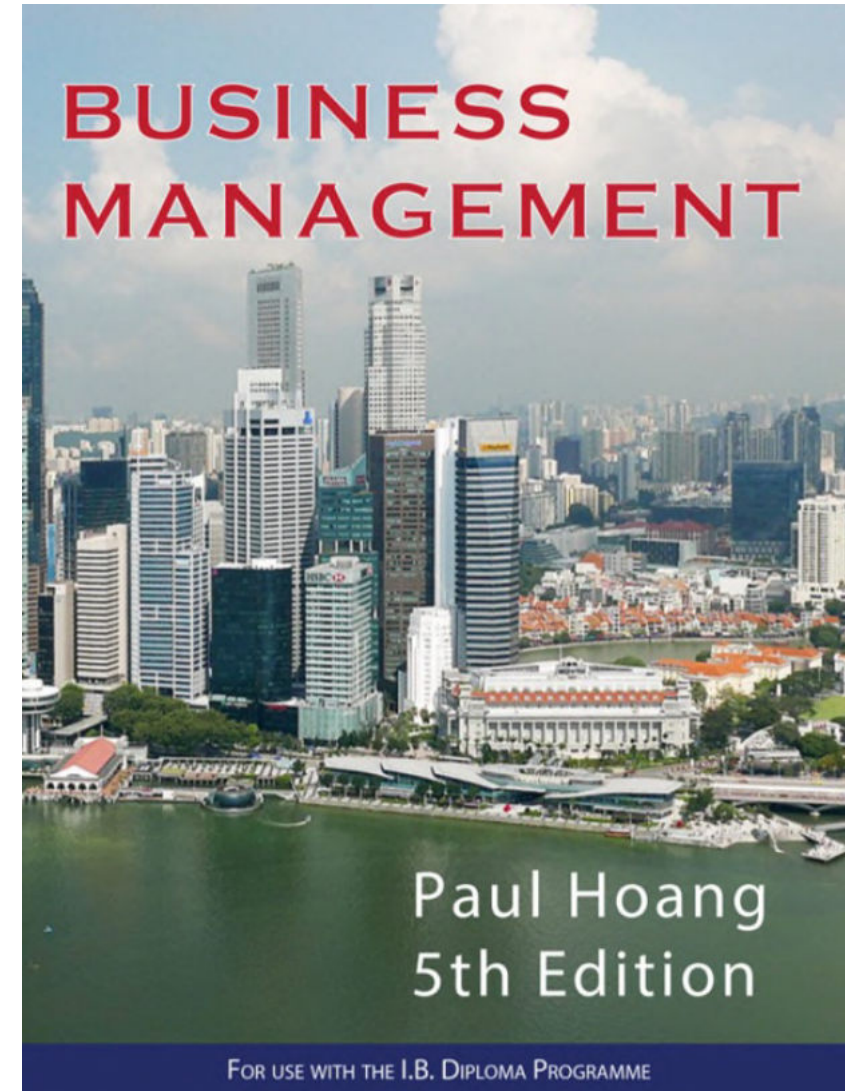
- Firms with high market share benefit from their status, price setting abilities and are less threatened by competition.

Ways to increase market share

- Brand promotion
- Product development
- Motivating and training the workforce
- Establishing intellectual property rights
- Using more efficient channels of distribution

Over to you

- Hoang textbook
- Question 23.2 *Calculating market share*
 - Page 345
- Answer all parts



Market growth

Calculating market growth

- Market growth refers to the rate at which the size of a market is increasing.
- Market growth is calculated as follows:

$$\text{Market growth rate} = \frac{\text{Current market size} - \text{Original market size}}{\text{Original market size}} \times 100$$



Market growth rates of nursing homes

- 1. Calculate the market growth rate for the number of nursing homes for the elderly in each city.
- 2. A medical imaging centre* is looking to open a branch in one of these cities. Explain which city you would recommend based on market growth rates.

**A centre that performs x-rays and medical scans.*



	City A	City B
Number of nursing homes in 2017	50	20
Number of nursing homes in 2022	175	100

Market growth rates of new apartment building developments

1. Calculate the market growth rate of new apartment building developments in each city.
2. A home furnishings store is considering opening a new branch. Explain which city you would recommend based on the market growth rates.



	City A	City B
Value of new apartment building developments in 2017 (\$m)	250	20
Value of new apartment building developments in 2022 (\$m)	125	60

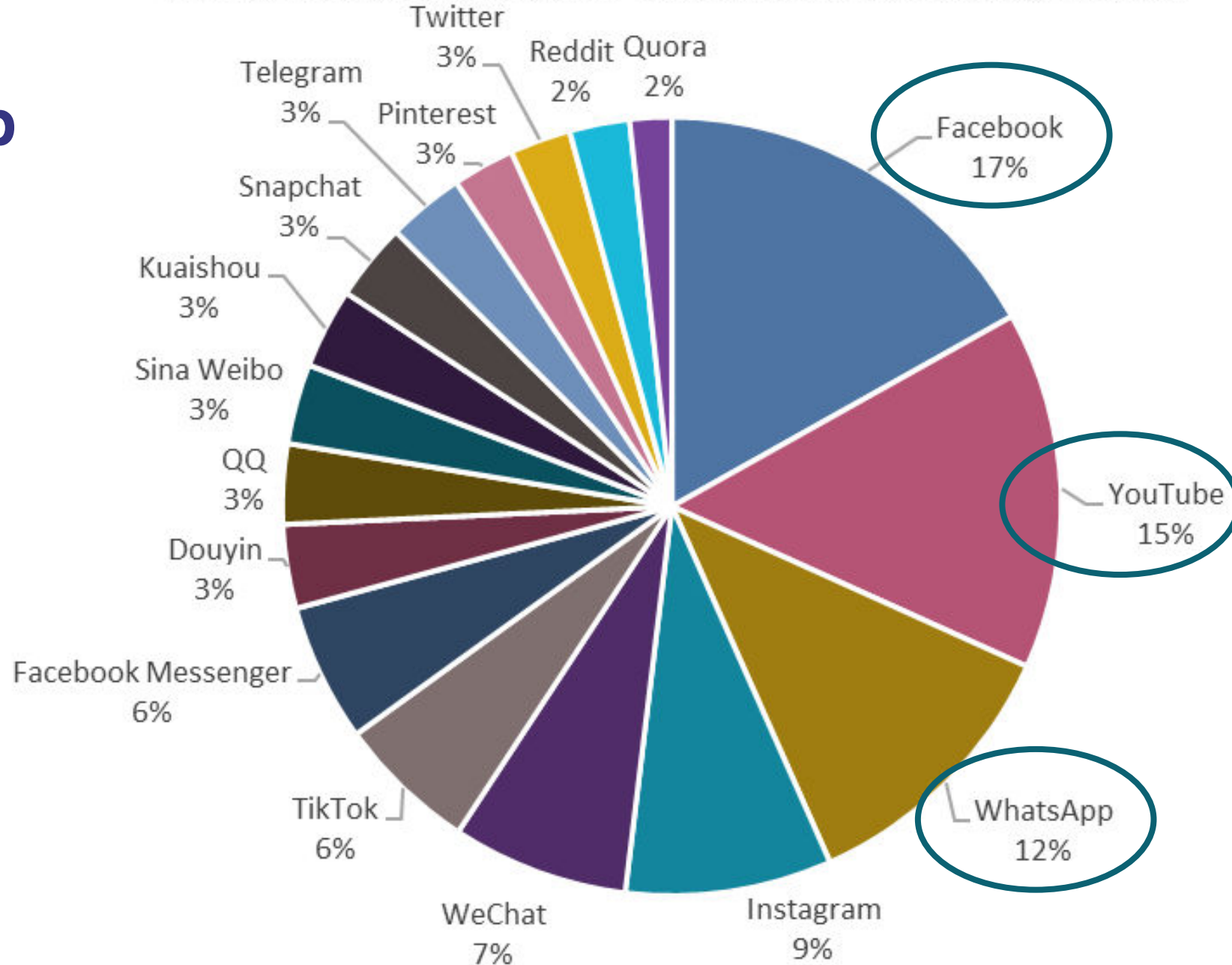
The importance of market share and market leadership (HL only)

Market leadership

- Market leadership refers to the position of the business having the largest market share in a given market.

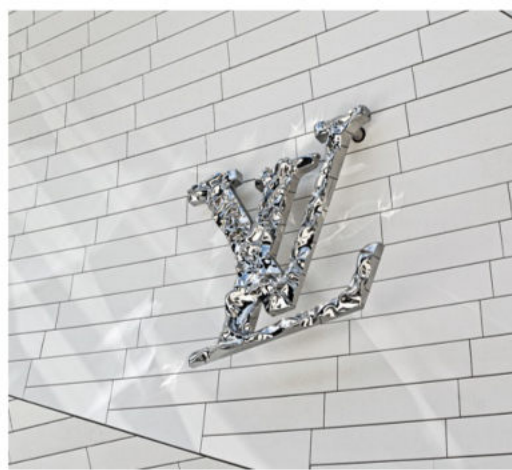
Facebook, YouTube and WhatsApp are the market leaders for social networks worldwide (as of 2022).

Market share of social networks worldwide 2022



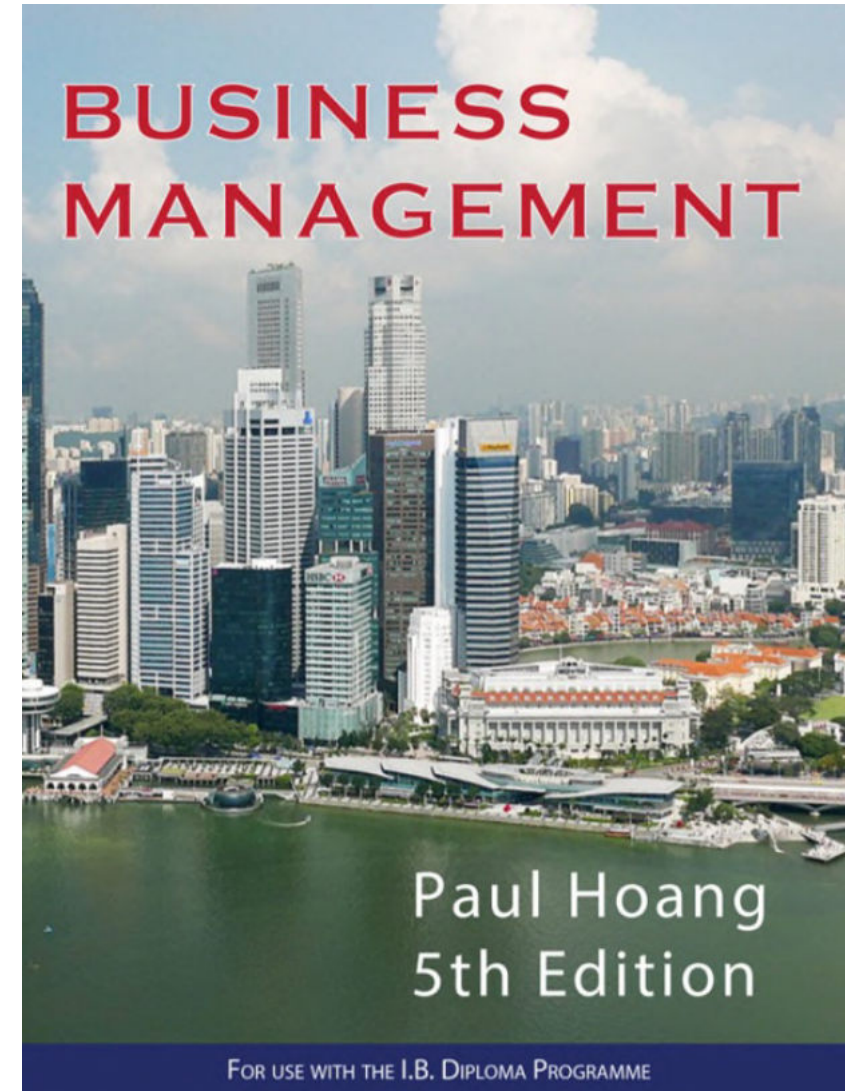
Benefits of being a market leader

- Premium pricing
- Economies of scale
- Longer product life cycles
- Favorable distribution terms
- Greater publicity and brand exposure
- Easier to attract and recruit highly qualified employees



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- Hoang textbook
- Question 23.3 *Samsung versus Apple*
 - Page 348
- Question 23.4 *Banning pester power*
 - Page 350
- Answer all parts



Theory of knowledge

Given the diverse nature of international cultures and etiquette, can marketers ever know what is ethically right and what is ethically wrong?



		Competitive advantage	
		<i>Cost</i>	<i>Uniqueness</i>
Scope	Mass	Cost leadership	Differentiation
	Narrow	Focus (Cost focus)	Focus (Differentiation focus)

BMT: Porter's generic strategies and market leadership

1. Find one example of a market leader for each of Porter's generic strategies.
2. Explain how the choice of generic strategy enabled each business to become a market leader in its industry.



The relationship between marketing and other business functions

Operations management

- Work together to research, develop and launch products to meet needs and wants of customers

Finance

- Work together to set appropriate budgets that fulfill marketing and finance objectives.

Human resource management

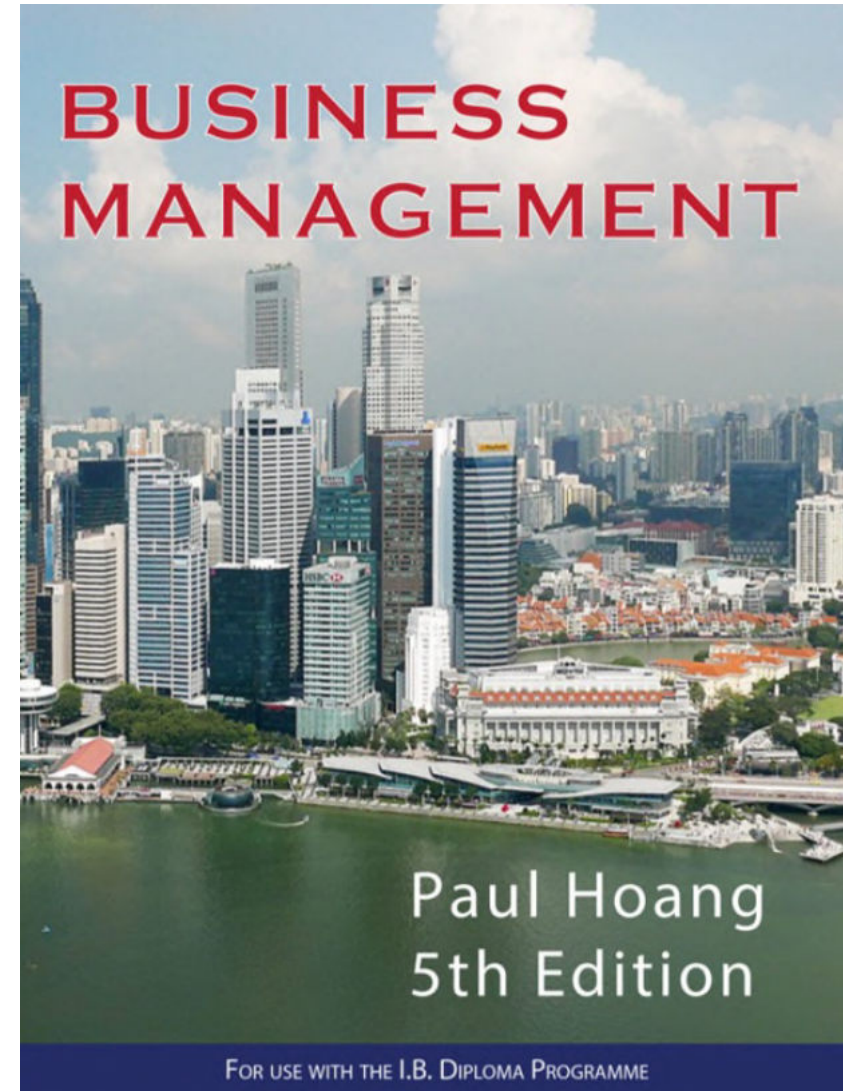
- Ensure the firm has the right quantity and quality of workers to meet the needs and wants of customers

Concepts in BM: change and sustainability

- Marketing is fundamental to the success of a business.
- However, marketing alone does not ensure success and sustainability of a business.
- Marketing's relationship with other business functions should be considered in the context of changes in the internal and external business environments.

Approaches to learning

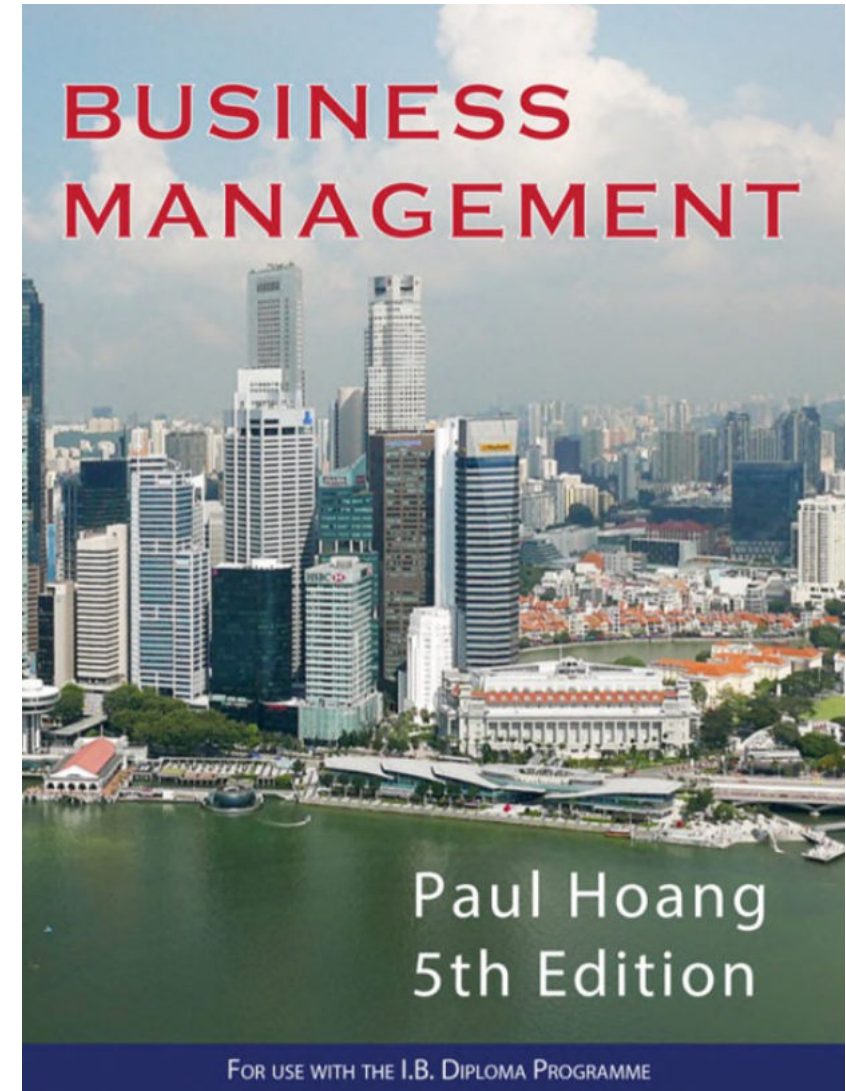
- Hoang textbook
- Activity 23.1 *Thinking and communication skills*
- Page 350





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- *Review Questions*
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4.2 Marketing planning

Topic 4: Marketing

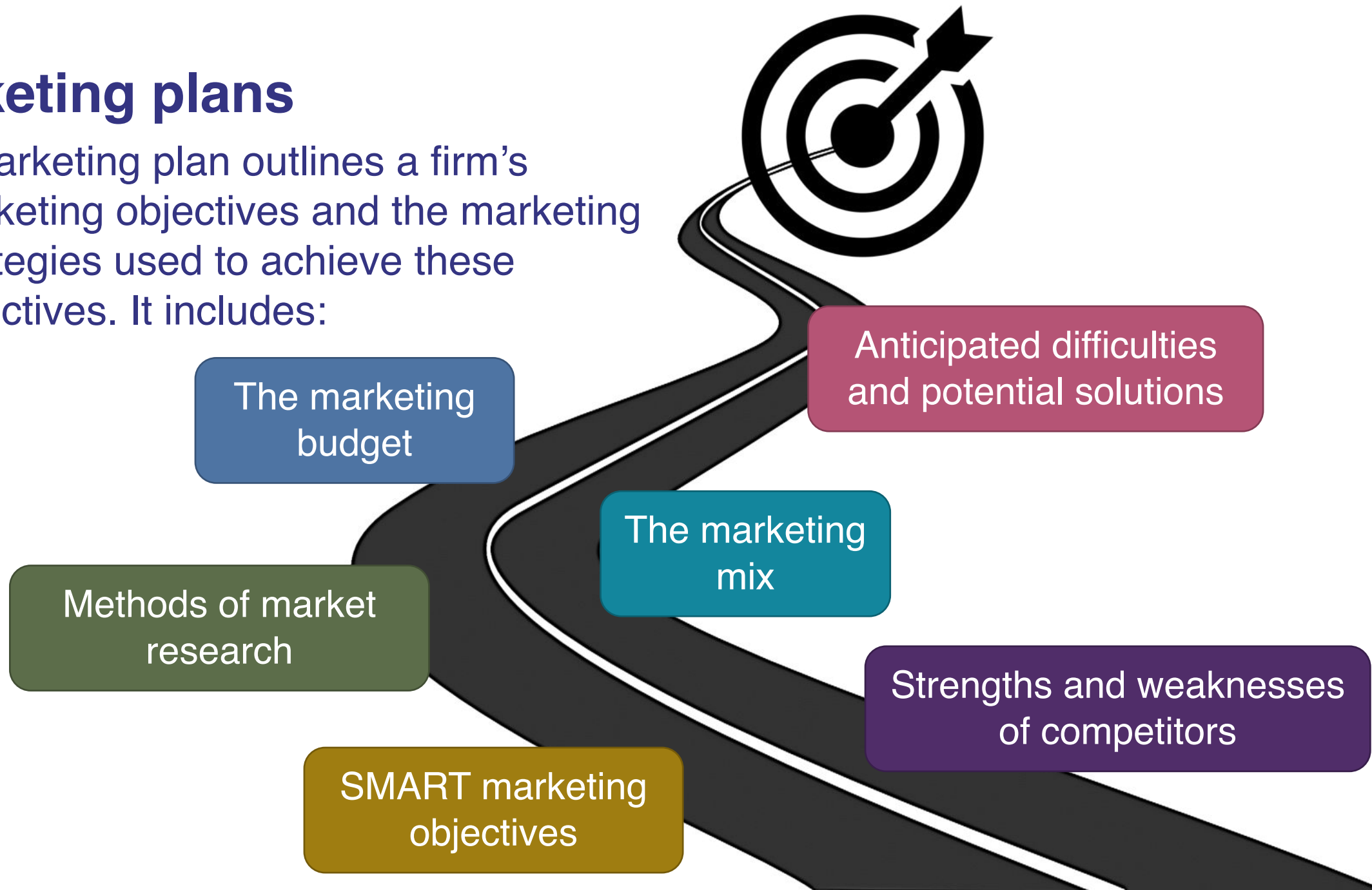
Unit content

Content	Assessment objective
<u>The role of marketing planning</u>	AO2
<u>Segmentation, targeting (target market) and positioning (position maps)</u>	AO2, AO4
<u>The difference between niche market and mass market</u>	AO2
<u>The importance of having a unique selling point (USP)</u>	AO2
<u>How organizations can differentiate themselves and their products from competitors</u>	AO3
Business Management Toolkit: <ul style="list-style-type: none">• <u>Descriptive statistics</u>• <u>Business management tools for marketing managers</u>	
<u>Marketing planning and the business management concepts</u>	

The role of marketing planning

Marketing plans

- A marketing plan outlines a firm's marketing objectives and the marketing strategies used to achieve these objectives. It includes:



The purpose of marketing planning

- Marketing planning is the systematic process of devising marketing objectives and appropriate marketing strategies to achieve these goals.
- The typical marketing process involves the following steps:



Advantages and disadvantages of marketing planning



Advantages

- Improves the chances of success
- Provides clear objectives and constraints
- Allows managers to have better control and understanding



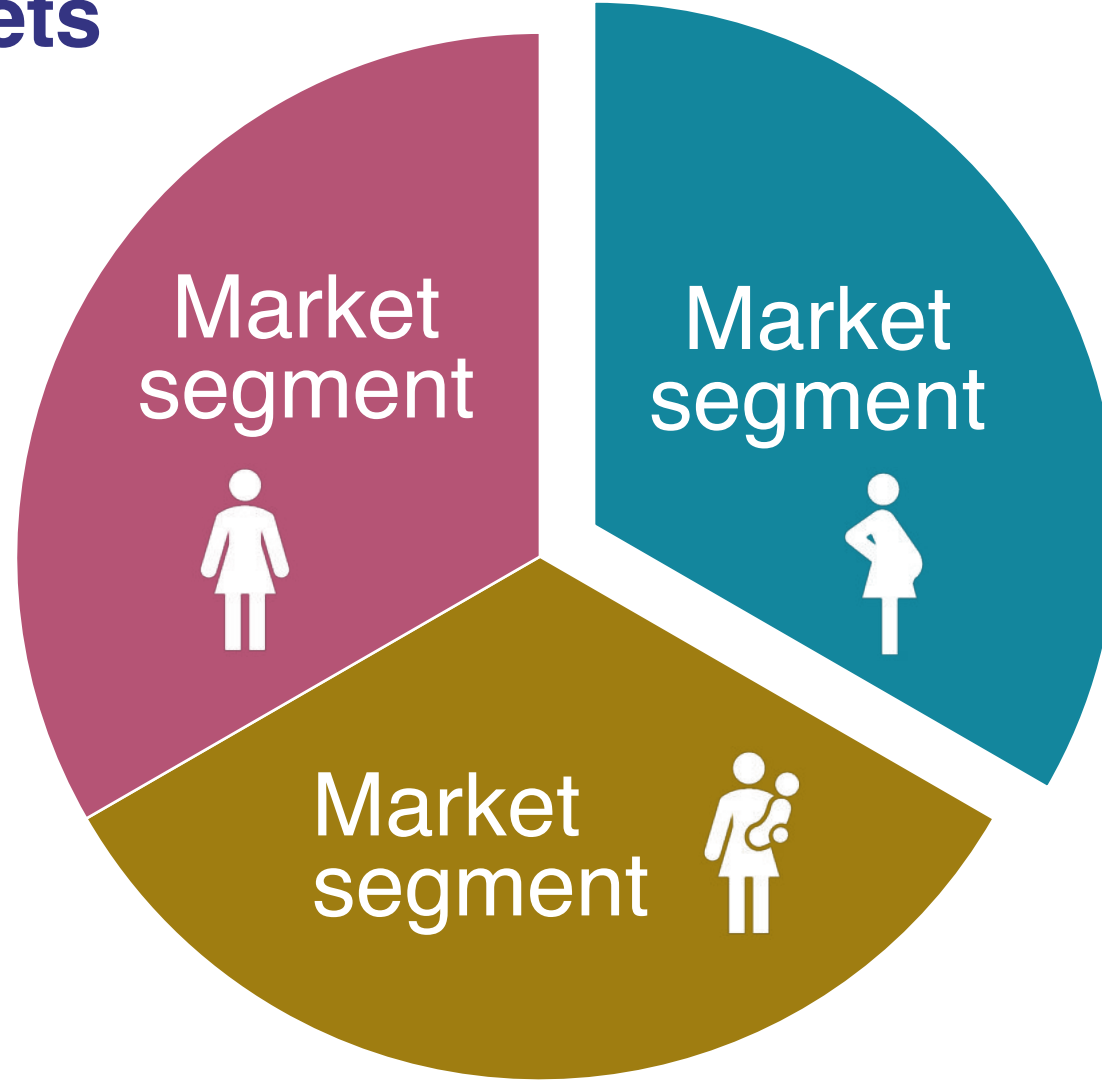
Disadvantages

- Time cost
- Money cost
- Human resource cost
- Plans may be inflexible and outdated

Segmentation, targeting (target market) and positioning (position maps)

Target markets and market segments

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A market for a particular good or service consists of different types of customers, subdivided into market segments.

If a firm wishes to sell to a particular market segment, then this is known as a target market.

A market segment refers to a distinct group of customers with similar characteristics (such as age and gender) and similar needs or wants.

Consumer profiles

- A market segment refers to a distinct group of customers with similar characteristics (such as age and gender) and similar needs or wants.
- These similar characteristics are based on consumer profiles.



A consumer profile is made up of the following characteristics:

- Demographic factors
- Geographic factors
- Psychographic factors

Consumer profiles

- Demography is the study of the characteristics of the human population within a certain area, country or region.
- The range of demographic variables include:
 - Age
 - Gender
 - Race and ethnicity
 - Marital status
 - Religion
 - Language, income and socio-economic class



Geographic factors

- The geographic location of customers can have implications for segmentation because demographic factors can be largely influenced by geographic issues.
- Geographic factors fall into two broad categories:
 - Location
 - Climate



Psychographic factors

- Psychographic factors are those that consider the emotions and lifestyles of customers.
- These factors include:
 - Hobbies and interests
 - Values
 - Religion
 - Status
 - Culture





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BMT: Descriptive statistics and consumer profiles at *Condé Nast*

- Scan the QR codes to view the media kits from *Vogue* and *GQ* magazines.
- Explain how the use of descriptive statistics in the media kits might be of value to *Condé Nast*, the media company that owns *Vogue* and *GQ* magazines.

Market segmentation and consumer profiling

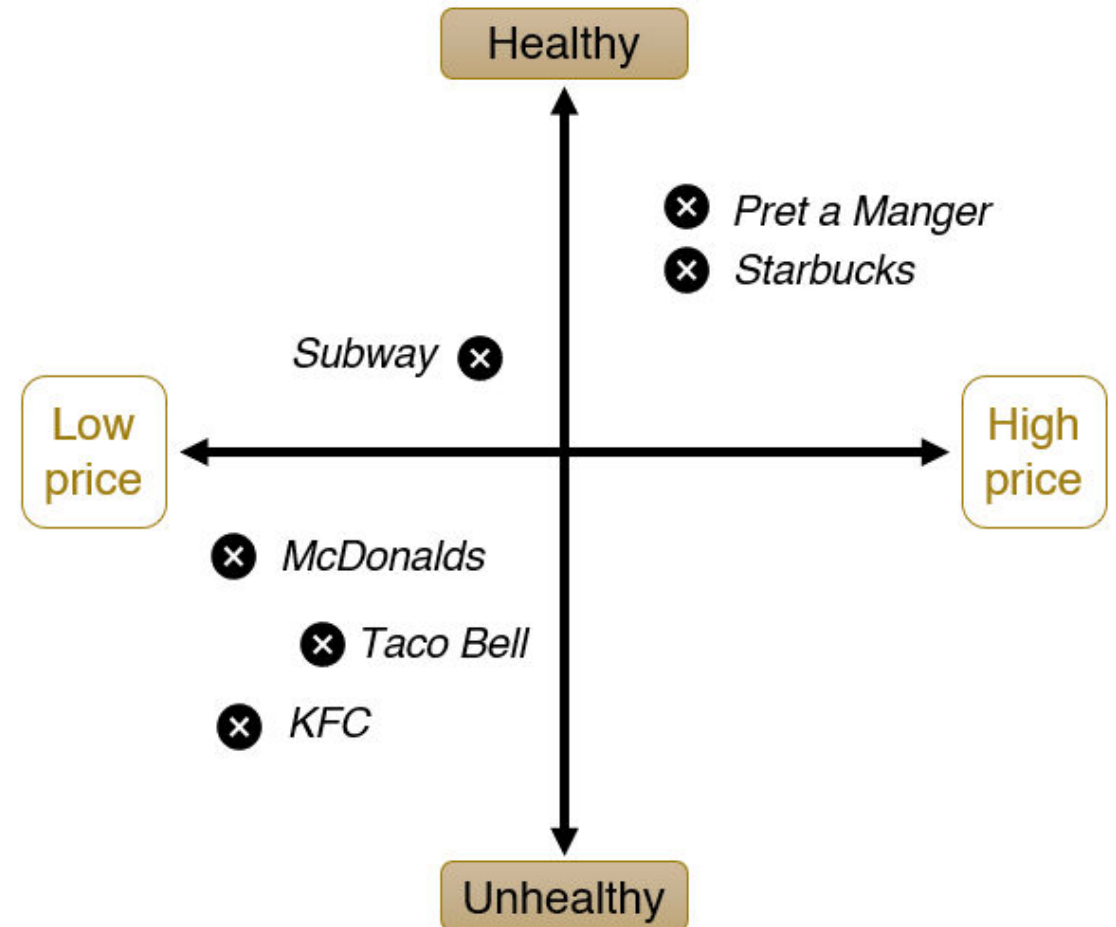
1. Select a product you would like to sell.
2. For that product:
 - a. Identify the market segments that are likely to buy your product.
 - b. Describe those market segments.
 - c. Write a consumer profile for **one** of the market segments.



Position maps

- A position map reveals customer perceptions of a product or brand in relation to others in the market.
- They allow a business to identify any gaps in its product portfolio and refine its marketing strategies, such as:
 - Targeting market segments based on customer perceptions.
 - Repositioning a brand to overcome undesirable customer perceptions.

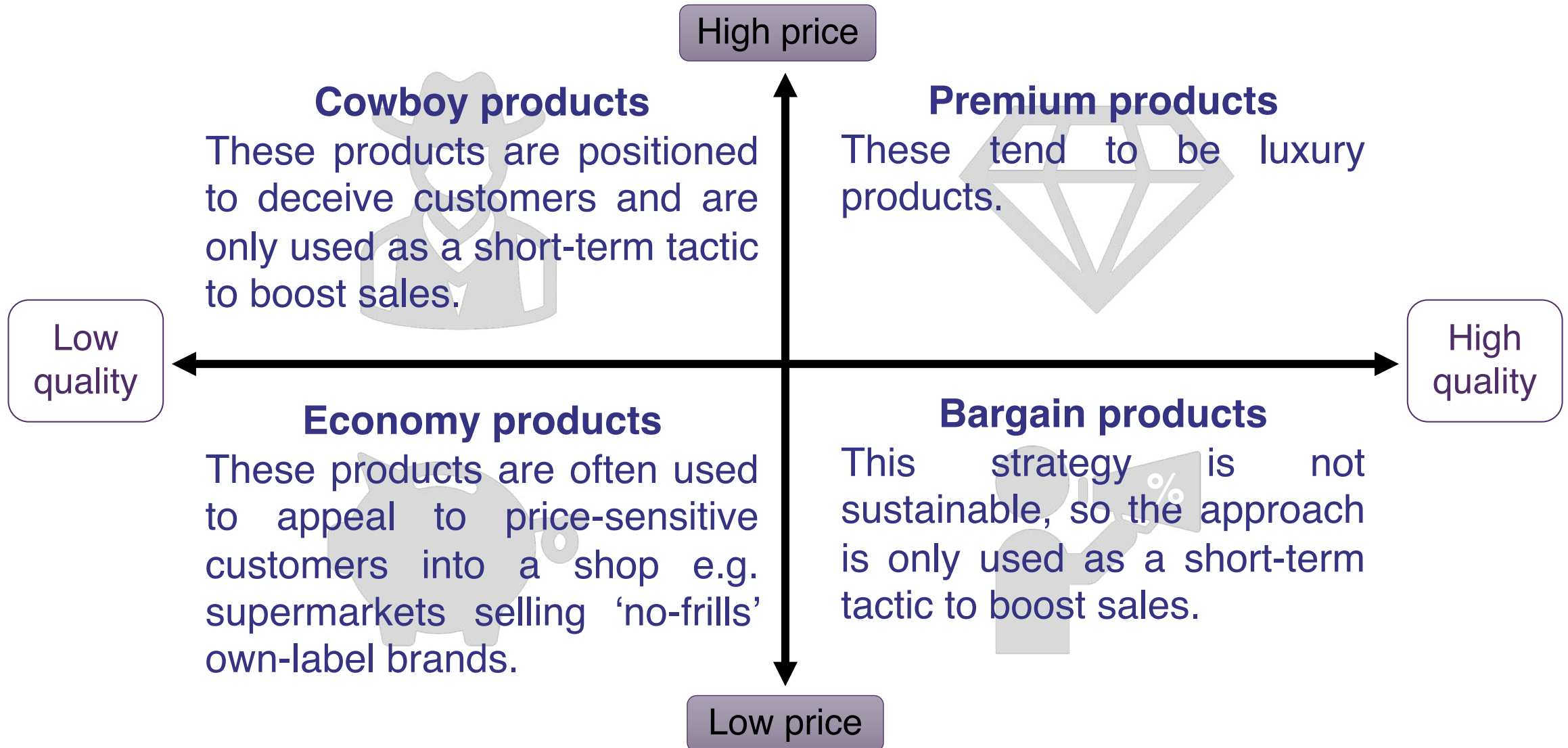
Position map for quick service restaurants



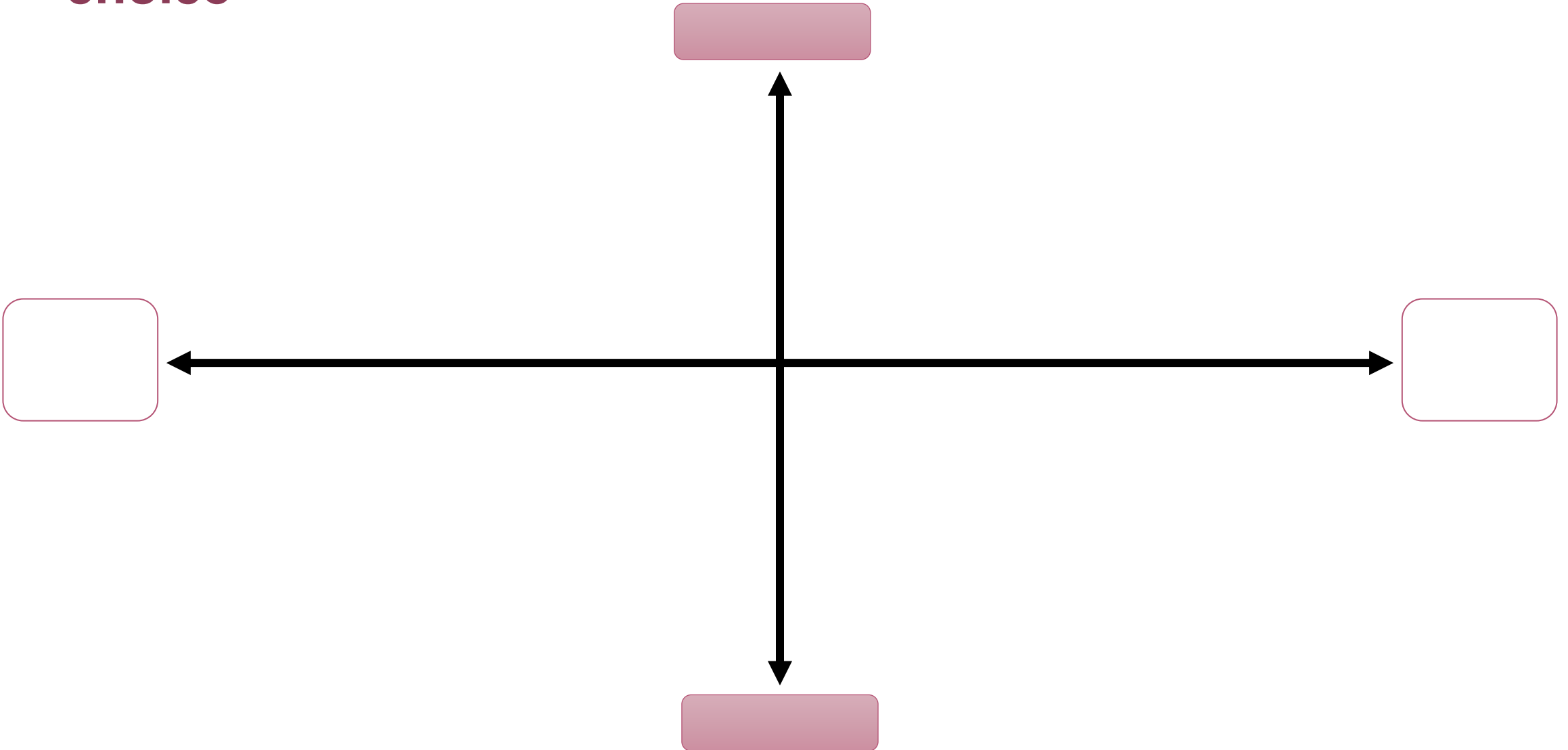
Examples of perceptions for comparison

- Price vs. quality
- Taste vs. nutritional value
- Luxury vs. necessity
- And many more...

Position maps comparing price versus quality



Prepare a position map for a market/industry of your choice



Positioning strategies

- There are three stages to positioning:
 1. Identify competitive advantages of a product.
 2. Select key competitive advantages to market.
 3. Implement desired positioning using an appropriate marketing mix.

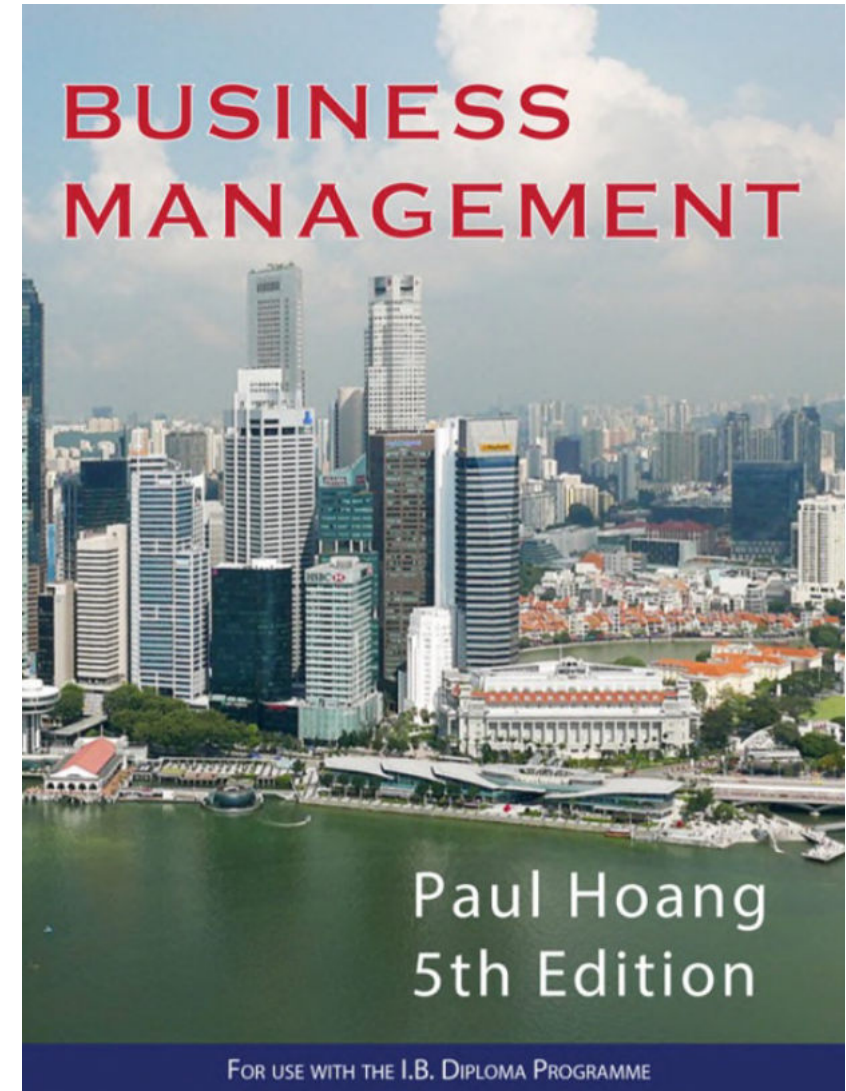
		Competitive advantage	
		<i>Cost</i>	<i>Uniqueness</i>
Scope	Mass	Cost leadership	Differentiation
	Narrow	Focus (Cost focus)	Focus (Differentiation focus)

Porter's generic strategies (HL only) from the BMT is a useful decision-making framework for selecting key competitive advantages.

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- Hoang textbook
- Question 24.1 *Oasis Hong Kong Airlines*
 - Page 359
- Question 24.2 *The business of international students*
 - Page 360
- Question 24.3 *The hotel industry, London (UK)*
 - Page 363
- Answer all parts

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The difference between niche market and mass market

Niche markets

- Niche marketing targets a specific and well-defined market segment.
- Examples include:



Luxury yacht makers



Haute couture



Minority sports (e.g. disc golf)

Advantages and disadvantages of niche marketing



Advantages

- Better marketing focus
- Able to charge higher prices due to less competition
- Highly specialized in meeting needs and wants



Disadvantages

- Limited customer base
- Few opportunities to exploit economies of scale
- Successful niche markets can attract new entrants into the industry, leading to more competition

Mass markets

- Mass marketing targets multiple market segments to maximize sales.
- Examples of mass marketers include:



Advantages and disadvantages of mass marketing



Advantages

- Economies of scale
- Able to use a single marketing campaign to address entire market
- Large customer base



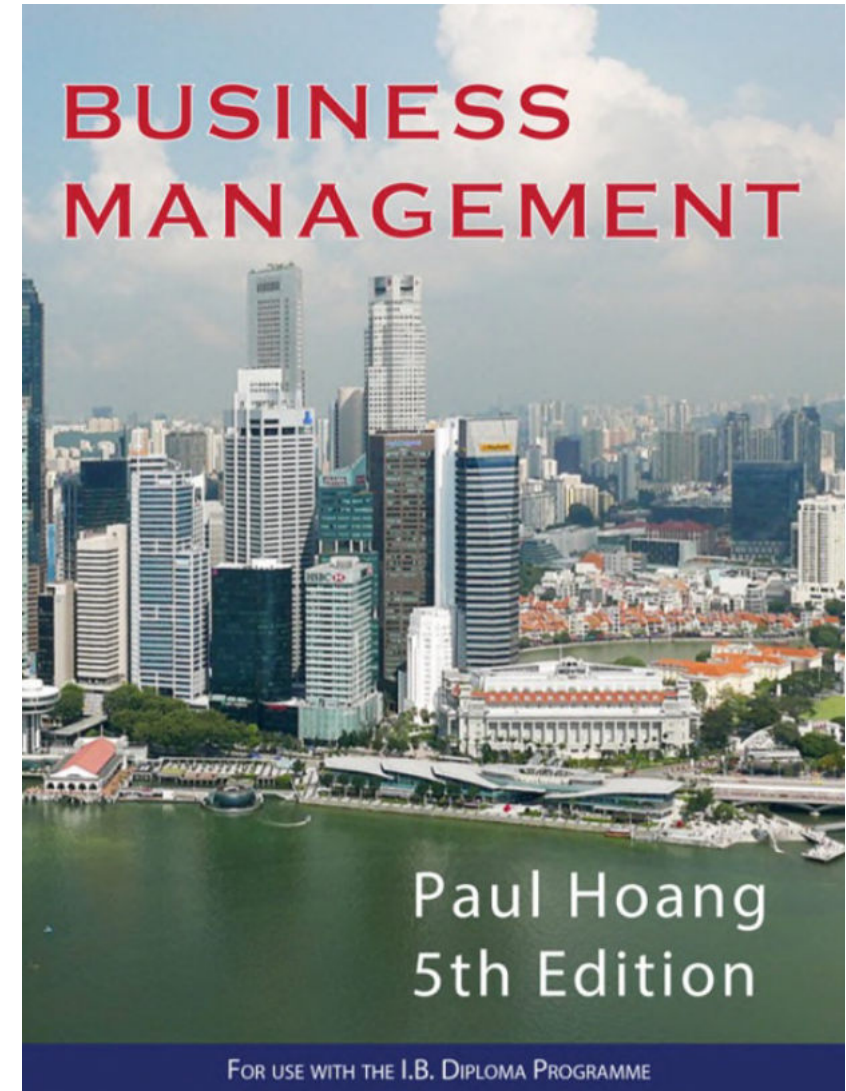
Disadvantages

- High barriers to entry
- Heavy competition
- Lacks focus and may not satisfy individual needs and wants

Over to you

- Hoang textbook
- Question 24.4 *Pink Ladies*
 - Page 364
- Answer all parts

BUSINESS MANAGEMENT



The importance of having a unique selling point (USP)

Competitive advantages from USPs

- A unique selling point (USP) is any aspect of a business, product or brand that makes it stand out from competitors.
- The USP explains why customers buy the product over rival ones.

Examples of unique selling points

- Being the only firm in an area to supply a certain product
- First mover advantage
- Reputation for high quality
- Reputation for low cost
- A highly popular slogan



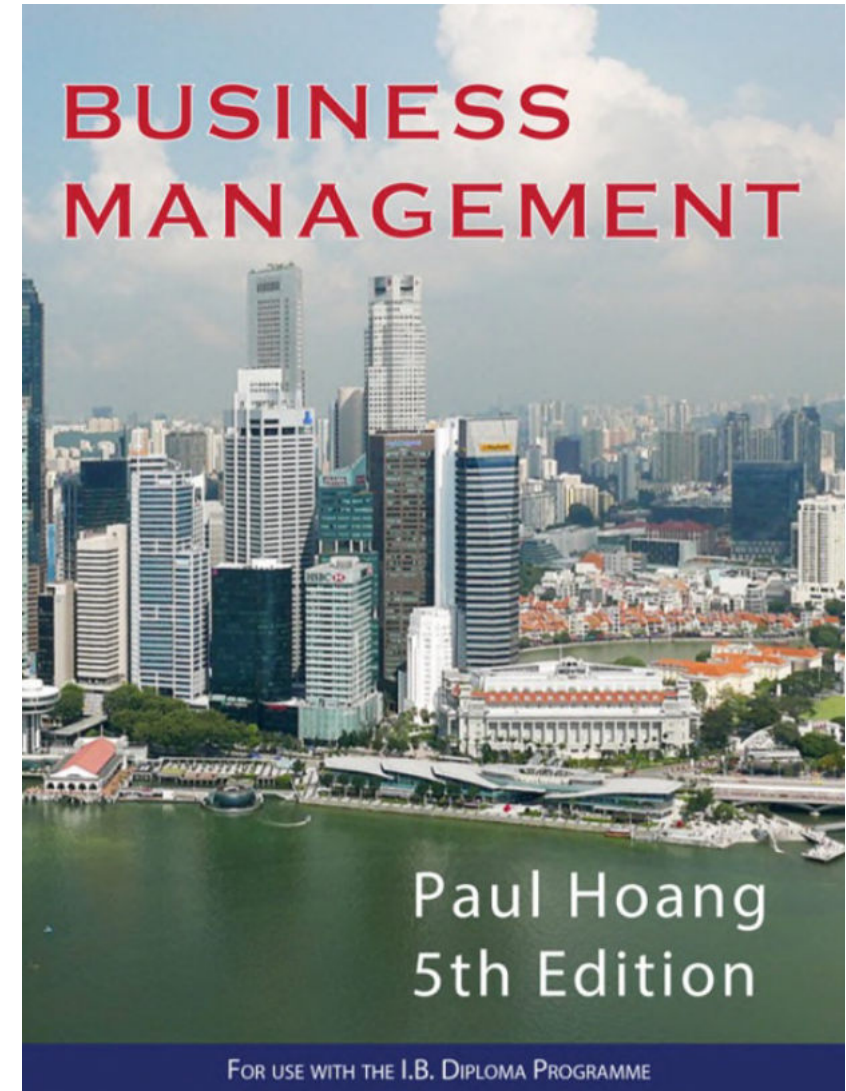
What are the USPs for these brands?



Over to you

- Hoang textbook
- Question 24.5 *J.D. Power and Associates*
 - Page 366
- Answer all parts

BUSINESS MANAGEMENT



How organizations can differentiate themselves and their products from competitors

Differentiation

- Differentiation is the act of distinguishing a business or its products from rivals in the industry.
- Common methods of differentiation revolve around the marketing mix*.

*This will be explored further in *Unit 4.5*
The seven Ps of the marketing mix



Advantages and disadvantages of differentiation



Advantages

- Price advantages
- Brand recognition and loyalty
- Distribution advantages



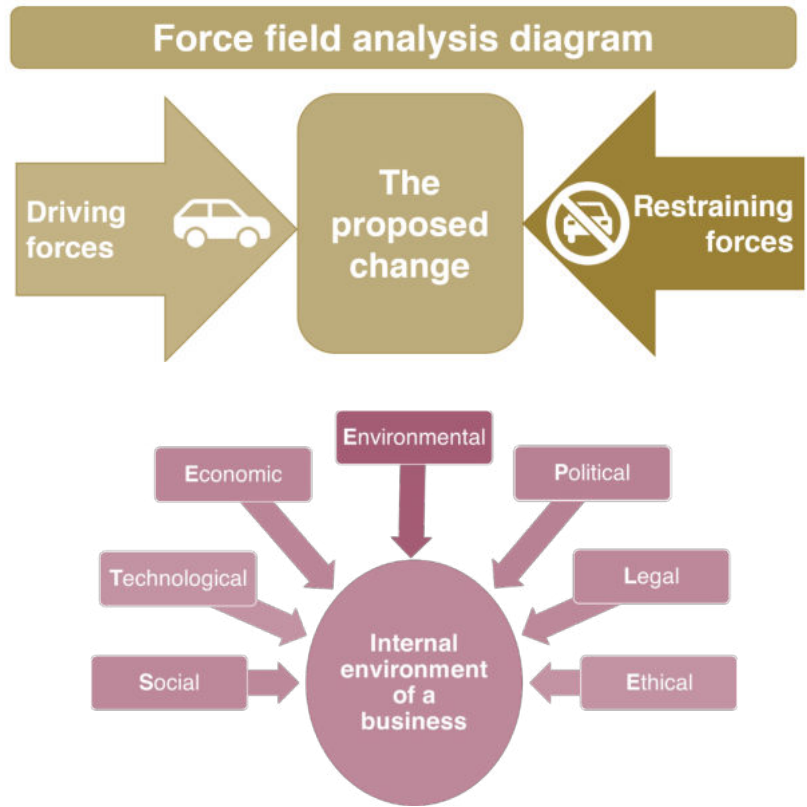
Disadvantages

- Costly
- Economies of scale cannot be exploited
- Excessive differentiation can confuse customers



BMT: Tools for marketing managers

Explain how each of the BMT tools shown here can aid marketing managers in strategic marketing planning.

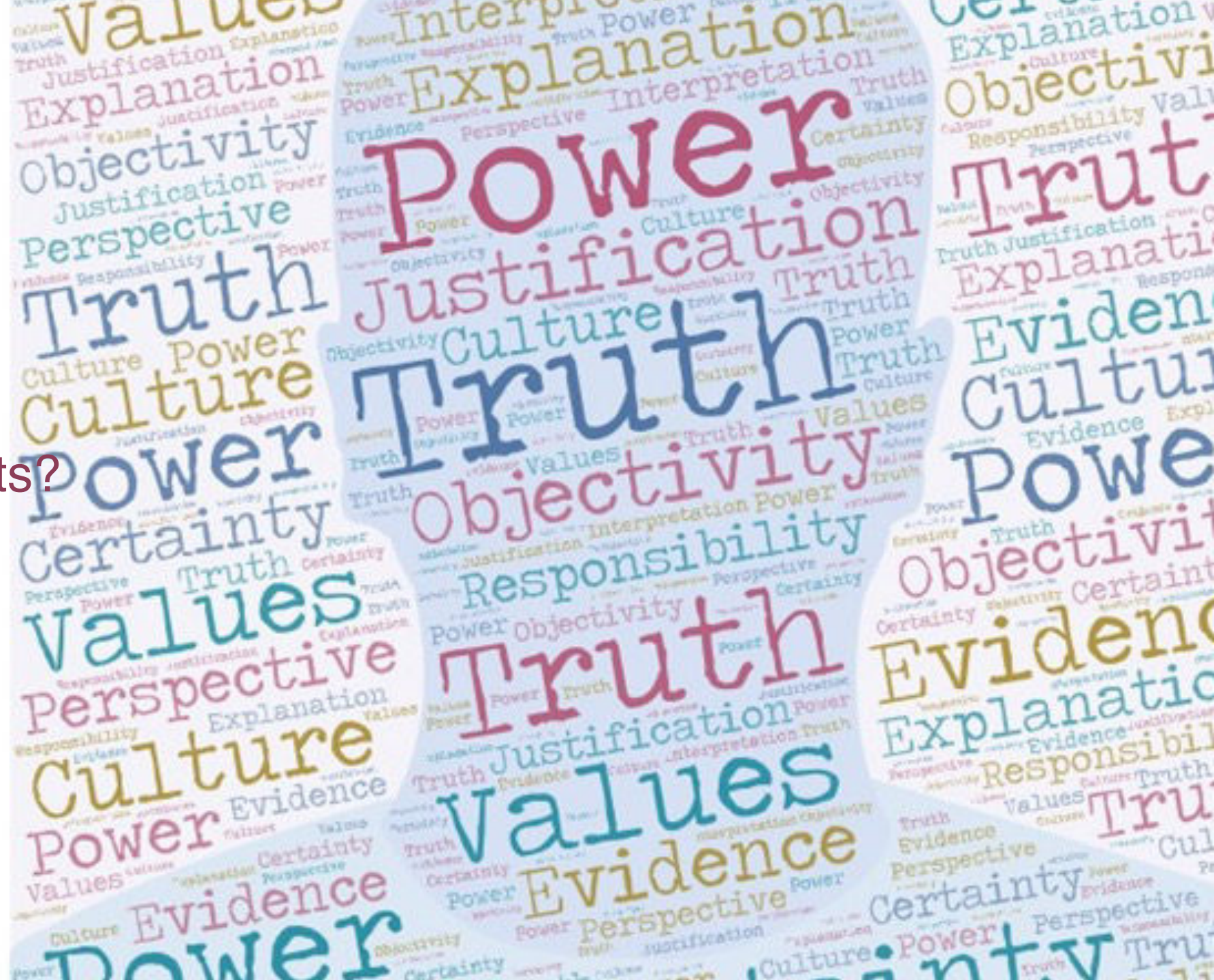


		Products	
		Existing	New
Markets	Existing	Market penetration	Product development
	New	Market development	Diversification

	Internal	Strengths	Weakness
	External	Opportunities	Threats
		Positive impacts	Negative impacts

Theory of knowledge

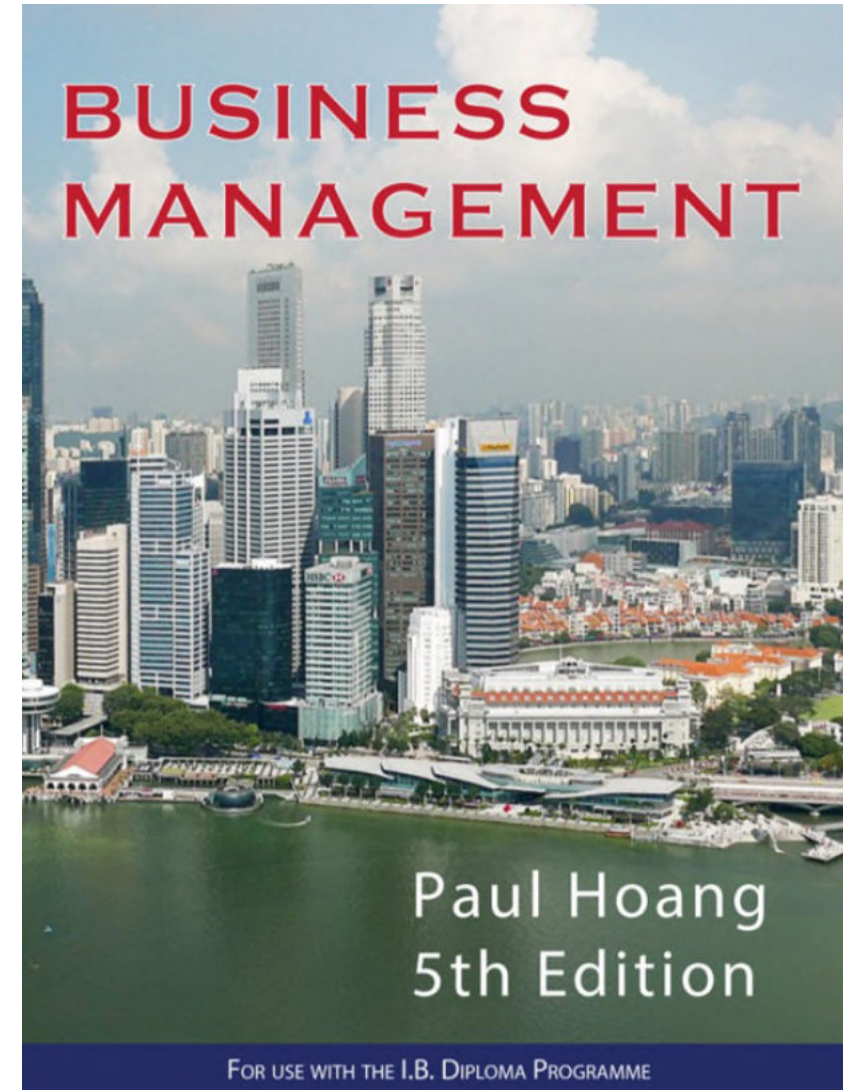
Is it ethical to block
online advertisements?



Approaches to learning

- Hoang textbook
- Activity 24.1 *Research and communication skills*
- Page 368

BUSINESS MANAGEMENT





Concepts in BM: **ethics and sustainability**

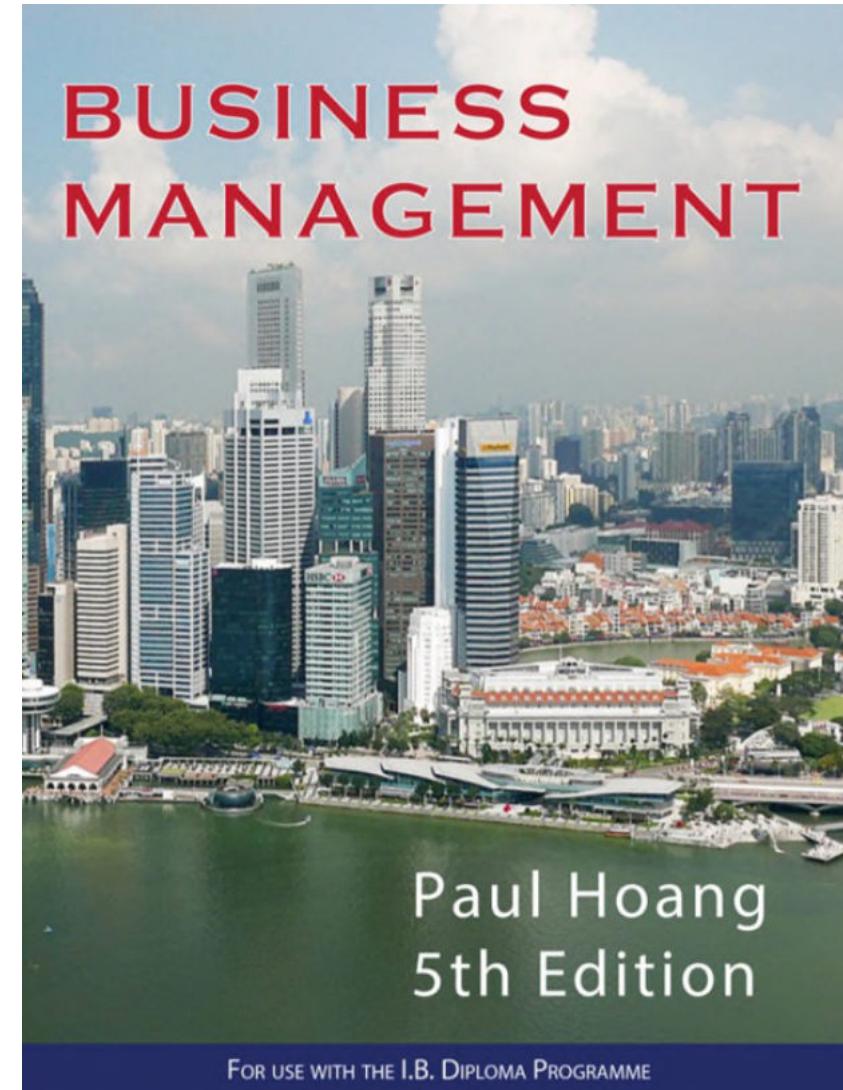
- Ethical marketing is a growing part of strategic marketing planning.
- Environmental sustainability is increasingly at the forefront of strategic marketing planning.
- *McDonald's* is one example of businesses that are increasingly adopting circular business models in order to achieve their sustainability goals and ethical objectives.



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- *Review Questions*
 - Page 369

BUSINESS MANAGEMENT



4.3 Sales forecasting (HL only)

Topic 4: Marketing

Unit content

Content	Assessment objective
<u>The benefits and limitations of sales forecasting</u>	AO3
Business Management Toolkit: <ul style="list-style-type: none">• <u>Descriptive statistics</u>• <u>Simple linear regression</u>	
<u>Sales forecasting and the business management concepts</u>	

Sales forecasting

- Sales forecasting is a quantitative management technique used to predict a firm's level of sales over a given time period.
- It is useful to a firm to help them identify problems and opportunities in advance.

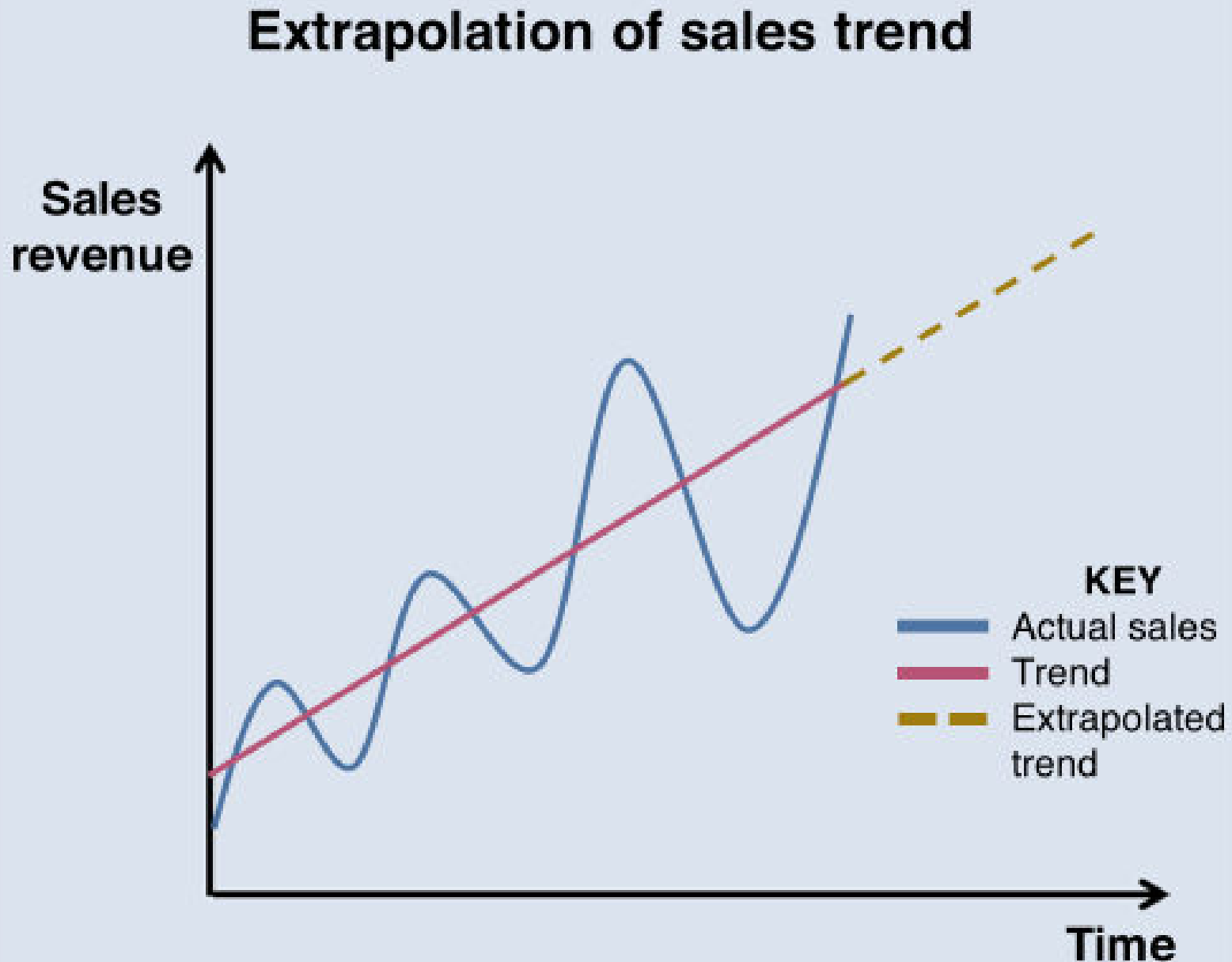


There are various sales forecasting techniques including:

- Extrapolation
- Market research
- Times series analysis

Extrapolation

- This forecasting technique identifies the trend by using past data and extending this trend to predict future sales.
- To learn more about extrapolation, refer to Chapter 58 *Simple linear regression*, part of the BMT.



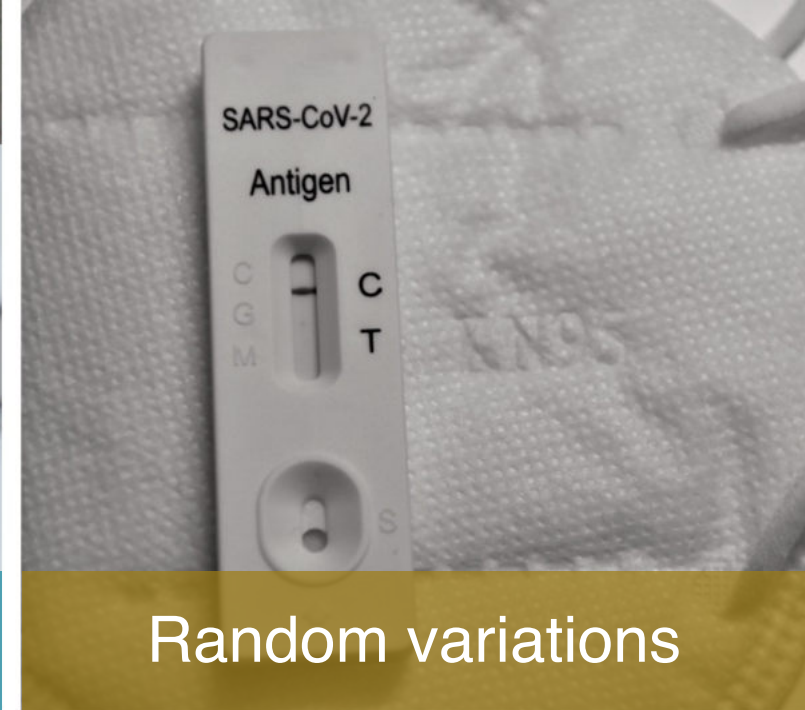
Market research

- Identifying and forecasting the buying habits of consumers can be vital to a firm's prosperity and survival.
- To learn more about market research, refer to Unit 4.4 *Market research*.



Times series analysis

- This technique attempts to predict sales levels by identifying the underlying trend from a sequence of actual sales figures.
- The three main elements to time series analysis are:



Cyclical, random or seasonal sales variations?

Example	Answer
Product recalls of unsafe goods	
Public relations disaster	
Sales of textbooks	
Inflation	
Outbreak of armed conflict	
Sales of sun lotion	
Levels of unemployment	

Cyclical, random or seasonal sales variations - ANSWER

Example	Answer
Product recalls of unsafe goods	Random
Public relations disaster	Random
Sales of textbooks	Seasonal
Inflation	Cyclical
Outbreak of armed conflict	Random
Sales of sun lotion	Seasonal
Levels of unemployment	Cyclical

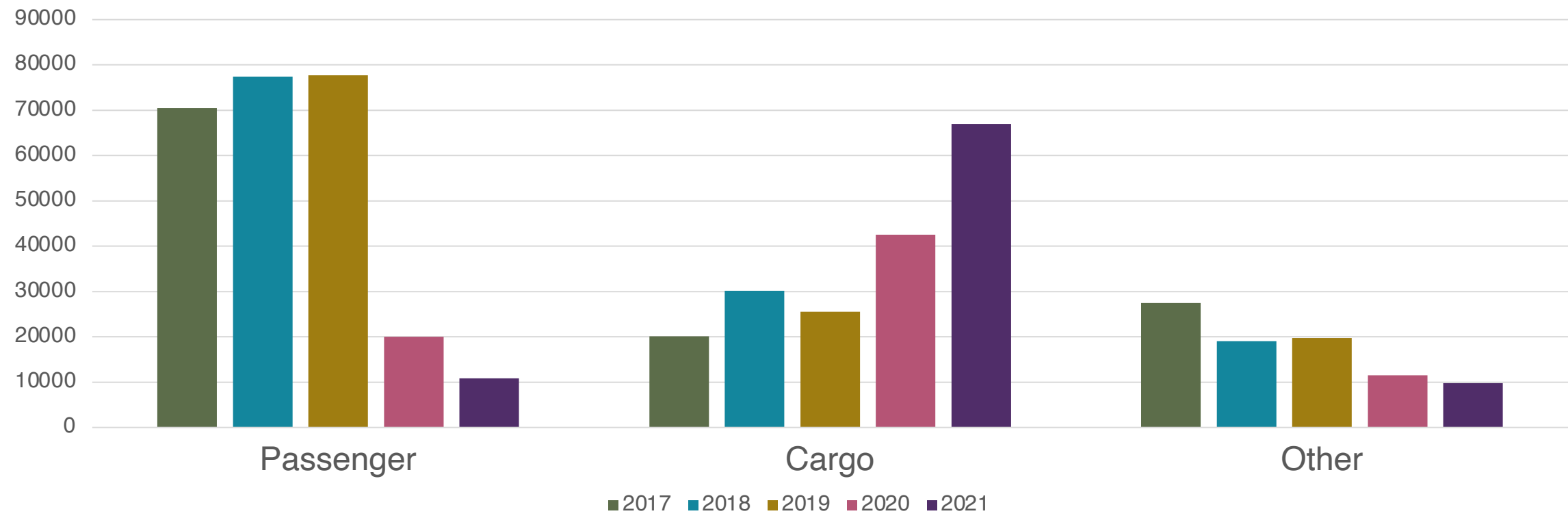


With reference to the bar chart below, explain how can the use of descriptive statistics help *Korean Air* improve the accuracy of its sales forecasting for 2022 to 2026.

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BMT: Descriptive statistics and sales forecasting at *Korean Air*

Sources of revenue for *Korean Air* (2017 – 2021)



The benefits and limitations of sales forecasting

Benefits and limitations of sales forecasting



Benefits

- Improved working capital and cash flow
- Improved stock control
- Improved productive efficiency
- Helps to secure external sources of finance
- Improved budgeting.

Benefits and limitations of sales forecasting



Limitations

- Limited information
- Inaccuracy of predictions
- Garbage in garbage out (GIGO)
- External influences.

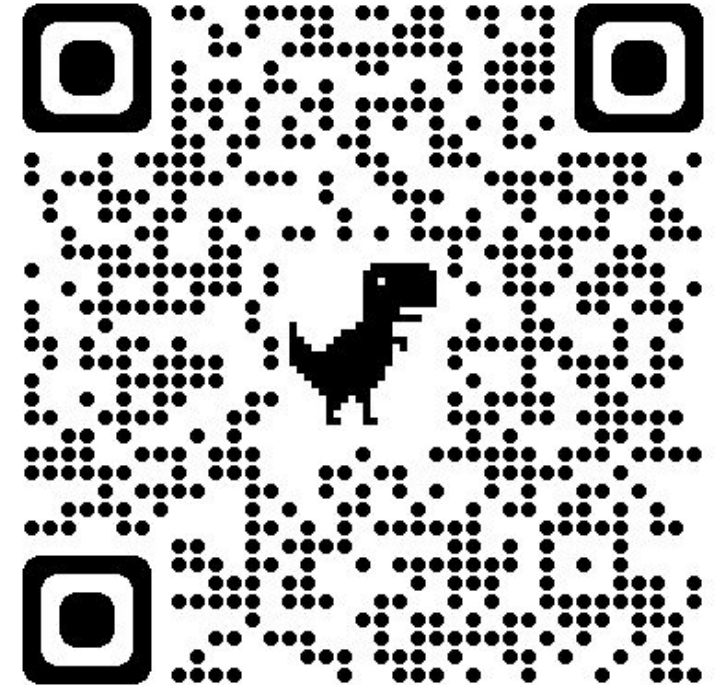


1. View the earnings releases for each quarter of 2019 and:
 - a. Plot the sales revenue* (y-axis) for each quarter (x-axis) on a graph.
 - b. Draw a line of best fit through the actual sales line of 2019.
 - c. Draw an extrapolated trend for 2020.
2. View the earnings releases for each quarter of 2020 and plot the sales revenue* (y-axis) for each quarter (x-axis) on a graph.
3. Compare the extrapolated trend and the actual trend for 2020.
 - a. Explain what variation caused the difference between the extrapolated trend in 2019 and actual sales in 2020.
 - b. Explain **two** limitations of forecasting sales for *UA* for 2020.

*Called *total operating revenue* in *UA*'s financial reports.

BMT: Simple linear regressions and sales forecasting at *United Airlines (UA)*

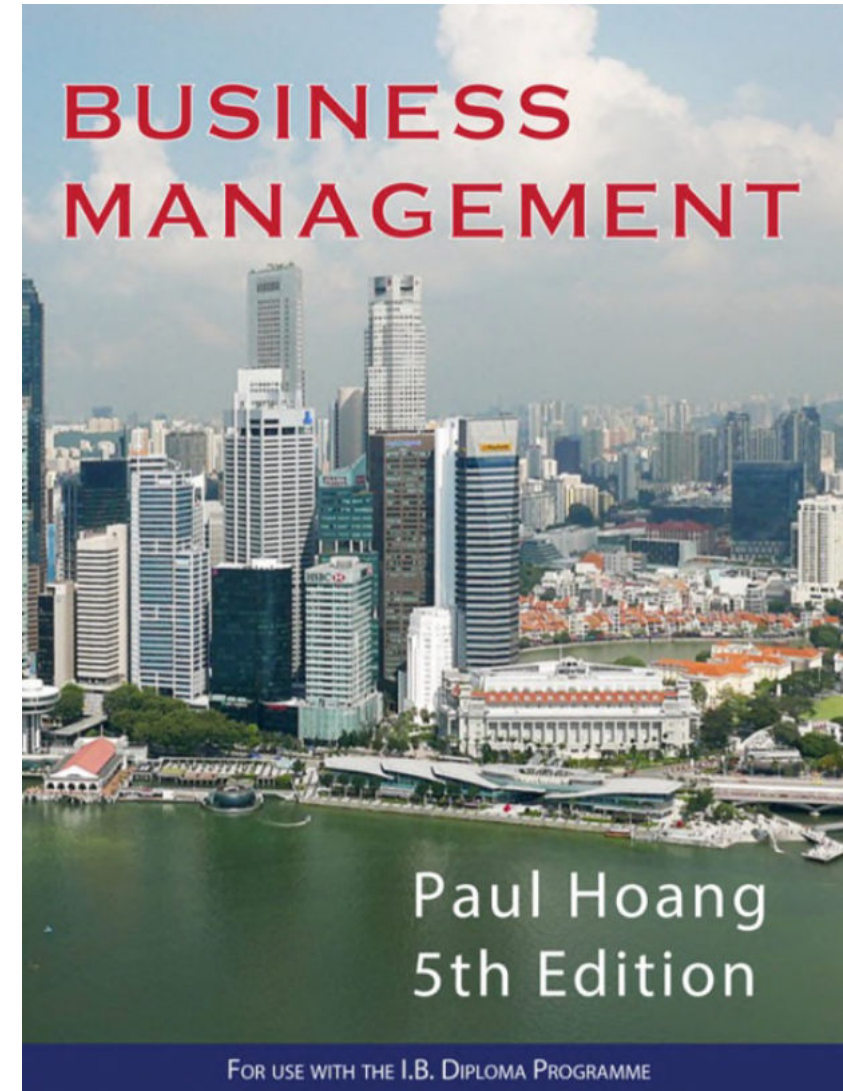
Scan the QR code to view the financial statements of *UA*



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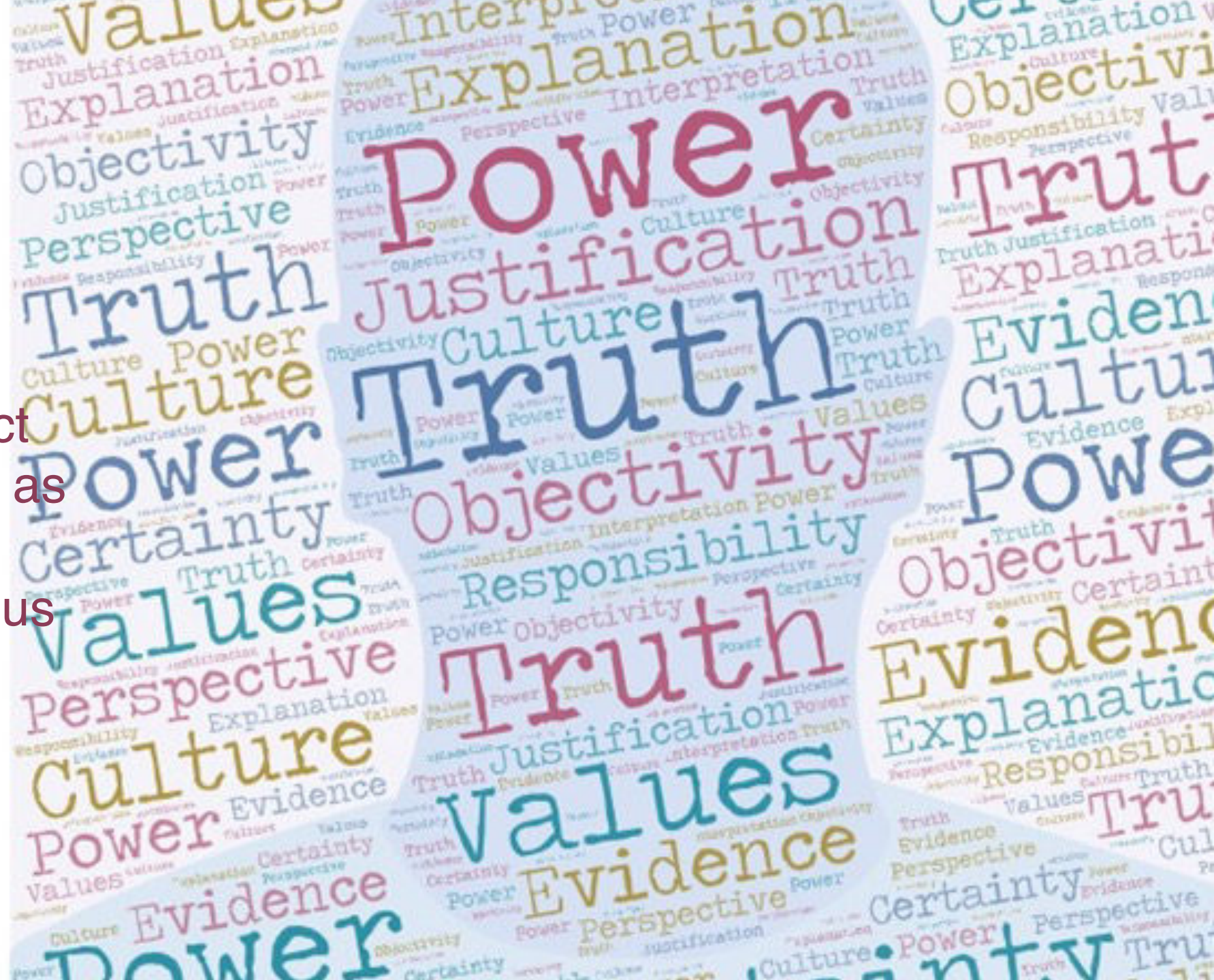
- Hoang textbook
- Question 25.1 *Ferdows Khatib Fabrics*
 - Page 375
- Answer all parts

BUSINESS MANAGEMENT



Theory of knowledge

Is the ability to predict
essentially the same as
the ability to know?
Does knowing allow us
to predict?



Concepts in BM: **change** and **ethics**

- Sales forecasting is increasingly sophisticated with changes stemming from developments in e-commerce analytical software.
- This kind of software can analyze big data from thousands of users.
- However, there is increasing concern over ethics and trust in how firms use data collected for sales forecasting.

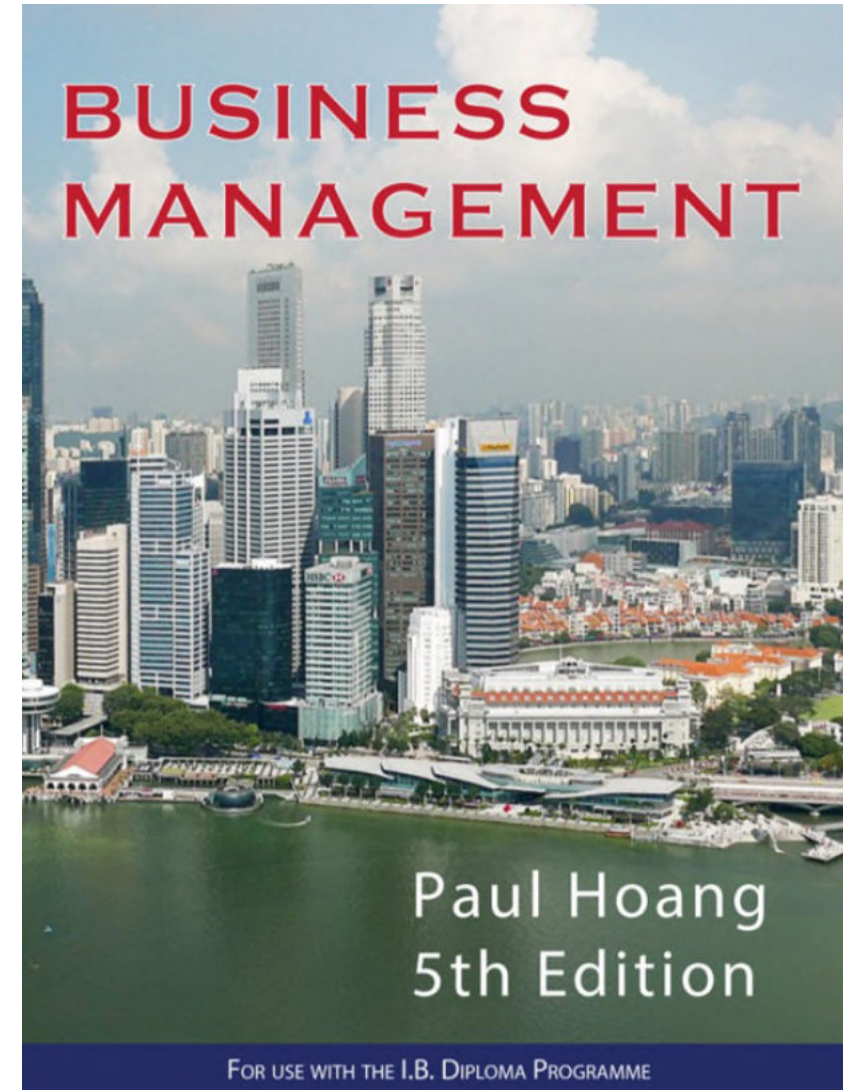




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4.4 Market research

Topic 4: Marketing

Unit content

Content	Assessment objective
<u>Why and how organizations carry out market research</u>	AO3
<u>Primary market research methods/techniques:</u> <ul style="list-style-type: none">• Surveys• Interviews• Focus groups• Observations	AO2
<u>Secondary market research methods/techniques:</u> <ul style="list-style-type: none">• Market analyses• Academic journals• Government publications• Media articles• Online content	AO2

Unit content

Content	Assessment objective
<u>The difference between qualitative and quantitative research</u>	AO2
<u>Sampling methods:</u> <ul style="list-style-type: none">• Quota• Random• Convenience	AO2
Business Management Toolkit: <ul style="list-style-type: none">• <u>Business plans</u>	
<u>Market research and the business management concepts</u>	

Why and how organizations carry out market research

The importance of market research



The role of market research

- Market research refers to marketing activities designed to discover the opinions, beliefs and preferences of potential and existing customers.

The purpose of market research

- Gives businesses up-to-date information
- Helps firms tailor their market mixes for their target segments
- Assesses customer reactions to products
- Helps firms understand activities and strategies used by their rivals
- Helps firms understand trends for the future

Questions that can be answered by market research

- Are customers likely to buy the product?
- What are the preferred methods of promotion?
- Where and how should the products be sold?
- How much are customers willing to pay?
- How often are they likely to purchase the product?
- Which brands do customers see as being rivals to the marketed product?
- Which market segments are interested in the product?



Primary market research methods/techniques:

- Surveys
- Interviews
- Focus groups
- Observations



Primary market research

Primary market research involves gathering new and first-hand data for a specific purpose.

Advantages and disadvantages of primary research



Advantages

- Relevant data is collected as it is tailored to the firm's needs.
- Up-to-date data is gathered for the most meaningful information.
- Confidential and unique to the purpose of the business.

Advantages and disadvantages of primary research



Disadvantages

- Time-consuming to process.
- Costly, especially if outsourced to professional market research firms.
- Validity can be questionable if the research questions are poorly designed.

Surveys

- A survey (or a questionnaire) is a document that contains a series of questions used to collect data for a specific purpose.
- Types of surveys include:
 - Self-completed surveys
 - Personal surveys
 - Telephone surveys
 - Online surveys
 - Postal surveys

Jack of All Fades Barber Shop

How long have you been a customer?

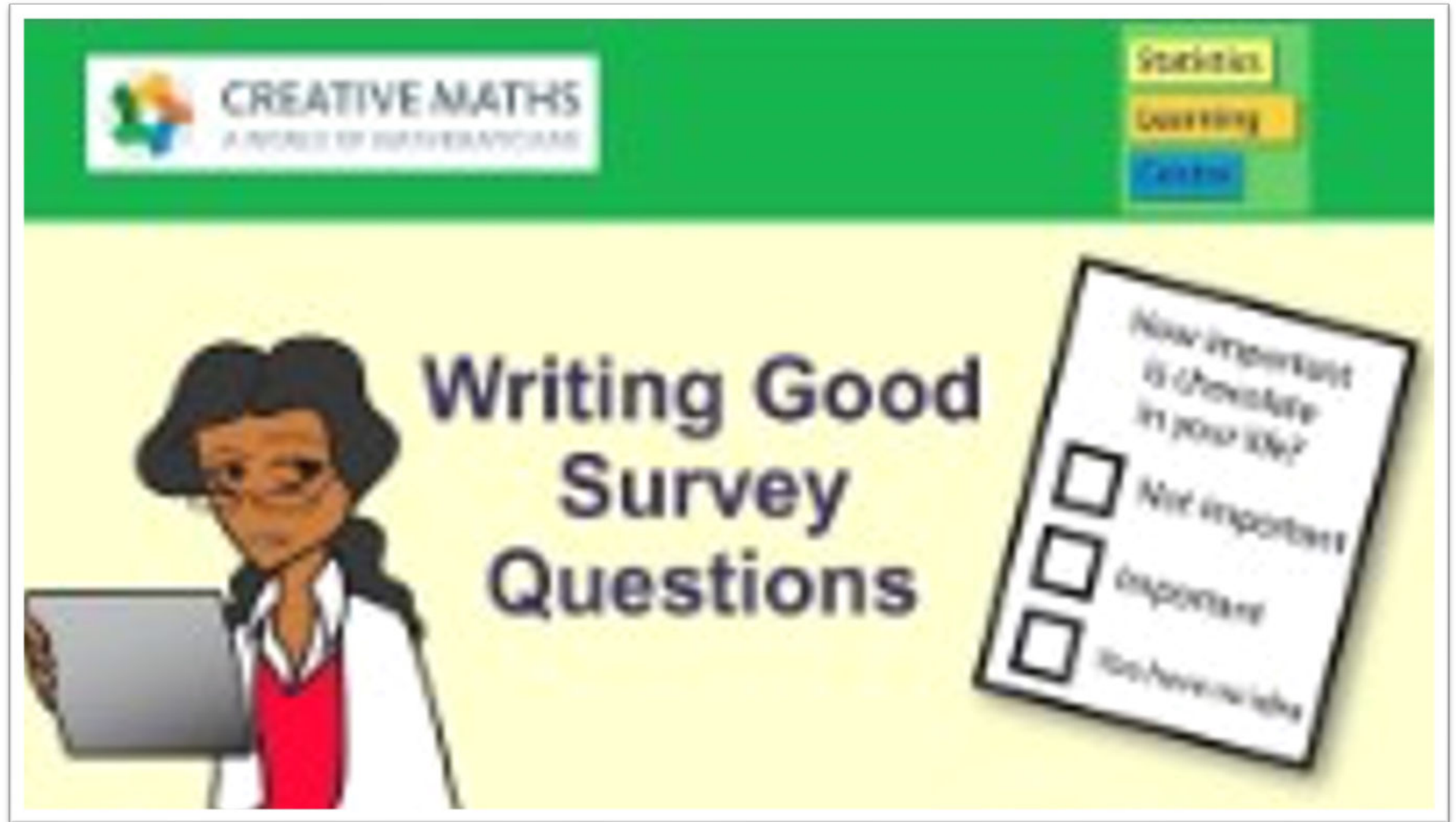
- ☐ Less than 1 year
- ☐ 1 to 2 years
- ☐ 2 to 4 years
- ☐ 4 years or longer



How likely are you to recommend our barber shop to a friend?

Very unlikely 1 2 3 4 5 Very likely

Designing effective surveys



Interviews

- Interviews involve one-to-one discussions between an interviewer and interviewee to investigate their personal circumstances and opinions.



Advantages

Beliefs, attitudes and feelings can be examined in detail



Disadvantages

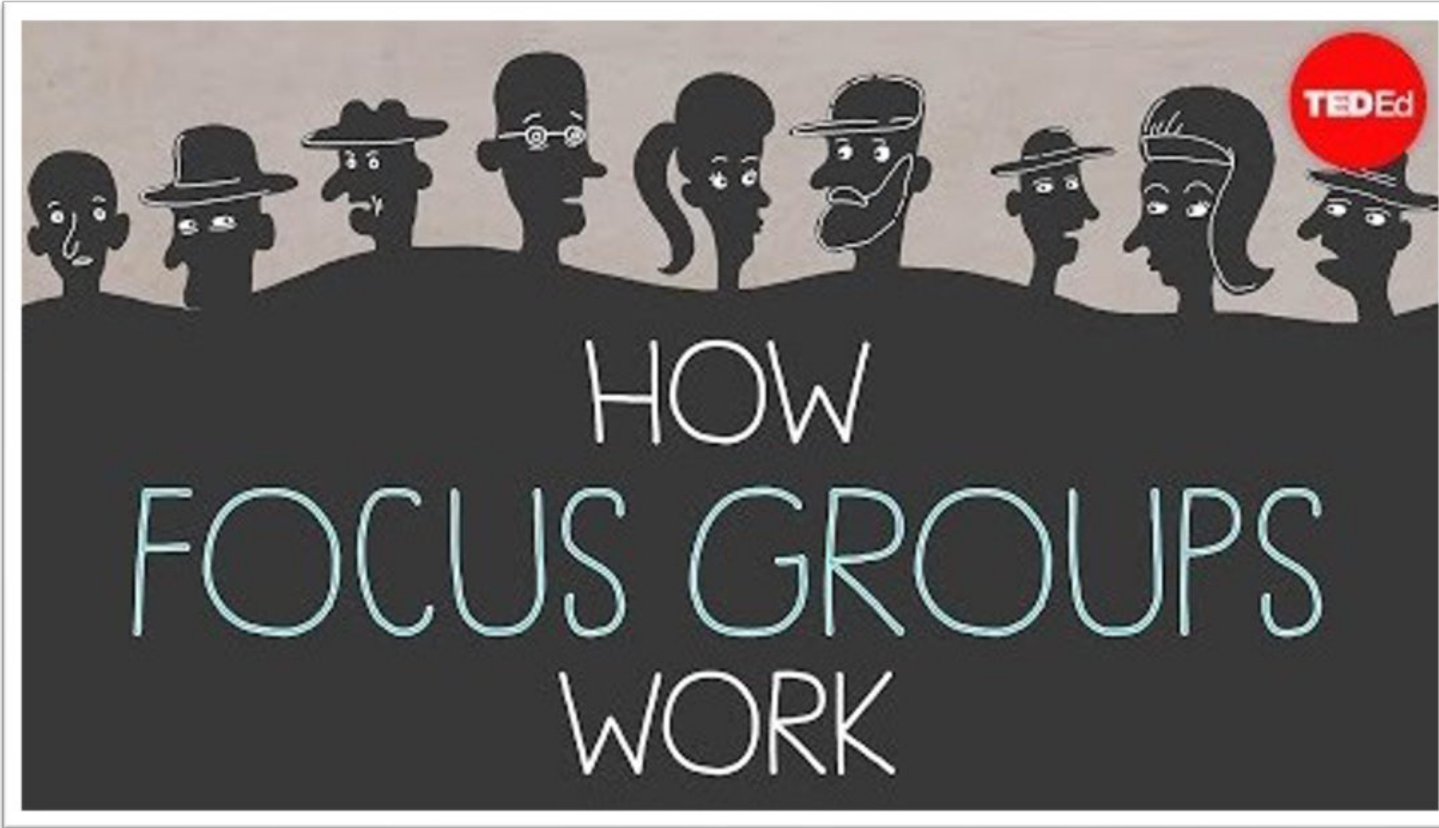
Qualitative information might be difficult to analyse

Time consuming

Huge scope for interviewer bias

Focus groups

- Focus groups involve forming small discussion groups to gain insight into the opinions, attitudes and behaviour of respondents.



Advantages

Detailed questions can be asked and participants are more likely to engage in discussions.



Disadvantages

Tend to be dominated by opinions of extroverts.

Tendency for participants to conform to the majority view.

Costly as each participant has to be paid.

Observations

- This method involves watching how people behave and respond in different situations.
- It can be done in controlled conditions or as real-life situations.
- Can be carried out by:
 - Surveillance cameras
 - Photographic evidence and/or
 - In-person



Advantages

Records actual behaviour rather than what people say they would do.



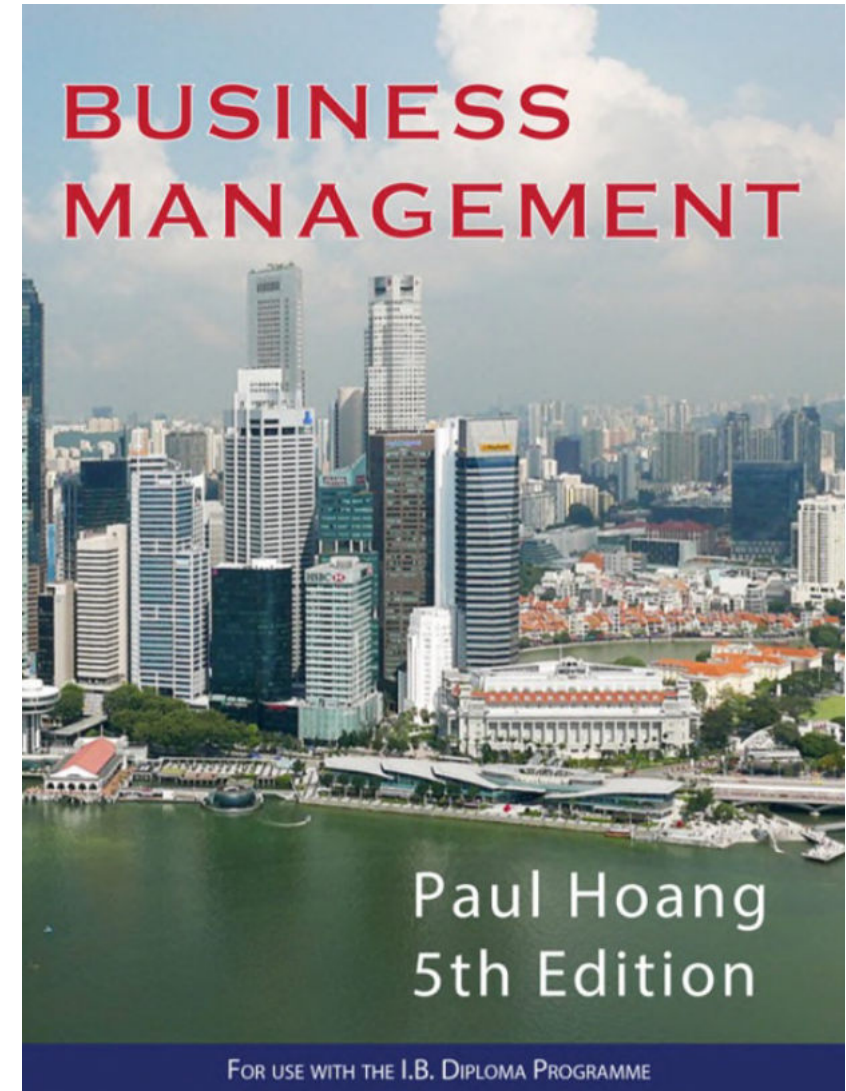
Disadvantages

Does not necessarily reveal why people behave or respond in the way they do.

Over to you

- Hoang textbook
- Question 26.1 *Questioning questionnaires*
 - Page 380
- Question 26.2 *Zaffron Craftphoria*
 - Page 382
- Answer all parts

BUSINESS MANAGEMENT



Secondary market research methods/techniques:

- Market analyses
- Academic journals
- Government publications
- Media articles
- Online content

Secondary market research

Secondary market research involves the collection of second-hand data and information that already exists.

- i.e. the data and information have previously been gathered by others.



Advantages of secondary research



Advantages

- Data is readily available and faster to collect.
- Provides meaningful insight into industry trends.
- Huge range of sources of information available.
- Findings can be based on large samples so results are statistically valid.

Disadvantages of secondary research



Disadvantages

- Data might be obsolete and irrelevant.
- Information gathered is not tailored to the specific purpose of the firm, thus needs to be further adapted to suit the needs of the business.
- Information is widely available to competitors.

Market analyses

- A market analysis reveals the characteristics and trends for a particular product or industry.
 - e.g. market size, market share and market growth rates.
- It can help to measure how well a business is doing compared with its rivals.
- Sources of market analysis data and information can be found in sources such as:

Market research firms



- Scan to view examples of market analyses from the market research firm *The Nielsen Company*.

Competitors



- Scan to view the financial reports of *Unilever*, one of the world's leading manufacturers of fast-moving consumer goods.

Trade publications



- Scan to view *Electronic Products & Technology*, a trade publication for original equipment manufacturer (OEM) and maintenance, repair and overhaul (MRO) markets in Canada.

Academic journals

- These are periodical publications from education and research institutions.
- Academic journals publish educational, peer-reviewed articles and findings written by industry experts and academics.

Examples of academic journals in the field of Business Management*

- Harvard Business Review
- Knowledge@Wharton
- Kellogg Insight
- Judge Business School working papers
- Australian Journal of Management
- Industrial & Labour Relations (ILR) Review
- Journal of International Marketing
- And many more...

**Academic journals are an important source of research for Extended Essays in Business Management.*

Government publications

- Governments publish a broad range of data such as:
 - Population census
 - Social trends
 - Labour market developments
 - Trade statistics
 - Unemployment figures
 - Inflation rates

Examples of government publication sources

- *Statistics Canada*
- *National Bureau of Statistics of China*
- *Ministry of Statistics and Programme Implementation (India)*
- *Statistics Netherlands*
- *Office for National Statistics (United Kingdom)*
- *United States Census Bureau*

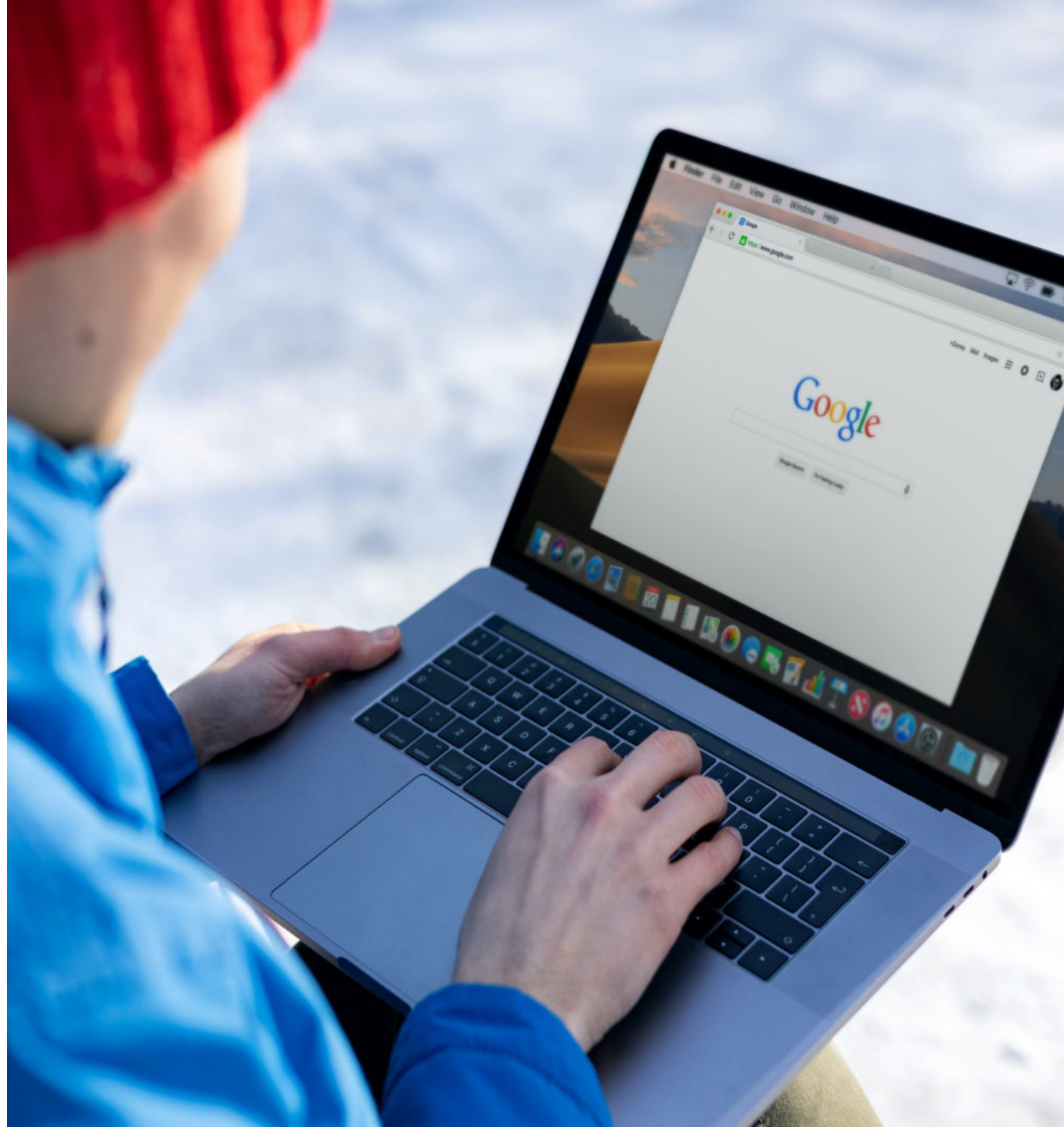
Media articles

- Media articles are widely available (online or print).
- Examples include:
 - Newspapers
 - Magazines
 - Business-related journals
 - Television documentaries
 - Books
 - Websites
 - Blogs
 - Social media



Online content

- All of the above methods of secondary market research are increasingly available online.
- They can be easily found via:
 - Search engines such as *Google*.
 - Encyclopedias such as *Wikipedia*.
 - Social networks such as *Facebook* and *Instagram*.



The difference between qualitative and quantitative research

Internal versus external communication

Qualitative research

- This involves getting non-numerical answers and opinions from respondents.
- The main purpose of using qualitative data is to understand the behaviours, attitudes and perceptions of customers, employees or other respondents.

Quantitative research

- This involves getting factual and measurable information rather than people's opinions.
- Two quantitative techniques found in primary research are:
 - Closed questions
 - Ranking or sliding scales

Advantages of qualitative research*



Advantages

- It is better than quantitative research for exploring behaviours and attitudes.
- There is more flexibility in the process so useful extra information from interviews can be gathered.
- It is cost effective in being able to gather a lot of information from a smaller number of respondents.

**The advantages and disadvantages of quantitative research is the opposite of qualitative research.*

Disadvantages of qualitative research*



Disadvantages

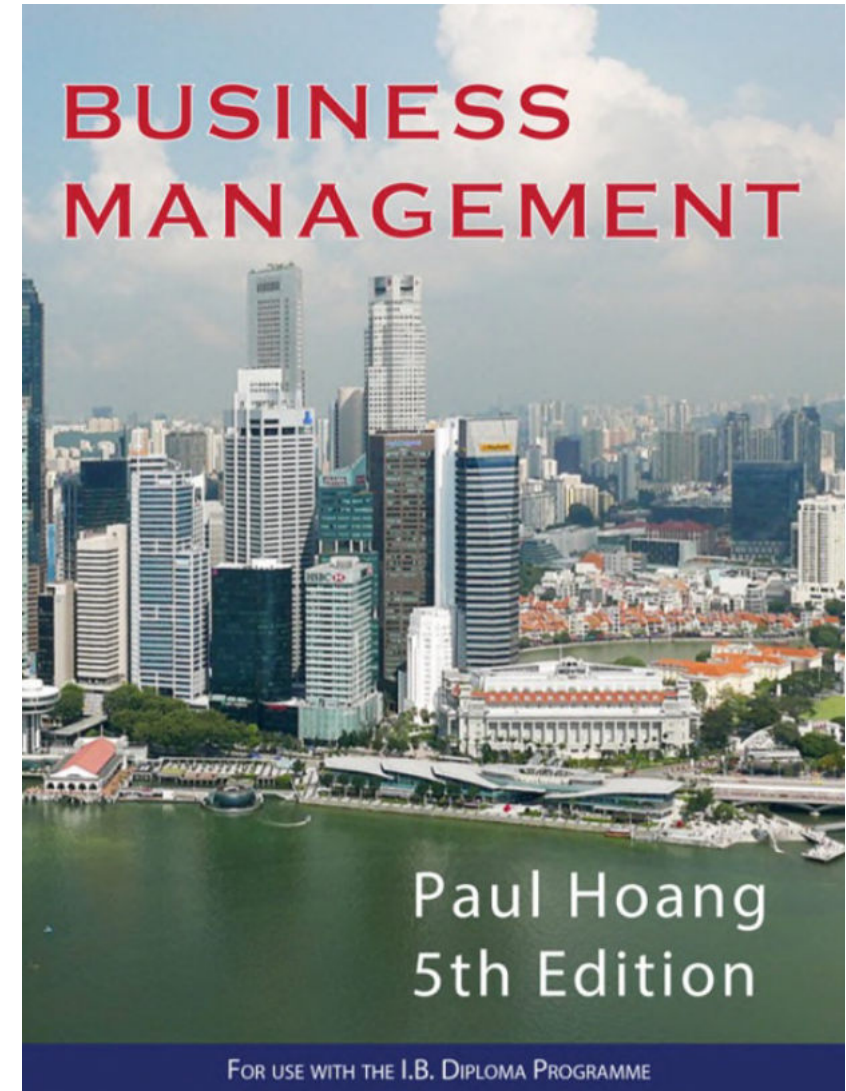
- Small samples typically used prevent findings from being truly representative of the whole population.
- Very time consuming to conduct and interpret.
- Interviewer must be highly experienced in facilitating useful information from respondents.

**The advantages and disadvantages of quantitative research is the opposite of qualitative research.*

Over to you

- Hoang textbook
- Question 26.3 *Toys 'R' Us*
 - Page 387
- Answer all parts

BUSINESS MANAGEMENT

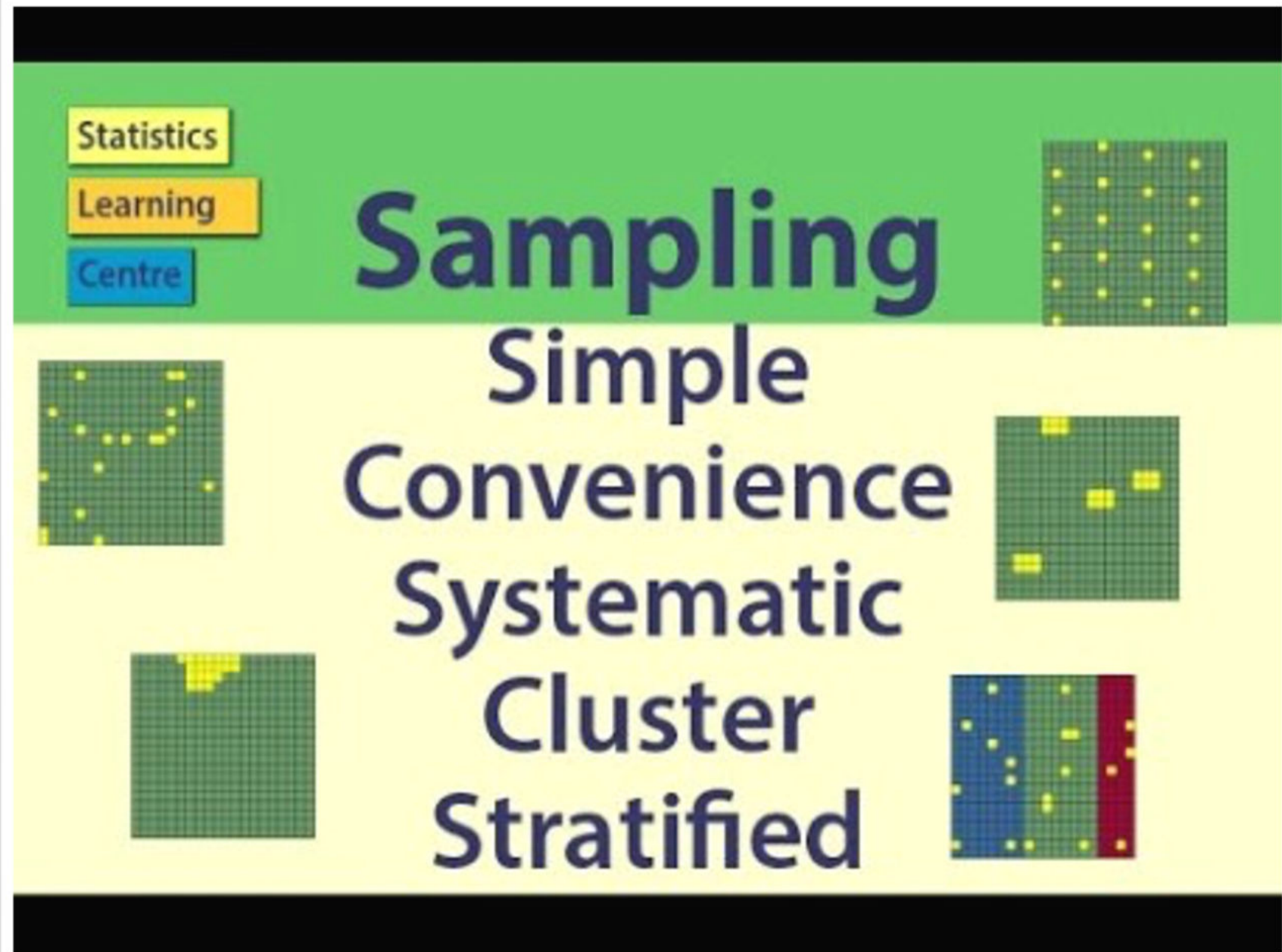


Sampling methods:

- Quota
- Random
- Convenience

Sampling a market



Sampling is the practice of selecting a small group (or sample) of the population for a particular market for primary research purposes.











Sampling explained (0:00 to 1:35)

Quota sampling

- This is where a certain number of people (known as the quota) from different market segments is selected.



Advantages	Disadvantage
 A relatively representative sample can be collected quickly.	 The sample is not always representative of the population due to the number of people interviewed for each segment and how randomly they were selected.
Findings are more reliable than random sampling.	

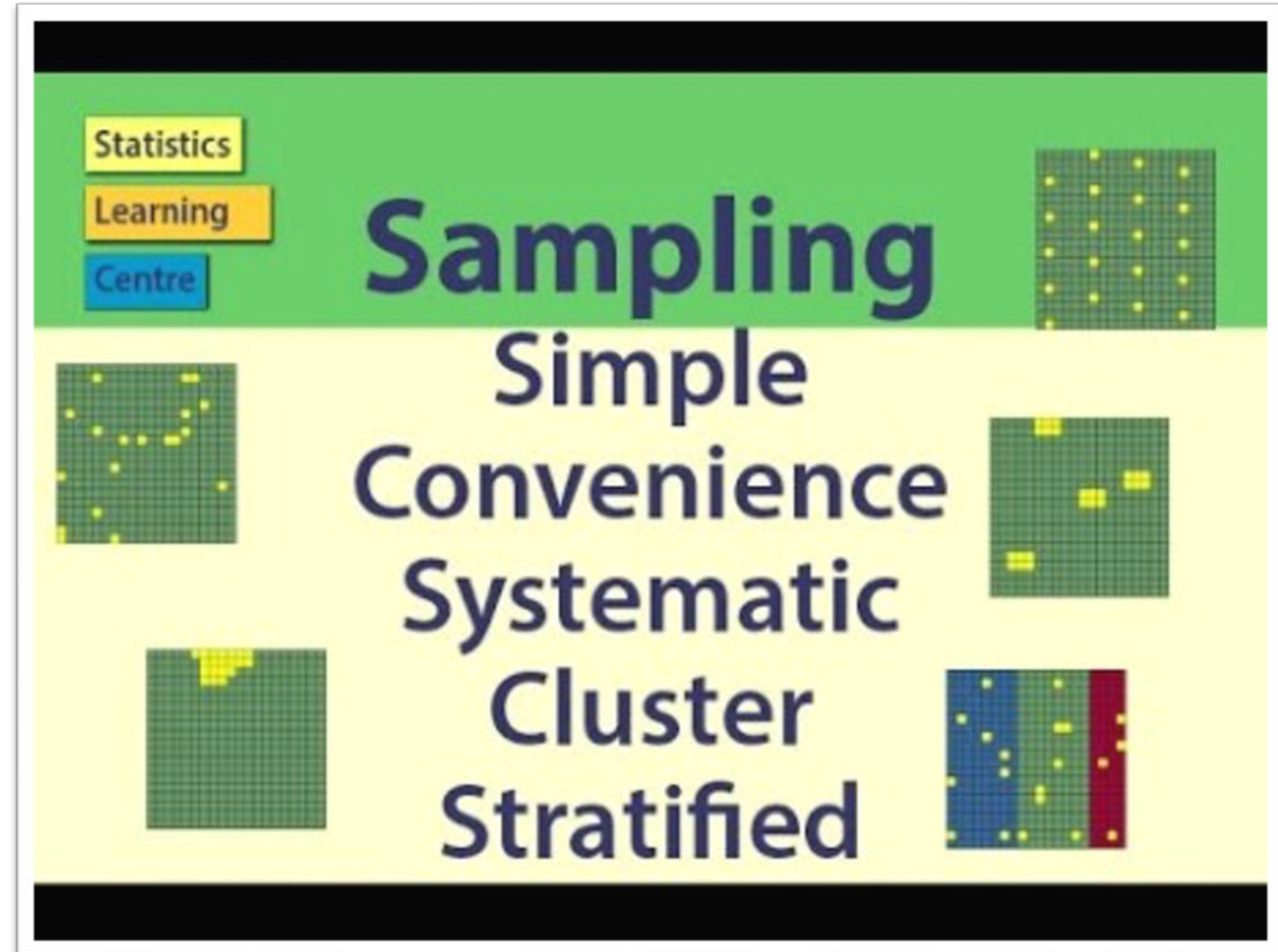
Market segment	Population of each segment
18 to 30 years old	  
31 to 50 years old	 
51 to 70 years old	  

Example of a quota of four people per segment being selected as a sample

Random sampling

This involves giving everyone in the population an equal chance of being selected for the sample.



 Advantages	 Disadvantage
Easy to select a sample	It is indiscriminate (i.e. selecting people who are not part of the target group due to the randomness of selection)
Minimises bias or unrepresentative samples.	



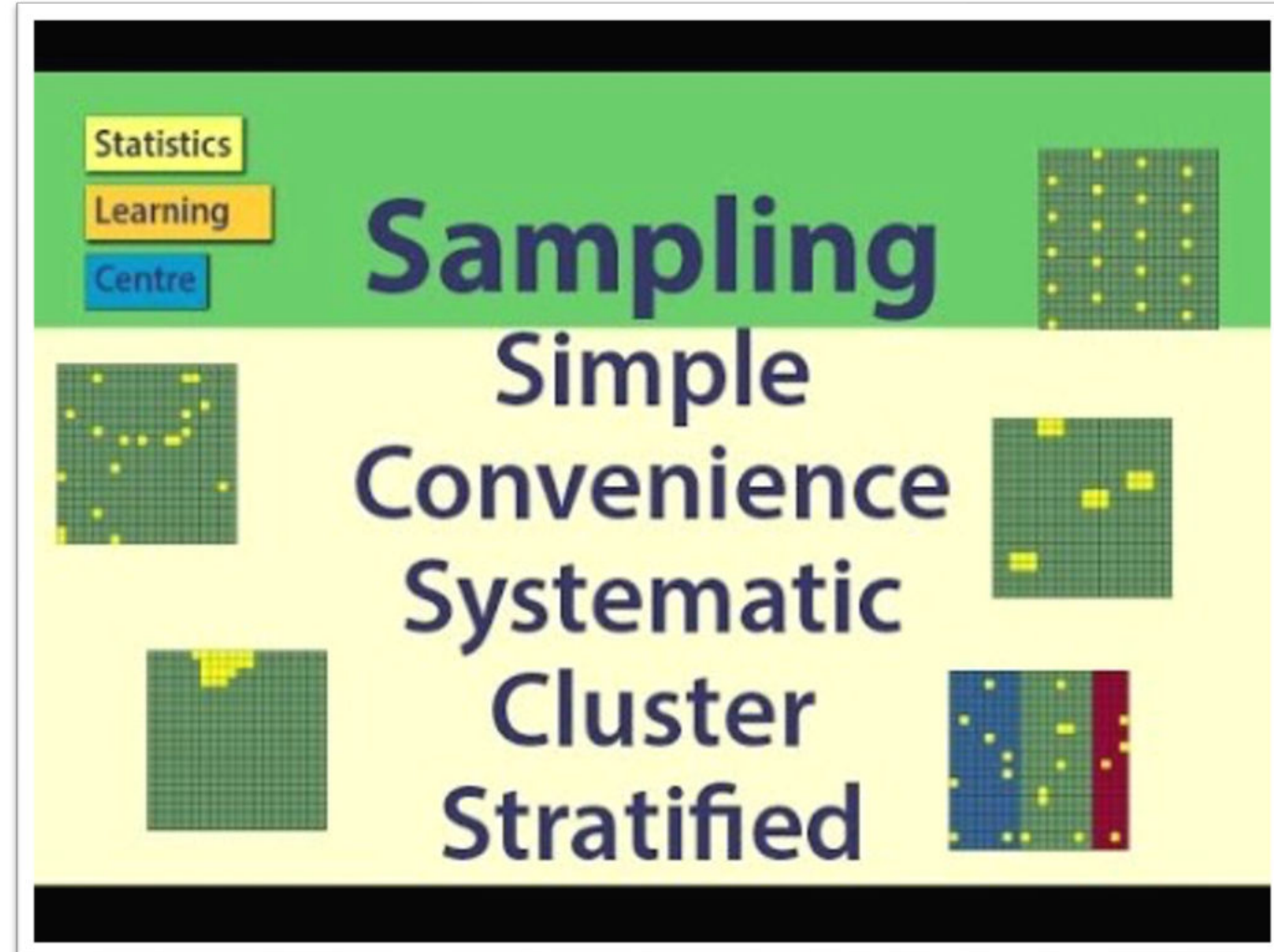
Random sampling explained (1:36 to 2:22)

Convenience sampling

Convenience sampling uses subjects that are easy (convenient) to reach.

 Advantages	 Disadvantages
Availability and quickness of data collection	Inadvertent exclusion of a large proportion of the population, thus presenting highly skewed findings

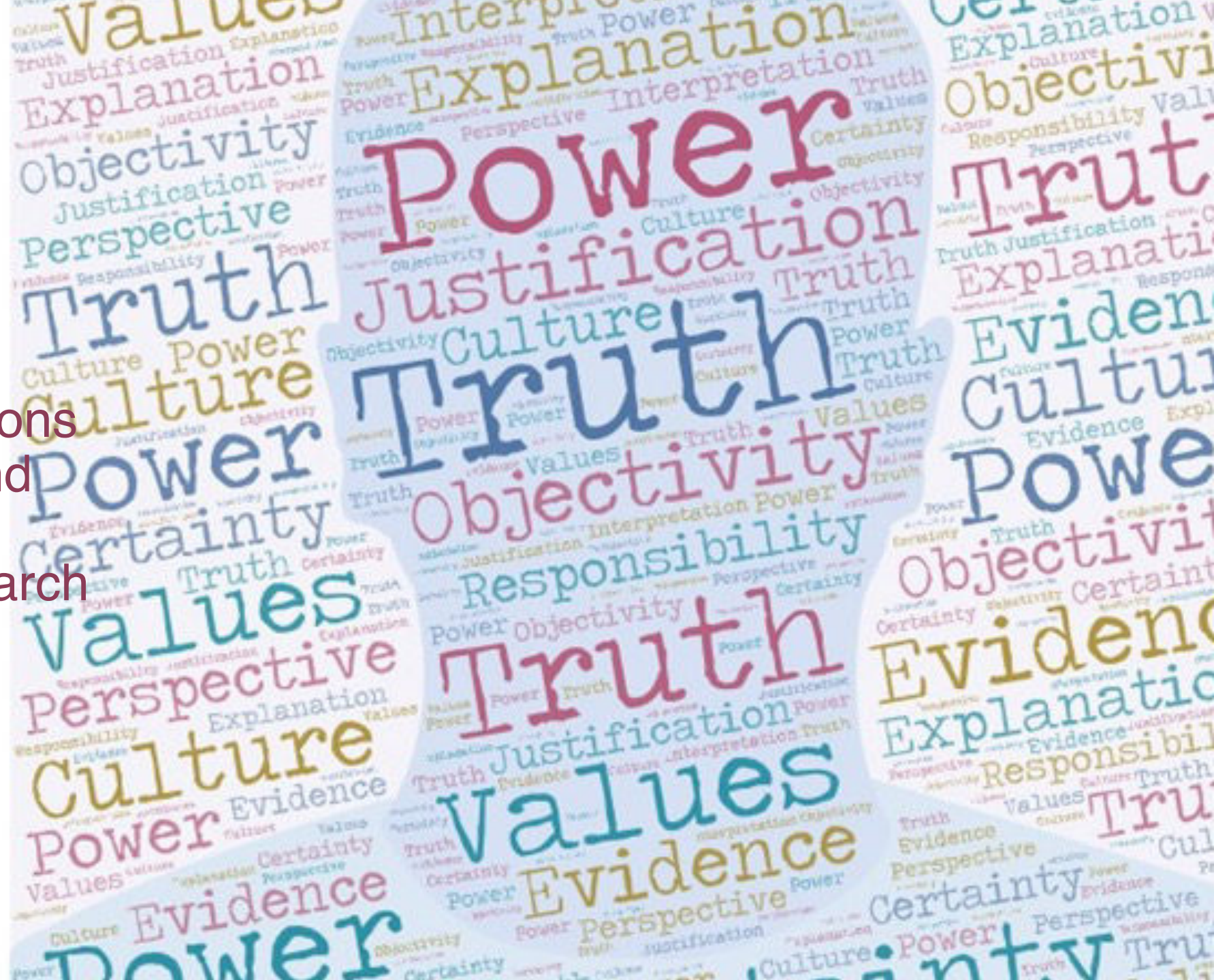
BUSINESS MANAGEMENT



Convenience sampling explained (2:23 to 2:55)

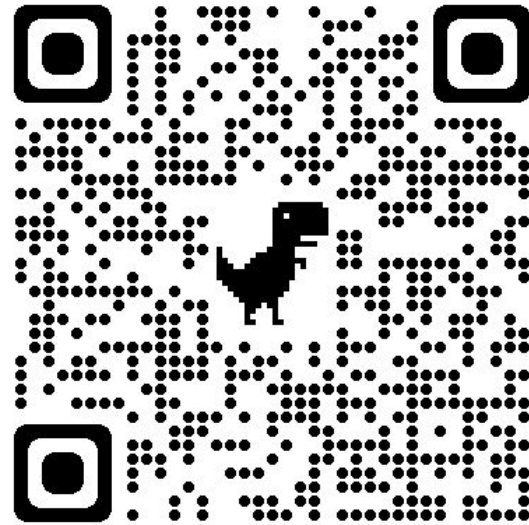
Theory of knowledge

Given the complications of survey designs and sample size, can primary market research data ever be truly reliable?





News
article
about the
uproar over
Chinese-
American
restaurant
Lucky Lee's



BUSINESS MANAGEMENT

BMT: Market research and the business plan of *Lucky Lee's (LL)*

- Watch the news report and read the article about the launch of the Chinese-American restaurant *Lucky Lee's* in April 2019.
- *LL* closed permanently in December 2019.

With reference to *LL*, explain the importance of market research in informing an effective business plan to determine the commercial feasibility of the business.



Concepts in BM: ethics

The 5Ds [©]	Meaning
Damage	Researchers must protect those in their samples by ensuring the information collected is never used in such a way as to harm them.
Dishonesty	Researchers must be trustworthy in their attempt to obtain usable data for marketing purposes.
Deception	Deceptive practices and misleading methods to access and gather data about customers is an ethical problem.
Disclosure	Any unauthorised disclosure of customer information is unethical.
Detachment	It is essential that researchers must be detached from personal biases and be objective in their work.

- In many countries, market research must be conducted within ethical guidelines to avoid breaches of individual privacy.
- An easy way to remember what is considered to be unethical research is the 5Ds[©].

Ethics and data brokers

- Data brokers are companies that specialize in collecting information about individuals from public records and private sources.
- This information is then sold to other organizations that use it to target their marketing strategies.
- They have often been criticized for conducting this market research unethically.



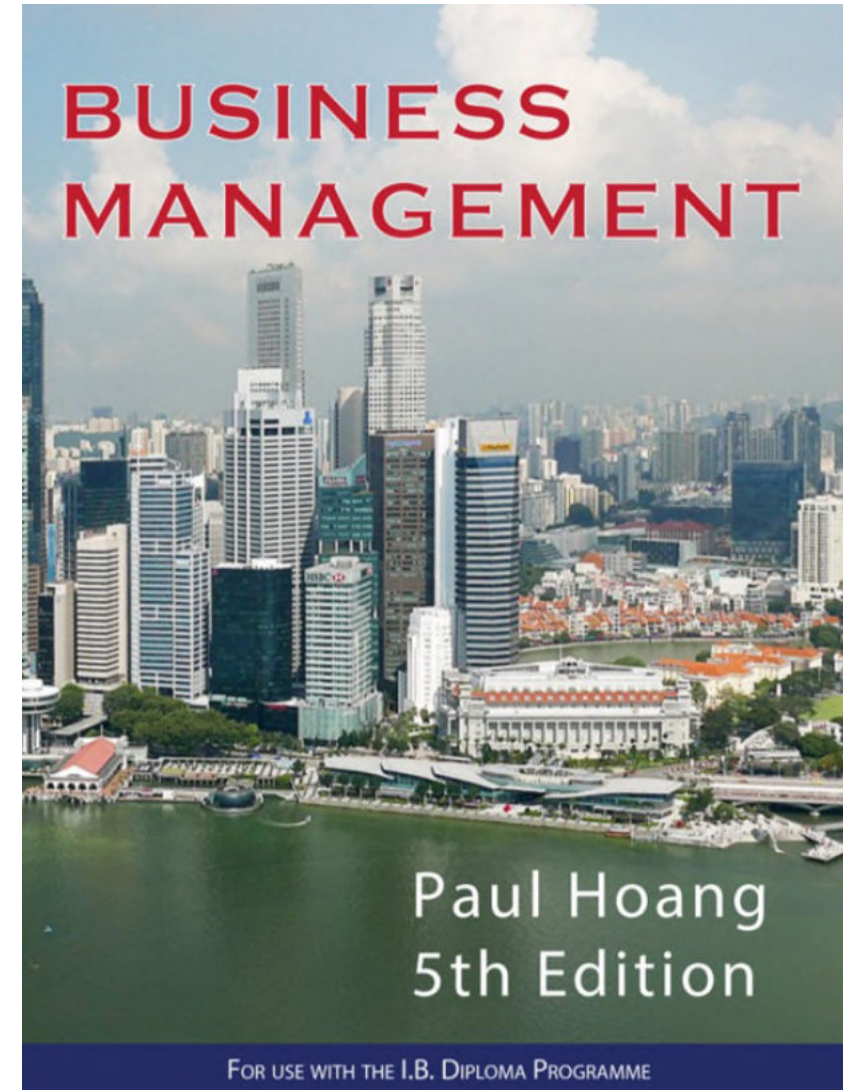
How many of the 5Ds© of unethical market research can you identify in this video?



Over to you

- Hoang textbook
- *Review Questions*
 - Page 391

BUSINESS MANAGEMENT



4.5 The seven Ps of the marketing mix - Product

Topic 4: Marketing

Unit content

Content	Assessment objective
<u>The relationship between the product life cycle, product portfolio and the marketing mix</u>	AO2
<u>Extension strategies</u>	AO3
<u>The relationship between the product life cycle, investment profit and cash flow</u>	AO2
<u>The following aspects of branding:</u> <ul style="list-style-type: none">• Awareness• Development• Loyalty• Value	AO2

Unit content (continued)

Content	Assessment objective
<u>The importance of branding</u>	AO2
Business Management Toolkit: <ul style="list-style-type: none">• <u>Boston Consulting Group (BCG) matrix</u>• <u>Ansoff matrix</u>	
<u>Product and the business management concepts</u>	

Product

- A *product* refers to any good or service that serves to satisfy the needs and wants of customers.
- A product can be:

A photograph of a hand holding a black smartphone. Two light blue arrows originate from the bottom of the image. One arrow points to the physical smartphone device, and the other points to the screen of the phone.

Tangible
(e.g. the smartphone device)

Intangible
(e.g., operating system software)

Consumer products

- Consumer products are purchased by private individuals for their personal use.
- Examples of consumer products are:



Consumer perishables



Specialty consumer goods



Consumer durables



Fast moving consuming goods

Producer products

- Producer products or industrial goods are purchased by businesses to use in the production process.

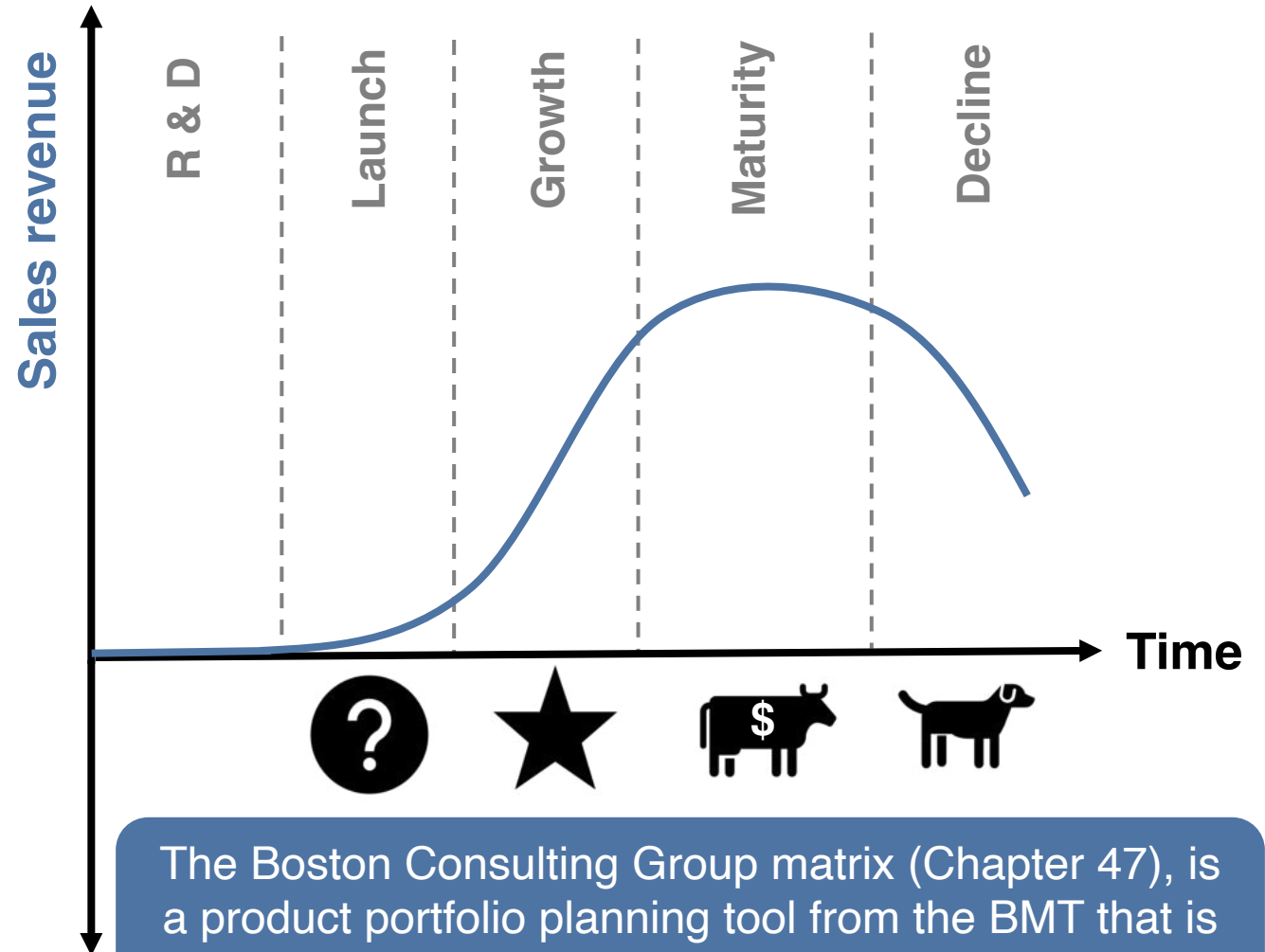


The relationship between the product life cycle, product portfolio and the marketing mix

The product life cycle and product portfolios

- The product life cycle (PLC) shows the different stages that a product is likely to go through from its initial design and launch to its decline.
- A product portfolio refers to the collection of all the products owned by a business at a point in time.

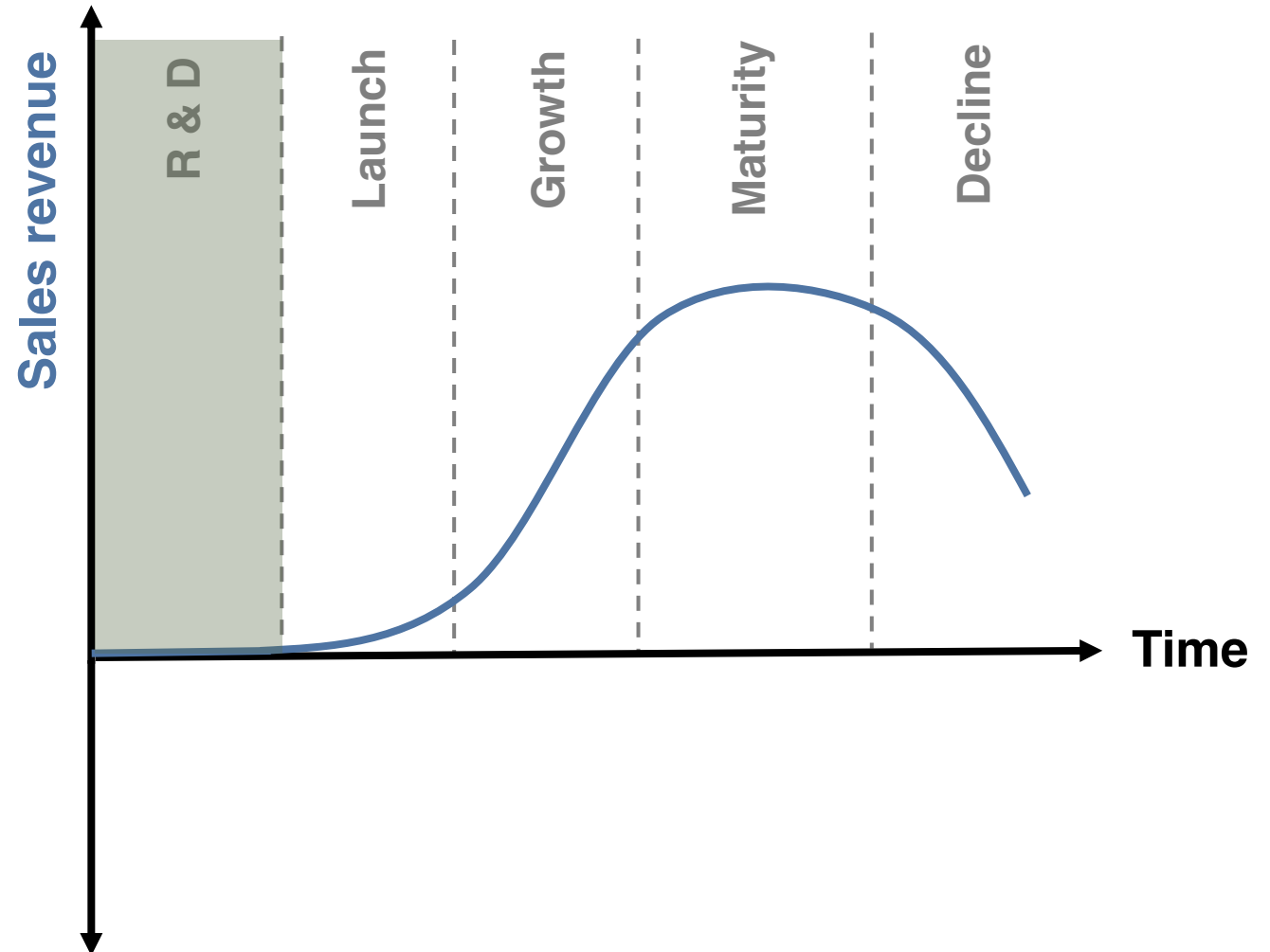
BUSINESS MANAGEMENT



The Boston Consulting Group matrix (Chapter 47), is a product portfolio planning tool from the BMT that is commonly used by marketing managers.

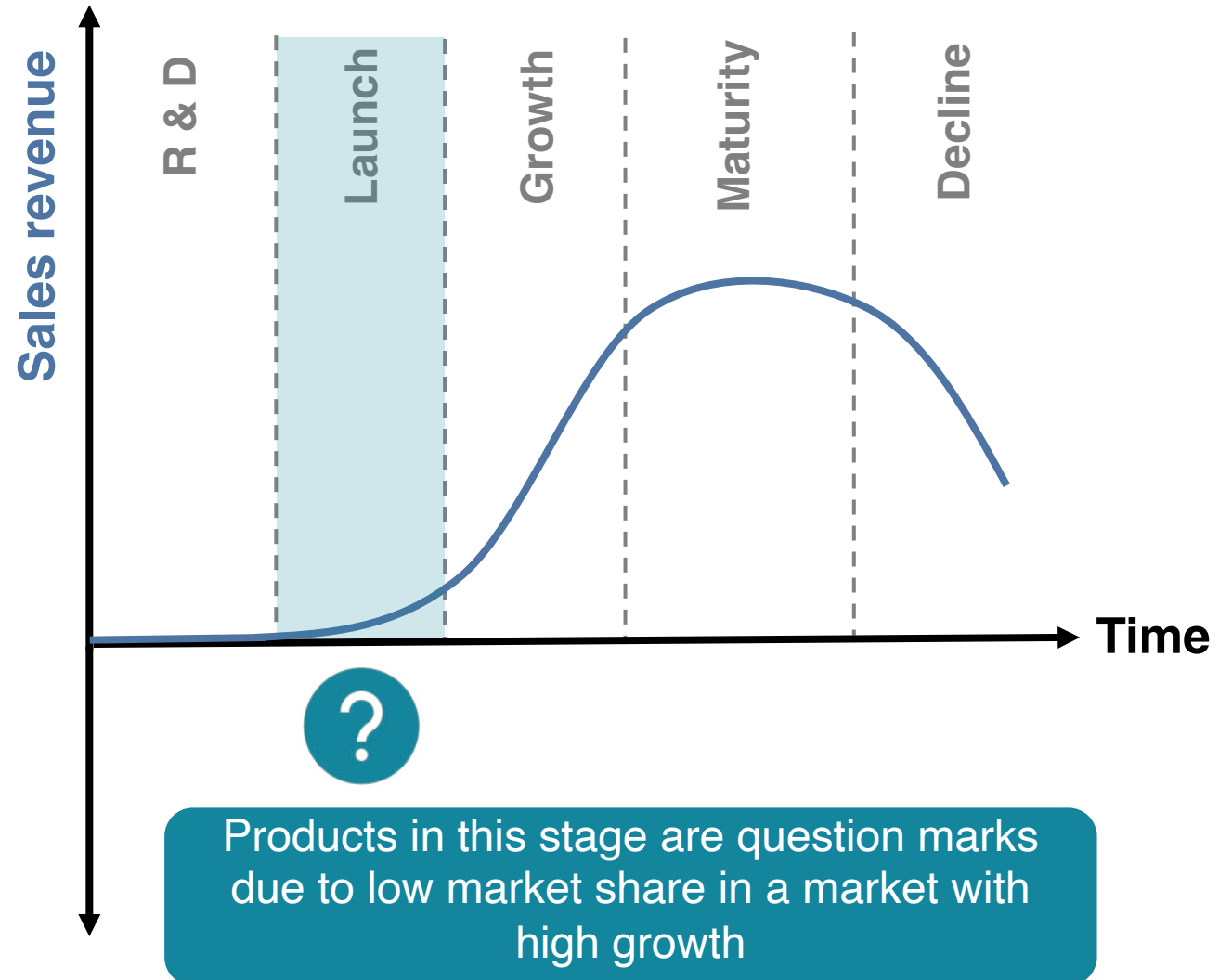
Features of the research and development stage

- Companies invest a lot of money developing a new idea into a product.
- There is no sales revenue as the product is not available for sale.
- There are high research and development costs.
- Prototypes and test markets are used.



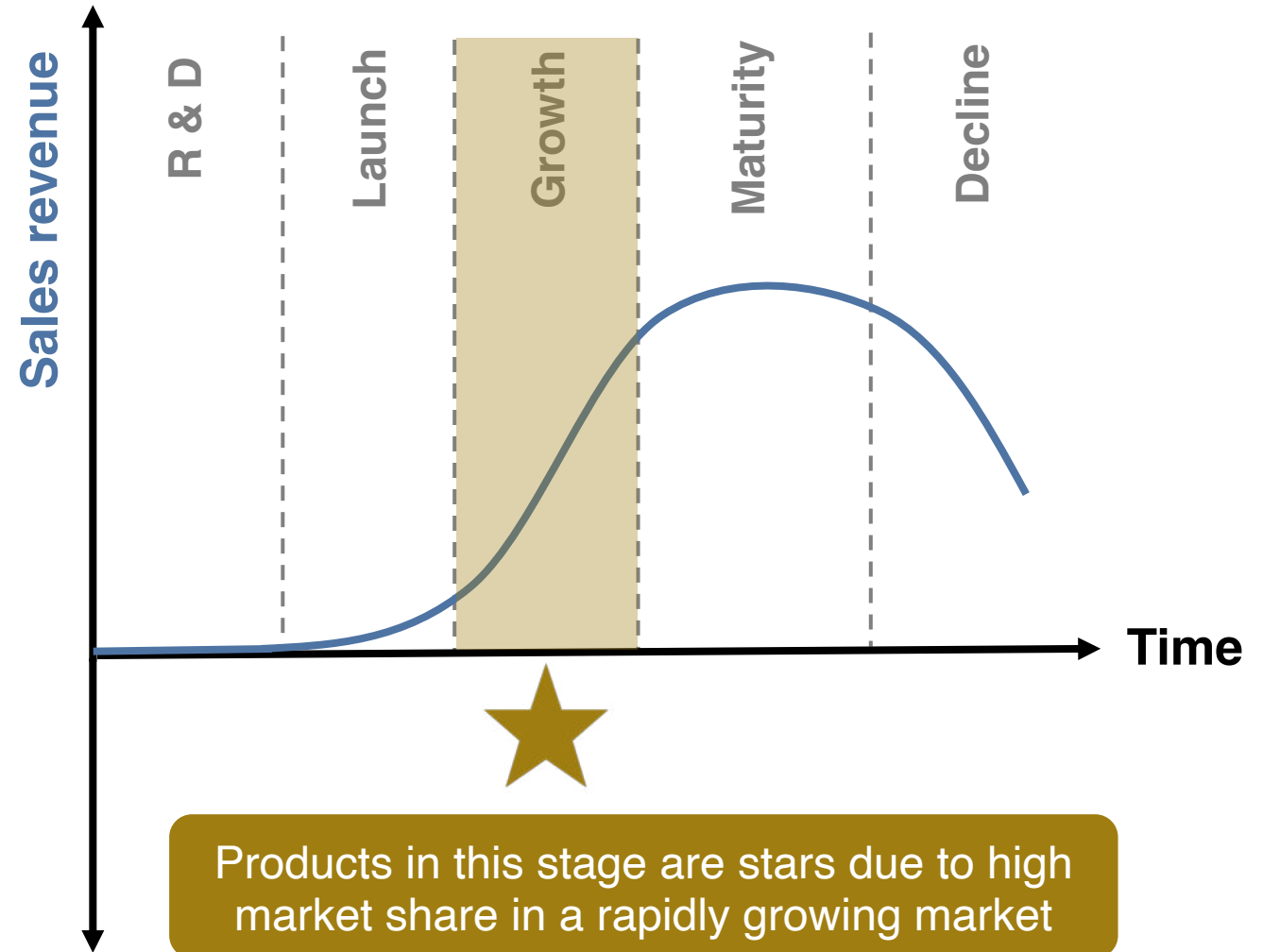
Features of the launch stage

- Products are introduced to the market.
- Sales increase slowly.
- Extensive promotion takes place.
- Products are not profitable at this stage (due to low sales and high expenses).
- The objective is to move to the growth stage as quickly as possible and become the market leader.
- Buyers in this stage are known as *Innovators*.



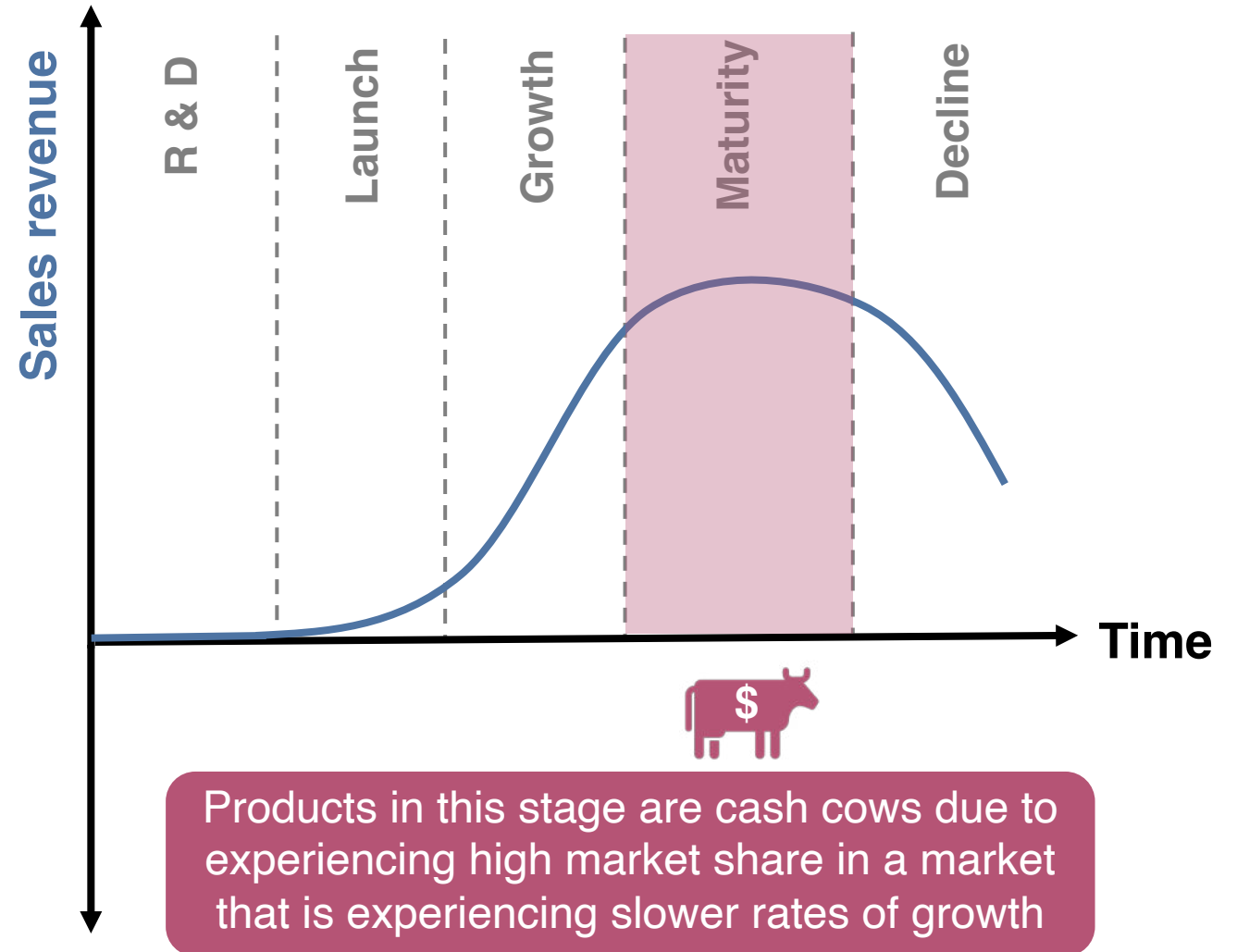
Features of the growth stage

- Rapid increase in sales due to greater consumer awareness.
- More channels of distribution (place).
- Strong profits.
- More competitors.
- Product differentiation strategies are used.
- Buyers in this stage are known as *Early adopters*.



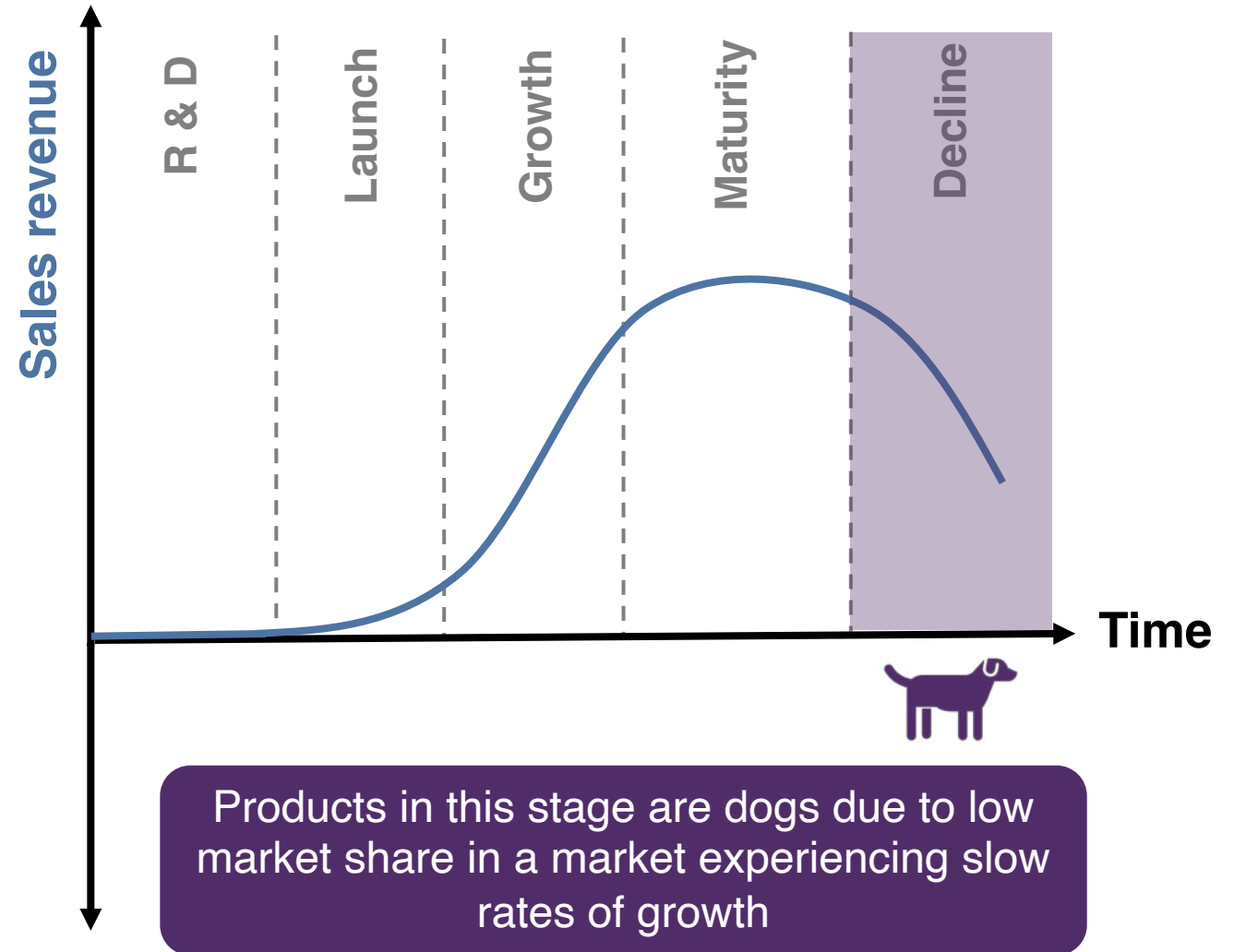
Features of the maturity stage

- Sales increasing (but at a slower rate) and peak.
- Economies of scale are possible.
- Heavy promotion takes place to differentiate brands.
- Product lines extended (with more product versions and variations).
- Unsuccessful competitors drop from the market.
- Buyers in this stage are known as the *Majority*.



Features of the decline stage

- Sales and profits fall.
- Demand is low due to changing fashion and tastes, new replacement models or obsolete technology.
- Promotional spending falls or stops.
- Buyers in this stage are known as *Laggards*.



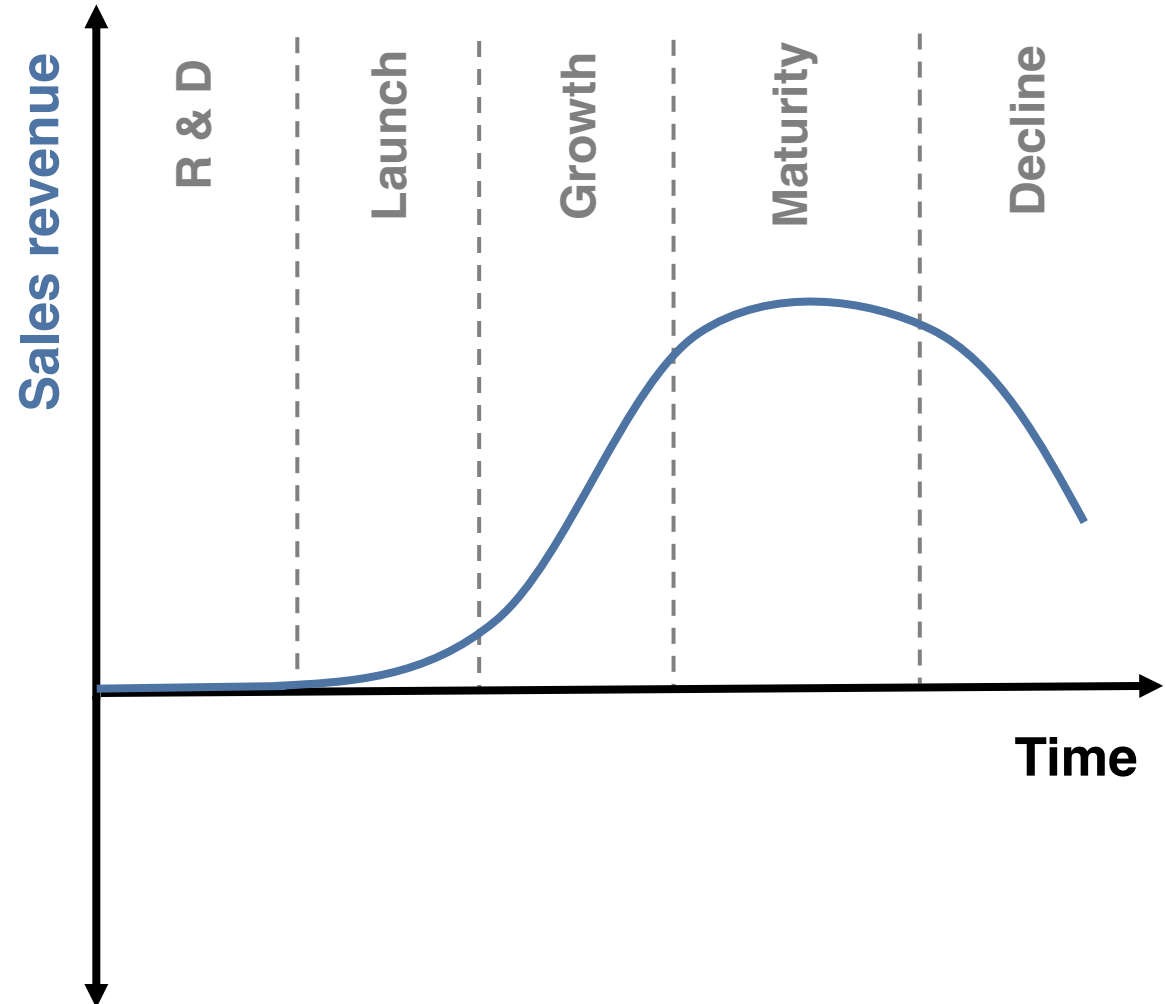
Example of the PLC for the automobile industry

				
<p>R&D</p> <ul style="list-style-type: none"> • Typically unknown to the market 	<p>Launch</p> <ul style="list-style-type: none"> • Self-driving cars 	<p>Growth</p> <ul style="list-style-type: none"> • Electric cars 	<p>Maturity</p> <ul style="list-style-type: none"> • Petrol cars 	<p>Decline</p> <ul style="list-style-type: none"> • Diesel cars

The relationship between the product life cycle, investment, profit and cash flow

Investment, profit and cash flow in each stage of the PLC

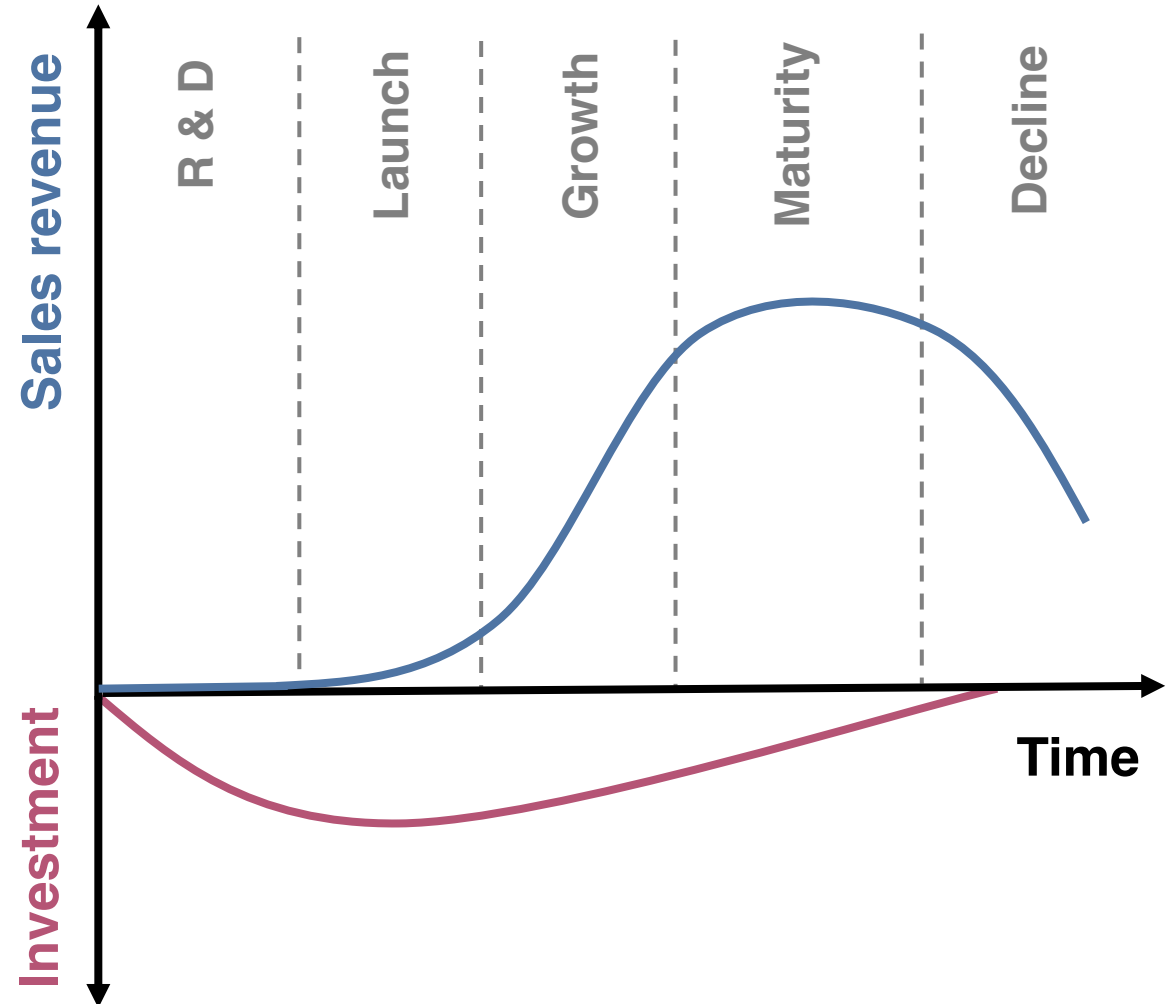
- For each stage of the PLC for a firm, discuss:
 1. The reasons for investment expenditure.
 2. The level of profit (and why).
 3. The cash flow position (and why).



Investment expenditure and the PLC

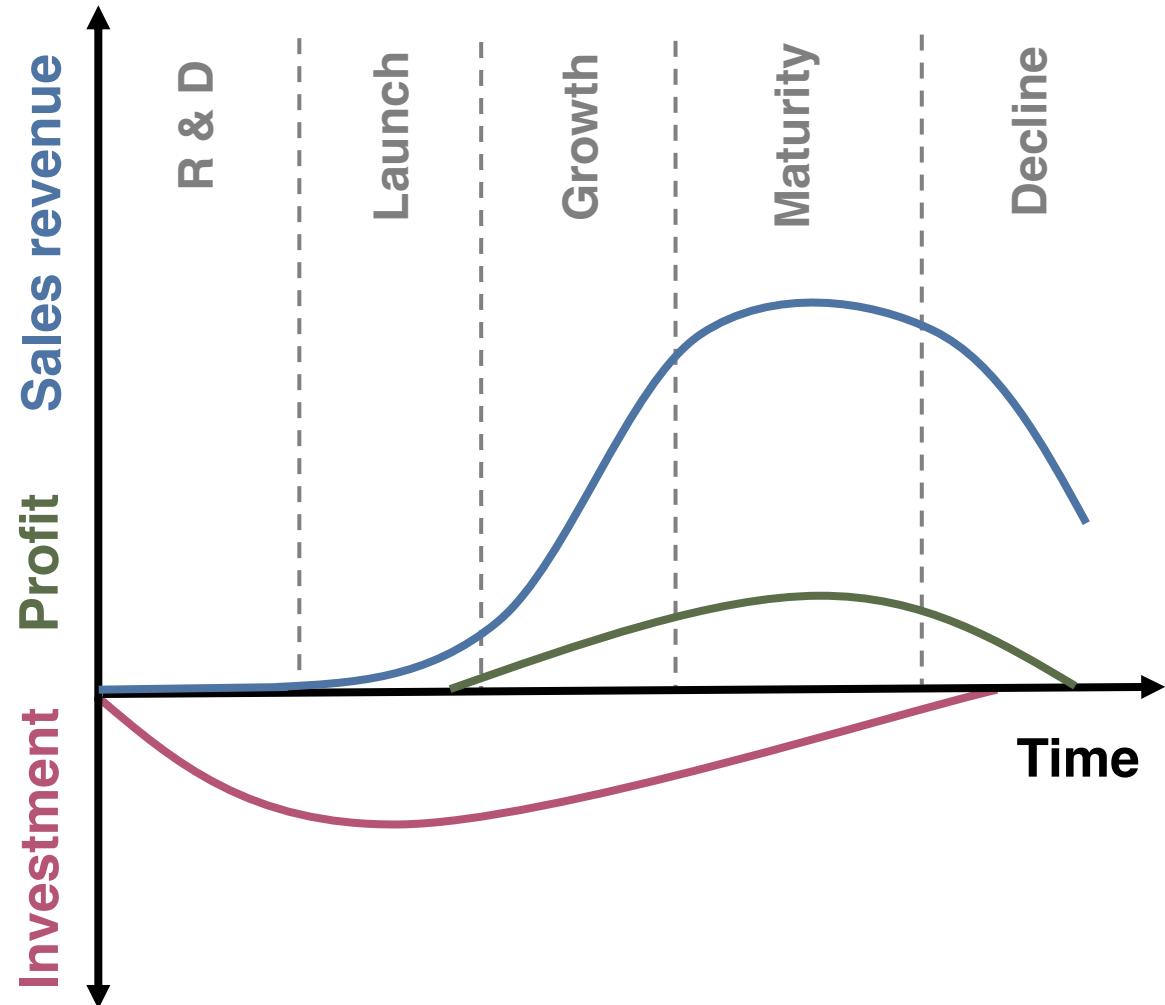
- Research and development
 - Basic and applied research
- Launch
 - Promotion
 - Capital investment
- Growth
 - Promotion
 - Product improvement
 - Capacity expansion
- Maturity
 - Extension strategies
- Decline
 - Divestment

BUSINESS MANAGEMENT



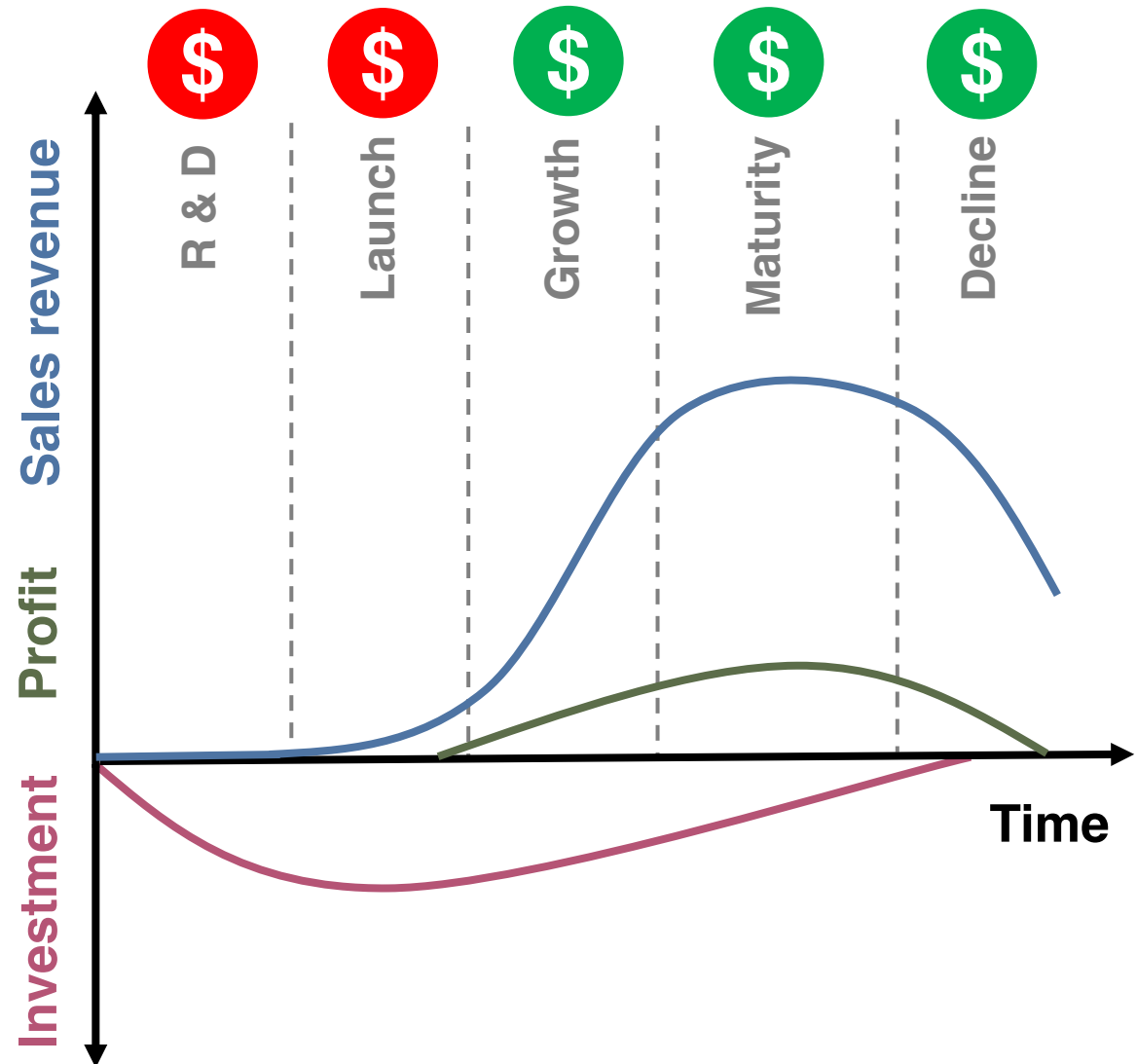
Profit and the PLC

- Research and development
 - No profit
- Launch
 - Little profit, if any.
- Growth
 - Profit achieved, once R&D and launch costs recovered.
- Maturity
 - Maximum profit (depending on costs to defend market share).
- Decline
 - Profit disappears as prices are reduced and sales decrease.
 - Product termination costs.







Cash flow and the PLC

- Research and development
 - Highly negative
- Launch
 - Negative
- Growth
 - Turns positive
- Maturity
 - Positive
- Decline
 - Positive but falling



1. Visit a shop of your choice that has a large product portfolio.
2. Find a product that can be classified in each quadrant of the BCG matrix.
3. With reference to the BCG matrix and the PLC, recommend **one** strategy for each product that the shop manager can implement to increase the shop's profitability.
4. Swap your BCG matrix with another group. Identify and explain **one** benefit and **one** drawback of each strategy for their shop.

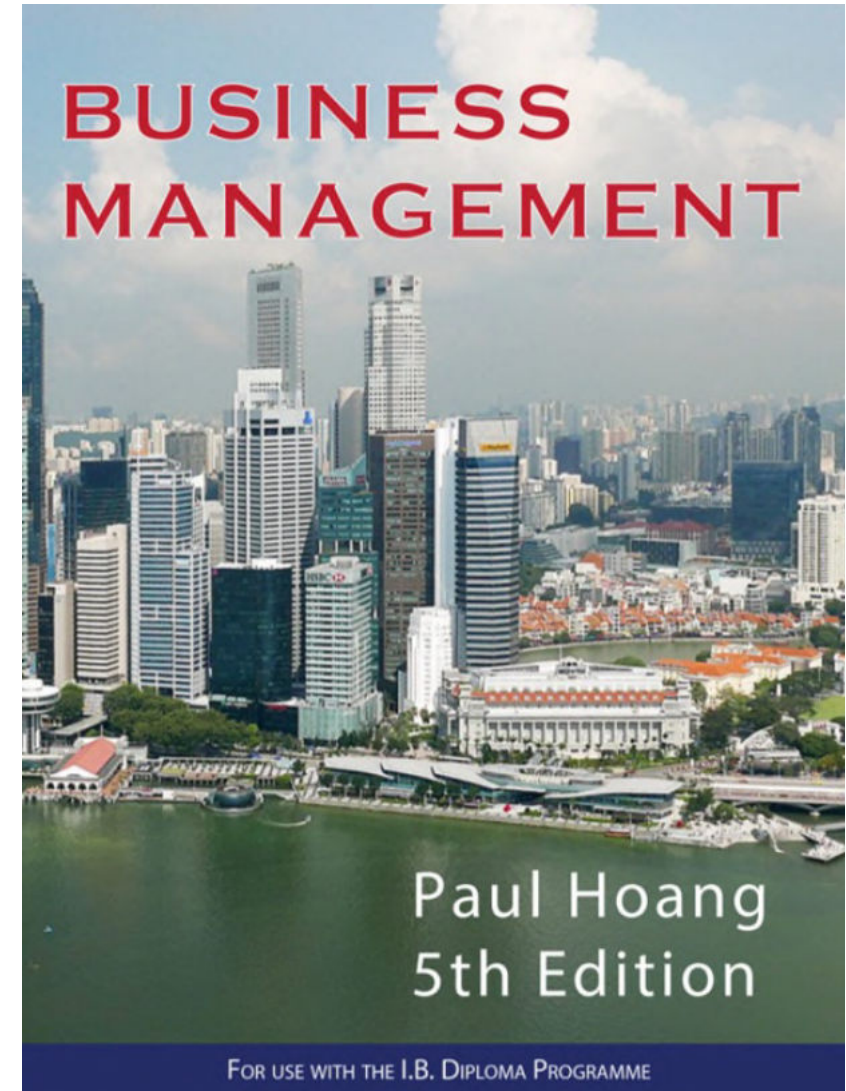
BMT: The BCG matrix and the product life cycle

		Market share	
		High	Low
Market growth	High (growing)	Stars 	Question marks 
	Low (mature)	Cash cows 	Dogs 

Over to you

- Hoang textbook
- Question 27.1 *The Virgin Group*
 - Page 397
- Answer all parts

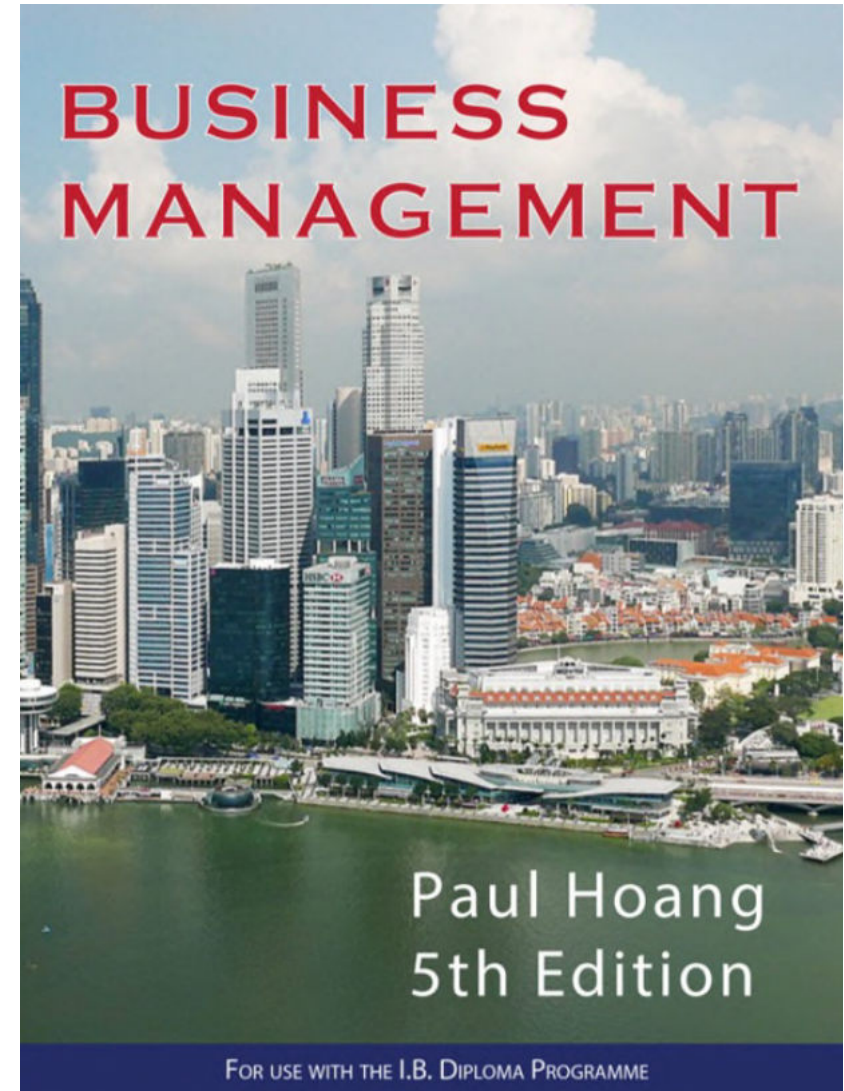
BUSINESS MANAGEMENT



Approaches to learning

- Hoang textbook
- Activity 27.1 *Research skills*
 - Page 397

BUSINESS MANAGEMENT

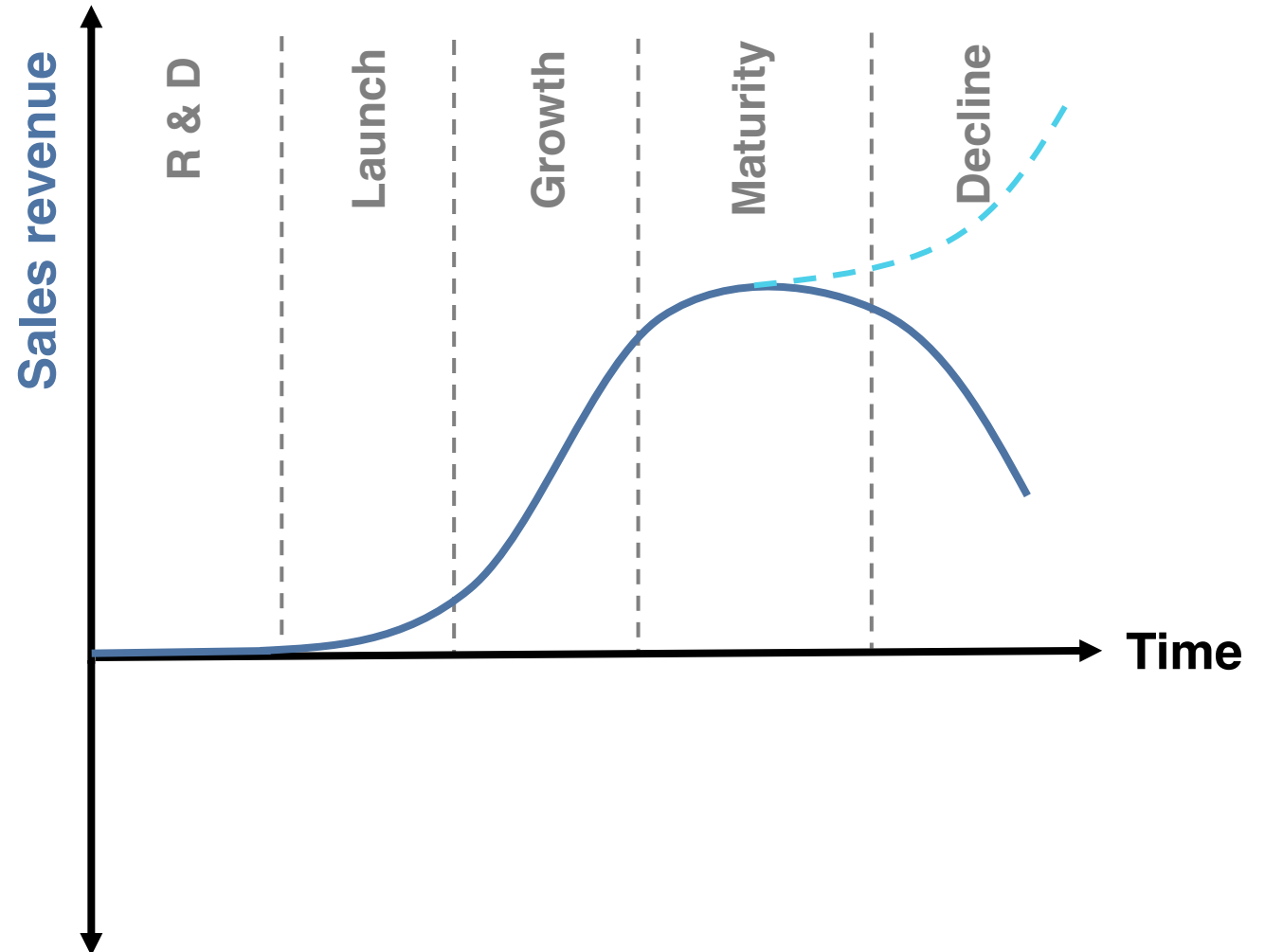


Extension strategies

Extending the maturity stage of the PLC

- Companies try to extend the length of the maturity stage as sales and profits are greatest.
- Extension strategies include:
 - Price reductions
 - Redesigning
 - Repackaging
 - New markets
 - New promotional activities

BUSINESS MANAGEMENT



		Products	
		Existing	New
Markets	Existing	Market penetration	Product development
	New	Market development	Diversification

BUSINESS MANAGEMENT

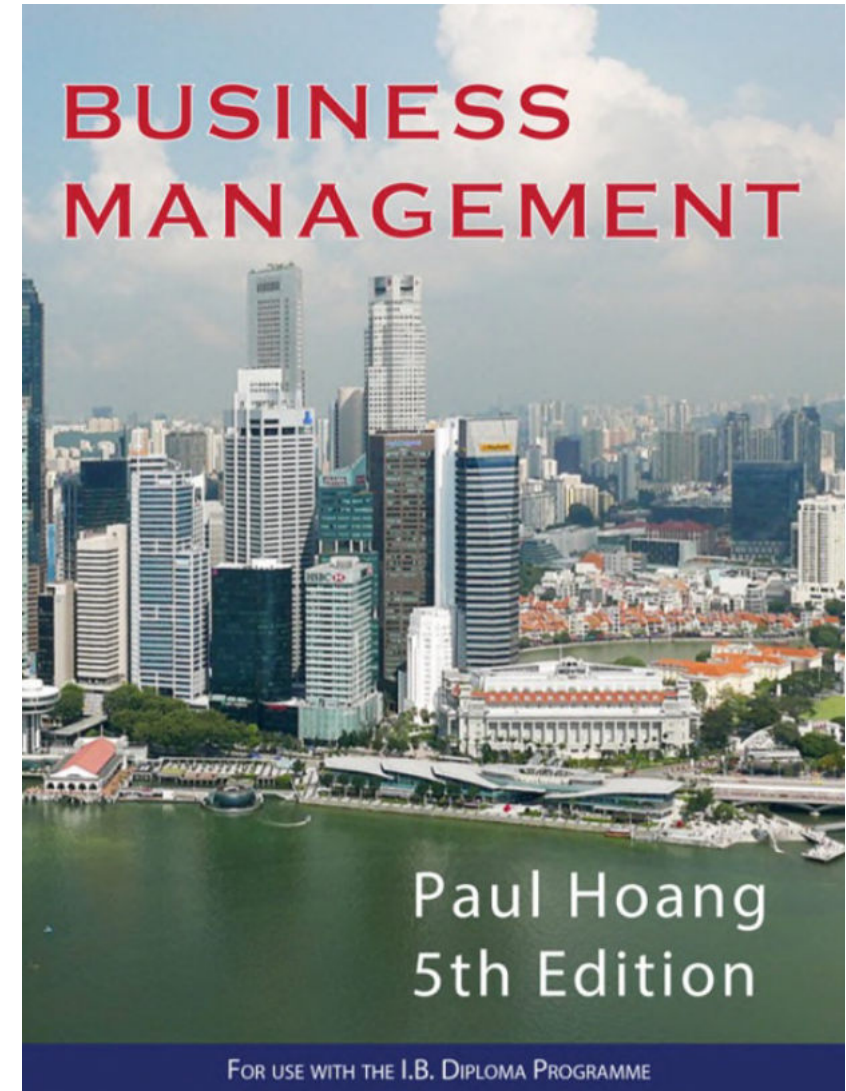
BMT: The Ansoff matrix and product extension strategies

With reference to the Ansoff matrix, discuss how various growth strategies can extend the life cycle for a product of your choice.

Over to you

- Hoang textbook
- Question 27.2 *Sony PlayStation 5*
 - Page 401
- Answer all parts

BUSINESS MANAGEMENT



The following aspects of branding:

- Awareness
- Development
- Loyalty
- Value

Branding

- A brand refers to a name or trademark that is identifiable with a business or product. It is a key product differentiator and an intangible asset.
- A brand may also be a:
 - Sign
 - Symbol
 - Colour scheme
 - Font
 - Design



Aspects of branding

Brand awareness

Brand development

Brand loyalty

Brand value

Brand awareness

- This measures the extent to which potential customers, or the public, recognises a particular brand.
- Brand awareness can benefit the business by bringing:
 - Higher sales revenues
 - Competitive advantages
 - Repeat purchases

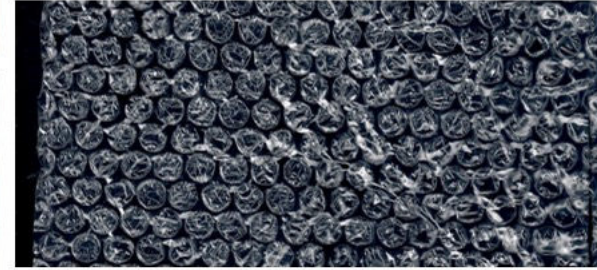


CHILI'S

This video shows the branding impressions on a five-year-old. Which of those brands had such a high level of brand awareness that even a young child could recognise them?

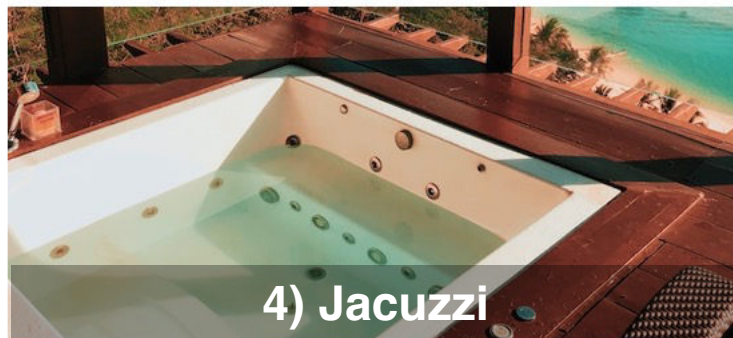
Brand development

- This refers to the marketing process of improving and enlarging the brand name.
- Successful brand development helps to extend the product's life cycle.
- Some brands are so famous they are often mistaken for the name of the product itself.



What are these products commonly known as?

1. Tissue paper
2. Inline skates
3. Adhesive bandage
4. Whirlpool bathtub
5. Acetylsalicylic acid
6. Air cellular cushioning material
7. Vacuum cleaner
8. Flying disc
9. Reusable adhesive putty



Brand loyalty

- This occurs when customers buy the same brand time and time again. They are devoted to the brand since they have a preference over other brand names.
- The opposite is brand switching where customers turn to alternative brands.



Benefits of brand loyalty

- Maintains/improves market share.
- Ability to set premium pricing.
- Acts as a barrier to entry in highly competitive markets.
- Prolongs the product and brand's life cycle.

Brand value

- This refers to the premium that customers are willing to pay for a brand name over and above the value of the product itself.
- The benefits of having a strong brand value include:
 - Higher market share
 - Higher barriers to entry
 - Premium prices

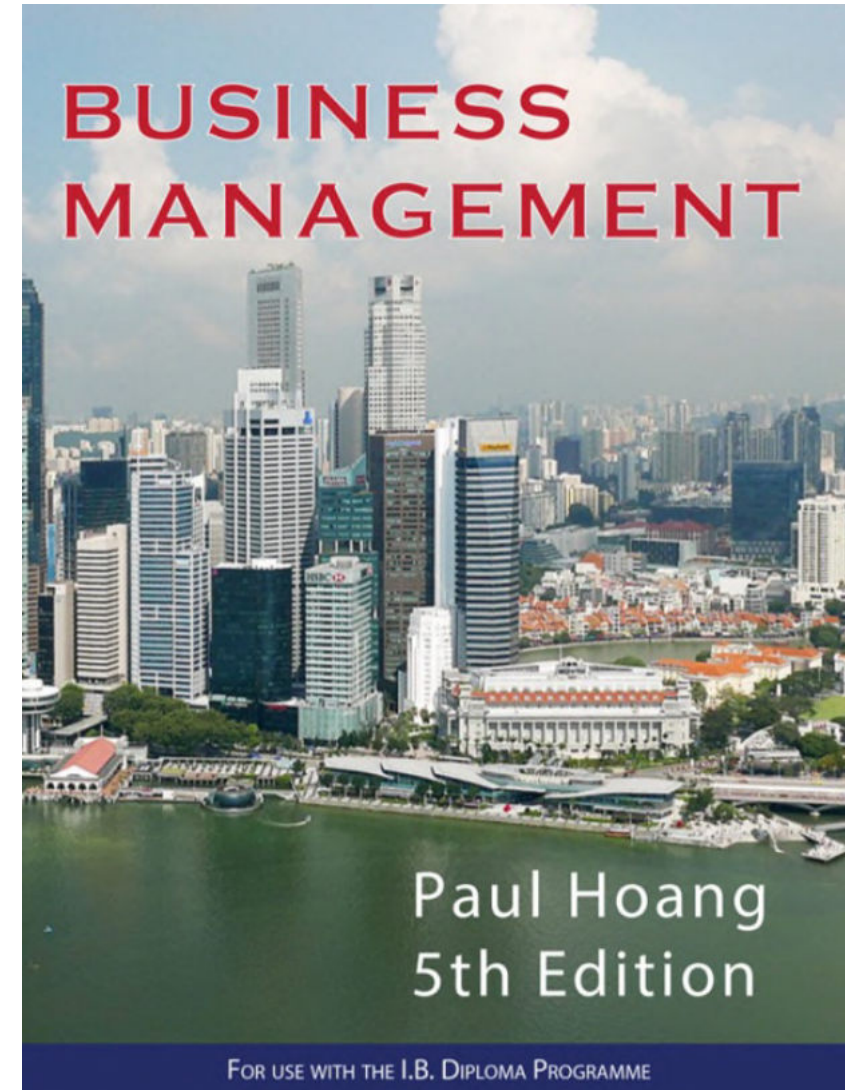


The *Under Armour* brand adds value to a plain, beige jacket, allowing the firm to charge a premium price for this item.

Over to you

- Hoang textbook
- Question 27.3 *French Connection, UK*
 - Page 403
- Question 27.4 *The top brands in the world*
 - Page 404
- Answer all parts

BUSINESS MANAGEMENT



The importance of branding

Branding activity



Select a brand and identify the product and company



Ask your peers the first word they associate with the brand.



Comment on the effectiveness of the brand. Is this demonstrated through the one-word association?



Discuss how the brand achieved this image.

Importance of branding

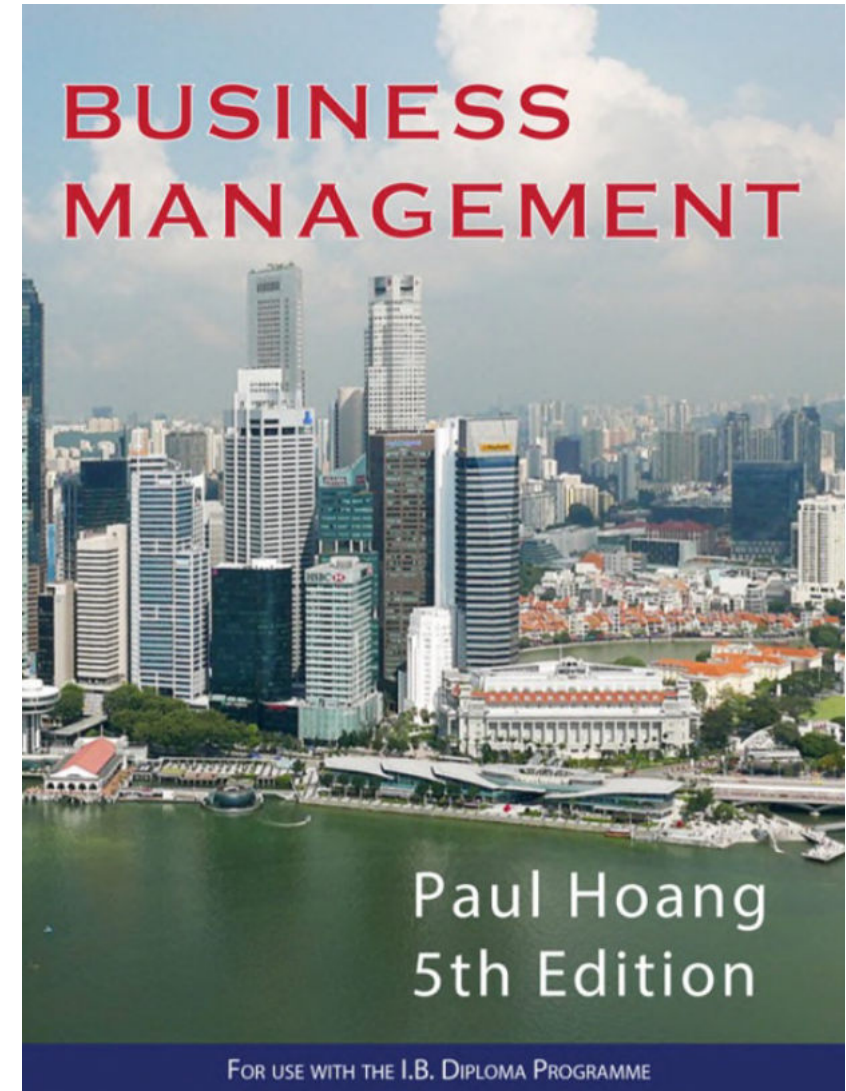
- Branding can bring many advantages to a business which include:
 - Acting as a legal instrument
 - Risk reduction
 - Image enhancement
 - Earning higher revenues
 - Premium price setting ability
 - Recognition and loyalty
 - Distribution benefits



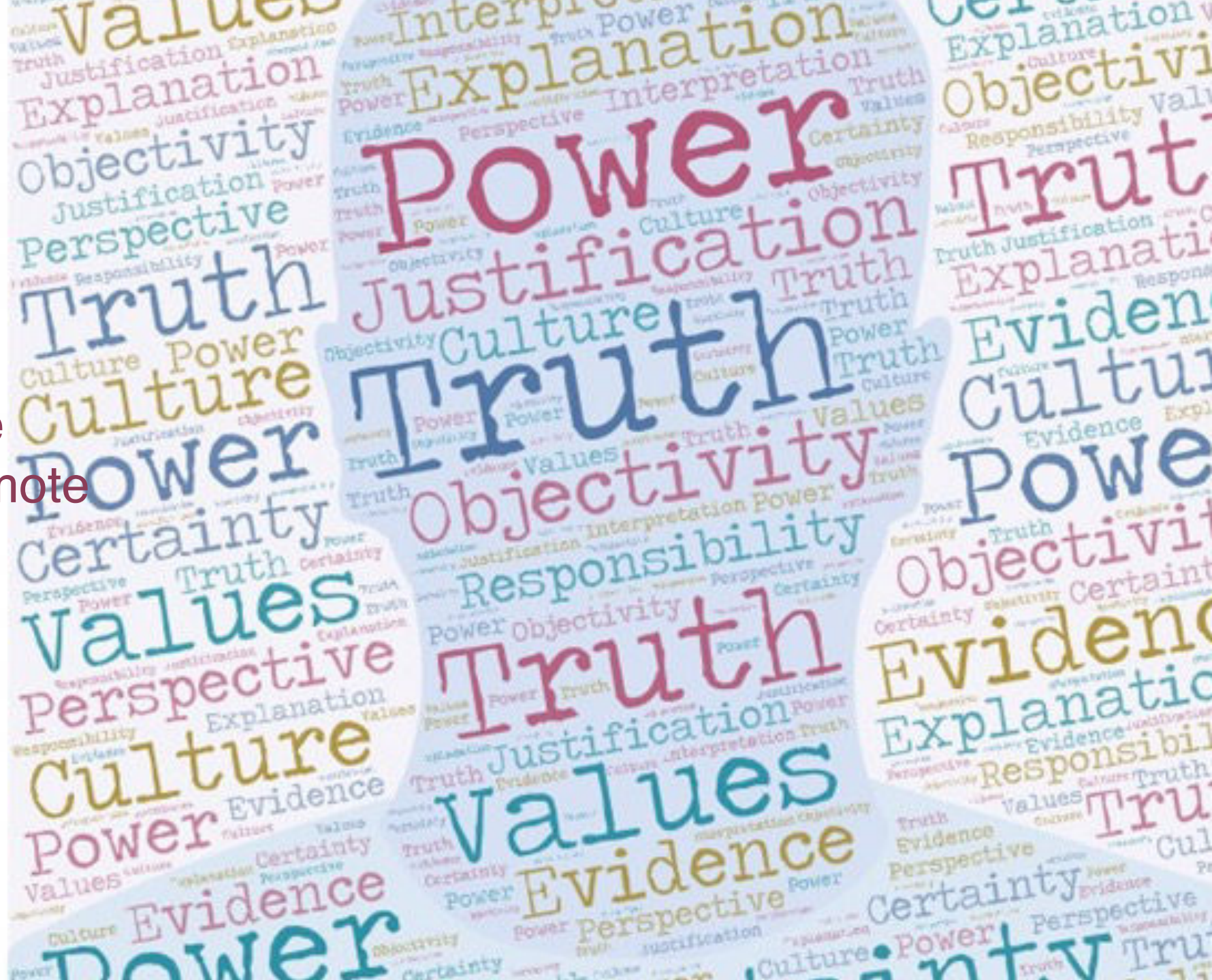
Over to you

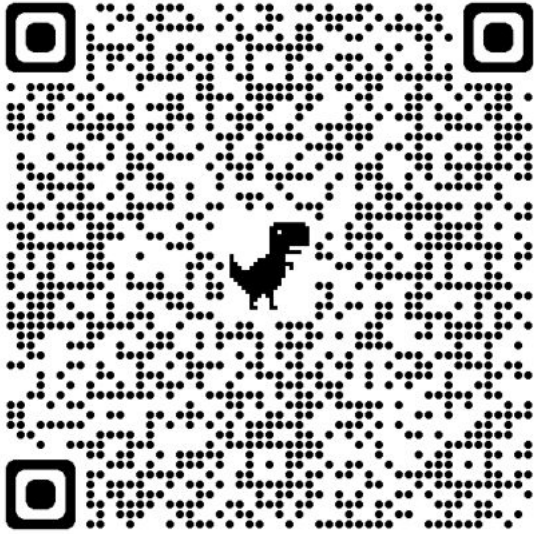
- Hoang textbook
- Question 27.5 *Lexus*
 - Page 406
- Question 27.6 *The Coca-Cola Company*
 - Page 407
- Answer all parts

BUSINESS MANAGEMENT



What is beauty? Are businesses that promote beauty products ultimately acting unethically?





Scan to view *Oxfam's* infographic of the world's ten largest food and beverage companies.

Concepts in BM: ethics and sustainability



The impact of the *Behind the Brands* campaign by *Oxfam International*.

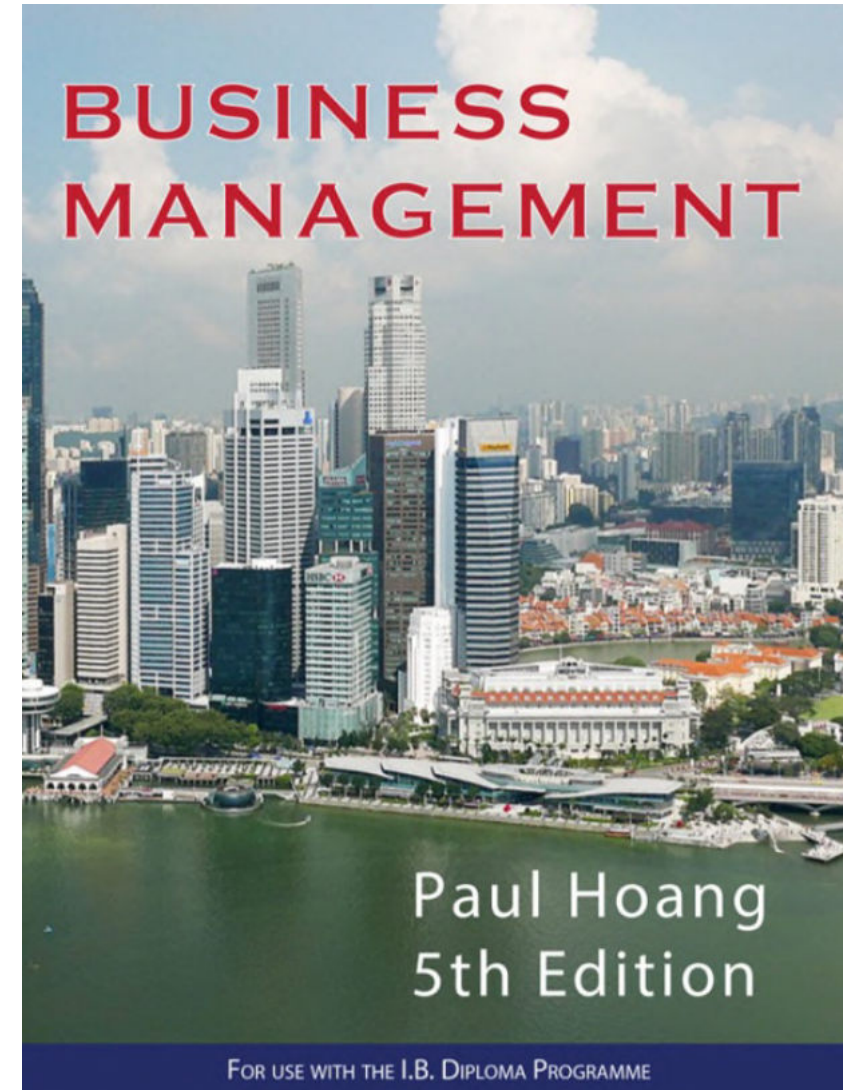
- In 2013, *Oxfam International*, presented a report on ten of the world's biggest food and beverage companies.
- This report highlighted how these firms control the world's food supply, diet, working conditions and the environment, often revealing unethical business practices.
- This report pressured these firms to be more ethical in their approach to sustainability.



Over to you

- Hoang textbook
- *Review Questions*
 - Page 409

BUSINESS MANAGEMENT



4.5 The marketing mix - Price

Topic 4: Marketing

Unit content

Content	Assessment objective
<p><u>The appropriateness of the following price methods:</u></p> <ul style="list-style-type: none">• <u>Cost-plus (mark-up pricing)</u>• <u>Penetration pricing</u>• <u>Loss leader</u>• <u>Predatory pricing</u>• <u>Premium pricing</u>	AO3

Unit content (continued)

Content	Assessment objective
<p>The appropriateness of the following price methods (continued):</p> <ul style="list-style-type: none">• <u>Dynamic pricing (HL only)</u>• <u>Competitive pricing (HL only)</u>• <u>Contribution pricing (HL only)</u>• <u>Price elasticity of demand (HL only)</u>	AO3
<p>Business Management Toolkit:</p> <ul style="list-style-type: none">• <u>Business plans</u>• <u>Contribution analysis (HL only)</u>	
<u>Price and the business management concepts</u>	

Price strategies in marketing

- Price refers to the amount paid by a customer to purchase a good or service.
- This is one of the more difficult business decisions to get right.
- The pricing decision depends on a 'DRASTIC©' number of factors:

DRASTIC© factor	Factor explained
Demand	The greater the demand, the higher the price can be set
Rivalry	The higher the degree of competition, the more price competitive firms have to be
Aims	For-profits and non-profits will price their products differently
Supply	The lower the supply of a product, the higher the price tends to be due to scarcity
Time	Products facing obsolescence will be priced lower. Antiques may increase in price due to scarcity
Image	Firms with a prestigious image can charge higher prices for their goods
Costs of production	The higher the costs of production are, the higher the prices tend to be

The appropriateness of the following pricing methods:

- Cost-plus (mark-up pricing)
- Penetration pricing
- Loss leader
- Predatory pricing
- Premium pricing

Cost-plus (mark-up) pricing

- This pricing strategy involves working out the average cost per unit of a product and then adding a percentage mark-up.

Merits	Drawbacks
Simplistic and easy to calculate.	Does not consider the needs of customers.

Worked example

- Cost of making a cup of coffee: \$1
- Target profit margin: 200%.

$$200\% \text{ of } \$1 = \$2$$

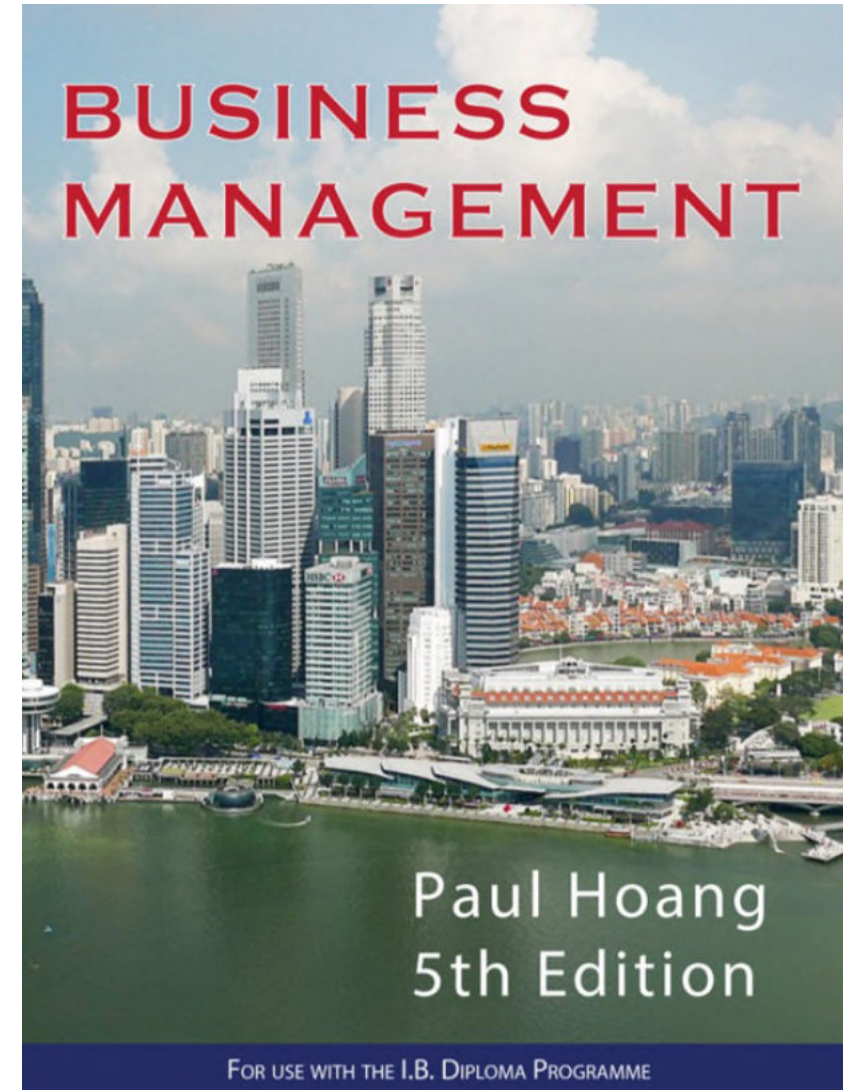
$$\text{Selling price} = \text{Cost} + \text{profit margin}$$

$$\begin{aligned}\text{Selling price} &= 1 + 2 \\ &= \$3\end{aligned}$$

Over to you

- Hoang textbook
- Question 28.1 *Tanusankar Trampolines Co.*
 - Page 412
- Answer all parts

BUSINESS MANAGEMENT



Penetration pricing

- This is when products are initially sold at a low price to try to break into the market and quickly gain market share.
- Once the firm has enough market share, it can raise its prices.



Merits

Suitable for:

- Mass market products sold in large volumes.
- New firms trying to enter established markets.

Drawbacks

If prices are set too low, it can cause customers to perceive the product as inferior and of poor quality.

Loss leader

- Loss leader pricing involves selling a product at or below its cost value.
- This is used to:
 - Tempt customers into the store to buy the more profitable products at the same time and/or
 - Recoup the loss by selling complementary products.



Merits	Drawbacks
<p>Suitable for products such as:</p> <ul style="list-style-type: none"> • Supermarket low-cost (unprofitable) ranges. • Coffee machines with own-brand coffee pods. 	<p>Setting prices too low may damage the prestige and image of the brand.</p>
<p>Incentivises customers to switch brands.</p>	

Loss leader pricing at Walmart

Walmart and other similar retailers often use loss leader pricing.

1. What sort of goods does Walmart price as loss leaders?
2. Why can Walmart afford to sell loss leaders?
3. What other examples of loss leaders are provided in the video?



Predatory pricing

- Predatory pricing involves temporarily reducing prices with the intention of forcing a competitor out of a market.
- This method is used when an existing firm is threatened with new competition.
- Price wars often ensue in a 'race to the bottom'.
- Commonly used in supermarket, airline and smartphone sectors.

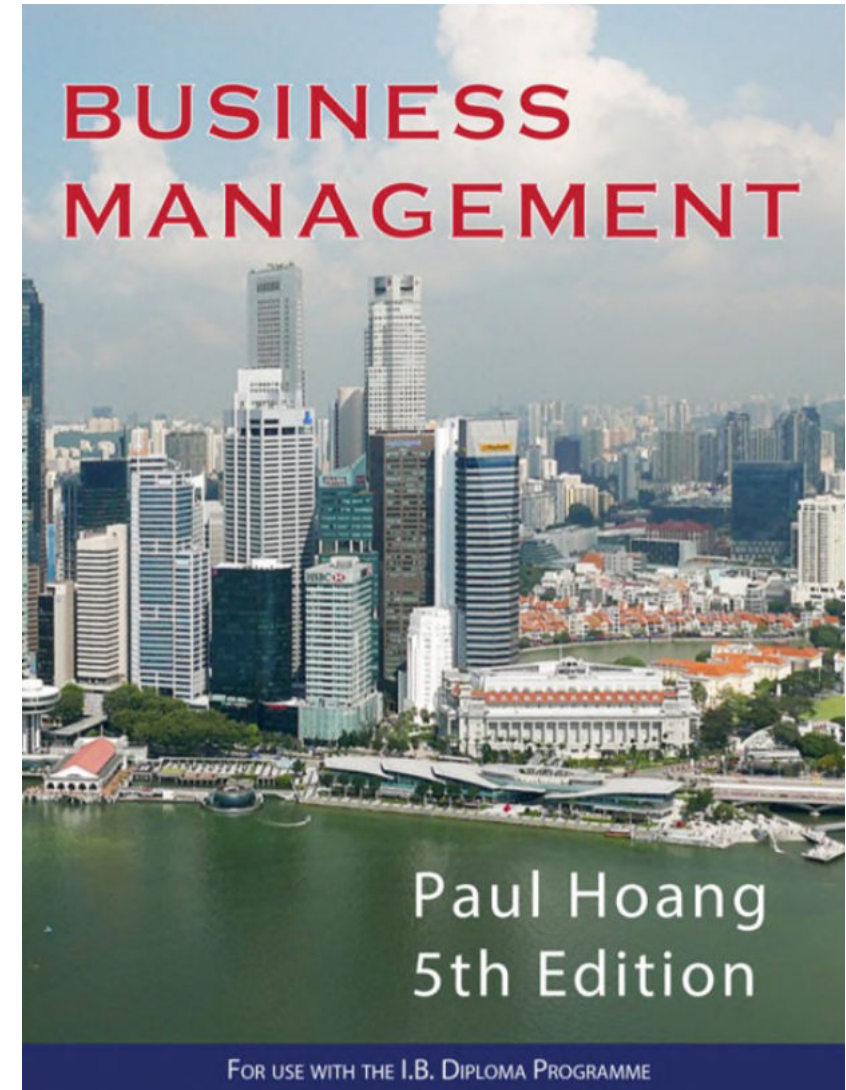


Merits	Drawbacks
Price wars can bring customers to a firm in the short-term.	These customers may not necessarily stay with a firm in the long-term as they are not brand loyal.
	In many parts of the world, this type of pricing strategy is illegal (e.g. the EU and USA) as it is regarded as an anti-competitive practice.

Over to you

- Hoang textbook
- Question 28.2 *The price of price wars*
 - Page 414
- Answer all parts

BUSINESS MANAGEMENT



Premium pricing

- Premium pricing is when the price of a good or service is set significantly higher than similar competing products.
- This is usually because the product is of higher quality or is sufficiently unique enough to justify the premium price.

Rimowa is a premium priced brand of travel bags and accessories. Their suitcases start from USD\$1400. Similar suitcases can retail for as low as USD\$40 each.



Merits	Drawbacks
Generates higher profit margins	Limits numbers of customers due to relatively high price
Creates higher barriers to entry for competitors	May lose status if they appeal to the mass market
	Requires strong brand loyalty which is expensive to establish and maintain.

BMT: Pricing strategies and business plans

Discuss the impact of pricing decisions on elements of a business plan.



(HL only) The appropriateness of the following pricing methods:

- Dynamic pricing (HL only)
- Competitive pricing (HL only)
- Contribution pricing (HL only)
- Price elasticity of demand (HL only)

Dynamic pricing

- This is varying the price of a good or service to reflect changing market demand.
- Businesses charge higher prices during peak periods and lower prices during off-peak periods.
- This is a flexible and adaptive method of pricing designed to capitalize on changing market conditions.

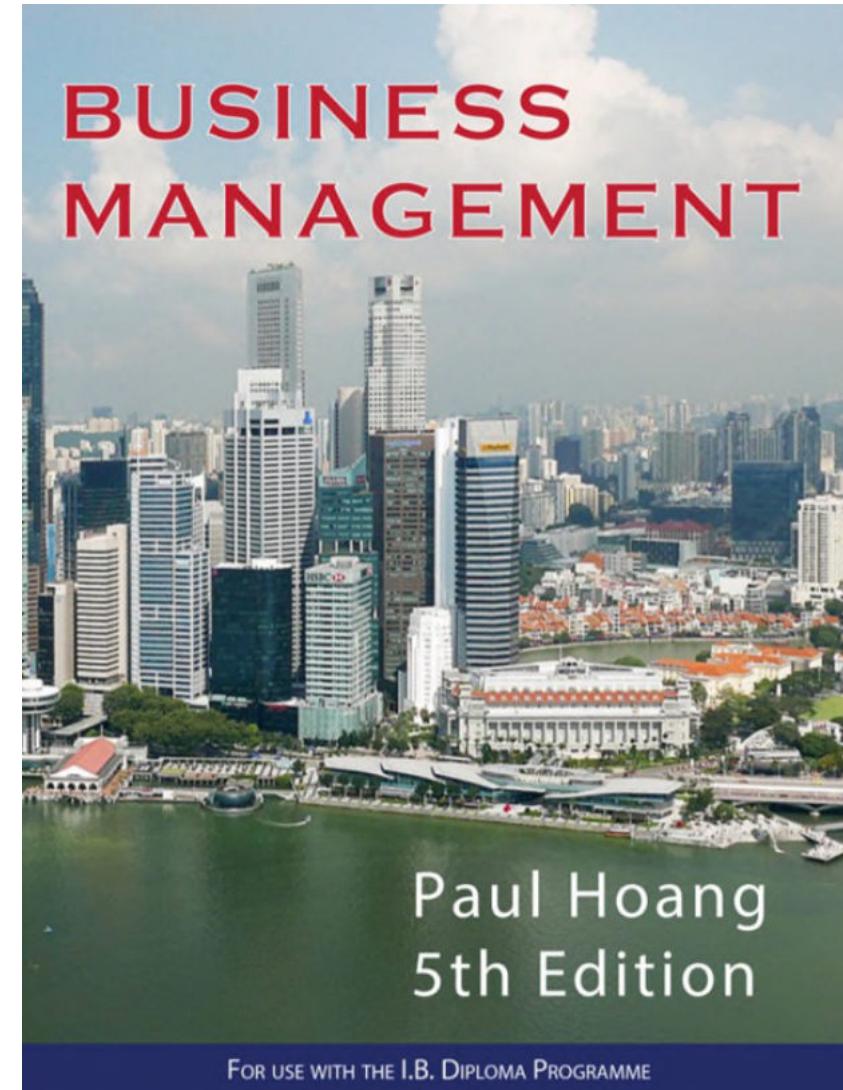


Merits	Drawbacks
Gives greater control over method of pricing to maximise profits.	Customers can feel unhappy about not knowing how high a price they can expect to pay.
	Can lead to price wars during off-peak periods which is not sustainable in the long-term.

Over to you

- Hoang textbook
- Question 28.3 *The price of strawberries*
 - Page 416
- Answer all parts

BUSINESS MANAGEMENT



Competitive pricing

- This is where a firm sets the price of its goods or services at the same or similar level to its competitors.
- It is commonly used where:
 - a product has been on the market for a while and
 - there are many substitutes available.
- Three methods of competitive pricing are pricing:
 1. Above the competition
 2. Same as the competition
 3. Below the competition



Merits	Drawbacks
Simplistic and easy to calculate.	Needs to find non-price methods to differentiate themselves in competitive markets which can add to a firm's costs.

Competitive pricing at hotel booking platforms

1. Search online for the name of a hotel in a specific location of your choice using your preferred browser.
2. View the metasearch results with suggested room rates from popular hotel booking platforms.
3. If the room rates are similar across multiple booking platforms, it is likely competitive pricing is used by hotel booking platforms in the location.






Siem Reap Province > Krong Siem Reap > Siem Reap Center > Raffles Grand Hotel d'Angkor

Overview Prices Reviews Location About

Check in Fri, 21 Oct < > Check out Sat, 22 Oct < >

Nightly total ▾ Free cancellation

Ads · Featured options

 Agoda Free cancellation until 16 Oct No Fees Just Great Deals · Multiple Ways To Pay	KHR 1,777,811
 Raffles Grand Hotel d'Angkor  Get 5%-10% off with enrolment (no charge)	KHR 1,777,811
 Booking.com Free cancellation until 17 Oct	KHR 1,777,805
 Expedia.com Free cancellation until 18 Oct	KHR 1,777,811

Contribution pricing

- Contribution pricing involves setting a price based on the direct costs of producing a product.
- Refer to Chapter 57 *Contribution (HL only)* to learn more about contribution analysis.



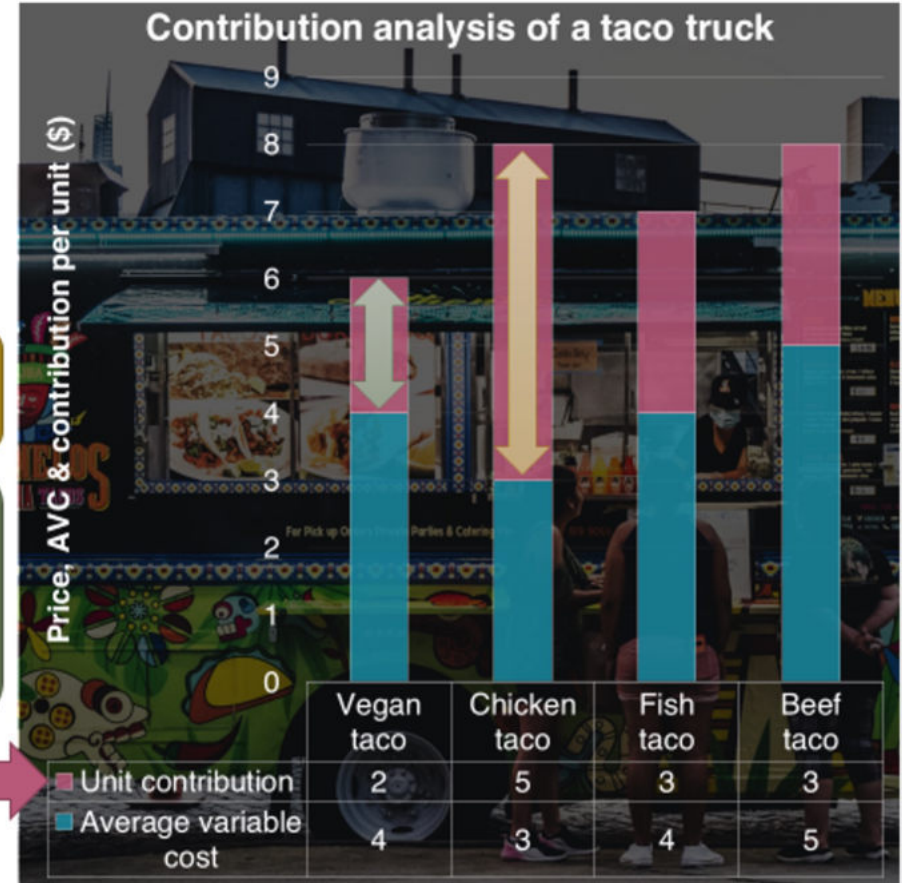
Contribution costing

- This is a method of valuing costs by allocating direct costs to products or divisions of a business.

The strongest product is the chicken taco. It earns the firm \$5 contribution per unit sold.

- The most vulnerable product is the vegan taco. It earns the firm only \$2 contribution per unit sold.
- Sales of vegan tacos must be 2.5 times more than chicken tacos in order to earn the same contribution as one unit of chicken tacos.

All tacos are profitable as they all make positive contributions towards paying off TFC.



Merits

Ensures selling price is high enough to cover both direct and indirect costs.

Drawbacks

The allocation of indirect costs between different products can be subjective.

Limo Co (LC) is a long-established professional limousine business. They have a fleet of luxury vehicles used to ferry passengers, corporate clients and celebrities, from a range of 5-star hotels,. Many of their clients have used *LC*'s services for over 20 years.

LC's market share is being threatened by the popularity of ride-sharing services. They are considering responding by launching a fleet of budget limousines targeting airport pick-ups and drop-offs in their city.

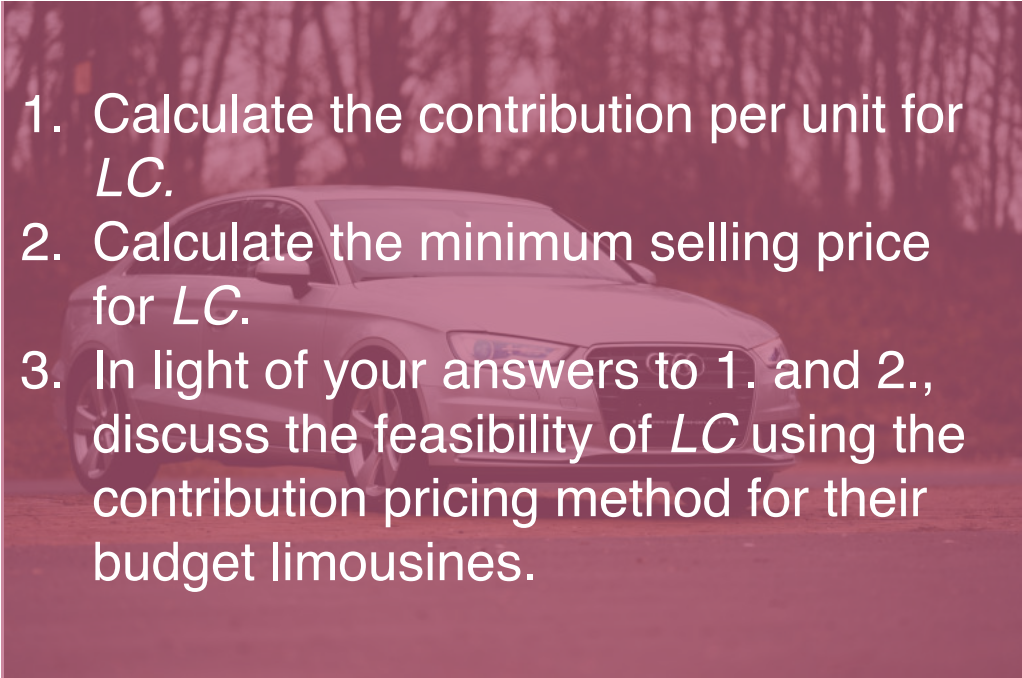
Financial data for *LC*

- Variable cost per trip: \$25
- Fixed costs: \$100,000
- Forecasted sales volume: 10,000 trips

The average ride-share trip to/from the airport is \$27 per trip.

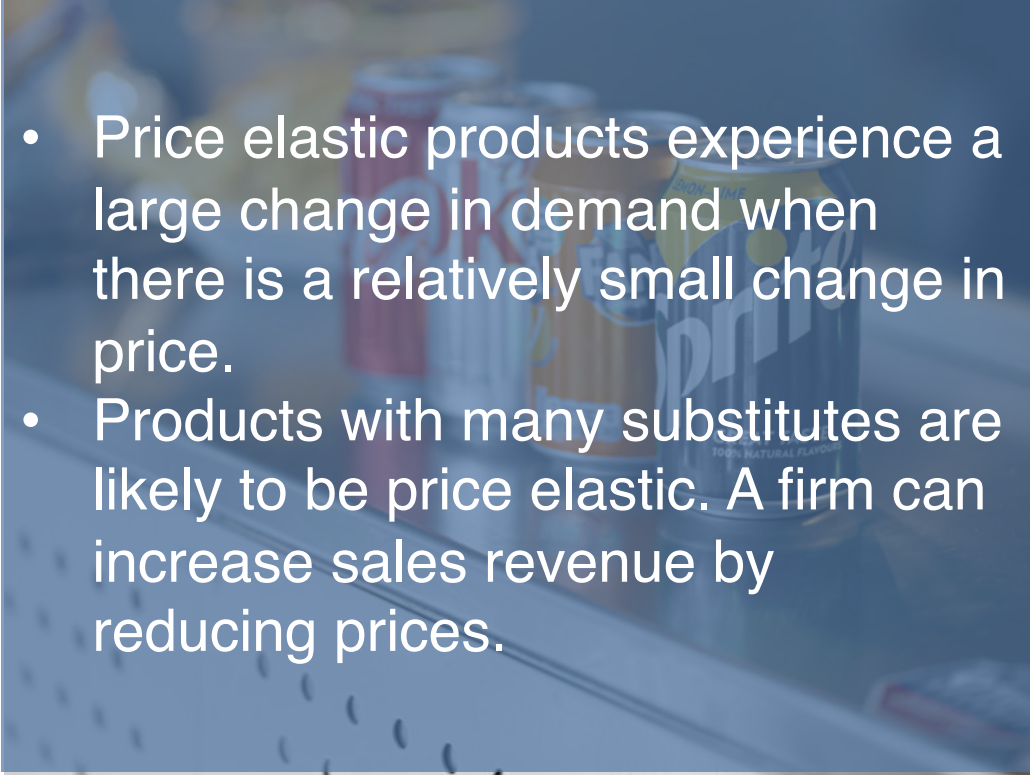
BUSINESS MANAGEMENT

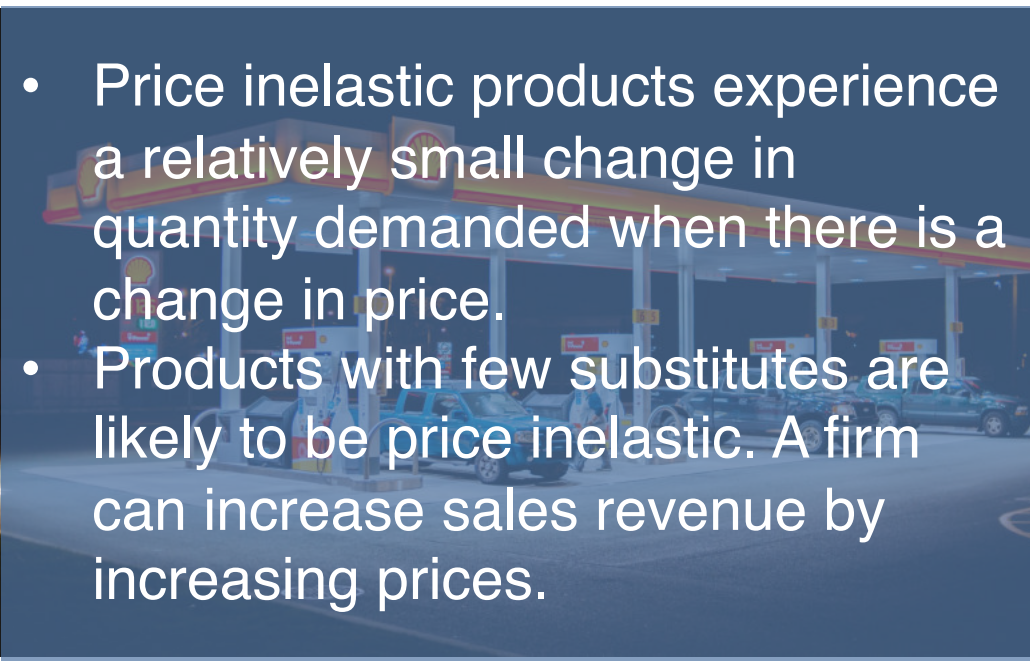
BMT: Contribution pricing and pricing strategies (HL)

- 
- A photograph of a silver sedan car, likely a BMW, parked on a road. The car is facing right and is partially obscured by a semi-transparent red overlay that contains the text of the list.
1. Calculate the contribution per unit for *LC*.
 2. Calculate the minimum selling price for *LC*.
 3. In light of your answers to 1. and 2., discuss the feasibility of *LC* using the contribution pricing method for their budget limousines.

Price elasticity of demand (PED)

- This measures the degree of responsiveness of demand for a product due to a change in the price of a product.
- Knowledge of PED provides valuable information about how sales revenue is likely to change if prices are adjusted.

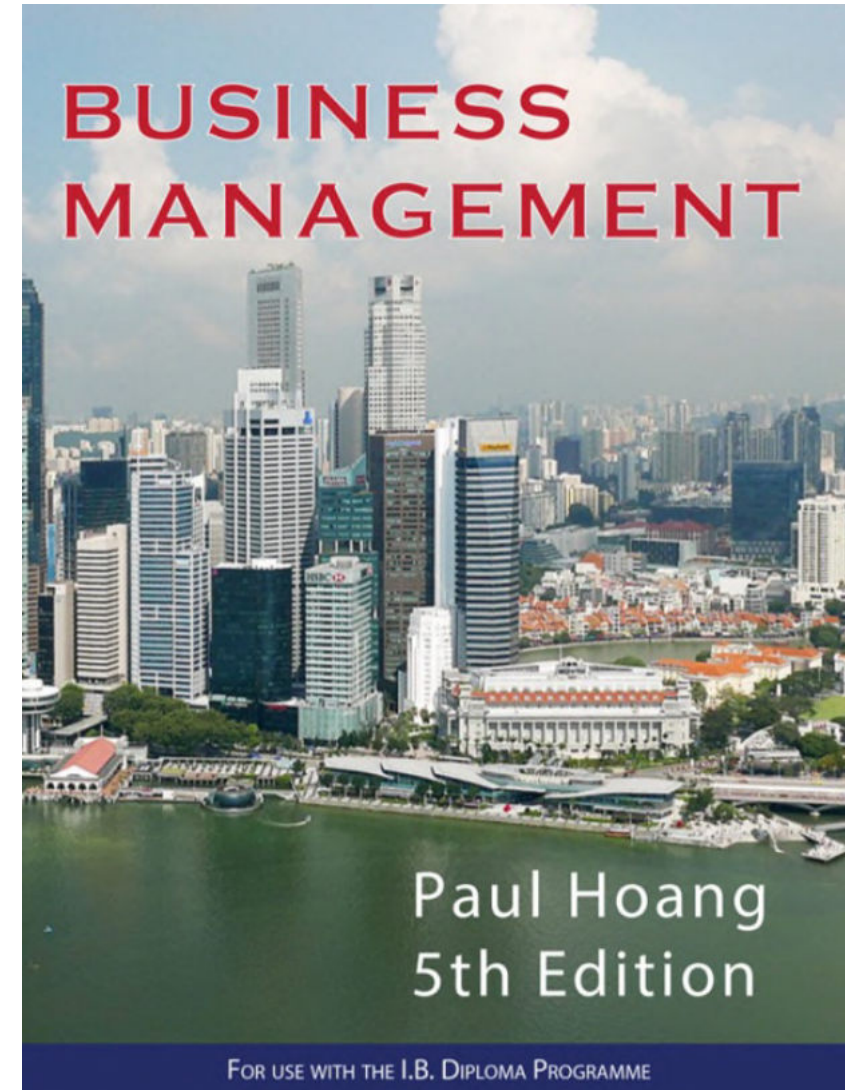
- 
- Price elastic products experience a large change in demand when there is a relatively small change in price.
 - Products with many substitutes are likely to be price elastic. A firm can increase sales revenue by reducing prices.

- 
- Price inelastic products experience a relatively small change in quantity demanded when there is a change in price.
 - Products with few substitutes are likely to be price inelastic. A firm can increase sales revenue by increasing prices.

Over to you

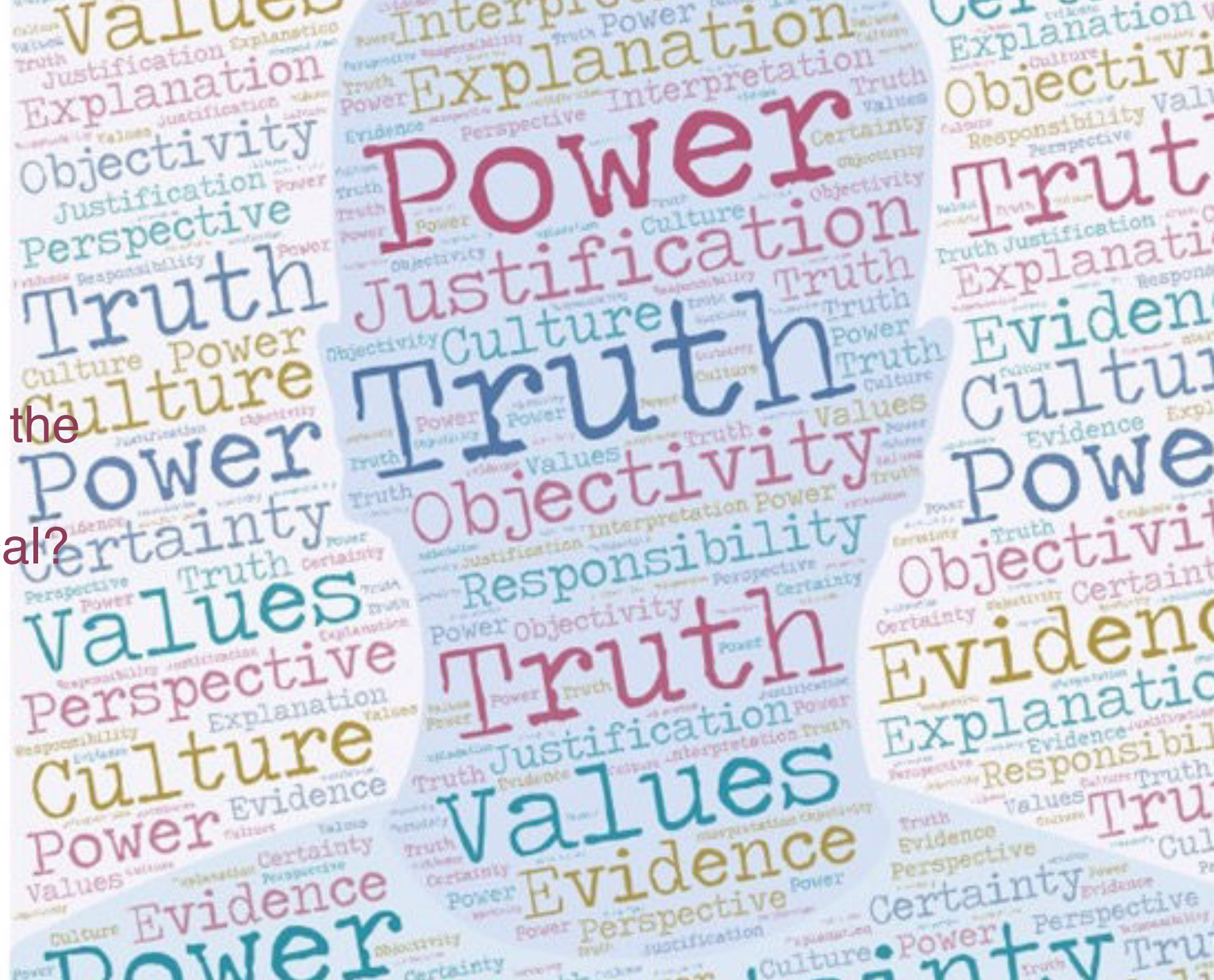
- Hoang textbook
- Question 28.4 *Price elasticity of demand*
 - Page 418
- Question 28.5 *The business of music concerts*
 - Page 419
- Question 28.6 *Virgin Australia Airlines*
 - Page 421
- Answer all parts

BUSINESS MANAGEMENT



Theory of knowledge

Can we ever know if the prices charged by businesses are ethical?
Does it matter?



- Necessities (e.g., petrol and life-saving medicines) and/or
- Have few substitutes (e.g., suppliers of electricity) and/or
- Addictive (e.g. cigarettes and vape pens)



News report on the skyrocketing prices of insulin in the USA

Concepts in BM: ethics and sustainability



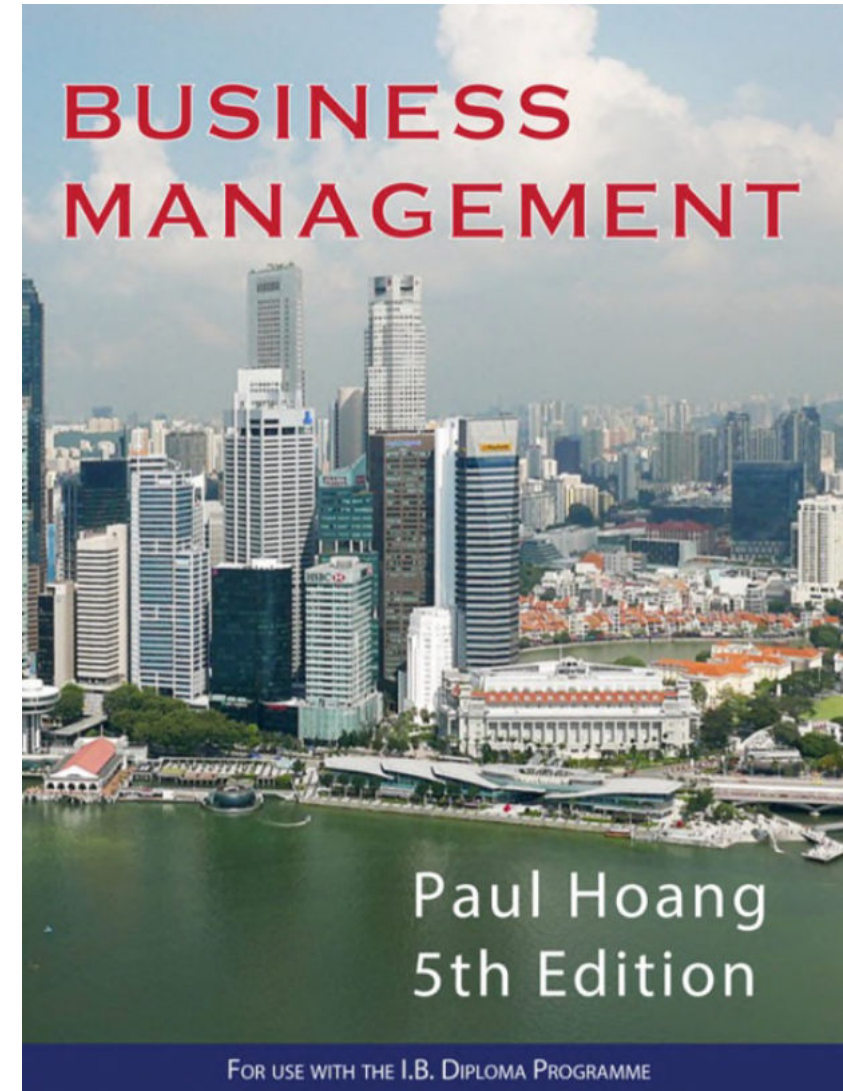
- Firms selling goods with inelastic PEDs can raise sales revenue by increasing the selling price. However, this may be unethical and damage the reputation of the firm.
- Price increases of inelastic PEDs must be monitored carefully in order to ensure the future sustainability of a firm.



Over to you

- Hoang textbook
- *Review Questions*
 - Page 422

BUSINESS MANAGEMENT



4.5 The marketing mix - Promotion

Topic 4: Marketing

Unit content

Content	Assessment objective
The following aspects of promotion: <ul style="list-style-type: none">• <u>Above the line promotion</u>• <u>Below the line promotion</u>• <u>Through the line promotion</u>	AO2
<u>Social media marketing as a promotional strategy</u>	AO3
Business Management Toolkit: <ul style="list-style-type: none">• <u>Boston Consulting Group Matrix</u>• <u>Descriptive statistics</u>	
<u>Promotion and the business management concepts</u>	

Communicating about the product

- Promotion refers to methods of communicating messages to the market, usually with the intention of selling a firm's goods.
- There are three key objectives to any promotional strategy:

Inform



- This is to alert the market about a firm's products, especially new or updated products in order to influence its purchasing decisions.

Persuade



- This is to encourage customers to:
- Make a purchase.
 - Switch from a rival brand.
 - Adopt brand loyalty.





Remind



- This is to retain customer awareness of, and interest in, an established product.

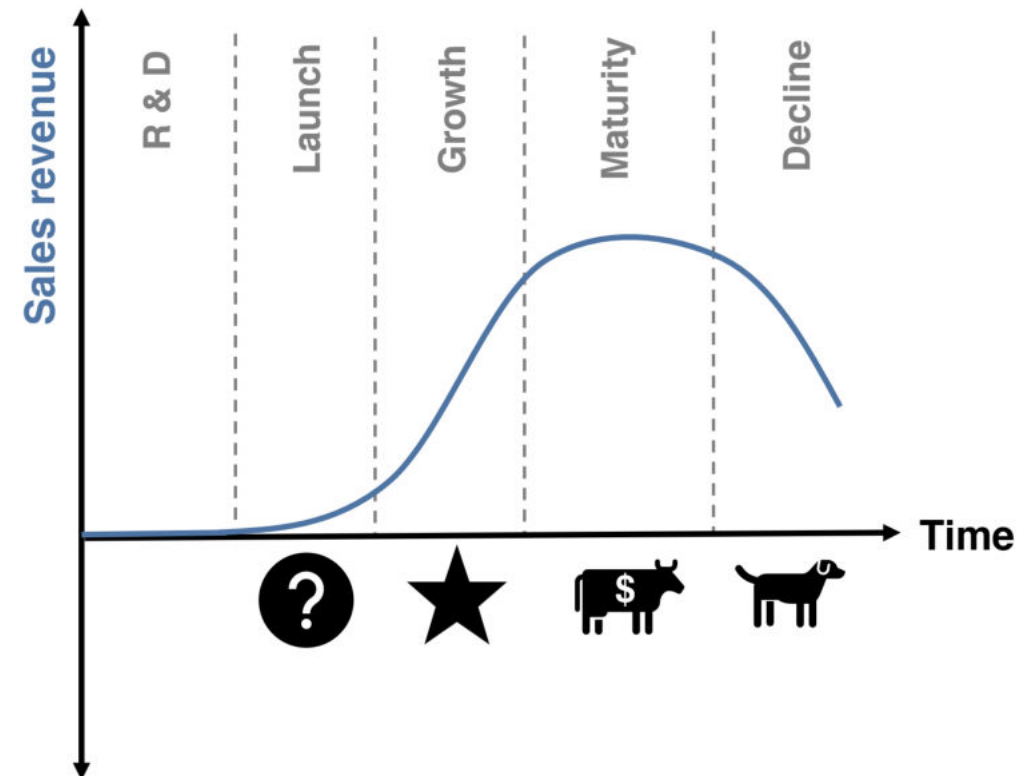
Which stage of the product life cycle and the BCG matrix are you likely to find promotions that:

- Inform?
- Persuade?
- Remind?

		Market share	
		High	Low
Market growth	High	Stars 	Question marks 
	Low	Cash cows 	Dogs 

BUSINESS MANAGEMENT

BMT: The BCG matrix, the product life cycle and objectives of promotion







Methods of promotion

- **Above the line (ATL)**
 - This is any form of paid-for promotional method through independent mass media sources.
- **Below the line (BTL)**
 - This is the use of non-mass media promotional activities, allowing the business to have direct control.
- **Through the line (TTL)**
 - This is the use of strategies that involve both ATL and BTL methods in an integrated marketing approaching.

Designing an effective promotional mix

- An effective promotional mix should elicit the above responses from its target market (easily remembered by the acronym AIDA).

			
Attention To capture it from the target market.	Interest To generate it from extending the attention of the target market.	Desire Create a need for the product in the target market.	Action To get the target market to make the purchase.

Above the line promotion

Television advertising

- Advertising on television exploits the power of combining sounds and moving images to convey very powerful messages to viewers.



Benefits

Can be targeted to specific audiences (e.g. children during after school television programs).

Drawbacks

Huge costs of production and advertising for a short, typically 30 second, time slot.

Radio advertising

- Advertising on radio exploits the opportunity of listeners who cannot engage with other forms of advertising (e.g. when working at an office or driving a car).



Benefits	Drawbacks
Can reach a large audience while being significantly cheaper than television advertising.	It can only communicate audio messages which is less engaging than the audio plus visual messages in television advertising.

Cinema advertising

- Although cinema advertising may seem similar to television advertising, marketers have found ways to increase engagement with a captive audience via technology.



An advertisement was played to a cinema audience in Hong Kong. The audience reaction was filmed as it was projected.

Benefits

Can be targeted to specific audiences (such as families before the showing of a children's movie).

Drawbacks

Limited audience size compared with radio or television advertising.

Newspaper advertising

- Newspaper advertising can reach wide audiences without the expense of television advertising.

Benefits	Drawbacks
Can be targeted to specific audiences with greater precision (such as banking services being advertised in personal finance section).	High cost, particularly for small businesses.
Advertisements can be referred to later unlike radio advertising.	Short shelf-life as most people will not read yesterday's news.



Magazines

- The high-quality, glossy photo images in magazines can be very effective at attracting the attention of readers.



Benefits	Drawbacks
Can be targeted to specific market segments though the use of specialist magazines (such as Vogue, GQ and PC Gamer).	Readers get bombarded with overwhelming ‘advertising clutter’ (e.g. American Vogue’s September 2019 issue was 596 pages, 356 pages of which were advertisements).
Longer shelf-life than newspapers.	Long lead-time between placing an advertisement and publication.

Outdoor advertising

- This refers to the use of commercial billboards, banners and posters to promote a business, its brands or its products.

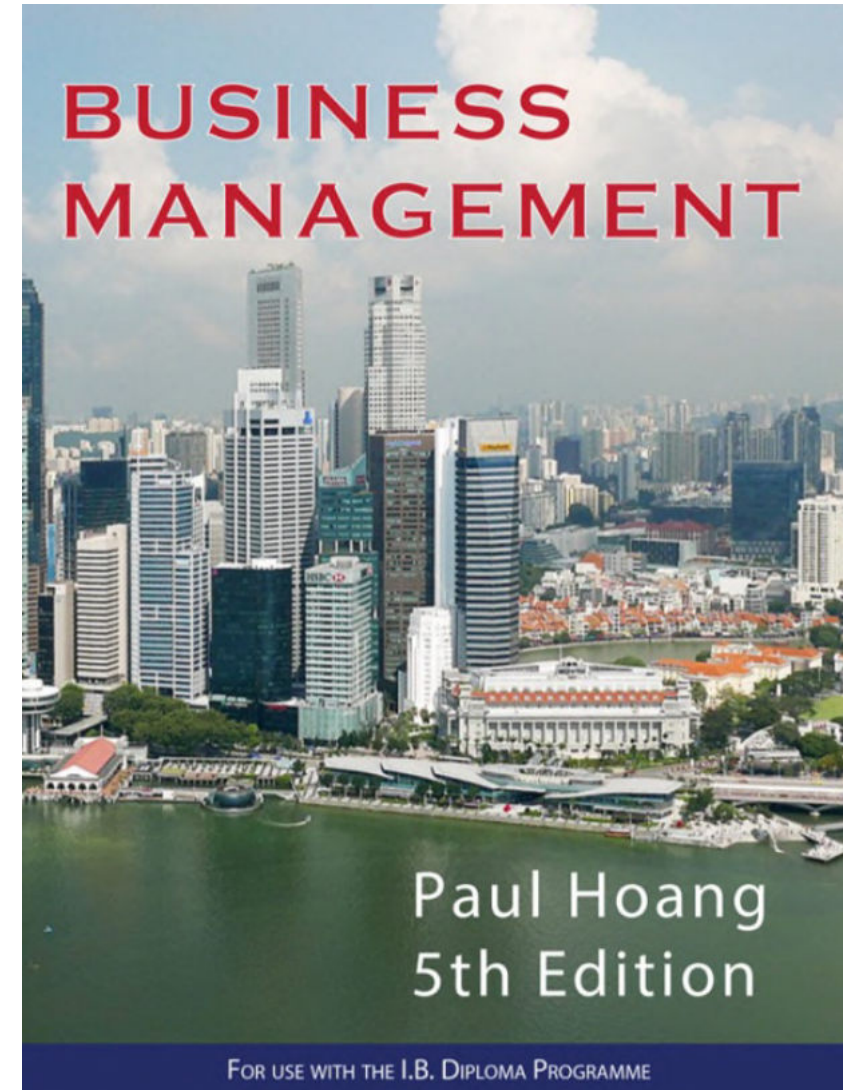
Benefits	Drawbacks
High level of exposure, especially if used in many high traffic locations.	Only suitable for mass market products as it is difficult to monitor the effectiveness of outdoor advertising.
Advertisements are dynamic thanks to rotating billboards and digital billboards.	Can be high level of competition leading to 'advertising clutter'. Prone to damage caused by bad weather, vandalism and graffiti.



Over to you

- Hoang textbook
- Question 29.1 *The entertainment industry*
 - Page 430
- Answer all parts

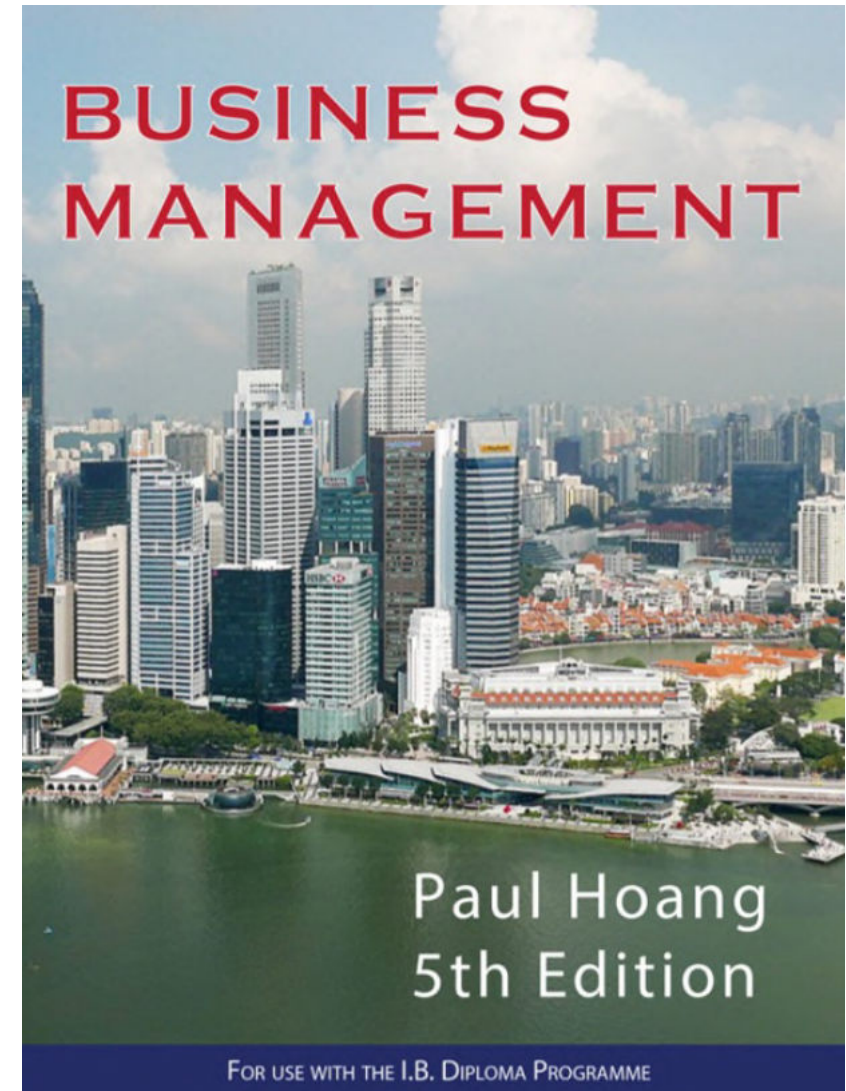
BUSINESS MANAGEMENT



Approaches to learning

- Hoang textbook
- Activity 29.1 *Thinking skills*
 - Page 427

BUSINESS MANAGEMENT



Below the line promotion

Direct marketing

- This refers to promotional activities that aim to sell a product straight to a customer rather than through an intermediary.
- This includes:
 - Telemarketing
 - Email advertising
 - Direct mail by post



Personal selling

- This refers to promotional activities that rely on sales representatives directly helping and persuading customers to buy.
- Examples include:
 - Sale presentations
 - In-person meetings with clients
 - Door-to-door salespeople



Personal selling

- These are temporary ways to boost sales and attract new buyers.
- Examples include:
 - BOGOF (buy one get one free) deals
 - Discount vouchers
 - Free samples
 - Competitions for prizes
 - ‘Free gifts’ (e.g. a free spatula for every wok purchased)
 - Customer loyalty schemes



Point of sales promotion

- POS promotion refers to the promotion of a product at a location where the customers pay for the product.
- This is often used in supermarkets and convenience stores to encourage impulse purchases as they queue waiting for service.



Publicity and public relations

Publicity

- This is the process of promoting a business and its products by getting media coverage without directly paying for it.
- Celebrities are often given free products from businesses in the hope they will be photographed using them publicly.

Public relations (PR)

- This refers to marketing activities aimed at establishing and protecting the desired image of an organization.
- The goal of PR is to get the media to report events in a positive way from the point of view of the business.
- Examples of PR events:
 - Product launch parties
 - Press conferences
 - Radio, podcasts and interviews on news and talk shows
 - Book signings
 - Making prominent donations

Trade shows

- Trade shows/fairs enable exhibitors to conduct live demonstrations to showcase and promote their products.
- It is a very popular method of showcasing the latest models of products or illustrating the provision of services.



Sponsorship

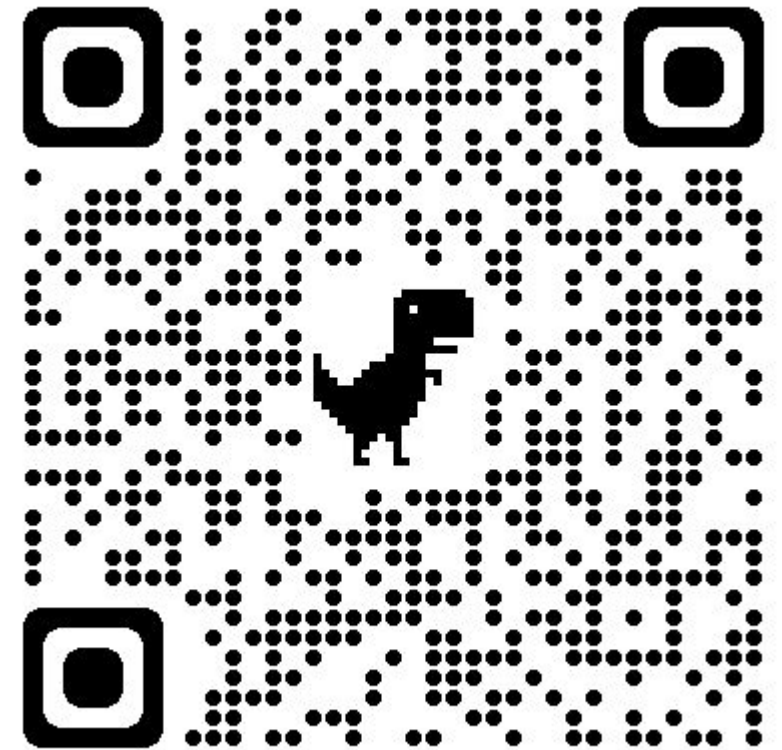
- This involves a business providing financial funds and resources to support an event or another organization in return for publicity and prime advertising space.



Word-of-mouth

- Word-of-mouth (WOM) promotion refers to the spread of information from one person to another through oral communication.
- With the development of e-commerce, this has evolved to include written reviews of goods and services.
- Research has found that positive WOM can be a very effective form of (free) promotion for the business. However, it can also be very harmful if WOM is negative.

Scan to read *The Funniest Amazon Reviews of All Time*



Packaging

- Packaging can be a powerful component of the marketing mix.
- Carrier bags are a particularly useful form of promotion (sometimes known as ‘bagvertising’) as customers reuse these bags.

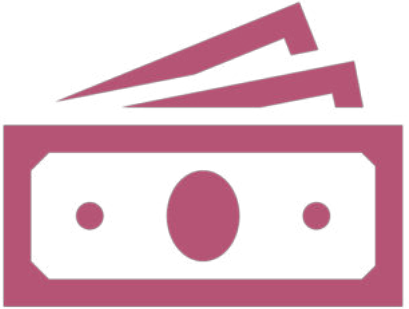
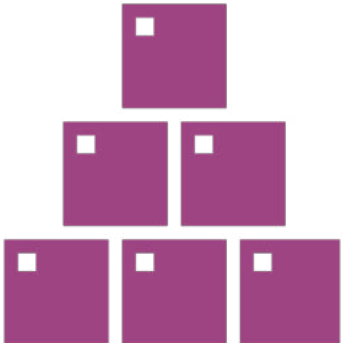
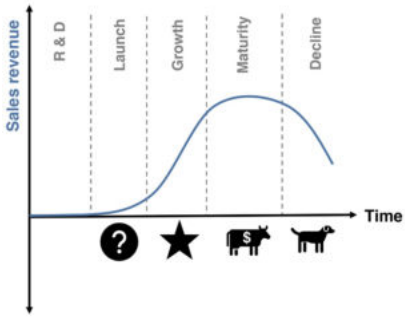

Tiffany & Co.’s blue packaging has become such an iconic, defining feature of their brand identity that they trademarked the colour as Tiffany Blue®.



Through the line promotion

Integrating an effective promotional mix

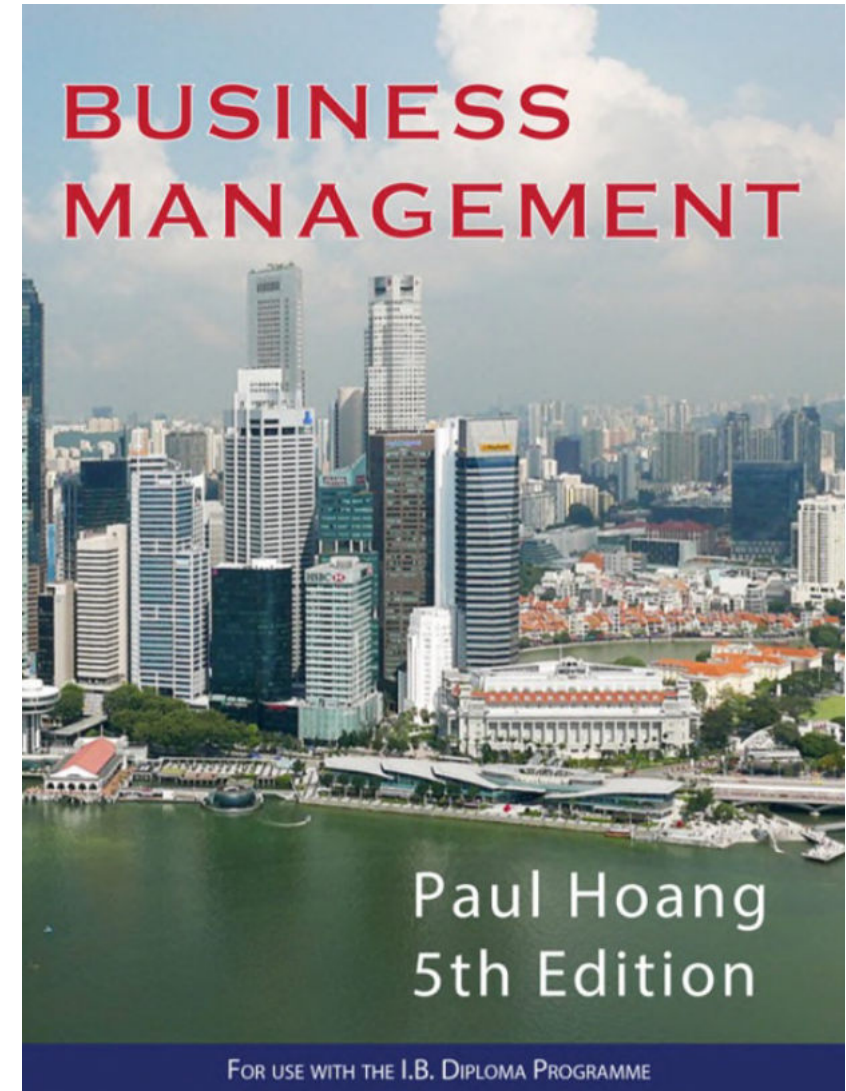
- When deciding on TTL promotion mix (i.e. a mix of ATL and BTL methods), marketers also consider the following factors:

			
<p>Cost</p> <p>The cost per head of promotional methods.</p>	<p>Product</p> <p>Methods of promotion need to suit the nature of each product.</p>	<p>Product life cycle</p> <p><u>Refer to slide 4 of this presentation.</u></p>	<p>Legislation</p> <p>Some products are forbidden from being promoted in certain markets (e.g. prescription medicines and alcohol).</p>

Over to you

- Hoang textbook
- Question 29.2 *Kim Do Yi*
 - Page 431
- Question 29.3 *The Paris Motor Show*
 - Page 433
- Question 29.4 *Sponsoring the FIFA World Cup*
 - Page 434
- Answer all parts

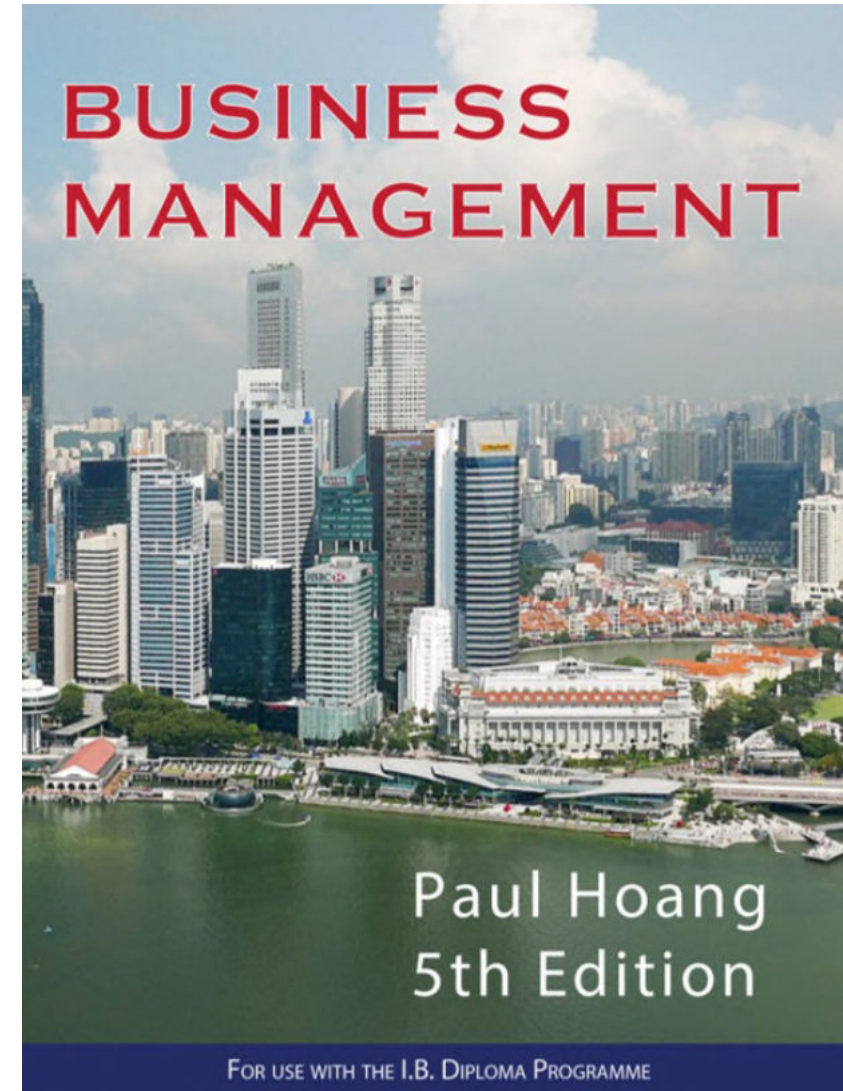
BUSINESS MANAGEMENT



Approaches to learning

- Hoang textbook
- Activity 29.2 *Thinking and Communication skills*
- Activity 29.3 *Thinking and Communication skills*
- Page 437

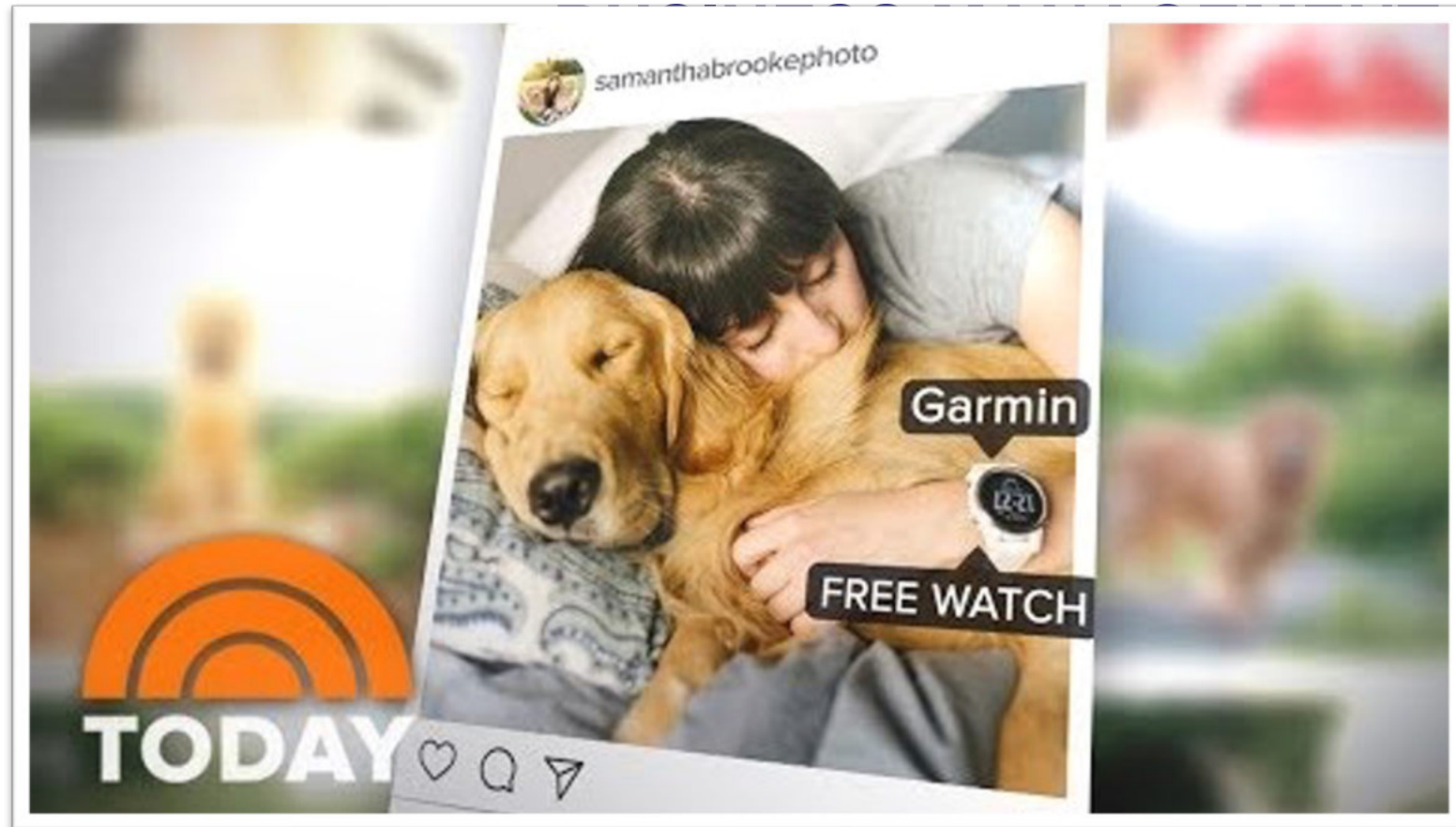
BUSINESS MANAGEMENT



Social media marketing as a promotional strategy

Social media marketing (SMM)

- SMM refers to the practice of gaining internet traffic through social media such as *Facebook, Twitter, YouTube and Instagram.*
- This strategy focuses on **creating content** that attracts attention and encourages people to further share the content.



The use of social media influencers is fast becoming a must-have promotional strategy as explained in this video.

Social networking

- Social networking refers to any platform used by individuals to build social relationships.
- Unlike social media marketing, this focuses on the human interaction aspect of social media.
- Non-social media platforms can also be used for social networking such as blogs with corporate bloggers engaging with readers in comments under a blog post.

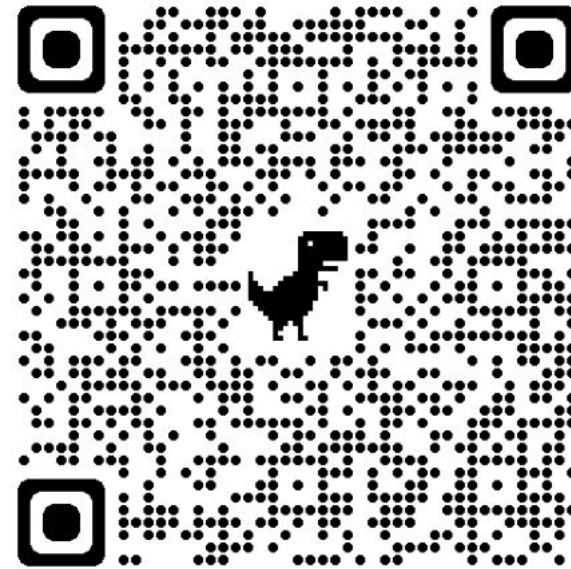


Scan to view
Booking.com's
sustainability report for
2022.

- Suggest 3 to 5 ideas for social media marketing content across a variety of social media platforms for a medium-sized city hotel looking to meet demand for sustainable travel.

BUSINESS MANAGEMENT

BMT: Descriptive statistics and the promotional mix



Booking.com's *Sustainable Travel*
Report 2022

Theory of knowledge

Are knowledge claims being made when businesses use slogans such as 'Probably the best beer in the world' (*Carlsberg*) and 'A Mars a day helps you work, rest and play' (*Mars*)? Does truth matter in the use of business slogans?



*Protein World's
controversial
advertising
campaign on the
London
Underground*



ENT

Concepts in BM: ethics



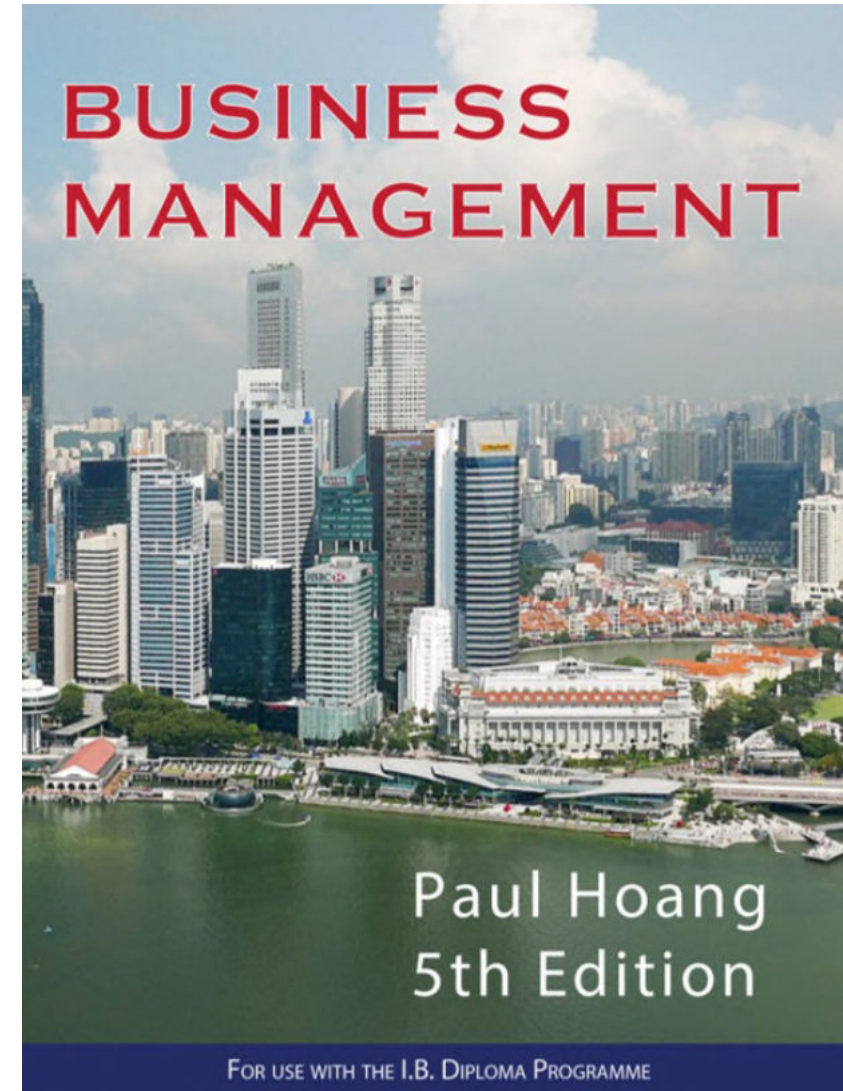
- Promotion and promotional content is increasingly under scrutiny for ethical reasons.
- Critics argue that it is a socially irresponsible waste of money that could be better spent on research and development for better products.



Over to you

- Hoang textbook
- *Review Questions*
 - Page 440

BUSINESS MANAGEMENT



4.5 The marketing mix - Place

Topic 4: Marketing

Unit content

Content	Assessment objective
<u>The importance of different types of distribution channels</u>	AO3
Business Management Toolkit: <ul style="list-style-type: none">• <u>Circular business models</u>	
<u>Place and the business management concepts</u>	

Place (a.k.a. distribution)

- Place (more commonly known as distribution) refers to business activities that make the product available to consumers.



List as many places you can think of where *Coca-Cola* is sold.

The importance of different types of distribution channels

Channels of distribution

- A channel of distribution refers to the means used by firms to ensure customers gain access to their products.
- This is done by either selling directly to consumers or by using intermediaries.
- Intermediaries are firms or agents who act as a middle-person between producers and consumers.

Coca-Cola's customers are not the general public.

1. Why?

2. Who are *Coca-Cola's* actual customers?



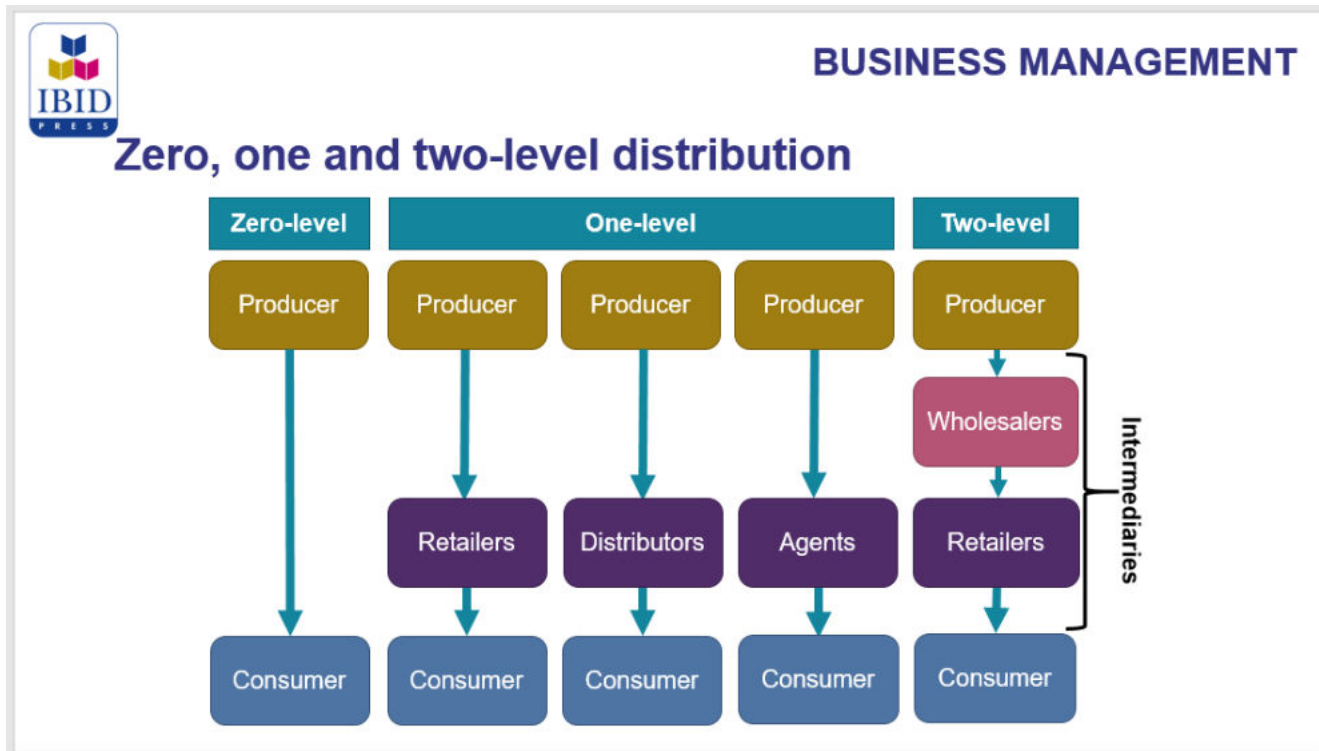
Levels of distribution

BUSINESS MANAGEMENT

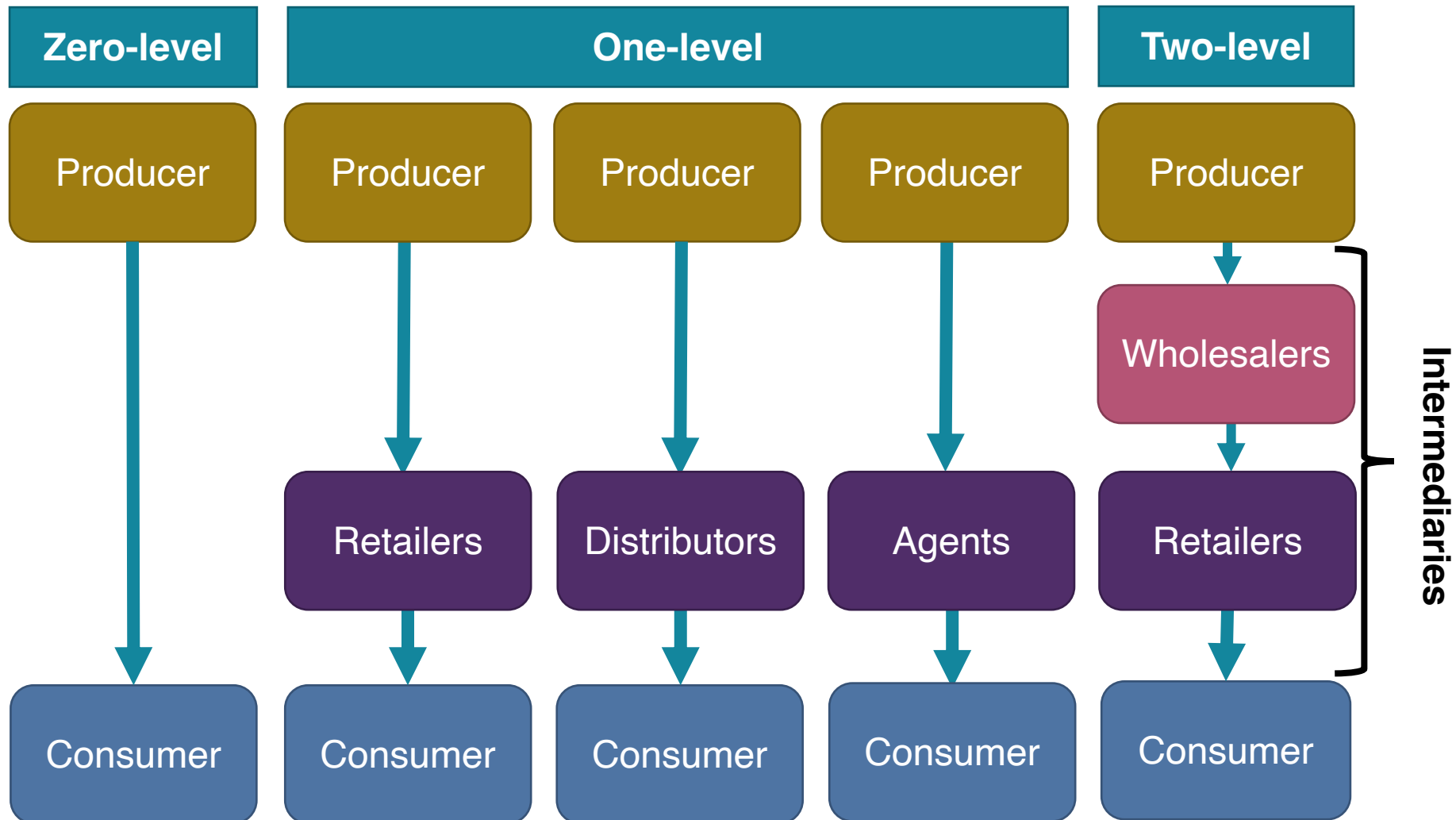
- The channels of distribution generally have the following levels of distribution:

- Zero-level
- One-level
- Two-level

- Businesses can choose one or more levels of distribution.
- Long chains of distribution are not suitable for perishable products.



Zero, one and two-level distribution



Wholesalers

- Wholesalers are businesses that purchase large quantities of products from a manufacturer and then 'break' the bulk purchase into smaller units for resale to retailers.



Benefits and limitations of wholesalers



Benefits

- Wholesalers bear the cost of storage.
- Retailers don't have to purchase in large quantities.
- Producers have lower transaction costs.
- Wholesalers deal with distribution issues.

Benefits and limitations of wholesalers



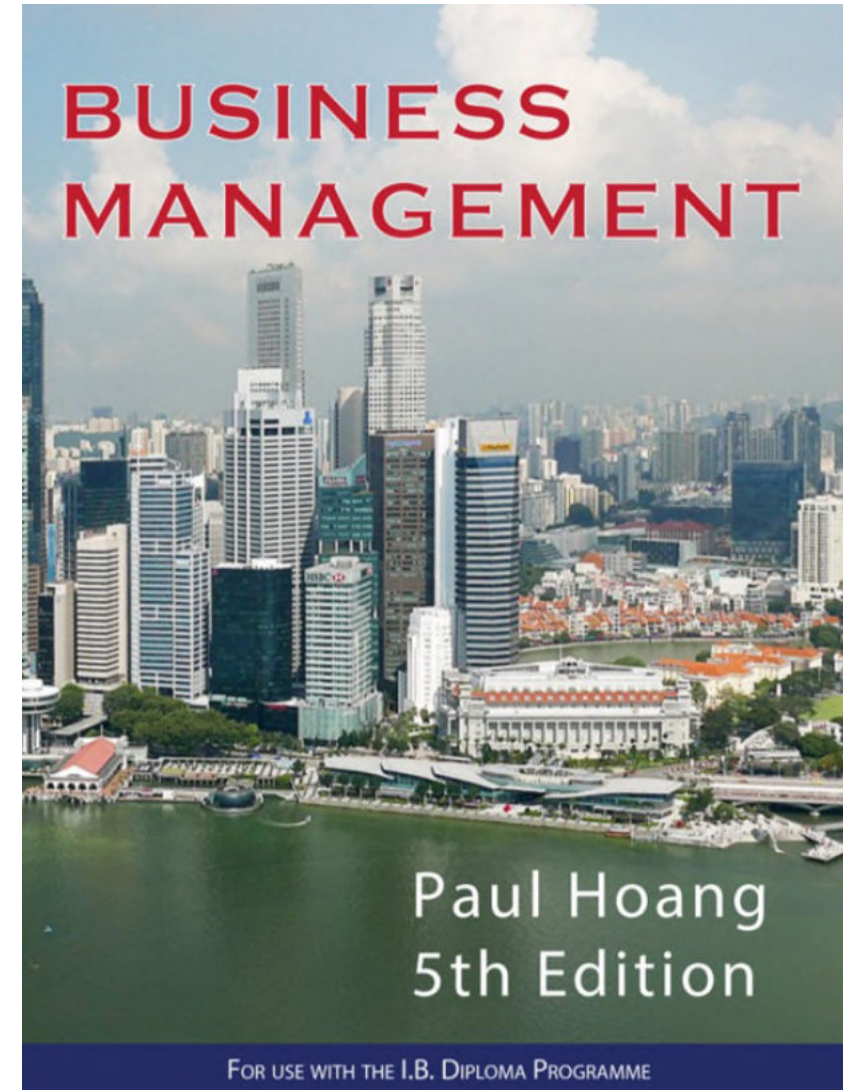
Limitations

- Producer takes a risk when passing on the marketing.
- Wholesalers may not promote products the way the producer wants.
- Some retailers do not use wholesalers in order to cut their costs.

Over to you

- Hoang textbook
- Question 30.1 *Costco*
 - Page 445
- Answer all parts

BUSINESS MANAGEMENT



Distributors

- Distributors are independent and specialist businesses that trade in the products of only a few manufacturers.
- The motor vehicle industry often uses distributors.



Mobis India and Hyundai

*Mobis India is the distributor of parts and accessories in India for the Korean automotive manufacturer **Hyundai**.*

- Watch this video and list as many reasons why Hyundai uses a local distributor in India to sell its car parts.





Agents

- Agents (a.k.a. brokers) are negotiators who act on behalf of buyers and vendors (sellers) of a product.
- They charge a commission for their services.
- Real estate agents, travel agents and insurance brokers are all examples of this type of intermediary.



Retailers

- Retailers are often referred to as 'shops' or 'stores'. They are the sellers of products to the final consumer.



Examples of retailers



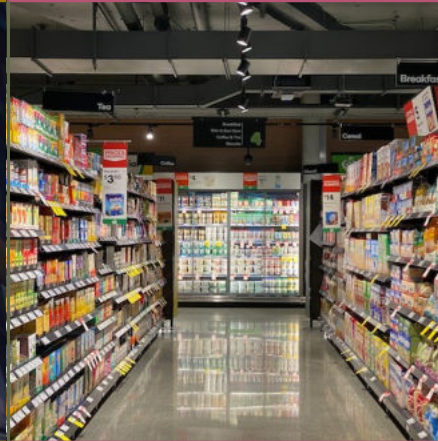
Independent retailers

Sole traders such as hair salons.



Chain stores

H&M
The Body Shop
7-Eleven



Supermarkets

Coles (Australia)
Loblaws (Canada)
Cold Storage (Singapore)



Hypermarkets

Walmart (USA)
Siam Makro (Thailand)
Carrefour (France)



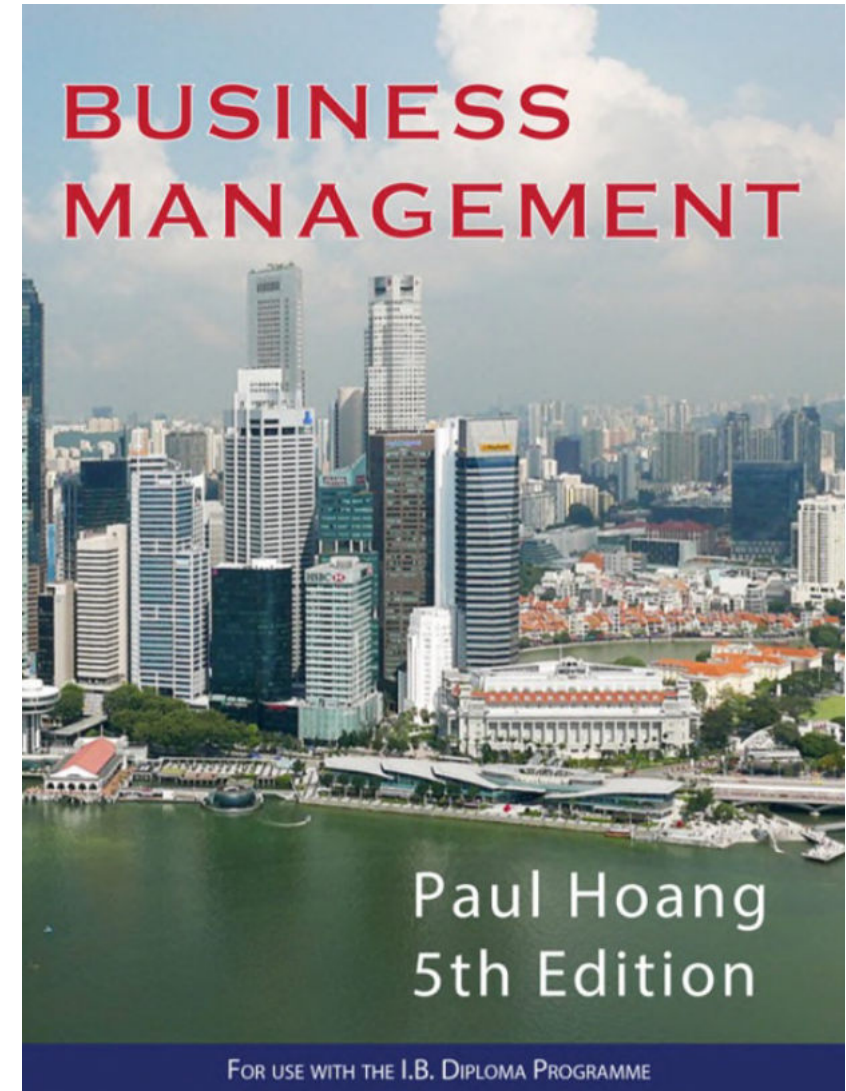
Department stores

Harrods (UK)
KaDeWe (Germany)
Mitsukoshi (Japan)

Over to you

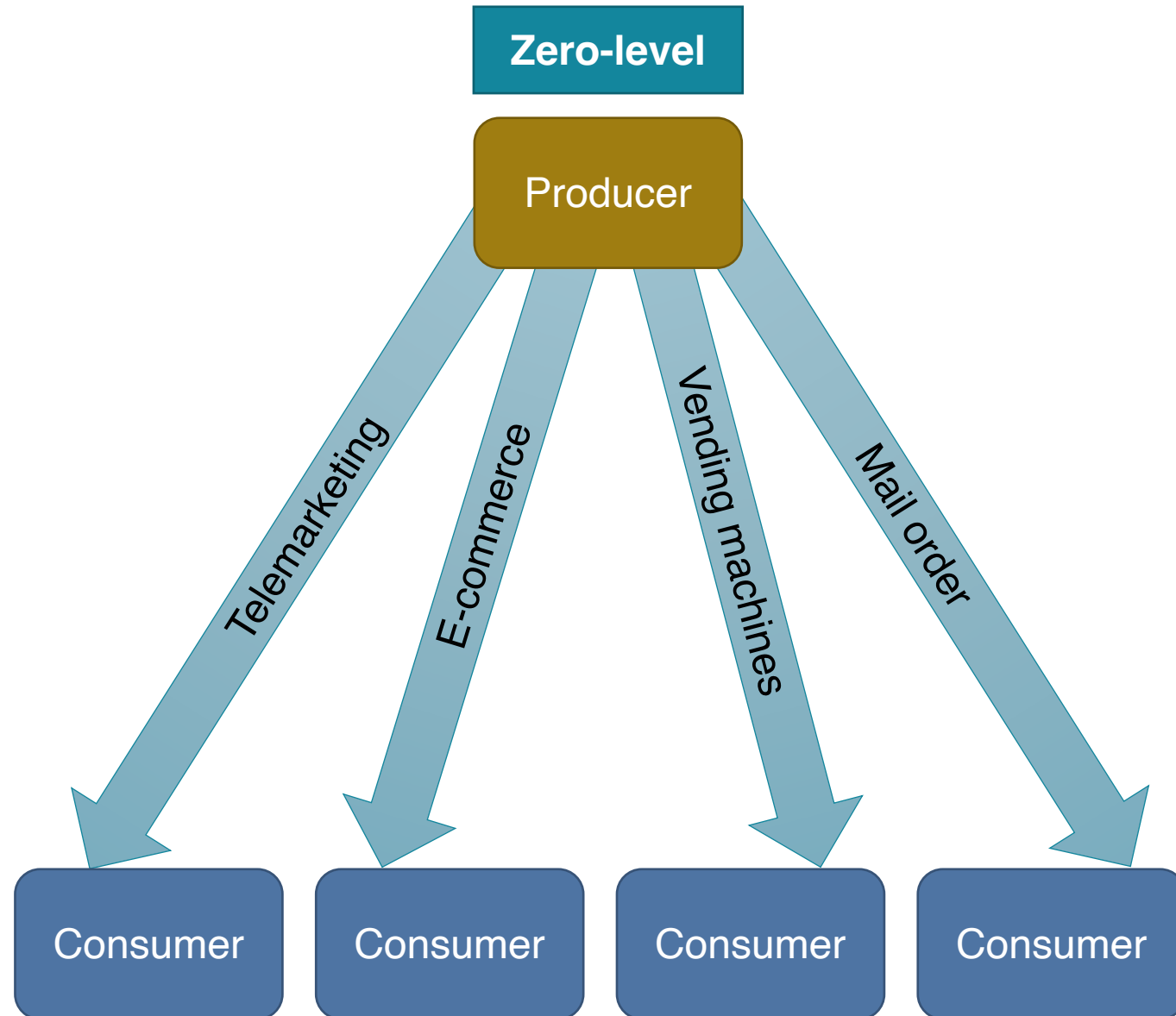
- Hoang textbook
- Question 30.2 *7-Eleven*
 - Page 447
- Answer all parts

BUSINESS MANAGEMENT



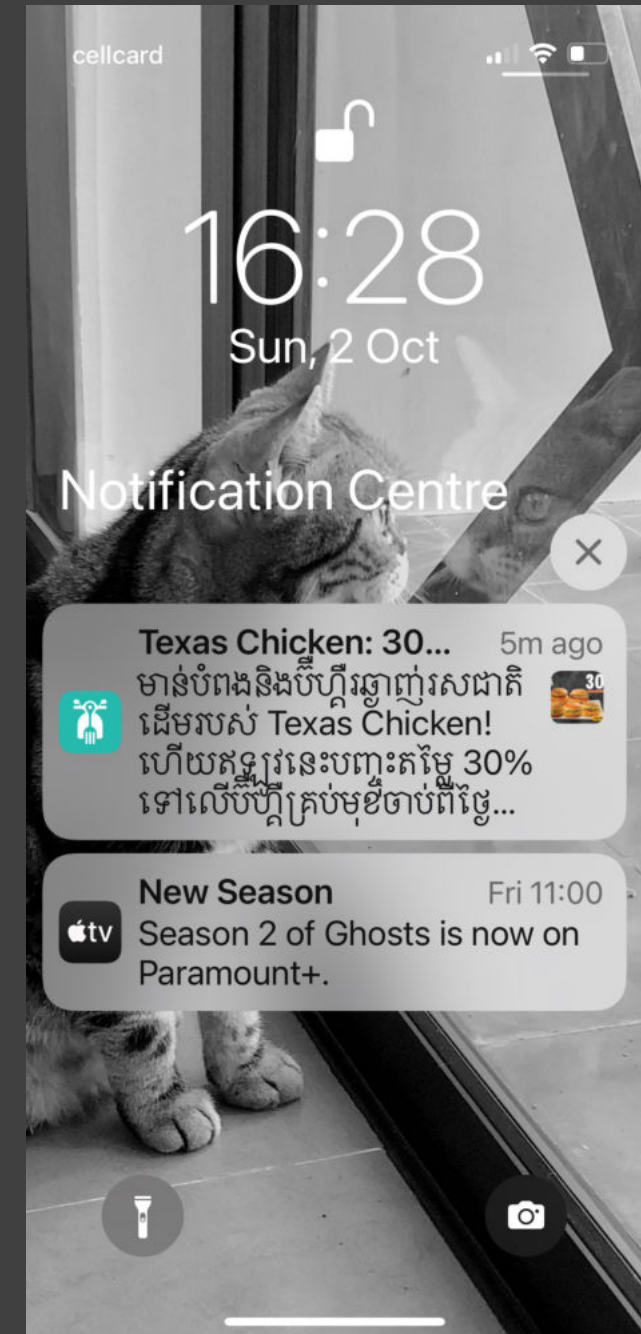
Specialty channels of distribution

- A specialty channel of distribution is any indirect way to distribute products that does not involve retailers.
 - i.e. avoiding the use of intermediaries.
- Examples include:



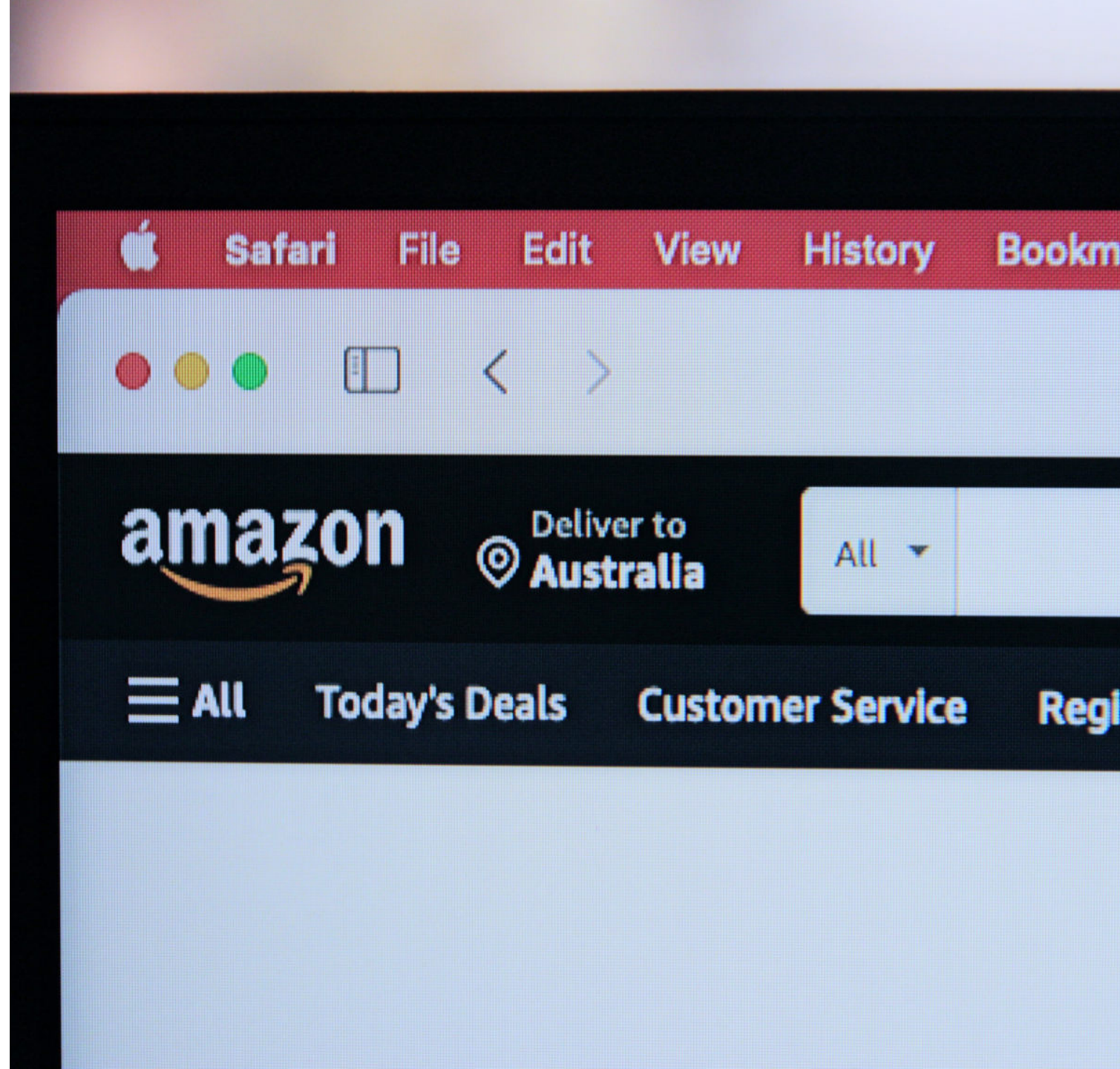
Telemarketing

- Telemarketing is the use of telephone systems to sell products directly to potential customers.
- This can be done by automated voice or text messages that promote goods and services.
- Using sales people to 'cold-call' potential customers is often commonly used by businesses that have an existing database of customers.



E-commerce

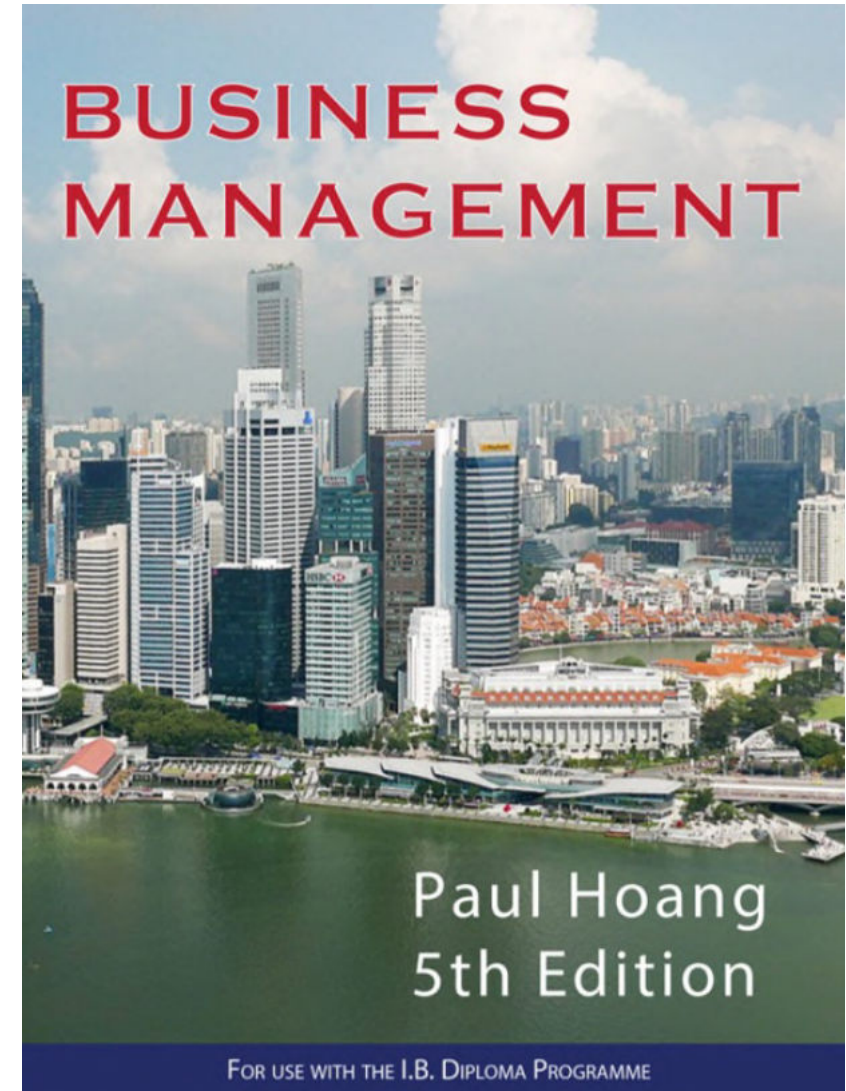
- E-commerce is trading via the Internet.
- Marketing has been fundamentally transformed by the development of e-commerce websites.
- Access to customers beyond traditional geographic boundaries of markets has been of huge benefit to 'e-tailers'.



Over to you

- Hoang textbook
- Question 30.3 *Sacha Cosmetics*
 - Page 448
- Answer all parts

BUSINESS MANAGEMENT



Vending machines

- These are specialist machines that stock products for sale (e.g. drinks, snacks and cigarettes).
- Due to their compact size, vending machines can be placed almost anywhere.
- Modern machines accept payment by debit, credit and stored value cards, enhancing convenience.



Vending machines in Japan

BUSINESS MANAGEMENT

Vending machines are a popular distribution channel in Japan as explained in the video.

1. What benefits do vending machines have over other methods of distribution?
2. What is the vending machine's biggest competition in distribution?
3. What are the drawbacks of using vending machines as a method of distribution?



Mail order

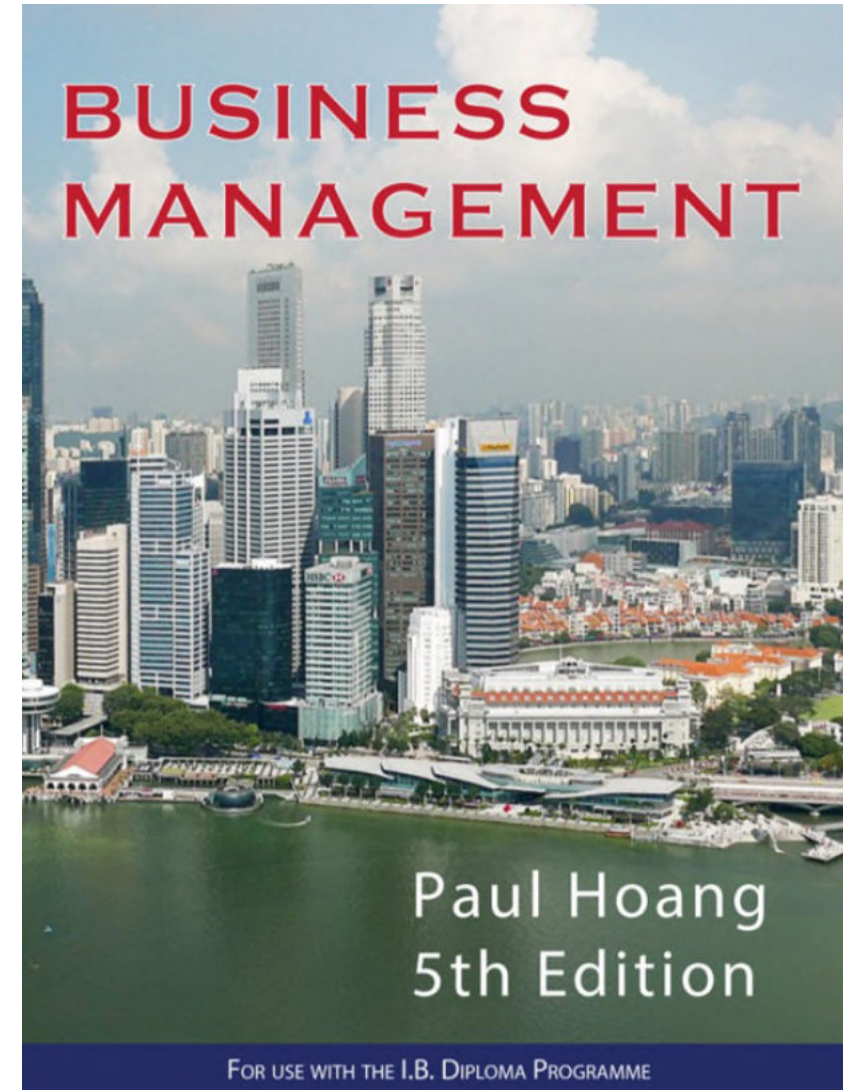
- Mail order involves a business sending promotional material such as a catalogue, via the postal system to entice customers to buy a firm's products.
- Businesses that have a customer database tend to use this channel of distribution.

<p>01 AS6185B Dimension: L. 315 x W. 190 x H. 345 mm</p> <ul style="list-style-type: none"> • 15 sheet cross cut shredder • Shred size 4 x 30mm • Security Level P4 • 35 Litre pull out waste bin • Destroys CDs & credit cards • Castors for mobility • Auto reverse • Quiet operation <p>AURORA</p> <p>Sredder AS1500CD</p> <p>19 04</p> 	<p>02 AS616MQ Dimension: L. 354 x W. 235 x H. 484 mm</p> <p>AURORA</p> <p>Shredder AS1540CD</p> <p>Dimension: L. 383 x W. 415 x H. 890 mm</p> <p>19 05</p>  <p>Cross Cut 15 s 62db</p>	<p>03</p> <p>Fellowes</p> <p>Cross Cut Shredder</p> <ul style="list-style-type: none"> • (HxWxD): 592 x 284 x 446 mm • Shreds: 17 sheets 70g • Shred size: 3.9x38mm pieces • Patented Safesense® Technology • Accepts: CDs, Credit Cards, staples, and paper clips <p>PowerShred 99Ci</p> <p>19 06</p> 
<p>Cross Cut Shredder</p> <p>Fellowes</p> <p>PowerShred P48C</p> <p>19 07</p> <ul style="list-style-type: none"> • (WxD): 348 x 356 x 258 mm • Category: Personal Home office • Shreds: 8 sheets 70g • Shred size: 3.9x50mm • Accepts: Credit Cards and staples • Patented safety lock disables shredder • Added safety protection 	<p>Cross Cut Shredder</p> <p>Fellowes</p> <p>PowerShred 75CS</p> <p>19 08</p> <ul style="list-style-type: none"> • (HxWxD): 348 x 356 x 258 mm • Category: Personal Home office • Shreds: 8 sheets 70g • Shred size: 3.9x50mm • Accepts: Credit Cards and staples • Patented Safesense® Technology 	<p>Cross Cut Shredder</p> <p>Fellowes</p> <p>PowerShred P35C</p> <p>19 09</p> <ul style="list-style-type: none"> • (HxWxD): 400x 212 x 360 mm • Category: Personal Home • Shreds: 5 sheets 70g • Shred size: 3.9x50mm • Patented Safety lock • Accepts: Credit Cards and staples • Patented safety lock disables shredder for added safety protection 
<p>PowerShred DS-1</p> <p>Fellowes</p> <p>19 10</p> <p>Cross Cut Shredder</p> <ul style="list-style-type: none"> • (HxWxD): 554 x 393 x 274 mm • Shreds: 11 sheets 70g • Shred size: 3.9x35mm • Patented Safesense® Technology • Accepts: Credit Cards, staples, 	<p>Fellowes</p> <ul style="list-style-type: none"> • For occasional home, office, or student use • Manually punches up to 7 sheets at a time • Binds up to 90 sheets with a 1/2" comb • Built-in comb storage tray for added convenience <p>19 11</p> <p>Binding Machine Starlet 90</p> 	<p>Fellowes</p> <ul style="list-style-type: none"> • Light duty comb binding machine for the small office • Manually punches up to 10 sheets at a time • Binds up to 150 sheets with a 3/4" comb • Document thickness guide helps user select proper comb width • Built-in comb storage tray for added convenience <p>19 12</p> 

Over to you

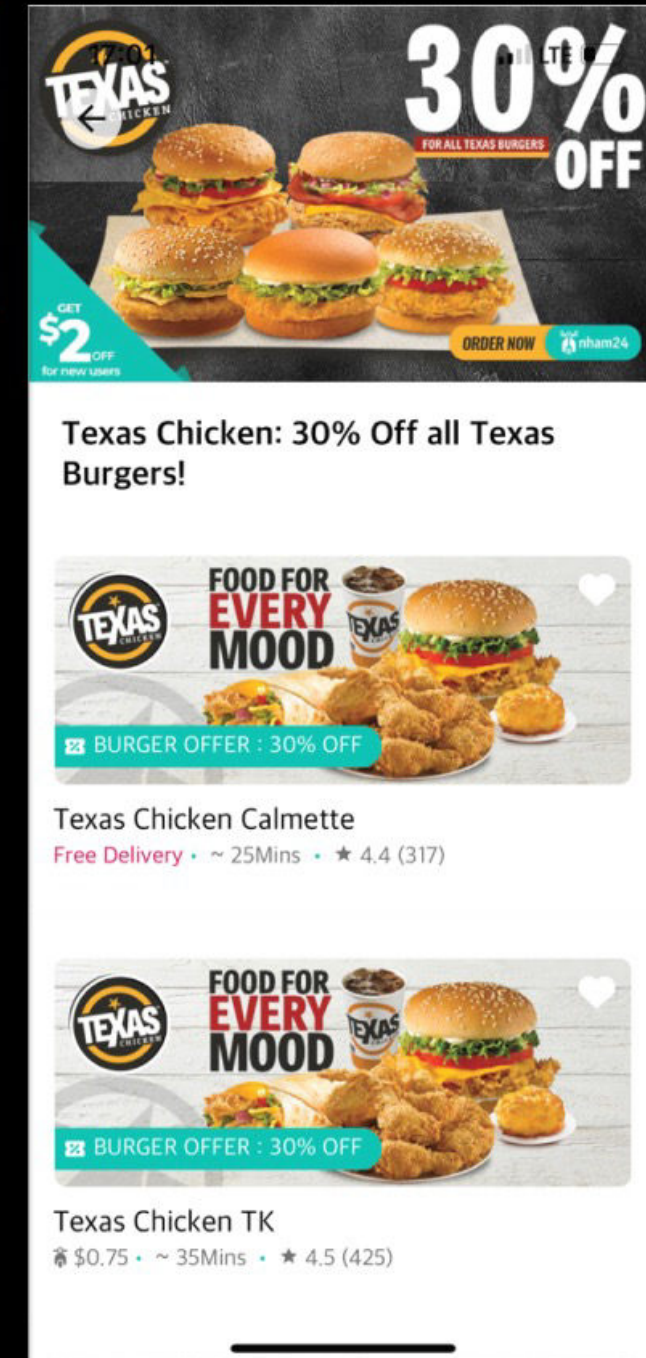
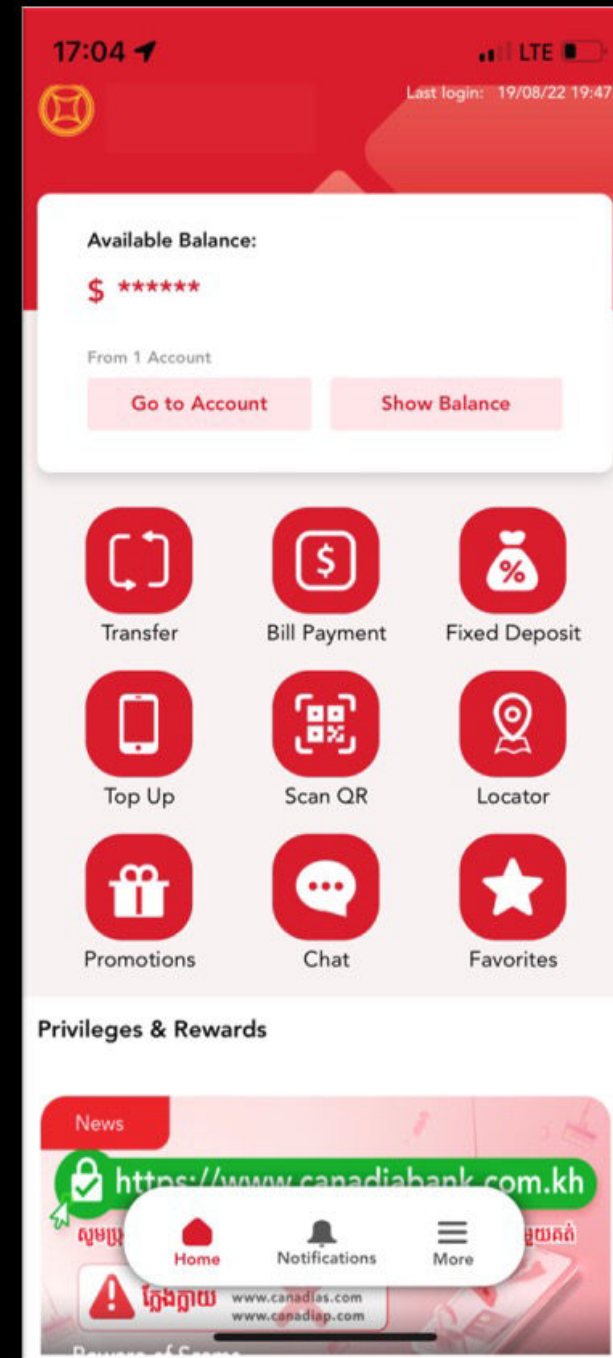
- Hoang textbook
- Question 30.4 *Dell and Walmart*
 - Page 449
- Answer all parts

BUSINESS MANAGEMENT



Benefits of specialty channels of distribution

- Increased profits (as firms do not have to share profit margins with intermediaries)
- Greater control over distribution.
- Growing demand for the convenience of e-commerce.
- Can reach consumers who cannot access retail outlets.



Factors affecting the choice of distribution channels

The product



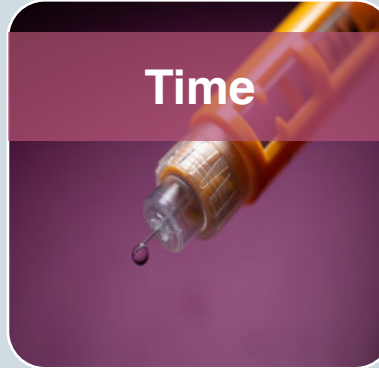
The more perishable a product, the better it is to choose shorter distribution channels and vice versa.

The market



Local niche markets can be catered for directly by a supplier. Large, dispersed markets usually require intermediaries.

Time



Items requiring urgent delivery need short distribution channels, but not all are suitable (e.g. e-commerce is not suited for many urgent deliveries).

Legal constraints



Some products are prohibited from being distributed (e.g. alcohol, tobacco and cannabis).

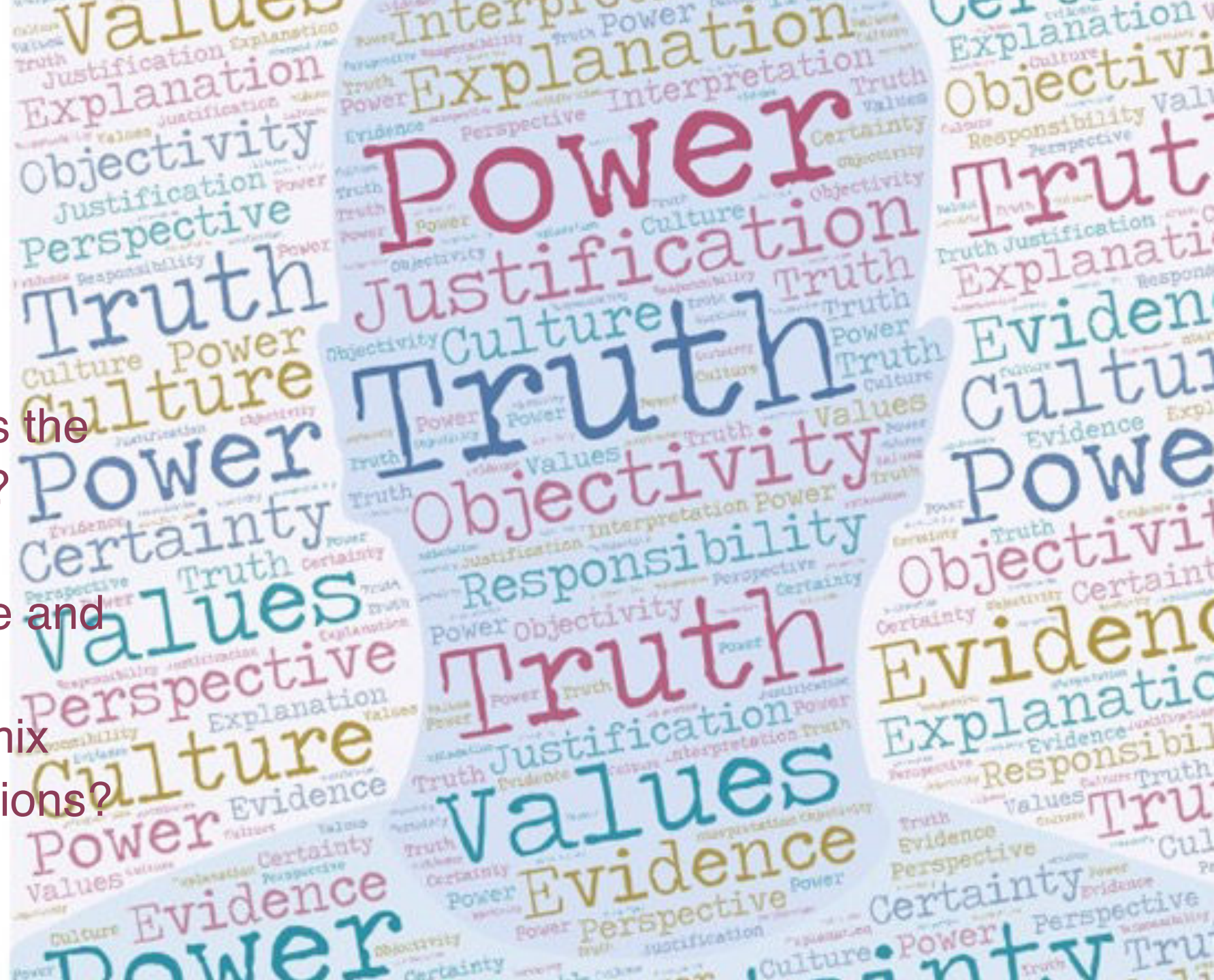
Cost and benefits



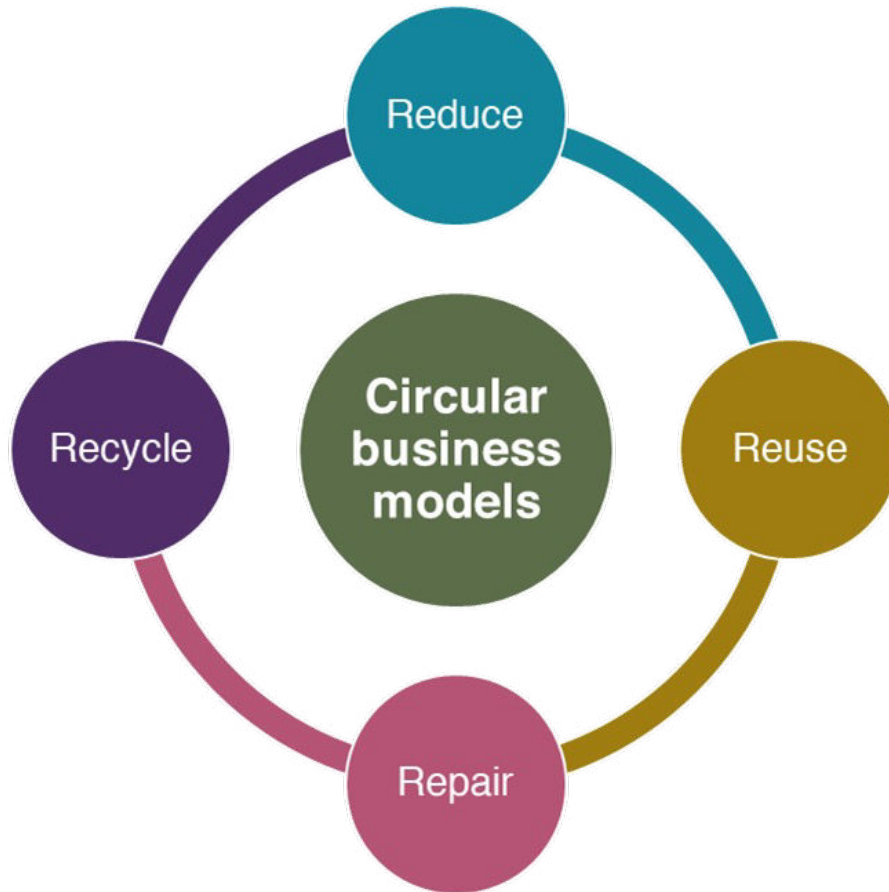
Direct selling increases profit margins, but limits access to consumers. Firms need to weigh the pros and cons of selected distribution channels.

Theory of knowledge

Which of the 7Ps does the Internet best fit under?
How does the internet change our knowledge and understanding of the traditional marketing mix for business organizations?



BMT: Circular business models and channels of distribution



For a producer of your choice, discuss how producers can encourage intermediaries and consumers of two-level channels of distribution to actively participate in a circular business model.



Concepts in BM: change



ENT

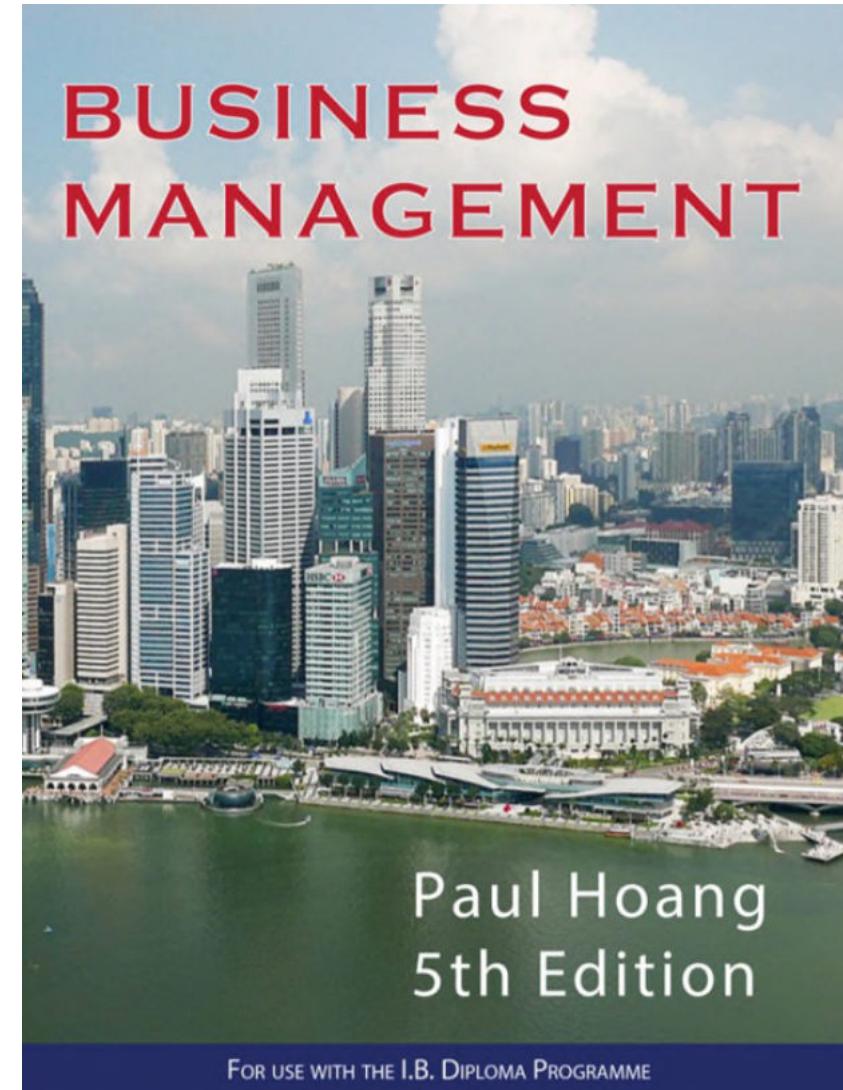
- The dynamic nature of the marketing mix means that managers must be able to adapt the Ps to changes in the external environment.
- This must be done in a strategic manner so that the marketing mix is synchronized to work together to reach the objectives of the firm.



Over to you

- Hoang textbook
- *Review Questions*
 - Page 452

BUSINESS MANAGEMENT



4.5 The marketing mix – People, Processes and Physical evidence

Topic 4: Marketing

Unit content

Content	Assessment objective
<u>People:</u> <ul style="list-style-type: none">The importance of employee-customer relationships in marketing a service and changes in these processes	AO3
<u>Processes:</u> <ul style="list-style-type: none">The importance of delivery services in marketing a service and changes in these processes	AO3
<u>Physical evidence:</u> <ul style="list-style-type: none">The importance of tangible physical evidence in marketing a service	AO3

Unit content (continued)

Content	Assessment objective
<u>Appropriate marketing mixes for particular products or businesses</u>	AO3
Business Management Toolkit: <ul style="list-style-type: none">• <u>Hofstede's cultural dimensions (HL)</u>• <u>SWOT and STEEPLE analysis</u>	
<u>People, processes, physical evidence and the business management concepts</u>	

Characteristics of services



Four or seven Ps?

- The marketing mix has three specific Ps to address the specific nature of services.
- They are:

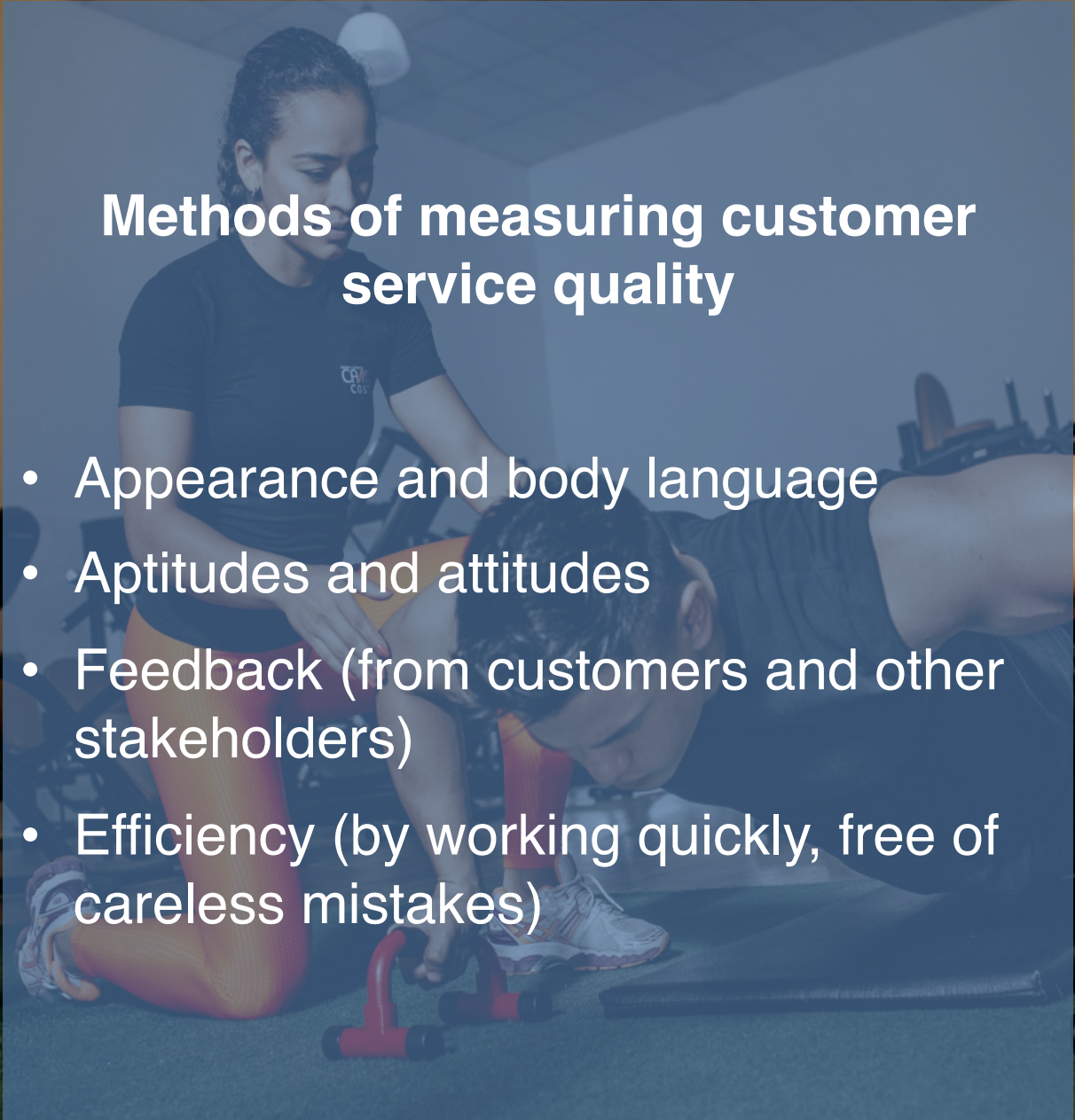




People

Employee-customer relationships

- The provision of services relies on the goodwill of all employees.
- It is important for service-oriented businesses to build good relationships and trust with their customers.
- Customer service quality can be measured but will be influenced by variations in culture.

A woman in a black t-shirt and orange leggings is kneeling on a blue mat in a gym, working on a man's leg. She is holding a red resistance band. The background shows gym equipment and a blue wall.

Methods of measuring customer service quality

- Appearance and body language
- Aptitudes and attitudes
- Feedback (from customers and other stakeholders)
- Efficiency (by working quickly, free of careless mistakes)

Examples of cultural variations in customer service interactions

Appearance and body language

- Sociologists studying personal space suggests there are contact and non-contact cultures in the world.
- Non-contact cultures stand further apart from people and touch less than contact cultures.
- Standing too close or too far from customers with different contact cultures may inadvertently create poor impressions of customer service.

Feedback

- Dominant cultures in India and Japan are averse to critical disagreements, thus saying 'no' is regarded as being too direct and rude.
- Instead, disagreements should be expressed with the use of diplomatic language.

Examples of cultural variations in customer service interactions (continued)

Efficiency

- Some cultures focus on highly reliable, accurate and timely customer service (e.g., Switzerland and Germany).
- However, in some cultures the norm is to operate with the expectation of flexibility and understanding from customers for operational inefficiencies.

Aptitudes and attitudes

- It is common in some cultures (such as the UK) for customer service personnel to be formal and conservative, whereas in cultures such as Australia, customer service is more relaxed and informal in their approach.



Australian and British cultural attitudes



- *Tourism Australia* created an advertisement to encourage British tourists to visit Australia in 2019.
- The advertisement illustrates the relaxed, carefree attitudes of Australian culture, good-naturedly contrasting it with more formal British culture as a selling point for visiting Australia.

Customer service on a low-cost carrier

You and your partner are senior managers of a budget airline company.

1. Describe what you think would constitute good customer service by a flight attendant of your airline in terms of:
 - a. Appearance and body language
 - b. Aptitudes and attitudes
 - c. Feedback
 - d. Efficiency



JetBlue flight attendant's angry exit



Steven Slater, a flight attendant on *JetBlue*, had an angry altercation with a passenger.

1. According to the criteria established from the previous task:
 - a. Which criteria did Steven Slater perform poorly?
 - b. What impact does his behaviour have on the reputatin of *JetBlue*?

A photograph of the Big Ben clock tower and the Houses of Parliament in London at dusk. A red double-decker bus is in the foreground, and other vehicles are visible on the street.



- Review the examples of cultural variations in customer service interactions on Slides 8 & 9.
- With reference to Hofstede's cultural dimensions, explain why these cultural variations exist.



Processes

The provision/ delivery of services

- Processes is the way in which a service is provided or delivered
- Processes can include:
 - Payment methods
 - Waiting times
 - Customer services
 - After sales care
 - Delivery processes



Food delivery services

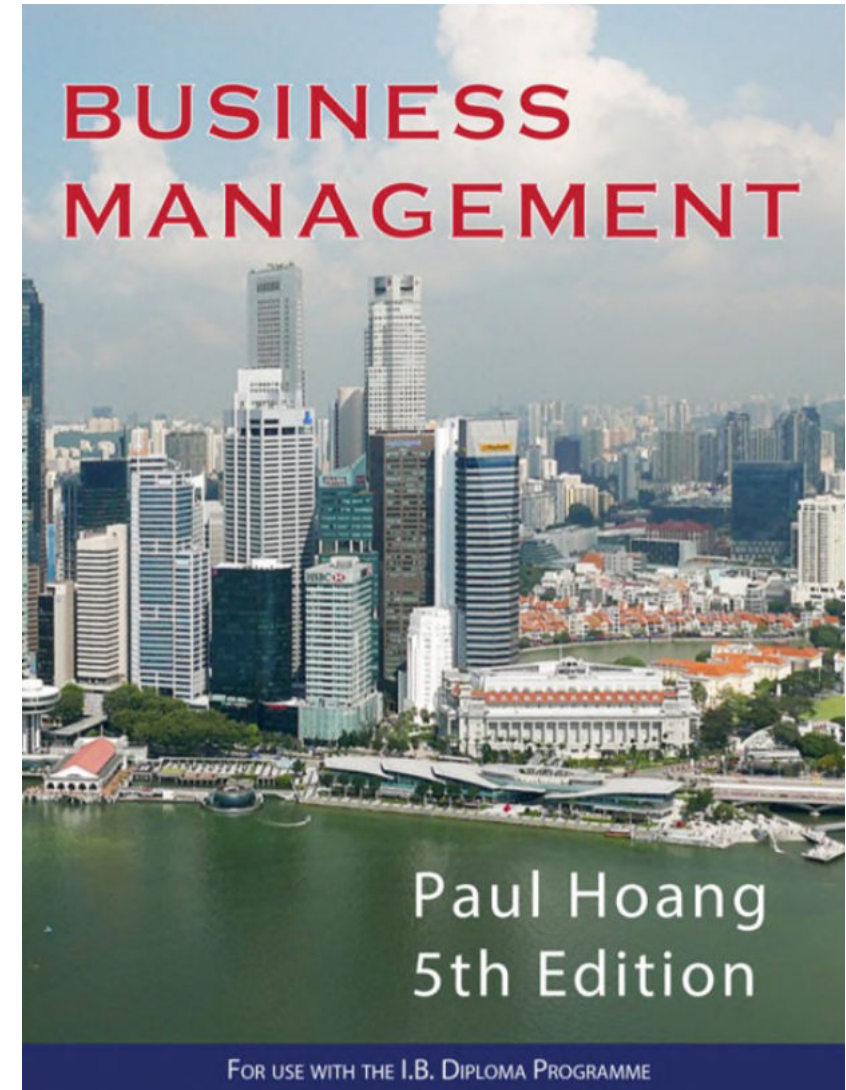
1. Go to a food delivery app or website of your choice.
2. Go through the ordering process (without actually paying) and identify:
 - a. The payment methods available.
 - b. The waiting time(s) to get your food.
 - c. The after-sales care provided.
 - d. The delivery options provided.
3. In light of your findings to the above:
 - a. How would you rate the effectiveness of your chosen delivery service's process strategies?
 - b. What improvements would you recommend and why?



Over to you

- Hoang textbook
- Question 32.1 *Aldi*
 - Page 459
- Answer all parts

BUSINESS MANAGEMENT



Physical evidence

Tangible aspects of service

- Physical evidence refers to the tangible aspects of a service.
- Physical evidence strategies will depend on the service that is being provided.



The physical evidence of a cruise ship will differ greatly from a commuter ferry service.



Physical evidence at theme parks

Theme parks rely heavily on physical evidence as part of the service experience.

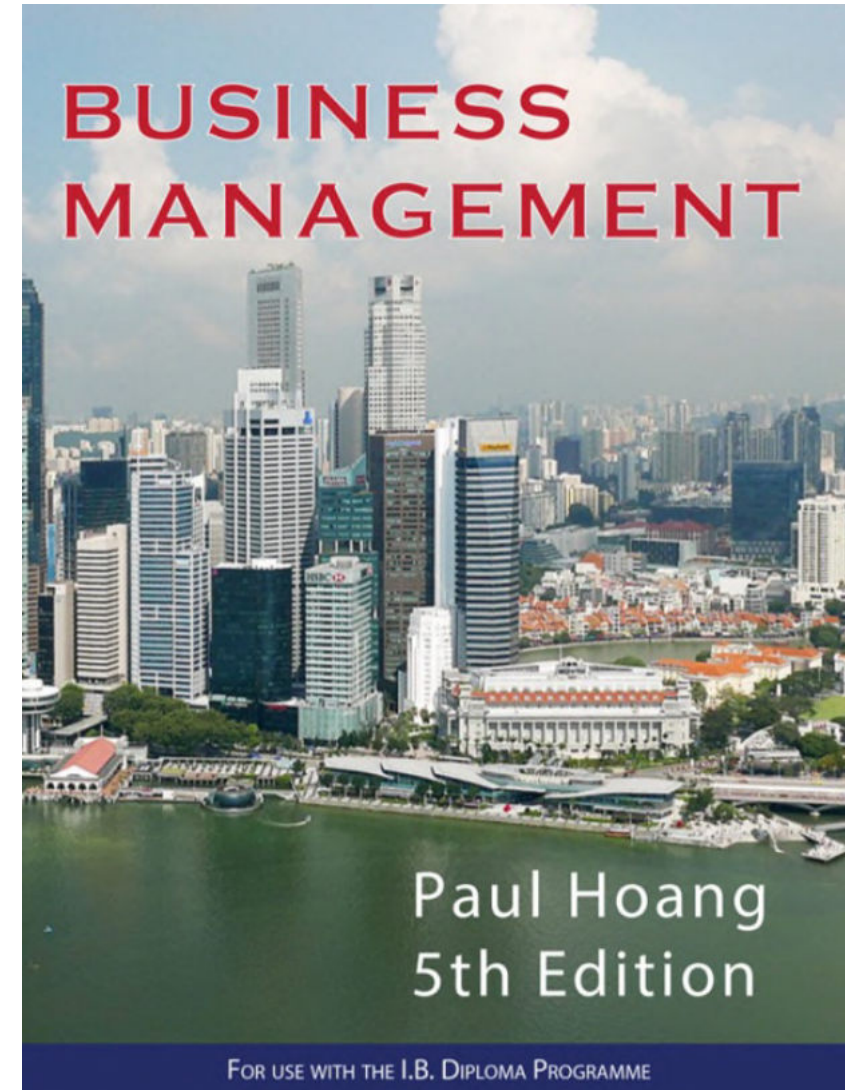
1. What makes a theme park experience an excellent or memorable one?
 - Provide at least **five** tangible examples.



Over to you

- Hoang textbook
- Question 33.1 *Wallington High School for Girls*
 - Page 463
- Answer all parts

BUSINESS MANAGEMENT



Appropriate marketing mixes for particular products or businesses

Marketing for sole traders



1. Interview a sole trader of your choice.
2. Ask the sole trader about aspirations for the business in the future.
3. Brainstorm some strategies that will help the sole trader achieve future goal(s).
4. Develop an appropriate marketing mix (covering all 7Ps) that will help reach the future goal.

Marketing for sole traders

Examples of future aspirations	Strategy to achieve goals for the future
1. Would like to grow the business by opening more locations.	Sell a greater volume of products in order to generate profits to pay for opening new locations.
2. Find new target markets.	Develop products demanded by potential target markets.
3. Create a valuable business which can be sold in order to retire.	Focus on creating a product portfolio with cash cows and stars.

Marketing laboratory grown diamonds

Laboratory grown diamonds (LGD) are real diamonds that are grown in a laboratory instead of being mined from the earth.

- Develop an appropriate marketing mix (covering all 7Ps) for a jewelry company specializing in LGDs. You may assume they have an online and a bricks and mortar presence.



Scan to read more about the laboratory merits of grown diamonds



- *Amaru Esperanza (AE)* is a non-profit social enterprise founded by Luke Cimino.
- Its purpose is to “empower people to...reach their goals and better the lives of themselves and others within the community” through projects that focus on issues such as housing, literacy, nutrition and education in Colombia.
- It relies on donations as the source of finance. All donations go towards funding projects and the salary of one field manager.
- Luke has aspirations of:
 - i. Growing the number of community projects done each year. This will require a steady stream of income from donations.
 - ii. Engaging with Colombian sporting teams such as the soccer club *Junior Barranquilla* and national television networks to publicise the work of *AE*.



Develop a marketing mix (covering all 7Ps) for *AE* with the objective of achieving the founder's aspirations for the future.

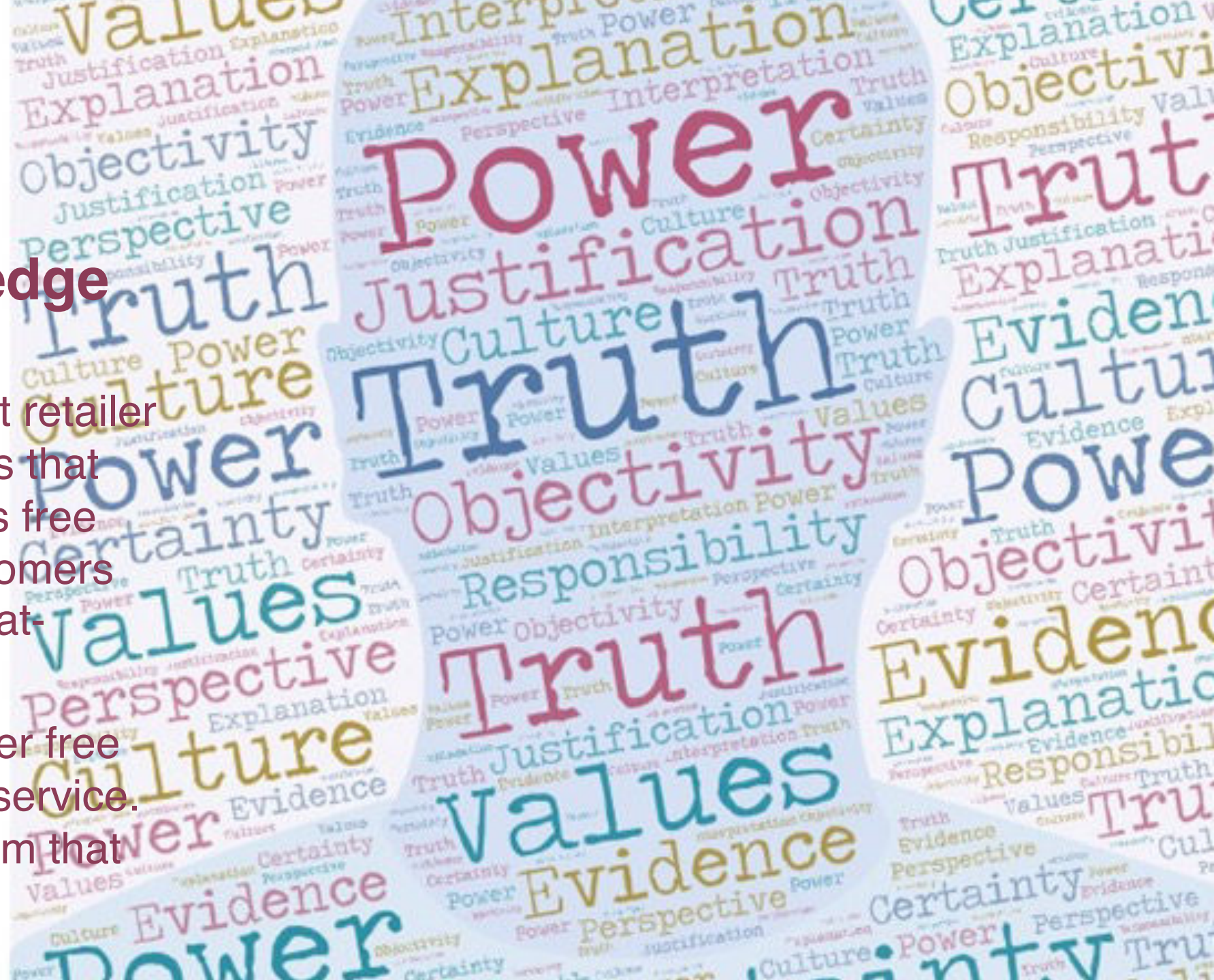
You may find it useful to conduct further research by visiting the following sites:

- *Amaru Esperanza*:
<https://amaruesperanza.org/>
- *Junior Barranquilla*:
<https://app.juniorfc.co/>

Theory of knowledge

IKEA, the world's largest retailer of home furniture, claims that there is no such thing as free delivery; it charges customers for each delivery of its flat-packed furniture.

Many businesses do offer free delivery as part of their service. Can firms genuinely claim that they offer free delivery?



Find examples of firms that used elements of the marketing mix to enact each of the following strategies during the COVID-19 pandemic:

- a. Offensive strategies
 - i.e. using strengths to exploit opportunities.
- b. Defensive strategies
 - i.e. using strengths to mitigate threats.
- c. Reorientation strategies
 - i.e. using weaknesses to exploit opportunities.
- d. Survival strategies
 - i.e. persevering despite threats and being in a weakened position

Explain each of the above examples.

BUSINESS MANAGEMENT

BMT: SWOT and STEEPLE analysis and the marketing mix

Strategies in response to SWOT and STEEPLE analysis

	Opportunities	Threats
Strengths	Offensive strategies 	Defensive strategies 
Weaknesses	Reorientation strategies 	Survival strategies 

Customers versus businesses

This phrase was popularized by successful retailers such as Harry Gordon Selfridge and Marshall Field in the early 1900s.

- Discuss the extent to which you agree with this statement.



“The customer is always right”.

Hotel sues
customer for
negative review

Concepts in BM: ethics

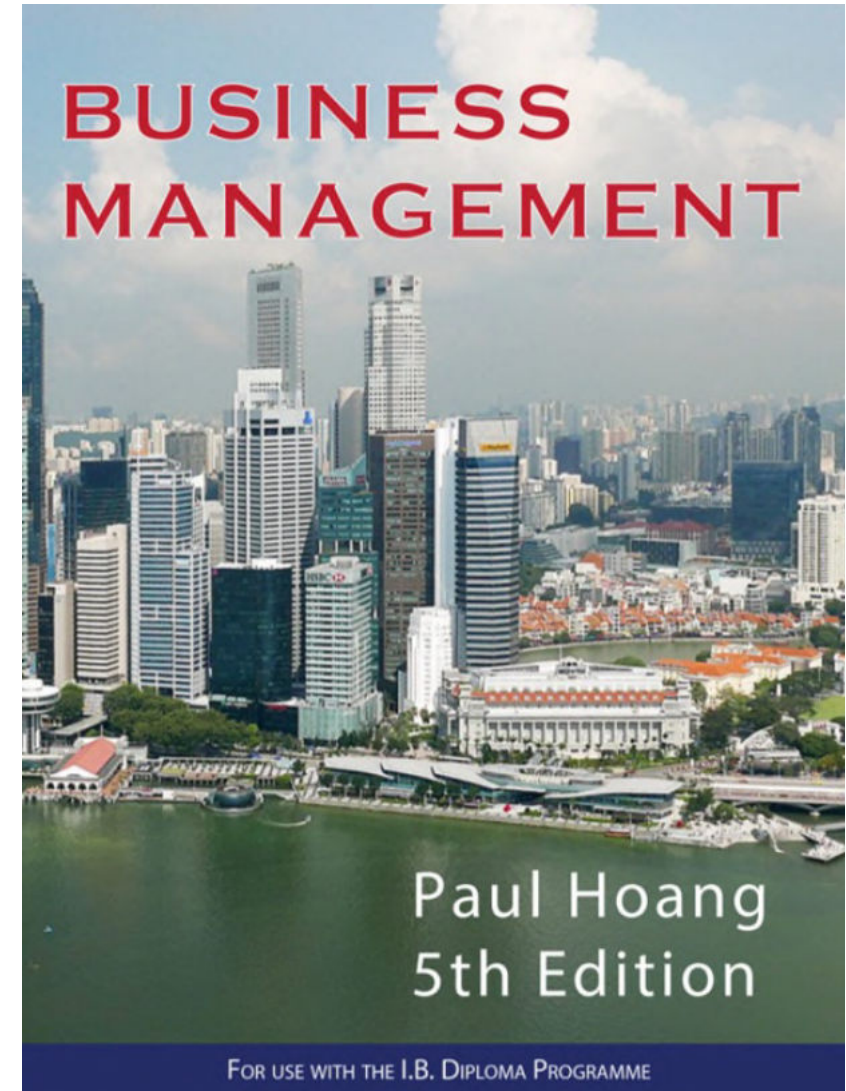


- “The customer is always right” was coined to ensure employees prioritized customer satisfaction and has been used by many service industry firms to shape their extended marketing mix strategies.
- However, this has led to debate about the ethics of letting customers believe they are entitled to whatever they want.

Over to you

- Hoang textbook
- *Review Questions*
 - People
 - Page 456
 - Processes
 - Page 460
 - Physical evidence
 - Page 464

BUSINESS MANAGEMENT



4.6 International marketing (HL only)

Topic 4: Marketing

Unit content

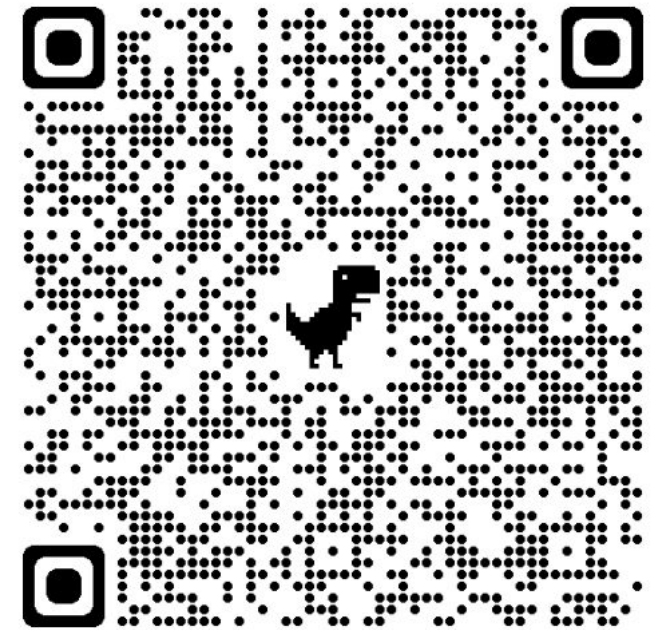
Content	Assessment objective
<u>Opportunities and threats of international marketing</u>	AO3
Business Management Toolkit: <ul style="list-style-type: none">• <u>Hofstede's cultural dimensions</u>	
<u>International marketing and the business management concepts</u>	



Chobani's yogurt factory, Australia

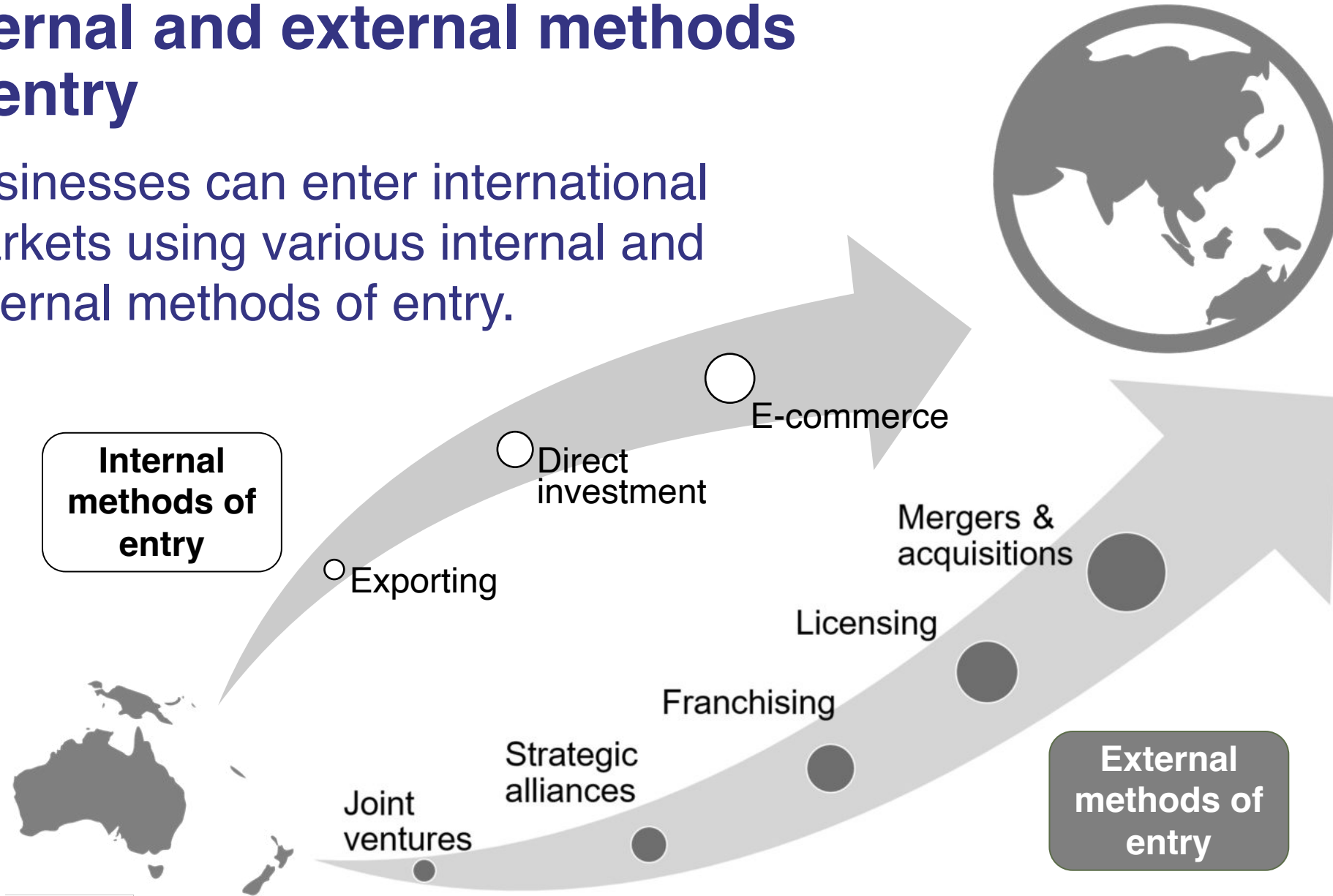
Scan to read about the American yogurt brand, *Chobani's*, production facility in Australia.

Explain how Chobani enjoys marketing benefits by setting up operations outside the USA.



Internal and external methods of entry

- Businesses can enter international markets using various internal and external methods of entry.

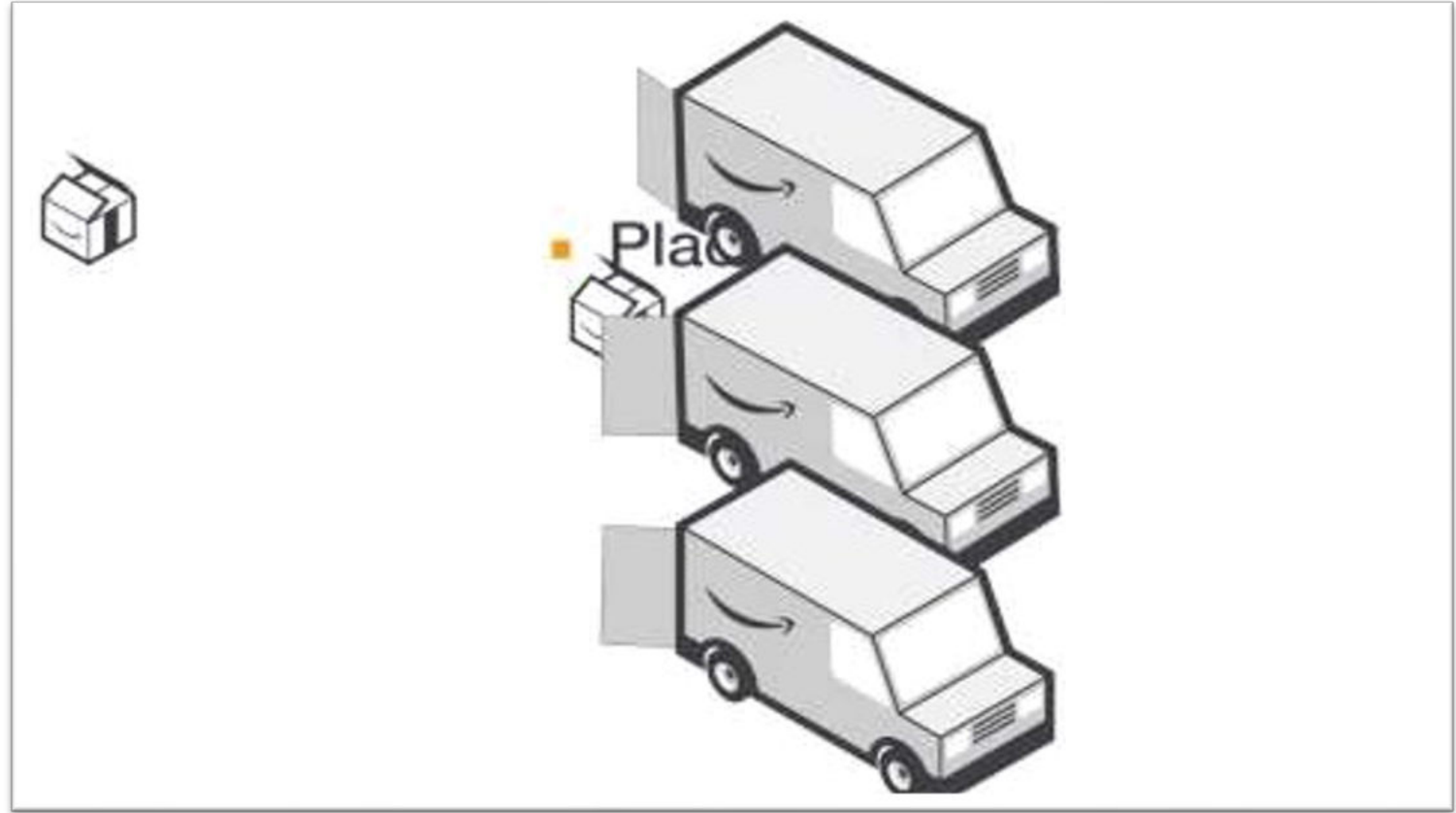


The opportunities and threats posed by entering and operating internationally

Selling products internationally

- Selling products overseas is not simply a matter of making a product available in a foreign market.
- There are many factors that need to be considered when marketing internationally.

BUSINESS MANAGEMENT



These factors are outlined in this video guide from Amazon's *Introduction to Global Selling*. From the video, list the factors that need to be considered before selling overseas.



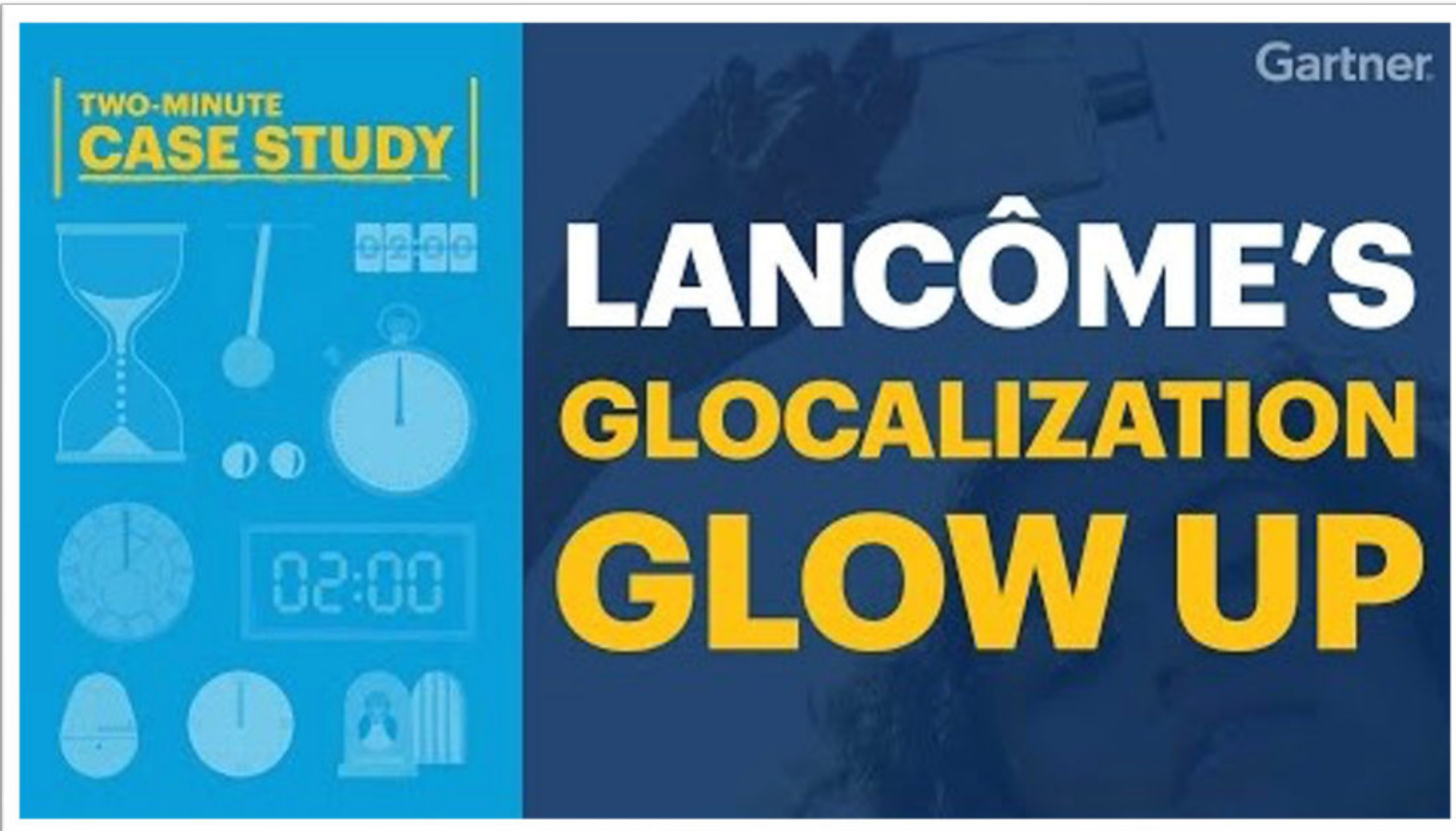
Opportunities of entering and operating internationally

Opportunity	Explanation
Increased customer base	Due to access to customers in overseas markets.
Economies of scale	Cost savings are earned from operating on a larger scale and/or offshoring production overseas in cheaper locations.
Increased brand recognition	Having a standardized marketing strategy across the world leads to greater brand recognition.
Spread risks	By operating in various markets, a business is less exposed to the risks in one particular country (such as a recession or changes in fashion and tastes).
Wider distribution channels	This increases the potential number of foreign buyers by making the product more accessible.
Extend the product life cycle	A business might find the domestic market for its product is saturated. By selling its products overseas, the product life cycle can be extended.
Gain more profit	Ultimately all of the reasons above will lead to greater opportunities for profit.

Glocalization and international marketing

BUSINESS MANAGEMENT

- One of the benefits of operating internationally is the marketing economies of scale from using standardised marketing materials across all target markets.
- However, 'glocalization' is an approach that is being increasingly adopted by MNCs as they realise a 'one-size-fits-all' approach does not work.





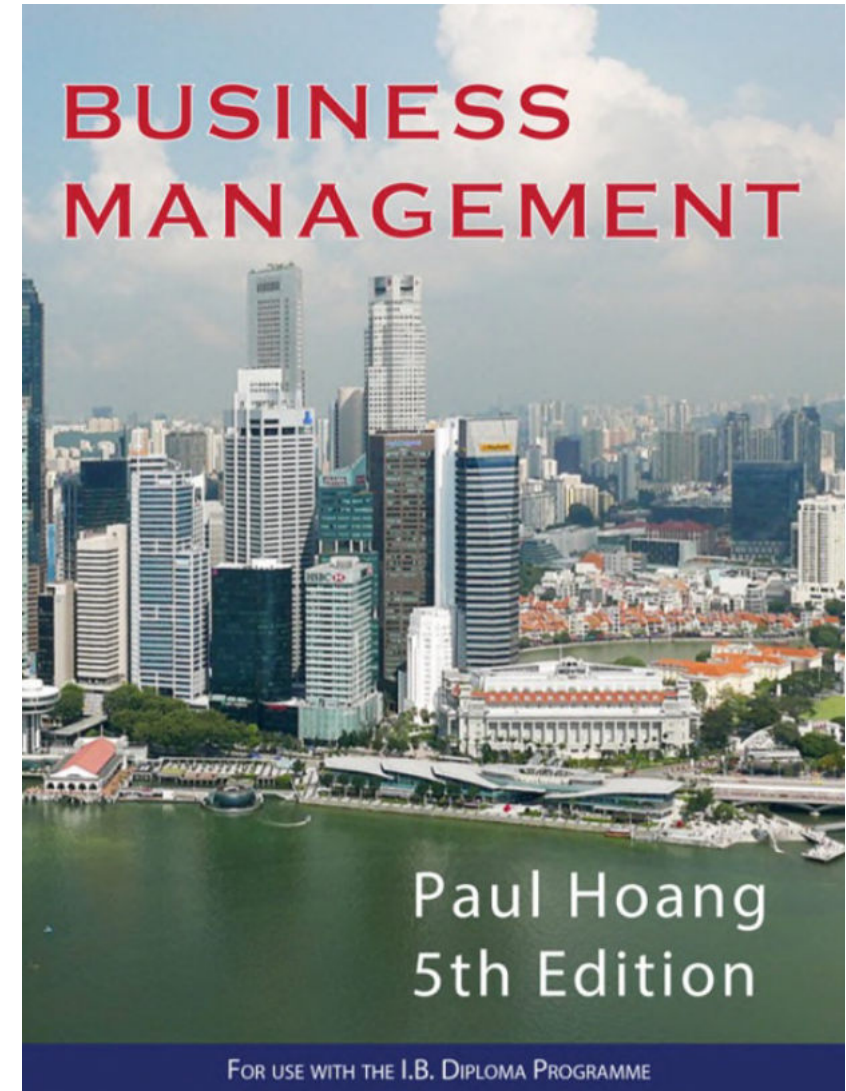
Threats of entering and operating internationally

Threat	Explanation
Social	International marketing mix strategies may be challenged from: <ul style="list-style-type: none">• Different socioeconomic and demographic conditions.• Active pressure groups that have the power to stall business operations by influencing public opinion.
Economic	Economic threats include: <ul style="list-style-type: none">• Increasingly competitive markets due to freer international trade.• The additional costs of marketing overseas are influenced by exchange rates and interest rate fluctuations.
Political	Some countries have political climates that make it more risky for investment, especially if there is political instability or insurmountable political hurdles.
Legal	Challenges for firms can come from different legal systems, such as: <ul style="list-style-type: none">• Advertising laws• Copyright, trademark and patent legislation• Consumer protection laws

Approaches to learning

- Hoang textbook
- Activity 34.1 *Research skills and communication skills*
- Activity 34.2 *Research and thinking skills*
 - Page 469

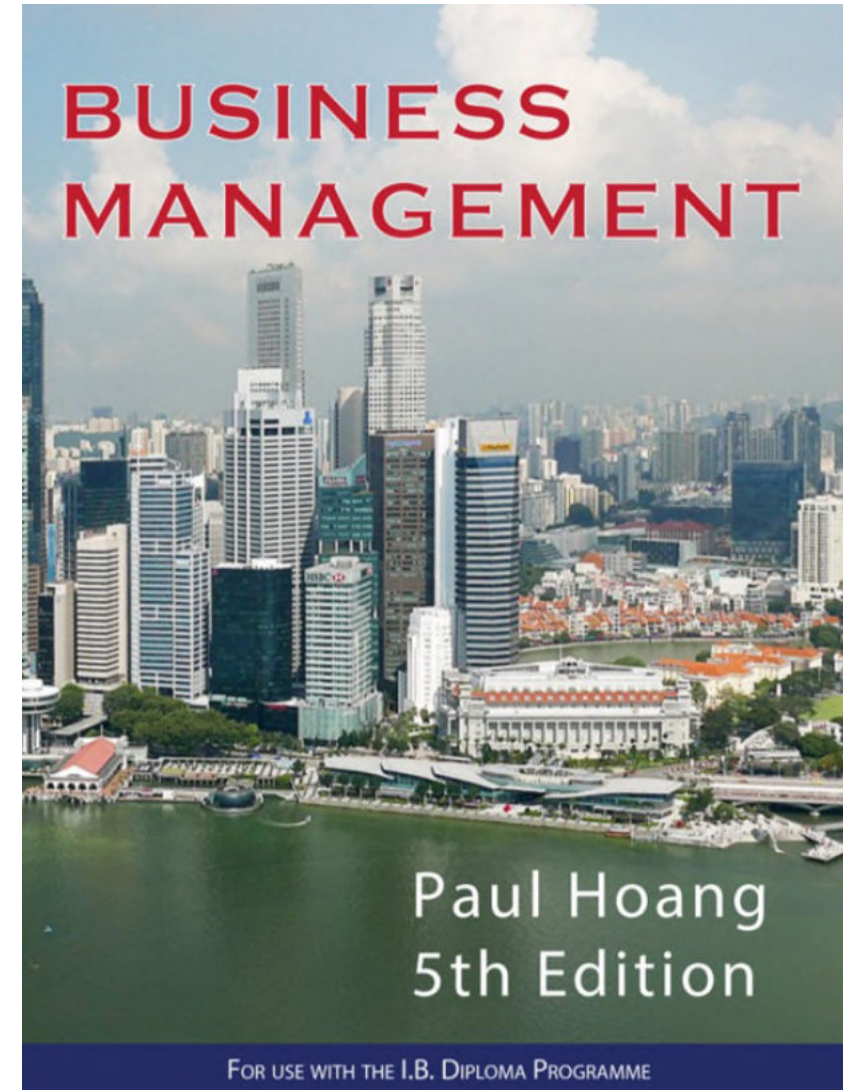
BUSINESS MANAGEMENT



Over to you

- Hoang textbook
- Question 34.1 *The Ford Focus*
 - Page 469
- Question 34.2 *Tesco*
 - Page 470
- Answer all parts

BUSINESS MANAGEMENT



Understanding the local context

- It is important marketers do not assume that people overseas behave in the same way as those in their home country.
- An awareness and understanding of the local business context, the people involved, and the different cultures is essential.

Some key cultural differences to consider

- Cultural exports
- Language
- Ethics
- Business etiquette



Cultural differences in local and international contexts



Cultural exports

This is the commercial transfer of ideas and values from one country to another.

Local preferences must be considered when marketing these cultural icons.



Language

Language is an integral part of culture.
Ignorance of local cultures and languages can have detrimental effects on a business.



Business etiquette

These are the mannerisms and customs by which business is conducted.
Sensitivity to business etiquette is essential in international markets.



Ethics

Ethical standards differ between countries.
What is acceptable in one country may not be acceptable in another.



Movies (USA)



BUSINESS

St. Valentine's Day



Yoga
(India)



Manga (Japan)



Examples of cultural exports

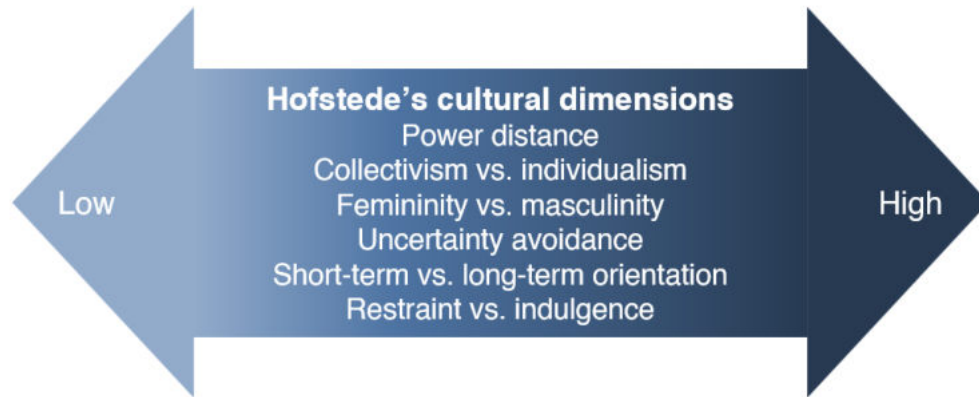
Halloween



(UK)

Language translation failures in advertising





BUSINESS MANAGEMENT

BMT: Hofstede's cultural dimensions in international marketing

Watch this video about *Business Etiquette Basics*.

1. What advice do you think is universal regardless of cultural dimensions?
2. What advice do you think differs in your own culture according to Hofstede's cultural dimensions?



Jo Malone London perfumes, a UK cultural export, caused racial controversy when it re-cast the firm's global brand ambassador British actor John Boyega with Chinese actor Liu Haoran for its advertising campaign in China.



Concepts in BM: ethics

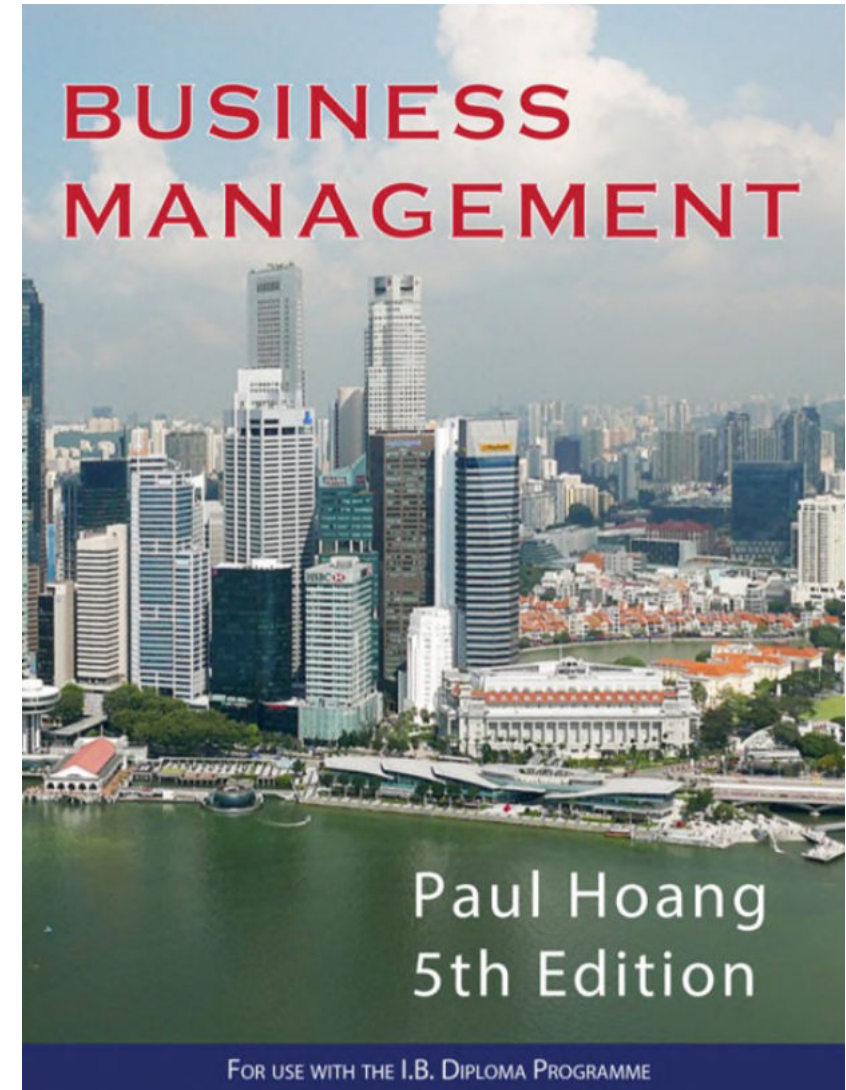


- Ethical standards differ between countries.
- What is acceptable in one country may not be acceptable in another.
- An example of this can be seen by Jo Malone London's advertising in China from 2020.

Approaches to learning

- Hoang textbook
- Activity 34.3 *Research skills*
- Activity 34.4 *Research skills*
 - Page 471

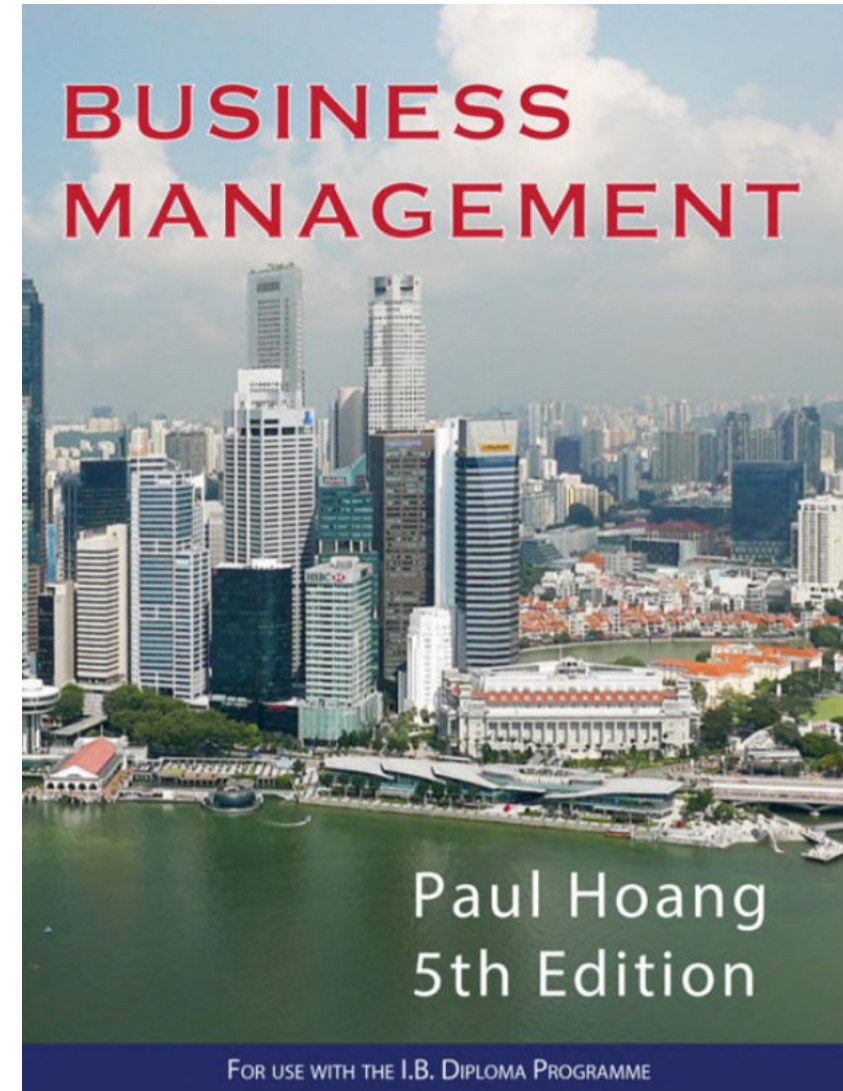
BUSINESS MANAGEMENT



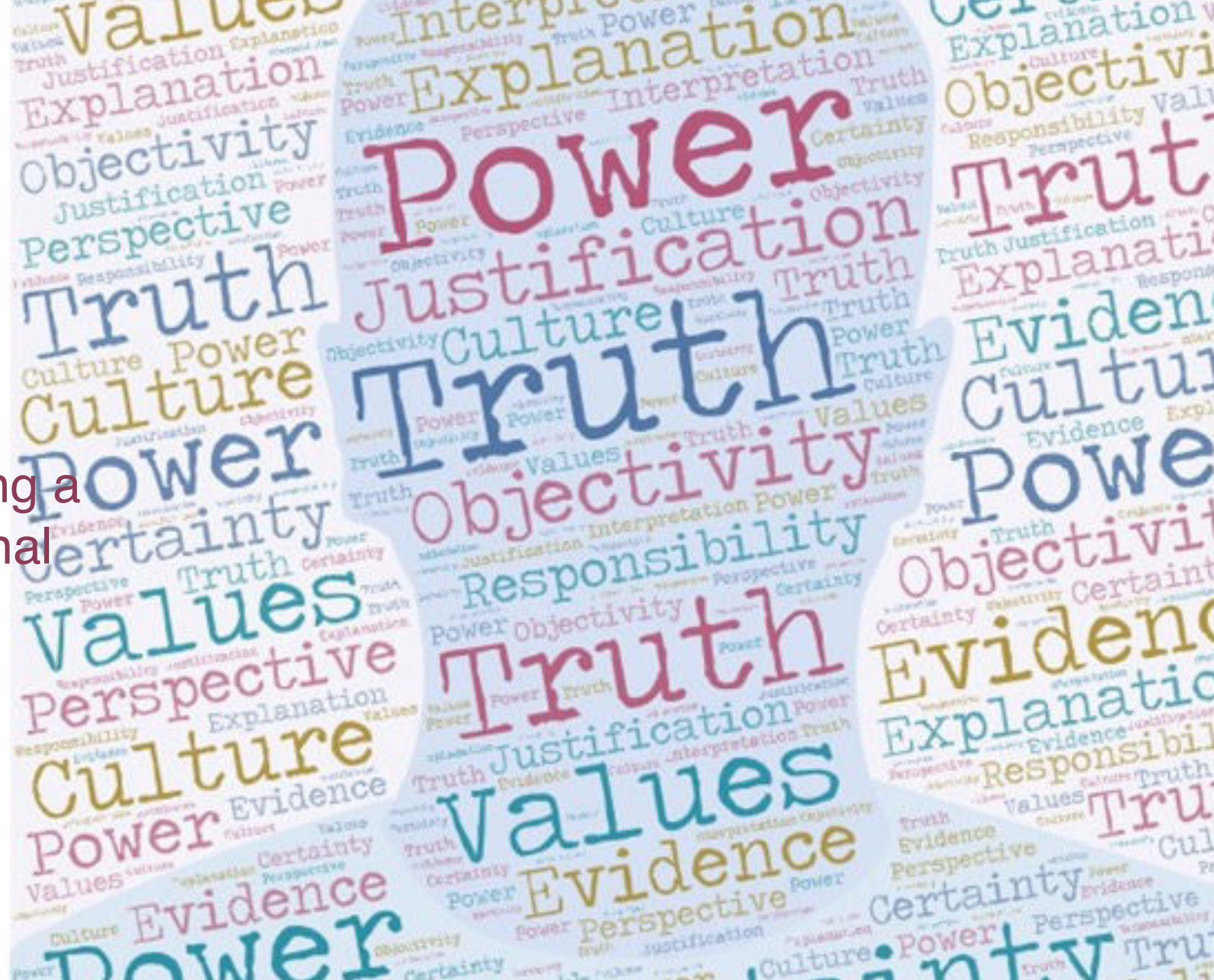
Over to you

- Hoang textbook
- Question 34.3 *Colgate-Palmolive*
 - Page 471
- Question 34.4 *McDonald's*
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- Answer all parts

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Discuss the role of language in marketing a product in international markets.





Over to you

- Hoang textbook
- *Review Questions*
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