

Unit 5 Marketing

5.2 Segmentation

Location – Businesses segment by location because of differing needs and varying climates.

Income – Businesses segment by income, because low income and high income customers will demand different products.

Gender – Businesses segment by gender because of the differing needs e.g perfume and aftershave.

Age – Businesses segment by age because different ages have differing preferences.

Segmentation is used to group customers into specific target groups to enable needs to be met.

Helps improve competitiveness

Provide a product or service that customers will buy.

Avoids costly mistakes

Qualitative Research
This is market research based on opinions, focus groups is an example of qualitative research. It is difficult to analyse.

Quantitative Research – This is based on figures and numbers and can be easily analysed. Questionnaire results can be easily put into charts.

5.1 Identifying and understanding customers

Increases sales

Important to select the correct marketing mix

Reasons for conducting market research

- Demand
- Competition
- Find out target market..

Primary market research

- Specific to the business
- Expensive and time consuming
- Questionnaires - Ask a large sample quickly and this can be easily analysed. No quality opinions just facts of information.
- Interviews - One to one, so can ask further questions for clarity but very time consuming.
- Focus groups - A small group (normally target market) giving their opinions on the product or service. You receive specific quality opinions but the sample size is small..

Secondary market research

- Research that has already been conducted that is not specific for the businesses needs.
- It is cheaper than primary research and quick
 - It isn't specific for the business
 - Newspaper / printed press – Cheap and can look for trends or competitors marketing. All competitors have access to it.
 - Internet research– This is helpful to research competitors, view data and trends. A quick search may bring up useful information. However there are masses of information online and finding the information you require may be difficult and it isn't specific for your business.

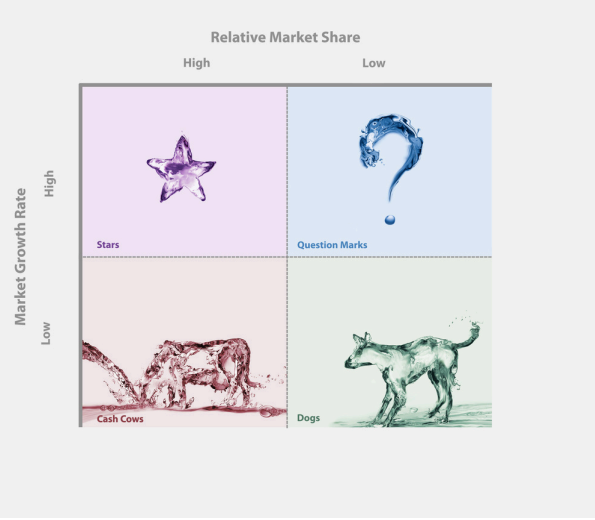
Boston Matrix – A marketing tool to establish where the businesses products are in terms of market share and market growth.

Star – High market growth & high market share. A successful product.

Cash cow – Low market growth & high market share, a stable established product.

Dog – Low market share and low market growth, the business may decide to stop production.

Question mark – Low market share and high market growth. The business may invest or slightly change to make it a star.



Different channels of distribution

Retailers – These are stores that sell the products for the manufacturer. This means that more products reach the customer quickly but profit margins are reduced.

Wholesalers – This is a business that buys products in bulk and sells to retailers. If a business uses a wholesaler it means they are able to sell large quantities quickly but profit margins are reduced.

Telesales – This is selling products over the telephone. This means the business can directly sell to the customer without having the cost of retail stores. However some customers may find the calls annoying.

E-commerce – Directly selling using electronic devices. Advantages, access to a large international market but competition is high and you need to update online stores.

M-commerce is directly selling online using a mobile device.

Advertising

Newspapers – Good for local businesses but they are outdated.

Television – Good for mass market products but it is very expensive.

Internet – Normally low cost but sometimes you have no control over reviews.

Billboards – Large, eye catching displays but normally only one location.

PR

2for1, point of sale, competitions & coupons.

Sponsorship – Where a business pays to support an event, team or individual, in return for promotion.

Social media – This is low cost, target specifically but you are open to reviews.

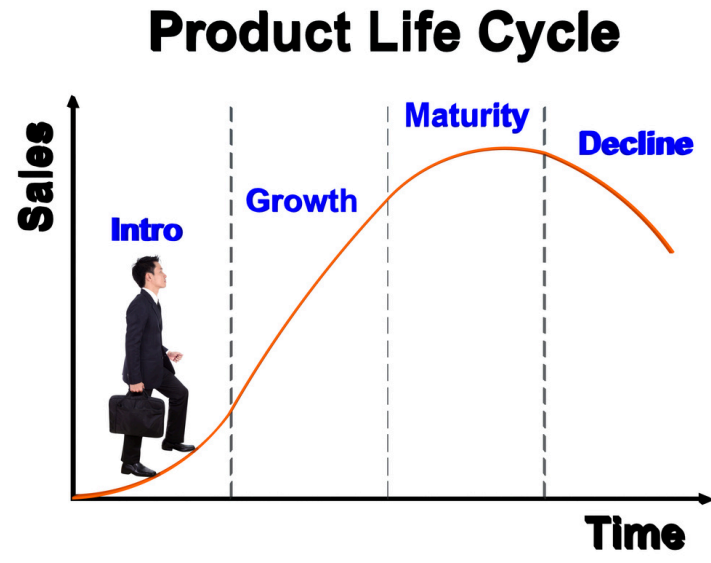
Research & Development – This is the first stage of the product life cycle and there is no revenue coming in.

Introduction – The product is introduced, marketing costs are high and sales are low.

Growth – Rapid increase in sales

Maturity – Sales reach their highest level and the market becomes saturated.

Decline – Falling sales and decreasing profits, extension strategies needed.



Extension strategies

Update packaging – To help the product look more appealing.

Add new features – To help it be more competitive.

Changing target market – To widen the market.

Advertising – To improve awareness.

Price reduction – To improve value.

USP

Having a unique selling point to distinguish your brand is very important to help with competitiveness.

Price

Price skimming – Introduces the product at a high price e.g. apple – Helps recuperate R&D costs but the initial high price is out of reach for many customers and many will wait.

Price Penetration – Introduces a product at an introductory price e.g. Amazon prime. This helps gain customers quick but they may go to competitors once price increases.

Competitive pricing – Charging similar to competitors. This helps you remain competitive but doesn't take into account costs.

Loss leader – Charging a lower price than production costs, this is a strategy to sell old stock or a marketing strategy to get customers into your business.

Cost-plus pricing – This strategy takes into account the cost and adds a % on for the price. The business is guaranteed a profit but it isn't taking into account competitors.



Factors influencing choice of supplier

- Finance
- Competitor actions
- The type of product / service
- Target market
- Nature of market

Factors that influence price

- Costs
- Nature of the market
- Competition
- Product life cycle