Chapter 16. Marketing Strategy

1• Marketing Strategy is the plan of action to promote and sell a product or service

This includes combining the 4 elements of the marketing mix (Product, Place, Price, Promotion) to achieve a marketing objective, which could include:

o Increasing the sales:

▪ Of existing products (i.e. by selling in new market)

▪ Of a new product Increase market share/maintain market share

• The different elements of the marketing mix are very important to influence customer decisions.

• For example: A product is made, priced reasonably, and meets the consumer needs, but there is no promotional element. No one will buy it because people don't know about its existence

• Or if a product is made that doesn't meet consumer needs, so it won't sell regardless of the price set

• It is crucial to have all elements working together in order to influence consumer decisions (buying the product)

2 Legal Controls in Marketing

• There are many laws in different countries to protect consumers from businesses taking advantage of their lack of knowledge or lack product information

• These legal controls include

Weights & measures – Businesses can't sell underweight goods (e.g. chocolate bar containing less chocolate than advertised)

o 'Trade Descriptions' - Businesses are not allowed to give consumers misleading information on purpose

(i.e. saying that a shirt is made out of silk when it is made out of cotton)

Sale of goods – Businesses can't sell products that are faulty or doesn't work like it is advertised.

(i.e. Waterproof shoes that aren't waterproof)

o A service must be provided with at-least satisfactory skill and care

o Businesses cannot have misleading pricing claims(i.e. 50% off today, when yesterday it was the same price)

o A business is responsible for any damage/harm that a faulty (or dangerous) product might do to a consumer

o Customers have 7 days in which they can change their minds about purchasing a good or service. This applies to any transaction made over distance (i.e. .online)

3 Entering New Markets Abroad

Why businesses enter new markets abroad?

Low trade barriers – low trade barrier allows businesses to easily and profitably trade between countries.

Home markets are saturated – demand for the product are no longer growing the country.

Other countries developing – New markets opens up abroad as other countries become more developed.

The globalization of businesses has been increasing over the years.

What are the problems that businesses face when entering a new market?

High transport costs – increased costs as businesses have to pay to ship products abroad.

Lack of knowledge – Company X may not know consumer habits in the country they are expanding to. (e.g. where consumers like to shop)

Trade barriers – Countries may have trade barriers to protect local businesses, this may make importing products less profitable for the business.

Exchange rate changes – Exchange rates can change which may mean cost of importing products may become more expensive.

Cultural differences: for example, alcohol won't sell well in middle east

What are the Ways for businesses to overcome the problems of entering new markets abroad?

Joint ventures – A joint venture can be created between a business in country X and another business in country Y, this means that business X can gain information from business Y.

International franchising – An example of this is McDonald's a US company can sell its franchise to a franchisor in China with local knowledge.

Licensing – Business in country X can sell the license of their product to a business in country Y, This can avoid transport costs and trade barriers