GRADE 9
BUSINESS STUDIES
MARKETING MIX-PRODUCT

Marketing mix refers to the different elements involved in the marketing of a good or service- the 4 P's- **Product, Price, Promotion and Place**.

Product

Product is the **good or service being produced and sold in the market**. This includes all the features of the product as well as its final packaging.

Types of products include: consumer goods, consumer services, producer goods, producer services.

<u>What makes a successful product?</u>

- It satisfies existing needs and wants of the customers
- It is able to stimulate new wants from the consumers
- Its design – performance, reliability, quality etc. should all be consistent with the product's brand image
- It is distinctive from its competitors and stands out
- It is not too expensive to produce, and the price will be able to cover the costs

New Product Development: development of a new product by a business. The process:

1. **Generate ideas:** the firm brainstorms new product concepts, using customer suggestions, competitors' products, employees' ideas, sales department data and the information provided by the research and development department
2. **Select the best ideas for further research:** the firm decides which ideas to abandon and which to research further. If the product is too costly or may not sell well, it will be abandoned
3. **Decide if the firm will be able to sell enough units for the product to be a success:** this research includes looking into forecast sales, size of market share, cost-benefit analysis etc. for each product idea, undertaken by the marketing department
4. **Develop a prototype:** by making a prototype of the new product, the operations department can see how the product can be manufactured, any problems arising from it and how to fix them. Computer simulations are usually used to produce 3D prototypes on screen
5. **Test launch:** the developed product is sold to one section of the market to see how well it sells, before producing more, and to identify what changes need to be made to increase sales. Today a lot of digital products like apps and software run beta versions, which is basically a market test
6. **Full launch of the product:** the product is launched to the entire market

Advantages of New Product Development

- Can create a **Unique Selling Point** (USP) by developing a new innovative product for the first time in the market. This USP can be used to charge a high price for the product as well as be used in advertising.
- Charge higher prices for new products (price skimming as explained later)
- Increase potential sales, revenue and profit
- Helps spreads risks because having more products mean that even if one fails, the other will keep generating a profit for the company

Disadvantages of New Product Development

- Market research is expensive and time consuming
- Investment can be very expensive

Why is **brand image** important?

Brand image is an identity given to a product that differentiates it from competitors' products.

Brand loyalty is the tendency of customers to keep buying the same brand continuously instead of switching over to competitors' products.

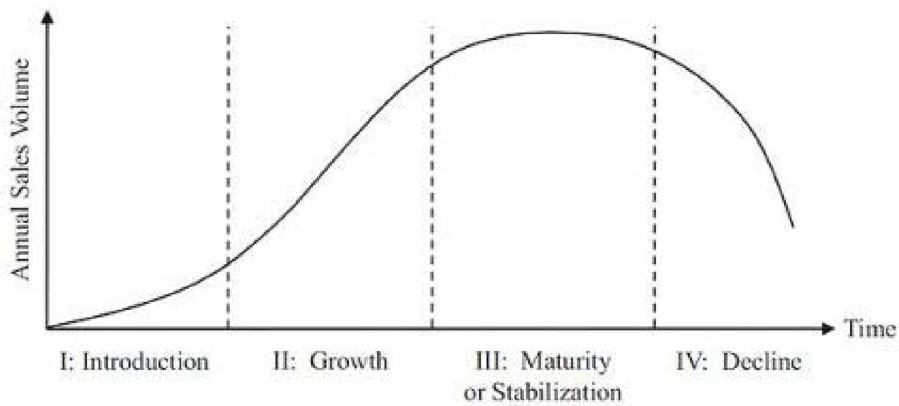
- Consumers **recognize the firm's product more easily** when looking at similar products- helps differentiate the company's product from another.
- Their product can be **charged higher** than less well-known brands – if there is an established high brand image, then it is easier to charge high prices because customers will buy it nonetheless.
- **Easier to launch new products** into the market if the brand image is already established. Apple is one such company- their brand image is so reputed that new products that they launch now become an immediate success.

Why is **packaging** important?

- It protects the product
- It provide information about the product (its ingredients, price, manufacturing and expiry dates etc.)
- To help consumers recognize the product (the brand name and logo on the packaging will help identify what product it is)
- It keeps the product fresh

Product Life Cycle (PLC)

The product life cycle refers to the stages a product goes through from it's introduction to it's retirement in terms of sales.



At these different stages, the product will need different marketing decisions/strategies in terms of the 4Ps.

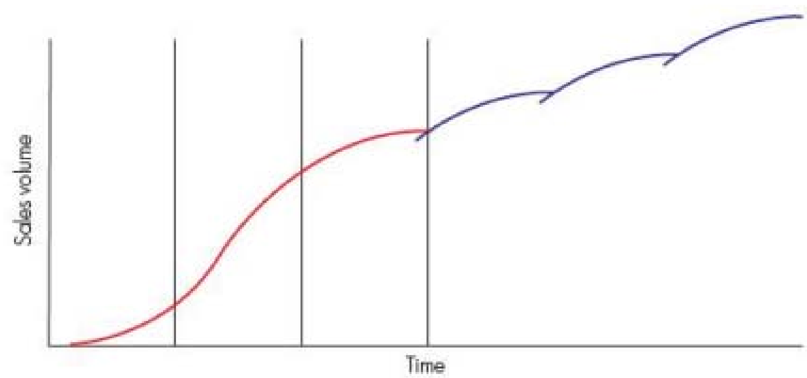
	Introduction	Growth	Maturity	Decline
Product	Only a basic model of the product is available	Changes might be made to the product as a result of feedback from consumers	Extension strategies might be used to maintain sales	The product and packaging is not altered
Price	Price skimming is unique new product; market penetration pricing otherwise	Pricing may be adjusted- lower prices to attract more sales or keep a high price to maintain brand image	Competitive pricing to maintain sales	The price might be reduced – promotional selling to maintain sales
Promotion	High advertising activity to boost customer awareness	Promotional activity still high to continue persuading customers	Promotional activities are aimed at reminding the customers that the products are still available	Advertise the products at a lower price
Place	The product may be offered for sale in specially selected outlets	The product is more widely available, which helps to increase sales	The product is available for purchase through a wide distribution network	The product is only available in profitable outlets

Extension strategies: marketing techniques used to extend the maturity stage of a product (to keep the product in the market):

- Finding new markets for the product

- Finding new uses for the product
- Redesigning the product or the packaging to improve its appeal to consumers
- Increasing advertising and other promotional activities

The effect on the PLC of a product of a successful extension strategy:



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BUSINESS STUDIES

MARKETING MIX-PRICE

Price is the amount of money producers are willing to sell or consumer are willing to buy the product for.

Different methods of pricing:

- **Market skimming:** Setting a high price for a new product that is unique or very different from other products on the market.

Advantages:

  - Profit earned is very high
  - Helps recover/compensate research and development costs

Disadvantage:

  - It may backfire if competitors produce similar products at a lower price

- **Penetration pricing:** Setting a very low price to attract customers to buy a new product

Advantages:

  - Attracts customers more quickly
  - Can increase market share quickly

Disadvantages:

  - Low revenue due to lower prices
  - Cannot recover development costs quickly

- **Competitive pricing:** Setting a price similar to that of competitors' products which are already available in the market

Advantage:

  - Business can compete on other matters such as service and quality

Disadvantage:

  - Still need to find ways of competing to attract sales.

- **Cost plus pricing:** Setting price by adding a fixed amount to the cost of making the product

Advantages:

- Quick and easy to work out the price
- Makes sure that the price covers all of the costs

Disadvantage:

- Price might be set higher than competitors or more than customers are willing to pay, which reduces sales and profits

- **Loss leader pricing/Promotional pricing:** Setting the price of a few products at below cost to attract customers into the shop in the hope that they will buy other products as well

Advantages:

- Helps to sell off unwanted stock before it becomes out of date
- A good way of increasing short term sales and market share

Disadvantage:

- Revenue on each item is lower so profits may also be lower

Factors that affect what pricing method should be used:

- Is it a **new or existing** product?
  If it's new, then price skimming or penetration pricing will be most suitable. If it's an existing product, competitive pricing or promotional pricing will be appropriate.
- Is the product **unique?**
  If yes, then price skimming will be beneficial, otherwise competitive or promotional pricing.
- Is there a lot of **competition** in the market?
  If yes, competitive pricing will need to be used.
- Does the business have a **well-known brand image?**
  If yes, price skimming will be highly successful.
- What are the **costs** of producing and supplying the product?
  If there are high costs, costs plus pricing will be needed to cover the costs. If costs are low, market penetration and promotional pricing will be appropriate.
- What are the **marketing objectives** of the business?
  If the business objective is to quickly gain a market share and customer base, then penetration pricing could be used. If the objective is to simply maintain sales, competitive pricing will be appropriate.

Price Elasticity

The PED of a product refers to **the responsiveness of the quantity demanded for it to changes in its price.**

PED (of a product) = % change in quantity demanded / % change in price

When the PED is >1, that is there is a higher % change in demand in response to a change in price, the PED is said to be **elastic**.

When the PED is <1, that is there is a lower % change in demand in response to a change in price, the PED is said to be **inelastic**.
Producers can calculate the PED of their product and take suitable action to make the product more profitable.

If the product is found to **have an elastic demand, the producer can lower prices to increase profitability.** The law of demand states that a fall in price increases the demand. And since it is an elastic product (change in demand is higher than change in price), the demand of the product will increase highly. The producers get more profit.
If the product is found to **have an inelastic demand, the producer can raise prices to increase profitability.** Since quantity demanded wouldn't fall much as it is inelastic, the high prices will make way for higher revenue and thus higher profits.

BUSINESS STUDIES
MARKETING MIX-PLACE

Place refers to how the product is distributed from the producer to the final consumer. There are different distribution channels that a product can be sold through.

Distribution Channel	Explanation	Advantages	Disadvantages
Manufacturer to Consumer	The product is sold to the consumer straight from the manufacturer. A good example is a factory outlet where products directly arrive at their own shop from the factory and are sold to customers.	– All of the profit is earned by the producer – The producer controls all parts of the marketing mix – Quickest method of getting the product to the consumer	– Delivery costs may be high if there are customers over a wide area – All storage costs must be paid for by the producer – All promotional activities must be carried out and financed by the producer
Manufacturer to Retailer to Consumer	The manufacturer will sell its products to a retailer (who will have stocks of products from other manufacturers as well) who will then sell them to customers who visit the shop. For example, brands like Sony, Canon and Panasonic sell their products to various retailers.	– The cost of holding inventories of the product is paid by the retailer – The retailer will pay for advertising and other promotional activities – Retailers are more conveniently located for consumers	– The retailer takes some of the profit away from the producer – The producer loses some control of the marketing mix – The producer must pay for delivery of products to the retailers – Retailers usually sell

			competitors' products as well
Manufacturer to Wholesaler to Retailer to Consumer	The manufacturer will sell large volumes of its products to a wholesaler (wholesalers will have stocks from different manufacturers). Retailer will buy small quantities of the product from the wholesaler and sell it to the consumers. One good example is the distribution of medicinal drugs.	– Wholesalers will advertise and promote the product to retailers – Wholesalers pay for transport and storage costs	– Another middleman is added so more profit is taken away from the producer – The producer loses even more control of the marketing mix
Manufacturer to Agent to Wholesaler to Retailer to Consumer	The manufacturer will sell their products to an agent who has specialized information about the market and will know the best wholesalers to sell them to. This is common when firms are exporting their products to a foreign country. They will need a knowledgeable agent to take care of the products' distribution in another country	– The agent has specialised knowledge of the market	– Another middleman is added so even more profit is taken away from the producer

What affects place decisions?

- **The type of product it is:** if it's sold to producers of other goods, distribution would either be direct (specialist machinery) or wholesaler (nuts, bolts, screws etc.).
- **The technicality of the product:** as lots of technical information needs to be passed to the customer, direct selling is usually preferred.
- **How often the product is purchased:** if the product is bought on a daily basis, it should be sold through retail stores that customers can easily access.

- **The price of the product:** if the products is an expensive, luxury good, it would only be sold through a few specialist, high-end outlets For example, luxury watches and jewellery.
- **The durability of the product:** if it's an easily perishable product like fruits, it will need to be sold through a wide amount of retailers to be sold quickly.
- **Location of customers:** the products should be easily accessible by its customers. If customers are located over the world, e-commerce (explained below) will be required.
- **Where competitors sell their product:** in order to directly compete with competitors, the products need to be sold where competitors are selling too.

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BUSINESS STUDIES
MARKETING MIX-PROMOTION

Promotion: marketing activities used to communicate with customers and potential customers to inform and persuade them to buy a business's products.
Aims of promotion:

- Inform customers about a new product
- Persuade customers to buy the product
- Create a brand image
- Increase sales and market share

<u>Types of promotion</u>

- **Advertising:** Paid-for communication with consumers which uses printed and visual media like television, radio, newspapers, magazines, billboards, flyers, cinema etc. This can be informative (create product awareness) or persuasive (persuade consumers to buy the product). The process of advertising:

- **Sales Promotion**: using techniques such as 'buy one get one free', occasional price reductions, free after-sales services, gifts, competitions, point-of–sale displays (a special display stand for a product in a shop), free samples etc. to encourage sales.
- **Below-the-line promotion:** promotion that is not paid for communication but uses incentives to encourage consumers to buy. Incentives include money-off coupons or vouchers, loyalty reward schemes, competitions and games with cash or other prizes.
- **Personal selling:** sales staff communicate directly with consumer to achieve a sale and form a long-term relationship between the firm and consumer.
- **Direct mail:** also known as mailshots, printed materials like flyers, newsletters and brochures which are sent directly to the addresses of customers.
- **Sponsorship:** payment by a business to have its name or products associated with a particular event. For example Emirates is Spanish football club Real Madrid's jersey sponsor- Emirates pays the club to be its sponsor and gains a high customer awareness and brand image in return.

<u>What affects promotional decisions?</u>

- **Stage of product on the PLC:** different stages of the PLC will require different promotional strategies; see above.
- **The nature of the product**: If it's a consumer good, a firm could use persuasive advertising and use billboards and TV commercials. Producer goods would have bulk-buy-discounts to encourage more sales. The kind of product it is can affect the type of advertising, the media of advertising and the method of sales promotion.
- **The nature of the target market**: a local market would only need small amounts of advertising while national markets will need TV and billboard

advertising. If the product is sold to a mass market, extensive advertising would be needed. But niche market products such as water skis would only need advertising in special sports and lifestyle magazines.

- **Cost-effectiveness:** the amount of money put into promotion (out of the total marketing budget) should be not too much that it fails to bring in the sales revenue enough to cover those costs at least. Promotional activities are highly dependent on the budget.

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BUSINESS STUDIES

Technology and the Marketing Mix

1. **What is e-commerce?**
   E-Commerce is the use of the internet and other technologies used by businesses to market and sell goods and services to customers. Examples of e-commerce include online shopping, internet banking, online ticket-booking, online hotel reservations etc. Websites like Amazon and e-Bay act as online retailers.
2. **What are the benefits to a business of advertising on social media networking sites such as Facebook?**
   - Target customers will see the advert when they go on Facebook.
   - Speed in response to market changes.
   - Cheap to use
   - Targets specific demographic groups who will share products information through viral marketing.
   - Reach groups that are difficult to reach any other way.

3. **What are the disadvantages to a business of advertising on social media networking sites such as Facebook?**
   - Business have to pay for advertising if using pop-ups.
   - Potential customers may not use social media networks.
   - Lack of control of advertising if used by others.
   - Messages may be altered or use in bad way.

4. **What are the benefits to a business of advertising its own websites?**

- No extra cost if own website is already set up.
- Control on advertising as it is your own site.
- Can change advert quickly.
- Can provide more information in advert.
- Interactive adverts can be more attractive than those in other forms of advertising media such as magazines and posters.
- Attracts funds/payments from companies that want to advertise or be associated or linked with your website.

5.What are the disadvantages to a business of advertising its own websites?

- Potential customers may not see the website as the page may come up in a long list of results when using a search engine such as google.
- Relies on customer finding the website.
- Design cost of the website may be high.

6. **The opportunities and threats of e-commerce to a BUSINESS include:**

Opportunities	Threats
Low-cost promotion: websites are cheap to run and can promote worldwide	• Transport costs per product sold are higher than sending all to retailer
Everything can be automated (orders are received and sent to warehouse to dispatch)	• No direct contact with customers – less feedback
Businesses can buy from other businesses (materials/supplies)	Website design may be expensive. It will often need to be updated which will lead to further cost.
Selling online make s dynamic pricing much easier for business.	With so many businesses now offering e-commerce websites, competition between business is very high.
	Although fewer shops may be needed , a large warehouse and efficient inventory control system are essential to fulfil consumers orders accurately and efficiently.
	In many countries consumers have legal right to return goods bought through e-commerce. Returns can add to business cost.
	Not suitable for businesses that sell personal services.

7.**Opportunities & threats of e-commerce to CONSUMERS**

Opportunities	threats
• Don't need to leave house to buy products, shipped straight home	Need access to internet (poorer countries don't have good access to web)
• Easy to compare different prices from different stores and buy cheapest	• slow servers or websites or computer failures can frustrate customers
• Payment is very easy through credit/debit card	• products cannot be seen/touched/tried on (i.e. shoes) and returning products is inconvenient
• Can view and buy products from abroad, would be impossible without	• Some people are worried about identity theft or credit card fraud by entering their details onto a website
Competition of ecommerce makes prices much cheaper for consumers	

GRADE -9
BUSINESS STUDIES
Chapter 17. Marketing Strategy

1. What is marketing strategy?

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:

Increasing the sales:

- Of existing products (i.e., by selling in new market)
- Of a new product

Increase market share/maintain market share.

2. Why different elements of marketing mix are important?

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)

3. **Explain 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 of product information. These legal controls include

- laws that protect consumers from being sold faulty and dangerous 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). A business is responsible for any damage/harm that a faulty (or dangerous) product might do to a consumer
- laws that protect consumers from being exploited in industries where there is little or no competition, known as monopolising.
- Weights & measures – Businesses can't sell underweight goods (e.g., chocolate bar containing less chocolate than advertised).

- ‘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)

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

- 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)

4.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 is 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.

5.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.

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.

Difference in language and culture: It may be difficult to communicate with people in other countries because of language barriers and as for culture, different images, colours and symbols have different meanings and importance in different places. For example, McDonald’s had to make its menu more vegetarian in Indian markets

Lack of market knowledge: The business won’t know much about the market it is entering and the customers won’t be familiar with the new business brand, and so getting established in the market will be difficult and expensive

Economic differences: The cost and prices may be lower or higher in different countries so businesses may not be able to sell the product at the price which will give them a profit.

Social differences: Different people will have different needs and wants from people in other countries, and so the product may not be successful in all countries.

Difference in legal controls to protect consumers: The business may have to spend more money on producing the products in a way that complies with that country’s laws.

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

Joint ventures: an agreement between two or more businesses to work together on a project. The foreign business will work with a domestic business in the same industry. E.g.: Japan's Suzuki Motor Corporation created a joint venture with India's Maruti Udyog Limited to form Maruti Suzuki, a highly

successful car manufacturing project in India.

International franchising – the owner of a business (the franchisor) grants a licence to another person or business (the franchisee) to use their business idea – often in a specific geographical area. Fast food companies such as McDonald's and Subway operate around the globe through lots of franchises in different countries.

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.

7**. What are the advantages of Joint venture?**

- Reduces risks and cuts costs
- Each business brings different expertise to the joint venture
- The market potential for all the businesses in the joint venture is increased
- Market and product knowledge can be shared to the benefit of the businesses.

8**. What are the disadvantages of Joint venture?**

- Any mistakes made will reflect on all parties in the joint venture, which may damage their reputations
- The decision-making process may be ineffective due to different business culture or different styles of leadership.

9**. What are the advantages of franchise business to a franchisor?**

- Gets an income from franchisee in the form of franchise fees and royalties.
- Franchisee will better understand the local tastes and so can advertise and sell appropriately.
- Can access ideas and suggestions from franchisee.
- Franchisee will run the operations.

10**. What are the disadvantages of franchise business to a franchisor?**

- Profits from the franchise needs to be shared with the franchisee.
- Loss of control over running of business.
- If one franchise fails, it can affect the reputation of the entire brand.
- Franchisee may not be as skilled.
- Need to supply raw material/product and provide support and training.

11. **What are the advantages of franchise business to a franchisee?**

- Working with an established brand means chance of business failing is low.
- Franchisor will give technical and managerial support.

- Franchisor will supply the raw materials/products

12**. What are the disadvantages of franchise business to a franchisee?**

- Cost of setting up business.
- No full control over business- need to strictly follow franchisor's standards and rules.
- Profits have to be shared with franchisor.
- Need to pay franchisor franchise fees and royalties.
- Need to advertise and promote the business in the region themselves.