**Businesses and their Customers**

**The Marketing Mix**

**What is the marketing mix?**

The marketing mix consists of four important factors needed to market a product or service successfully. All of the factors begin with P - product, price, promotion and place - and so they are known collectively as the 4Ps. The 4 factors of the marketing mix combine to help the business sell as many of their products as possible.

A successful marketing mix will:

* Sell a good **product** that satisfies a customer’s needs.
* At the right **price** which customers are willing to pay and which makes a profit for the business.
* In the right **place** to allow a customer to access it.
* With effective **promotion** which informs and persuades the customer to buy.

Businesses MUST make sure they get their **Marketing Mix** right if they are to succeed. If they get just one of the 4Ps wrong, the business is more likely to fail.

The marketing mix will differ from business to business, depending on the product or service being sold.

Some products rely on advertising to sell, others carry out little advertising, some products are sold locally and some globally.

##### Product

The product itself is often thought of as the most important of the 4Ps. Getting the product right is the basis of the whole marketing process. It is important that businesses develop and design a product or service which satisfies the customers’ needs or wants.

The main features that make up an attractive product include:

* Reliability- is it fit for the purpose for which it was designed and does it do the job well?
* Quality - is the product top of the range or budget?
* Design – how does the product look, its size, colour, weight and shape.
* Flavour – how does the product taste?
* Image—the product needs to create its own identity.
* Features – what can the product do?
* Packaging – shape, size and design.

##### Product range

Businesses will often offer a range of products and not just one, this is called the **product range**. Most businesses produce a range of products because different consumers want different products. A business can sell more and make more profit by satisfying different consumers’ wants by targeting different market segments.

##### Product mix

The product range is part of a company’s total **product mix**. Many businesses produce more than one type of product, for example drinks, foods and household cleaning products. The product mix is the complete range of items sold by the business.

##### Businesses and their Customers

1. **Explain the term ‘product range’.**
2. **Explain the term ‘product mix’.**
3. **Investigate a local business and identify and describe:**

**Business name:**

**Range of products and services:**

**Mix of products and services:**

**Explain why you think this business provides a range of different products:**

**Identify the different market segments this organisation is targeting with its products and services.**

**Businesses and their Customers**

**Product differentiation**

Product differentiation is used by businesses to make their products different from other products they sell and different from those offered by competitors. By altering the design, features, or some other aspect of their product, the business can target certain groups.

##### Packaging

Most products we buy have some sort of packaging so it is an essential part of the marketing mix.

##### Why is packaging needed?

Packaging has a number of important functions:

##### To protect and contain a product



The main purpose of packaging has always been to protect and contain a product. Packaging may protect the product from damage or keep it fresh and clean. Packaging may also be used to control the size of portions. Some packaging is designed to deter tampering, to ensure products reach the consumer in good condition.

##### Convenience

Packaging often enables products to be transported and displayed more easily. The shape and size of packaging is carefully designed to ensure products can be displayed effectively by retailers and easily used by consumers.

##### To provide information

Packaging is used to provide product information to consumers such as product ingredients, usage instructions and recycling details- some of which are required by law.

##### Branding and promoting the product

In a competitive market, branding and packaging are important. We instantly recognise products by the size, shape and colour of their packaging.

##### Businesses and their Customers

**Past Paper Examination Question- 2009 - Adapted**

**Simon Duffy and Rhodri Ferrier have set up their own business called Bulldog selling male toiletries.**

**The design of the packaging became important to the business.**

**Outline reasons why packaging is important in the selling of products by**

**businesses such as Bulldog. (4)**

**Businesses and their Customers**

**Branding**

A brand is a named product which:

* Customers see as being different from other products.
* Is easily recognised.
* Builds its image through the use of a recognisable name, logo and packaging.
* A business may be able to charge a higher price for the product.
* May develop a loyal following of customers who are willing to make repeat purchases.

An **own brand** is a product which is sold under the brand name of a supermarket chain or other retailer, rather than that of the manufacturer of the product. Own brands are usually cheaper than branded products.

Often own brand products are of a similar quality to that of branded products but can be sold for lower prices due to savings made in promotion and packaging costs.

##### Businesses and their Customers

**Past Paper Examination Question- 2013**

**The Virgin Group has created more than 300 branded products. The Virgin brand is very important to the business.**

**Why is the brand so important in the marketing of products? (4)**

**Businesses and their Customers**

**Price**

Marketing also involves getting the price right, so that the product is affordable to customers, but sold at a price that allows the business to make a profit.

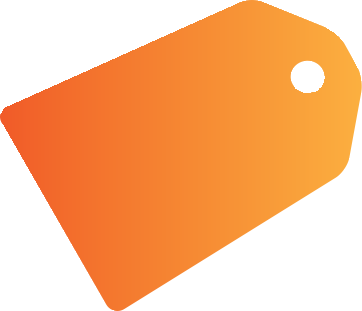
The price of the product must reflect the value the customers place on the product. Businesses want to sell at high prices, but consumers want to buy at low prices.

##### What should a business consider when deciding on a price?

When pricing their product businesses need to consider:

##### Cost-plus pricing

A business will charge a price based on the production costs and a mark-up to allow a profit to be made.



##### Market-led pricing

A business will charge a price based on an analysis of the market and consideration of the price customers are likely to be willing to pay. This information can be found out by market research.

A higher price may be charged for popular, high quality products. For products where there is a lot of competition in the market then the business must be careful and may need to lower their prices. Low prices also tend to be set for low quality products.

##### Competitive pricing

Considers what competitors charge. If the price for

the same goods is higher in one business than others, then customers are more likely to go elsewhere.

##### The role of demand and supply

The marketplace forces the price to be acceptable to buyers and sellers. If the price is too low there will be a high demand, as customers will be keen to buy the product so there will be fewer goods available. If the price is too high then customers will be unwilling to buy the product and the producers will find themselves with too many unsold goods.

Eventually, price comes to a point where businesses get what they want for goods and consumers pay the price they want to pay.

##### Businesses and their Customers

**Pricing strategies**

There are a number of ways businesses can price goods in order to increase sales, particularly when they are introducing new goods on to the market. These include:

##### Penetration pricing

Penetration pricing is the term used when a business charges a very low price for a product, in order to get lots of people interested and to build up brand loyalty. When the product has become established the business will

increase the price. A problem that may arise when the price is increased is that consumers may refuse to continue to buy the product.

Some good examples of the types of products that would benefit from the use of penetration pricing are chocolate bars and magazines, as the markets are so competitive.

##### Skimming/Creaming pricing

Skimming or creaming pricing is the opposite of penetration pricing and involves setting a high price when the product is introduced to the market, it will then be lowered later on. This strategy will result in high profits but not high sales and helps to make the product desirable. The idea is to introduce products as luxury goods; charging a high price for them so that only the wealthy or enthusiasts will buy them.

Eventually, the price drops after they have “skimmed” the market by taking off the top layer of consumers who have more money to spend. When the price drops the products become available to the mass market and attract a higher number of sales.

##### Loss leader pricing

Loss leader pricing is a strategy whereby a business sells a product at cost price, or at less than cost price in order to gain a share of the market. Such pricing is used by businesses to attract customers into their stores.

Loss leader pricing is also used by businesses who know that the product they sell will lead to the consumer having to make further, more expensive and profitable, purchases.

##### Discrimination pricing

Discrimination pricing is a strategy whereby businesses charge different prices to different customers for the same product. Discrimination pricing can be based on:

* Geography - different prices are charged in different regions of the country / world.
* Time - high prices can be charged at busy times.
* Age - people of different ages are charged different prices for the same product.
* Concessions by market - different prices are changed to different markets, for example consumers may be charged more than business customers.

##### Psychological pricing

Psychological pricing is a pricing method whereby the business wants the consumer to respond to their prices on an emotional, rather than rational, basis. Examples of psychological pricing are:

* The use of persuasive language when pricing, for example “only £1".
* The use of values which are slightly lower than a rounded figure, such as 99p or £995.

##### Businesses and their Customers



Decide which methods of pricing each of the following small businesses should use. Give reasons for your choices:



**A nail bar**

**A shop that makes cakes to order for special occasions**

**A taxi firm**



**Businesses and their Customers**

**Past Paper Examination Question- 2013**

**Evaluate ways in which the retailers of audio and video equipment can use pricing strategies to maintain the sales of their products. (10)**

**Businesses and their Customers**

**Promotion**

**What is promotion?**

Promotion is a type of communication used to inform the public of a product and persuade them to buy it. Promotion involves:

* Making the potential customer aware that there is a product for sale.
* Explaining what the product is.
* Making the potential customer aware of how the product will satisfy their needs.
* Persuading them to buy the product.

##### Promotional techniques

There are a number of methods or techniques a business can use to promote their products and services, including:

* Advertising
* Sales promotion
* Direct marketing

##### Businesses and their Customers

**Advertising**

Advertising includes any paid messages sent to customers about a business or its products.

Advertising is carried out through the media. There are many types of media that can be used, the most popular are:

##### Television advertising

Television advertising can reach millions of people in most households, it is very expensive both to book advertising slots and to create the advert. Television advertising is generally used by larger businesses. Smaller businesses may be limited to advertising during off-peak time slots that tend to be cheaper due to lower viewing figures.

The use of music, famous personalities, colour, humour and appealing scenery makes television

advertising very effective.

##### Radio advertising

Radio advertising is cheaper than that on television, but is a very effective advertising medium. Radio advertising can use sounds and music to appeal to the audience. The audiences are smaller than the main television channels, although there are many commercial radio stations that are aimed at specific audiences, allowing advertisers to target a particular market.

There are many regional radio stations - this suits local businesses as they can afford the advertising and target their local customers.

##### Newspaper advertising

Newspaper advertising accounts for a quarter of all expenditure on advertising in the UK. There are several different types of newspapers:

* National newspapers
* Local newspapers
* Free newspapers

Advertising in a national newspaper can be very expensive, costing up to tens of thousands of pounds for a full page advert. However, local newspapers are fairly cheap in comparison, costing hundreds of pounds.

The cheapest form of advertising in newspapers is classified advertising. Free newspapers are very good for small businesses with low advertising budgets. Free newspapers make their money from advertising revenue; the bigger their readership, the more they can charge businesses to advertise.

##### Businesses and their Customers

**Magazines**

Magazines may be weekly or monthly, and are even more effective than newspapers at targeting consumers. Particular magazines appeal to particular segments of the market.

Adverts can be placed in the most popular mass-circulation magazines in order to reach the widest possible audiences. A further advantage is that magazines tend to be kept longer than newspapers – just think of your dentist’s waiting room!

##### Posters and Billboards

Posters and billboards have a very high visual impact and can stay in place for a long time, being seen daily by a large number of people. However, billboards are often near roads and drivers only see them for a few seconds, therefore they cannot contain much information.

The use of striking images and short catchy slogans are very important design considerations. Posters and billboards are also vulnerable to wind, rain and graffiti. Outdoor advertising, particularly billboard advertising can be very expensive. Small local businesses tend to advertise using posters in their local area.

##### Transport

Transport is an effective way to advertise, at bus and railway stations and on the sides of vehicles etc. Advertising is also prominent on racing cars.

##### Cinemas

Cinema provides a platform for businesses to produce effective adverts, with high impact. Businesses can target certain types of films. Cinema advertising provides a captive audience. Cinema advertisements can be longer versions of television advertisements or they may even advertise products that are not allowed to be advertised on television. There are cinema slots available for local businesses.

##### Leaflets and flyers

Leaflets and flyers are cheap to produce and distribute, they are used by small businesses because of their low cost and can be targeted at specific groups.

##### Direct or junk mail

Direct or junk mail involves sending advertising leaflets or letters directly to households or businesses through the post. It is a way of targeting particular customers.

Many businesses now keep databases of customer details to enable them to contact them directly and this allows direct mail to be personalised.

##### Businesses and their Customers

**Online advertising**

Online advertising on websites has rapidly grown to become a major medium of choice for businesses. There are many different types of online advertising including:

* Adverts on search engine results pages
* Pop-ups
* Adverts on social networking sites
* Directly to email, often called spam

Internet advertising is relatively cheap and is effective at reaching specific target groups searching for a particular site.

There is clearly a wide range of advertising methods available to businesses, but they should consider the aim of the advert, its target audience and the cost of producing and distributing the advertisement.

##### Businesses and their Customers

Complete the table below by assessing each of the advertising media. You will need to consider:

##### Cost Target market Reach Effectiveness

|  |  |  |
| --- | --- | --- |
|  | **Advantages** | **Disadvantages** |
| **Television** |  |  |
| **Radio** |  |  |
| **National Newspapers** |  |  |
| **Local Newspapers** |  |  |
| **Website** |  |  |
| **Leaflet** |  |  |
| **Posters** |  |  |

**Businesses and their Customers**

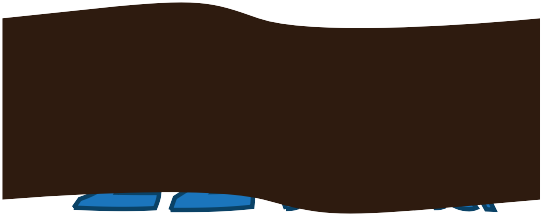
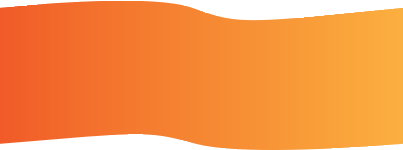
**Sales promotion**

Sales promotion is an attempt to give a short-term boost to sales and there are many methods a business can use:

##### Buy one get one free (BOGOF)

A method of promotion used by many businesses, for a range of products.

##### Discounts



A good way to get people to notice a product is to provide money off deals using coupons or seasonal sales.

##### Better value

Better value offers are very popular and include increasing the quantity of the product sold for the same price.

##### Competitions

Businesses offer prizes in competitions to encourage the customer to buy the product.

##### Free gifts

Free gifts may be given when a product is bought. It may make the product more appealing, for example a magazine with a free nail varnish.

##### Customer loyalty cards

Customers collect points every time they make a purchase and are rewarded with money off deals or cash coupons. Loyalty cards are meant to ensure that customers will keep returning to the same store.

##### Product trials

Product trials are often used in supermarkets, frequently for foods and drinks, in an attempt to attract new customers who may not have tried the product before. A product trial may involve the business setting up a small stall in the store and inviting customers to try their products for free.

Another example of a product trial would be a prospective car buyer being taken out for a test-drive.

##### Point of sale material

Point of sale material is promotion that takes place where the product is sold. Manufacturers will provide posters, leaflets and displays to retailers to promote the product. There may be large displays in prominent places in shops to help sell the product.

##### Businesses and their Customers

**Direct marketing**

A business can profile customers and build up a database of information that they can then use to directly target specific groups who may be attracted to their products or services. Direct marketing usually involves sending advertising leaflets through the post - it is usually referred to as direct mail. The Internet and email are also used by many businesses to target potential customers.

##### Match the words to the correct definition.

**Promotion Direct Mail Advertising Sales Promotion**

**A method of promotion which aims to give a short term boost to sales e.g. BOGOF.**

**A paid-for form of communication used to provide information or persuade an audience using the media.**

**A method of promotion which involves targeting particular customers through sending advertising leaflets through the post.**

**Type of communication used to inform the public about a product and persuade them to buy it.**

**Businesses and their Customers**

Identify which business is most likely to use each method of promotion, a small sole trader business with a low marketing budget, or a large PLC with a high marketing budget.

**Daily television advertisements**

**Sponsorship of the local under 16 football team**

##### Sole Trader PLC

**Sole Trader PLC**

**Weekly advertisements in the local evening newspaper**

**A national cinema advertising campaign**

**Sole Trade PLC**

**Sole Trader PLC**

**Door-to-door delivery of promotional leaflets in the local are**

**A one line listing in the Yellow Pages**

**Sole Trader PLC**

**Sole Trader PLC**

**Celebrity product-endorsement**

**A daily advertisement on national radio**

**Sole Trader PLC**

**Sole Trader PLC**

**Businesses and their Customers**

**Place**

Place is a very important part of the marketing mix, and refers to how the product is made available and distributed to customers. Businesses have to decide how to get their product to the customer.

For a product to sell it must be in the right place, at the right time. A product is unlikely to be a success if consumers find it difficult to buy.

##### Channels of distribution

The way in which the product gets from the manufacturer/producer to the consumer is called the channel of

distribution.

The main channels of distribution are shown in the diagram below:

# Manufacturer

##### Wholesaler Wholesaler

**Retailer Retailer**

Consumer

The **manufacturer** or **producer** makes the product in large quantities and sells it on to another business, or directly to the consumer.

The **wholesaler** buys from producers and manufacturers in bulk at relatively low prices. The main customers for wholesalers are small shops and other traders.

The **retailer** is any outlet where the consumer can buy the product. Most retailing takes place through shops, ranging from giant superstores to independent small corner shops. Other retail outlets include vending machines, mail order catalogues and direct-mail selling, online shopping and telephone sales.

Traditionally, the retailer’s preferred location was in prime locations such as town centres, but in recent years there has been a growth in the number of retail parks being established in out-of-town areas. A retail park provides the customer with the benefit of a wide range of stores being located in a compact area with convenient parking.

##### Businesses and their Customers

**Methods of distributing products**

**Internet**

Buying and selling via the Internet is known as e-commerce. In recent years there has been a huge increase in online shopping due to the growth in home Internet access. Many businesses that use mail order

catalogues now also have Internet shopping sites. Some businesses sell through a combination of retail outlets and e-commerce.

Customers benefit from e-commerce as it allows them to shop from the comfort of their own homes, 24 hours a day. Prices are often lower for online customers as businesses can make cost savings from not needing to run retail outlets.

##### Door-to-door selling/telesales

Some businesses employ sales representatives to visit people in their own homes. The sales reps will receive a basic wage, but will need to sell the products or services in order to earn a commission, no sales means low wages. Typical products sold door-to-door include double glazing, telephone/internet services and energy deals.

Many businesses use telephone sales to try to sell their products, this is very popular with financial products, such as insurance, and mobile phone sales.

##### Mail order

Some businesses supply their goods using mail-order catalogues, whereby goods are delivered through the post or by special delivery. Some larger businesses may have their own delivery vans.

##### Vending machines

Vending machines are increasingly used to sell a wide range of products, including confectionary and drinks in leisure centres, personal hygiene products in public toilets and even reading glasses and electrical products in airports.

##### Businesses and their Customers

**Past Paper Examination Question- 2009**

**Beth Jones owns and runs a shop called Cambria Grocer. The shop sells food such as fruit, vegetables, cold meats and dairy products. Her customers are local people, however, tourists and some customers are willing to travel to her to buy her high quality goods.**

**Beth has realised the importance of using the Internet to sell her products. Therefore, she is considering using the Internet to sell her goods on her own site.**

**Evaluate Beth’s plan to sell her products by using the Internet. (8)**

**Businesses and their Customers**

**Past Paper Examination Question- 2013**

**Ryan Davies has been a keen reader since childhood. After being made redundant from a travel agent business, where he had worked for a number of years, he decided to set up a shop selling new and second hand books.**

**Shopkeepers such as Ryan are sometimes called retailers. Briefly describe**

***one* function of retailers. (2)**

**Businesses and their Customers**

##### Businesses and their Customers

**Agree Disagree**