Section 3.3

DECISION MAKING TO IMPROVE MARKETING PERFORMANCE

THIS SECTION OF THE SPECIFICATION COVERS:

- ❑ Setting marketing objectives
- ❑ Understanding markets and customers
- ❑ Making marketing decisions: segmentation, targeting, positioning
- ❑ Making marketing decisions: using the marketing mix

0 1 GIVE ME THREE…

Marketing objectives:

1	Market share
2	Brand loyalty
3	Sales volume

Internal and external influences on marketing objectives:

	INTERNAL INFLUENCES	**EXTERNAL INFLUENCES**
1	Total capacity of the firm	Social change
2	Current business performance	Competitive environment
3	Financial constraints	Political/legal environment

0 2 WHAT'S THE FORMULA?

Write down the formula for calculating:

MARKET GROWTH	**SALES GROWTH**
$\frac{\text{Market size in year – market size in previous year}}{\text{Market size in previous year}} \times 100$	$\frac{\text{Sales in year – sales in previous year}}{\text{Sales in previous year}} \times 100$

MARKET SHARE	MARKET SIZE
$\frac{\text{Sales of one product/brand/firm}}{\text{Total market sales}} \times 100$	Number of units sold in the market x (average) price per unit = market size by value Total number of units sold in the market = market size by volume

0 3 WHAT'S THE DIFFERENCE?

What's the difference between:

PRIMARY AND SECONDARY MARKET RESEARCH

- Primary research is data collected first hand for a specific purpose
- Secondary research uses data that already exists and has been collected by someone else for another purpose

QUALITITATIVE AND QUANTITATIVE MARKET RESEARCH

- Qualitative market reach is concerned with collecting data on attitudes, opinions, beliefs and intentions
- Quantitative market research is concerned with collecting data that can be quantified i.e. hard facts/statistical data

POSITIVE AND NEGATIVE CORRELATION

- Correlation is a statistical technique which is used to establish the strength of the relationship between two sets of values, an independent variable (x) and a dependent variable (y)
- A positive correlation occurs when one variable increases in value, the value of the other variable also increases e.g. a rise in income levels, usually increases demand
- A negative correlation occurs when the value of one variable increases and the value of the other variable decreases e.g. in most cases a price increase usually reduces demand

0 4 BENEFITS AND DRAWBACKS

Identify two benefits and two drawbacks of making decisions based on:

PRIMARY RESEARCH

BENEFITS	DRAWBACKS
• Focuses specifically on research objectives and is therefore relevant • Up-to-date • Information is private and therefore cannot be accessed by others • Full control over research; large or small sample can be chosen/detailed views can be collected	• Time-consuming • Can be expensive • Results may be biased and not represent the views of the population accurately

SECONDARY RESEARCH

• Often free/cheaper than primary research • Quick to access, as information is already available • Can help to identify trends/provides an overview of the market • Findings may be based on a larger sample size than primary research	• Data may be inaccurate, out of date or lacking in detail • Can be expensive to buy specialist market reports • Not tailored specifically to the needs of the organisation • Competitors are able to access research

SAMPLING

BENEFITS	DRAWBACKS
• Saves money as only a selection of the total population are selected for the research • Results can be obtained quickly • Provides an insight into the market which, if conducted properly, can be accurate	• The chosen sample's views may not be representative of the population as a whole • The smaller the sample size the less chance the results will reflect the views of the population • Sampling method chosen may result in biased/unreliable results • Difficulty and time-consuming to locate relevant respondents to answer questions

MARKET MAPPING

BENEFITS	DRAWBACKS
• Shows the competition that exists within a market; helps to identify an organisation's main rivals aiding decision-making • Gaps in the market can be identified that have not yet been filled	• Can be biased/very subjective • Gaps may exist because demand does not exist • Does not guarantee success • Based on two variables only

• Can help a business to successfully reposition itself • Easy to understand	

0 5 WHAT IS MEANT BY?

Write a definition for the following key terms:

95% CONFIDENCE INTERVAL	95% confidence interval shows that the forecasters are 95% confident that their results will fall within a specific range i.e. their forecast will be right 19 times out of 20
90% CONFIDENCE INTERVAL	90% confidence interval shows that the forecasters are 90% confident that their results will fall within a specific range i.e. their forecast will be right 18 times out of 20
EXTRAPOLATION	Uses previous patterns of numerical data to establish a trend which can then be projected into the future

0 6 ELASTICITY EXPERT

Explore the crucial concept of elasticity of demand by completing these tasks:

IDENTIFY THREE FACTORS THAT INFLUENCE:

	PRICE ELASTICITY OF DEMAND (PED)	INCOME ELASTICITY OF DEMAND (YED)
1	Availability of substitutes	Type of product
2	Time period being reviewed	Legislation linked to wage rates/extent to which income levels rise or fall
3	Brand loyalty	State of the economy

WOULD DEMAND AND TOTAL REVENUE INCREASE OR DECREASE FOR EACH OF THESE?

	DEMAND	REVENUE
PED IS -2 AND PRICE INCREASES BY 5%	Decrease	Decrease
PED IS -0.2 AND PRICE INCREASES BY 10%	Decrease	Increase
YED IS +0.6 AND INCOME LEVELS INCREASE BY 8%	Increase	Increase
YED IS -1.2 AND INCOME LEVELS INCREASE BY 4%	Decrease	Decrease

0 7 TELL ME

The value of technology in gathering and analysing data for marketing decision making:

Advantages:

- Ability to gather large quantities and a broader range of data on customers to help businesses understand buyer behaviour more accurately
- Data can be analysed quickly and more effectively to enable better decision-making

Disadvantages:

- Too much data or the wrong data collected will lead to poor decision-making
- Gathering and analysing lots of data does not guarantee success in a business; success requires skilled managers to interpret and implement decisions based on both the right quantitative and qualitative information

0 8 GIVE ME THREE…

Ways of segmenting a market:

1	Demographic
2	Geographic
3	Behavioural

Influences on choosing a target market:

1	Amount of demand/level of competition
2	Current capability to produce products that meet the needs of the target market
3	Potential profit

Consequences of targeting a niche rather than a mass market:

1	Niche markets are small resulting in potentially low profits
2	The niche may become attractive to larger businesses if it proves profitable and the market is growing
3	Smaller businesses can survive without usually being challenged by big firms

0 9 IDENTIFY:

The seven elements of the Extended Marketing Mix (the 7 P's):

1	Product	5	People
2	Price	6	Physical environment
3	Promotion	7	Process
4	Place		

1 0 STATE:

Two examples of industrial goods:

1	Machinery
2	Component parts

Two examples of consumer goods:

1	Shopping goods e.g. white goods, mobile phone, clothes
2	Convenience goods e.g. milk, bread, newspapers

1 1 TELL ME

Two influences on each of the following:

	INFLUENCE	INFLUENCE
INTEGRATED MARKETING MIX	Target market	Current stage of the product life cycle the product is in
NEW PRODUCT DEVELOPMENT	Actions of competitors	Amount of resources available
CHOICE OF DISTRIBUTION CHANNEL	The nature of the product	Customer expectations in terms of being able to access/purchase the product
PROMOTIONAL MIX	Promotional budget	Developments in technology e.g. use of social media

1 2 WHAT IS MEANT BY?

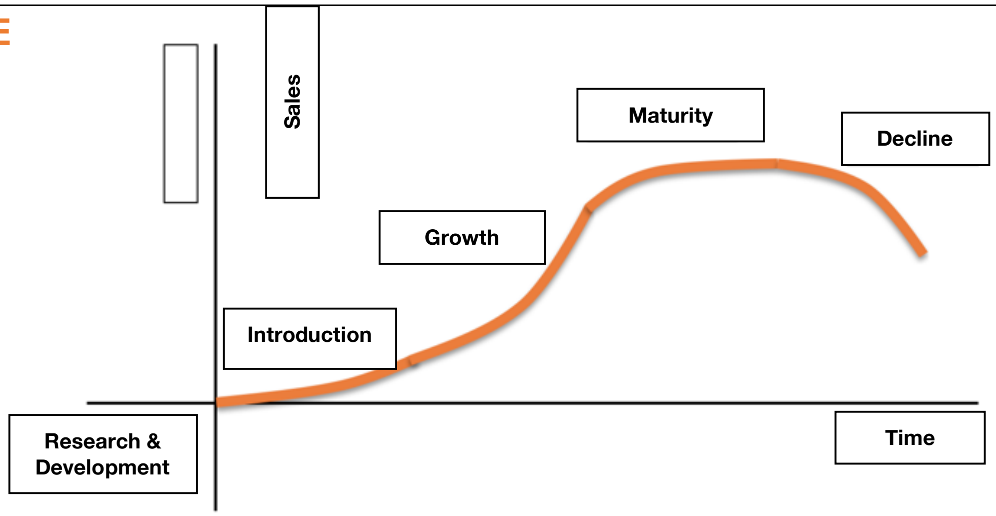
Write a definition for the following key terms:

PENETRATION PRICING	Low prices are charged to gain market share quickly
PRICE SKIMMING	High prices are charged when a product is launched in order to gain a high profit margin
DYNAMIC PRICING	Prices change frequently and quickly in response to the level of demand e.g. prices for airline tickets can change according to how many seats are available
RELATIONSHIP MARKETING	An approach that focuses on an organisation developing an on-going and long-lasting relationship with its customers

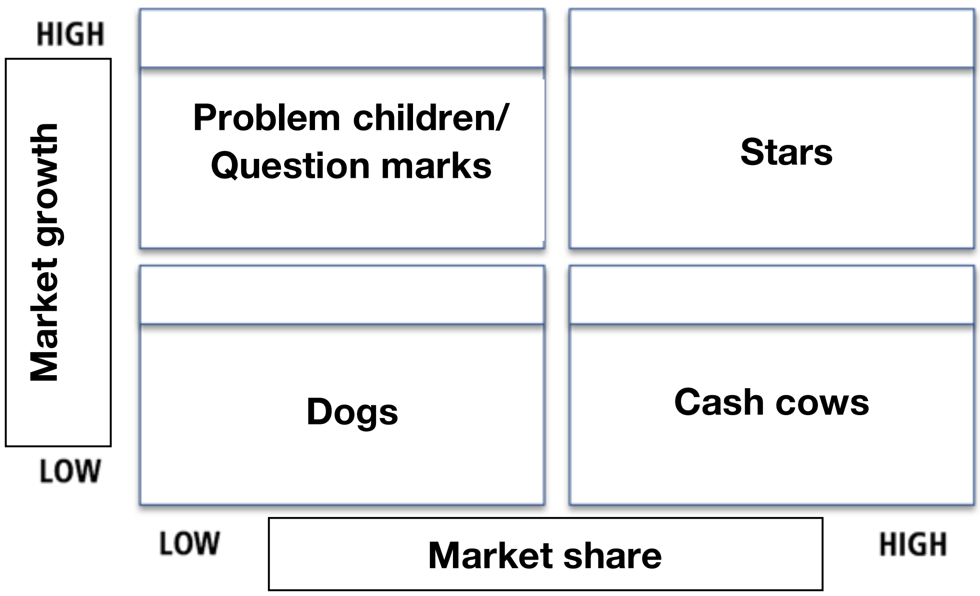
1 3 LABEL THE DIAGRAM

Complete the diagrams for the models below:

PRODUCT LIFE CYCLE



BOSTON PRODUCT MATRIX



1.4 TELL ME

The value to a business of:

BRANDING	**Advantages:** ➢ A strong brand results in demand being more price inelastic ➢ New products are more likely to be accepted if they are associated with a strong brand **Disadvantages:** ➢ A negative event/publicity can tarnish an organisation's brand and reputation ➢ Successful brands may become commonplace and associated with a generic product e.g. Hoover
PRODUCT PORTFOLIO ANALYSIS	**Advantages:** ➢ Allows a business to review its product portfolio/range to determine whether it is balanced and where investment is required ➢ Helps to ensure businesses do not launch new products before existing products have reached their full potential **Disadvantages:** ➢ To be effective the business must ensure that it carries out product portfolio analysis regularly ➢ Time-consuming in terms of separating an organisation's products into different categories objectively
THE PRODUCT LIFE CYCLE	**Advantages:** ➢ It allows a business to identify the stage that each product in its portfolio is in, which aids decision-making and planning e.g. if several products are in decline, the business should look to introduce new products ➢ Helps to ensure the different elements of the marketing mix are effectively used e.g. high promotional spend in the growth period, the correct choice of pricing strategy in the introductory stage **Disadvantages:** ➢ The exact life span of a product is difficult to predict, particularly in dynamic markets, therefore limiting its usefulness as a planning tool ➢ External changes can impact on a market considerably, e.g. changes to the economy/technology, restricting its usefulness in the planning process
NEW PRODUCT DEVELOPMENT	**Advantages:** ➢ Allows a business to develop a product with a USP that will stand out from rivals ➢ Loyal customer bases can be established, increasing sales and the reputation of the business **Disadvantages:** ➢ Expensive; many new products do not make it to production due to technical or cost issues, making the product not worth investing further in ➢ Many products that do make it to market do not sell as well as expected and are therefore withdrawn

1 5 BENEFITS AND DRAWBACKS

Identify two benefits and two drawbacks to a business of:

MULTI-CHANNEL DISTRIBUTION

BENEFITS	DRAWBACKS
• Can increase presence in the market and expand target market • Increases flexibility and choice for customers to purchase goods which drives sales • Can provide a business with a competitive advantage	• Expensive to develop and time consuming to manage • Different distribution channels can compete for the same customers

DIGITAL MARKETING

BENEFITS	DRAWBACKS
• Greater insight into markets and customers available • Reduced costs and increased flexibility • Customers can be more effectively targeted with marketing activity	• Negative feedback/publicity from customers can be seen by others and scrutinised • Ever-changing and dynamic area of business; ongoing training and expertise required to manage digital marketing effectively

E-COMMERCE

BENEFITS	DRAWBACKS
• Increased access to markets both nationally and internationally • Ability to trade 24/7 • Businesses do not need to pay for expensive high-street locations, reducing cost base	• Expensive and time consuming to develop an efficient, seamless shopping experience • Technical issues with e-commerce/m-ecommerce can result in negative publicity and impact reputation/sales • Lack of physical contact with products e.g. clothing; the business must be able to handle returns effectively and develop appropriate after-sales services