

**Business Studies**

**Key Terms**

**Marketing Department**

<h2>Business Reputation</h2>	<p>Made up of what others think and feel about the business. This will stem from first-hand experience of the business, word-of-mouth, the image of the company portrayed in the media and published facts and figures.</p> <p>A good rep:</p> <ul style="list-style-type: none"> <li>• increase positive brand awareness</li> <li>• increases the number of customers</li> <li>• gives competitive advantage over rival businesses</li> <li>• attracts employees</li> <li>• creates opportunities for growth - more likely to get funding</li> <li>• Builds resilience to negative publicity</li> </ul>		
<h2>Marketing: Purpose</h2>	<ul style="list-style-type: none"> <li>• Identify customer need</li> <li>• Satisfy customer need</li> <li>• Maintain customer loyalty</li> <li>• Gain information: on customer/collect data/market research</li> <li>• Anticipate changes to customer needs.</li> </ul>		
<h2>Marketing: Aim</h2>	<ul style="list-style-type: none"> <li>• Raise awareness of/advertise/promote new products</li> <li>• Create brand image</li> <li>• Persuade people to buy</li> <li>• Increase sales</li> <li>• Attract new customers</li> <li>• Help a business become more competitive</li> </ul>	<h2>Marketing</h2>	<p>Identifying and meeting the needs of customers.</p> <p>Role of marketing:</p> <ul style="list-style-type: none"> <li>• to ID and satisfy customer needs</li> <li>• to gain customer loyalty</li> <li>• gain info about customers</li> <li>• anticipate changes in customer demand.</li> </ul>
<h2>Product: Brand Benefits</h2>	<ul style="list-style-type: none"> <li>• Gives product a USP</li> <li>• Differentiates it from its competitors</li> <li>• Encourages customer loyalty</li> <li>• (Generally) higher quality than unbranded goods</li> <li>• Can charge higher price</li> </ul>	<h2>Market Share</h2>	<p>The proportion (%) of total market sales held by one brand or business.</p> $\frac{\text{Sales of business (£)} \times 100\%}{\text{Total market sales (£)}}$

<p>Customer loyalty</p>	<p>The willingness of customers to continue to buy the same product from the same business</p>	<p>Marketing department</p>	<ul style="list-style-type: none"> <li>• Market research</li> <li>• Sales</li> <li>• Promotion/public relations (PR)</li> <li>• Distribution</li> </ul>
<p>Customer relationships</p>	<p>Communication with customers to encourage them to become loyal to the business and its products</p>	<p>Changes in the market</p>	<ul style="list-style-type: none"> <li>• New tastes/fashions</li> <li>• New technology products</li> <li>• Changes in incomes</li> <li>• Ageing population</li> <li>• Increased competition, e.g. globalisation</li> </ul>
<p>Mass market</p>	<p>Where there is a large number of sales of a product.</p> <p><b>Supplying a mass market:</b></p> <ul style="list-style-type: none"> <li>• potential for high sales</li> <li>• economies of scale</li> <li>• same product/promotion to all consumers</li> <li>• growth opportunities</li> <li>• no segmentation.</li> </ul>	<p>Business response to market changes</p>	<ul style="list-style-type: none"> <li>• Maintain good customer relationships</li> <li>• Adapt existing products</li> <li>• New products</li> <li>• Keep costs low to be competitive</li> </ul>
<p>Niche market</p>	<p>A specialised segment of a larger market.</p> <p><b>Supplying a niche market:</b></p> <ul style="list-style-type: none"> <li>• Suitable for small businesses</li> <li>• Able to meet needs of small group of consumers</li> <li>• Sales may be low</li> <li>• No economies of scale.</li> </ul>	<p>Types of market segmentation</p>	<ul style="list-style-type: none"> <li>• Age</li> <li>• Geographical</li> <li>• Socio-economical</li> <li>• Gender</li> <li>• Lifestyle</li> <li>• Business or consumer</li> </ul>
<p>Market segment (segmentation)</p>	<p>Identifiable sub-groups of a whole market in which consumers have similar characteristics or preferences.</p> <p><b>Advantages:</b> meets special needs of groups of consumers, effective marketing directed at each group, customer loyalty more likely.</p> <p><b>Disadvantages:</b> detailed market research needed, expensive to adapt products/promotion for each group, segment may be too small to be profitable.</p>	<p>Market research</p>	<p>Gathering, analysing and interpreting information about a market</p>

<p>Market orientated</p>	<p>Carrying out market research to find out consumers wants before developing and producing a product.</p>	<p>Market research: Interviews</p>	<ul style="list-style-type: none"> <li>• Phone or face-to-face</li> <li>• follow up questions can be asked</li> <li>• clarification given</li> <li>• interviewer might 'lead' consumer to certain answers</li> </ul>
<p>Product orientated</p>	<p>Where businesses focus on the product itself, rather than the market for it.</p>	<p>Market research: Focus group</p>	<p>A group representative of the target market, which provides market research information - often during a discussion.</p> <ul style="list-style-type: none"> <li>• provide quick feedback on product</li> <li>• can provide suggestions for improvement</li> <li>• expensive</li> <li>• people may not be honest in group discussion</li> </ul>
<p>Primary research</p>	<p>Collection of original data. AKA field research.</p> <ul style="list-style-type: none"> <li>• Collection for specific purpose</li> <li>• Original data</li> <li>• Up to date</li> <li>• Expensive</li> <li>• Time consuming</li> </ul>	<p>Market research: Questionnaires</p>	<ul style="list-style-type: none"> <li>• online or postal</li> <li>• specific questions</li> <li>• quantitative (how many would you buy?) and qualitative (why would you buy?) possible</li> <li>• response rate often low</li> </ul> <p><b>Design:</b></p> <ul style="list-style-type: none"> <li>• clear questions</li> <li>• not too long</li> <li>• range of yes/no questions and open questions</li> <li>• order questions carefully</li> </ul>
<p>Secondary research</p>	<p>Info that has already been collected but is available for use by others (desk research).</p> <ul style="list-style-type: none"> <li>• Cheap</li> <li>• Quick</li> <li>• Available to competitors</li> <li>• Not for specific purpose</li> <li>• Not up-to-date</li> </ul> <p><b>Sources:</b> internet, gov't, research agencies, trade associations, newspapers/media</p>	<p>Market research: Preparing results</p>	<ul style="list-style-type: none"> <li>• Tables - many figures</li> <li>• Bar charts - show totals/subtotals</li> <li>• Pie charts - show proportion</li> <li>• Graphs - show trends</li> </ul>
<p>Market Research: Sample</p>	<p>Group of people selected to respond to a research survey.</p> <p><b>Random:</b> everyone has an equal chance of being selected for the sample.</p> <p><b>Quota:</b> selected on particular basis, e.g. age</p> <ul style="list-style-type: none"> <li>• Keeps costs down</li> <li>• Not too small - leads to inaccuracy</li> <li>• Representative as possible</li> </ul>	<p>Market research: Accuracy</p>	<p>Depends on:</p> <ul style="list-style-type: none"> <li>• sample size</li> <li>• sample selection</li> <li>• primary/secondary</li> <li>• bias</li> <li>• quality of research methods</li> </ul>

<p>Marketing: Marketing mix</p>	<p>.All the activities that go into marketing a good or service: <b>product, price, place</b> and <b>promotion</b>.</p>	<p>Product life cycle</p>	<p>Stages the sales of a product pass through.</p> <ul style="list-style-type: none"> <li>• Development (R&amp;D)</li> <li>• Introduction</li> <li>• Growth</li> <li>• Maturity</li> <li>• Saturation</li> <li>• Decline</li> </ul>
<p>Product: Unique Selling Point (USP)</p>	<p>The special features of a product that differentiates it from competitors' products.</p>	<p>Product: Extension strategy</p>	<p>A way of keeping a product at the maturity stage of the life cycle and extending the cycle.</p>
<p>Product: Brand name</p>	<p>The unique name of a product that distinguishes it from other brands.</p>	<p>Product life cycle: developing new products</p>	<ul style="list-style-type: none"> <li>• market research</li> <li>• designing and creating new products</li> <li>• trialling sales in a test market</li> <li>• possible sales 'flop'</li> </ul> <p>Benefits of developing:</p> <ul style="list-style-type: none"> <li>• helps create USP</li> <li>• keeps products up to date</li> <li>• enter new market</li> <li>• diversification</li> </ul>
<p>Product: Branding</p>	<ul style="list-style-type: none"> <li>• establish and develop brand name</li> <li>• create brand image and identity</li> <li>• encourage brand loyalty</li> </ul> <p><b>Brand name:</b> The identity of a product that consumers can recognise and which gives it a 'personality' distinct from other products.</p>	<p>Product life cycle: Introduction</p>	<ul style="list-style-type: none"> <li>• Price skimming or penetration</li> <li>• Informative advertising</li> <li>• Attractive packaging</li> <li>• Place selection to reflect image</li> </ul>
<p>Product: Packaging</p>	<p>The physical container or wrapping used for a product.</p> <ul style="list-style-type: none"> <li>• Product protection</li> <li>• Promotional effect</li> <li>• Information helps consumers</li> <li>• Recyclable</li> </ul>	<p>Product life cycle: Growth</p>	<ul style="list-style-type: none"> <li>• Strengthen brand image - e.g. original promotional material</li> <li>• More 'place' options to meet consumer demand</li> </ul>

<p>Product life cycle: maturity/saturation</p>	<ul style="list-style-type: none"> <li>• Consider foreign markets</li> <li>• Competitive pricing</li> <li>• Prepare extension strategy</li> </ul>	<p>Pricing: Price skimming</p>	<p>The price is set high for a new product on the market, e.g. new iPhone.</p> <ul style="list-style-type: none"> <li>• New product/design</li> <li>• Likely to have USP</li> <li>• High price gives high profit margins- helps pay development costs</li> <li>• Price lowered as competitors enter market.</li> </ul>
<p>Product life cycle: Decline</p>	<ul style="list-style-type: none"> <li>• Reduce price to sell inventories</li> <li>• Adopt extension strategies</li> <li>• Prepare for eventual product replacement</li> </ul>	<p>Pricing: Penetration pricing</p>	<p>The price is set lower than competitors' prices to enter a new market and gain market share.</p> <ul style="list-style-type: none"> <li>• New product that must be established in market quickly</li> <li>• Competition in market likely to be high</li> <li>• If product becomes successful, price can be raised.</li> </ul>
<p>Pricing: Cost-plus pricing</p>	<p>Unit cost of the product plus a profit mark-up.</p> <ul style="list-style-type: none"> <li>• Total cost per unit plus profit mark-up, e.g. 50%</li> <li>• Ensures all unit costs covered</li> <li>• Does not consider competitors' prices</li> </ul>	<p>Pricing: Promotional pricing</p>	<p>The price is set at a low level for a short time period.</p> <ul style="list-style-type: none"> <li>• Sells off old inventories</li> <li>• Part of extension strategy</li> <li>• Short-term strategy to make it difficult for other firms to compete</li> <li>• Raises cash inflows - but a loss could be made.</li> </ul>
<p>Pricing: Competitive pricing</p>	<p>The price is the same as or just below the price of competitors' products to try to capture more of the market.</p> <ul style="list-style-type: none"> <li>• Requires research into competitors' prices</li> <li>• If unit costs are higher than those of competitors, a loss might be made on each item.</li> </ul>	<p>Pricing: Dynamic pricing</p>	<p>Flexible pricing: price changed to match market demand/type of consumer</p> <ul style="list-style-type: none"> <li>• E-commerce: prices can be changed quickly</li> <li>• Sales revenue likely to rise with this method.</li> </ul>
<p>Pricing: Psychological pricing</p>	<p>The price is set to match the consumers' expectations and perceptions of the product.</p> <ul style="list-style-type: none"> <li>• High quality = high price</li> <li>• Reinforces consumers' perceptions of product e.g. 99p not £1.00</li> </ul>	<p>Price elasticity</p>	<p>A measure of the responsiveness of demand following a price change.</p> <p><b>Price elastic (sensitive) demand:</b> demand changes by a greater proportion than price change.</p> <p><b>Price inelastic (insensitive) demand:</b> demand changes by a smaller proportion than price change</p>

<div data-bbox="68 71 672 398" style="border: 2px solid green; padding: 10px; text-align: center;"> <h2>Promotion</h2> </div>	<p>Marketing activities that aim to raise customer awareness of a product or brand, generating sales and helping to create brand loyalty.</p> <p>Method depends on:</p> <ul style="list-style-type: none"> <li>• product life cycle stage</li> <li>• producer or consumer good</li> <li>• cultural issues in some countries</li> <li>• cost compared to marketing budget.</li> </ul>	<div data-bbox="1399 71 2003 398" style="border: 2px solid green; padding: 10px; text-align: center;"> <h2>E-commerce</h2> </div>	<p>The buying and selling of goods and services using computers linked to the internet.</p>
<div data-bbox="68 459 672 786" style="border: 2px solid green; padding: 10px; text-align: center;"> <h2>Advertising</h2> </div>	<p>Paid-for communication with customer: informative (giving information about a product); persuasive - creating an image that increases customer desire for it.</p> <p>Process:</p> <ul style="list-style-type: none"> <li>• sets objectives</li> <li>• sets budget</li> <li>• decide on campaign</li> <li>• media choice</li> <li>• evaluation of campaign.</li> </ul>	<div data-bbox="1399 459 2003 786" style="border: 2px solid green; padding: 10px; text-align: center;"> <h2>Advertising: Media choice</h2> </div>	<p style="text-align: center;">Depends on...</p> <ul style="list-style-type: none"> <li>• cost</li> <li>• target market - type and location of customers</li> <li>• visual/moving image</li> <li>• hard copy</li> </ul>
<div data-bbox="68 848 672 1175" style="border: 2px solid green; padding: 10px; text-align: center;"> <h2>Sales promotion</h2> </div>	<p>Incentives such as special offers or rewards to achieve a short-term increase in sales.</p> <ul style="list-style-type: none"> <li>• Discounts or offers</li> <li>• Gifts</li> <li>• Competitions</li> <li>• Displays</li> <li>• Free samples</li> <li>• After sales service</li> </ul> <p><b>Benefits:</b> boosts off-peak sales, encourages trial purchases and repeat purchases, encourages switching from competitors.</p>	<div data-bbox="1399 848 2003 1175" style="border: 2px solid green; padding: 10px; text-align: center;"> <h2>Technology in marketing</h2> </div>	<p><b>Place:</b> e-commerce - buying and selling of goods/ services using computers linked to the internet.</p> <p><b>Product:</b> adapting products to incorporate the latest technology can make them more attractive to the market, e.g. 4G mobile phones</p> <p><b>Price:</b> using the internet to gain information about consumers and purchasing habits that allow dynamic pricing.</p> <p><b>Promotion:</b> using social media and websites to reach more potential consumers and communicate with them.</p>
<div data-bbox="68 1236 672 1563" style="border: 2px solid green; padding: 10px; text-align: center;"> <h2>Target market/ audience</h2> </div>	<p>Consumer groups that are the potential buyers of a product.</p>	<div data-bbox="1399 1236 2003 1563" style="border: 2px solid green; padding: 10px; text-align: center;"> <h2>Marketing: Strategy</h2> </div>	<p>A plan with the appropriate marketing mix for a product to achieve a marketing objective.</p> <p>It must be:</p> <ul style="list-style-type: none"> <li>• focused on marketing objective</li> <li>• combine the four elements of the marketing mix in a consistent and integrated way.</li> <li>• Not exceed the marketing budget</li> </ul>
<div data-bbox="68 1624 672 1952" style="border: 2px solid green; padding: 10px; text-align: center;"> <h2>Marketing budget</h2> </div>	<p>The financial plan for the marketing of a product over a specific time period - includes the amount to be spent on promotion.</p> <ul style="list-style-type: none"> <li>• Too small - may not match competitors' spending</li> <li>• Too big - cost of promotion may exceed the revenue gained from sales.</li> </ul>	<div data-bbox="1399 1624 2003 1952" style="border: 2px solid green; padding: 10px; text-align: center;"> <h2>Marketing: Objectives</h2> </div>	<p>Marketing objectives set out what a business wants to achieve from its marketing activities, such as:</p> <ul style="list-style-type: none"> <li>• establish new product</li> <li>• increase sale of existing product</li> <li>• increase market share</li> <li>• maintain market share as competition grows</li> <li>• develop brand for niche market</li> </ul> <p>They need to be consistent with overall aims and objectives of the business. They also provide an important focus for the marketing team.</p>

<p style="text-align: center;"><b>Distribution channels</b></p>	<p>The means by which a product is passed from the place of production to the customer.</p>	<p style="text-align: center;"><b>E-commerce</b></p>	<p><b>Business Opportunities:</b> global promo, customers order and pay online, cuts out shops, suppliers/components can be ordered.  <b>Threats:</b> easy comparison with competitors, good website essential, no face-to-face contact, no shops to hold stocks, transport costs to customers.  <b>Consumer Opportunities:</b> easy comparison, wider choice, competitive pricing, convenience, easy payment.  <b>Threat:</b> no face-to-face contact with producer/retailer, no 'try before you buy', need internet access, security risks.</p>
<p style="text-align: center;"><b>Agent</b></p>	<p>Appointed to deal with the distribution of products - often in another country.</p>	<p style="text-align: center;"><b>Marketing: legal controls</b></p>	<ul style="list-style-type: none"> <li>• Weight/measures</li> <li>• Description of goods</li> <li>• Safety requirements for products</li> <li>• Consumer rights with faulty products</li> <li>• Some products illegal</li> </ul> <p>Impact of legal controls</p> <ul style="list-style-type: none"> <li>• May increase costs to business</li> <li>• Reassures customers</li> </ul>
<p style="text-align: center;"><b>Place: Distribution methods</b></p>	<p><b>Includes:</b></p> <ul style="list-style-type: none"> <li>• department stores</li> <li>• chain stores</li> <li>• discount stores</li> <li>• supermarkets</li> <li>• direct sales</li> <li>• mail order</li> <li>• local retail store</li> <li>• e-commerce</li> </ul>	<p style="text-align: center;"><b>Foreign markets</b></p>	<p><b>Opportunities:</b></p> <ul style="list-style-type: none"> <li>• high sales growth potential</li> <li>• low trade barriers</li> <li>• home markets might be saturated/mature</li> </ul> <p><b>Threats/problems:</b></p> <ul style="list-style-type: none"> <li>• lack of knowledge, e.g. cultural differences</li> <li>• different language</li> <li>• import controls</li> <li>• exchange rate changes</li> <li>• transport costs</li> </ul>
<p style="text-align: center;"><b>Place</b></p>	<p><b>Depends on:</b></p> <ul style="list-style-type: none"> <li>• business customers or consumers</li> <li>• perishability and size</li> <li>• competitors' channels</li> <li>• high or low price and image of product</li> <li>• location of consumers</li> </ul>	<p style="text-align: center;"><b>Foreign markets: Entering one...</b></p>	<ul style="list-style-type: none"> <li>• Joint venture</li> <li>• Licensing</li> <li>• International franchising</li> <li>• Localising existing brands</li> </ul>
<p style="text-align: center;"><b>Place: Distribution channels</b></p>	<p><b>Straight from producer to consumer:</b> most direct channel for most services, cuts out middle-man = lowers costs/lower prices, not for all products, producer holds all inventories.  <b>Producer - retailer - consumer:</b> larger deliveries = low transport costs to big retailers, retailer holds inventories, producer no direct contact with consumer.  <b>Producer - wholesaler - retailer - consumer:</b> wholesaler holds inventories, retailer can buy smaller quantities, adds another cost level.  <b>Producer - agent - wholesaler - retailer - consumer:</b> often for exporting, adds cost level, reduces producers control over marketing.</p>		