

Identifying and Understanding Customers

Identify a business opportunity

Find out customer NEEDS & WANTS



Aim your product at Consumers/Customers

Improve the product, increasing the benefit to customers/consumers to increase sales

Choose the correct marketing mix:
Product, Price, Place
Promotion

Avoid costly mistakes

Be competitive

Segmentation



Ways of segmenting the market:

- Gender: clothing retailers, toy shops, cosmetics producers etc
- Age: theme parks, toys, clothing etc
- Location: McDonalds and KFC have different product in different countries to appeal to customer needs and wants
- Income: businesses target different income groups (high or low income earners)
- Stage of someone's life cycle: Housing companies sell flats, small houses and large houses depending on someone needs and wants. Travel agents have holidays for families, single people, couples, 18-30 holidays etc

Marketing Maths

Market Growth:

Change in market size

$$\frac{\text{Change in market size}}{\text{original market size}} \times 100$$

Market Share:

Sales of the product

$$\frac{\text{Sales of the product}}{\text{original market size}} \times 100$$

Once a business knows who they are aiming their products at they can **target** the one it can compete effectively in and can be profitable in.

Market Research

Market research will gather information about:

Demand	Competitors
Market Share	Target Market

Types of Data:

<p><u>Qualitative</u></p> <ul style="list-style-type: none"> • Thoughts, opinions and ideas. • Focuses on why people think something of behave in a certain way. • Generates reasons not statistics. 	<p><u>Quantitative</u></p> <ul style="list-style-type: none"> • Statistical data.
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Methods of Market Research

<p><u>Primary Market Research</u></p> <p>Gathering information for the first time to answer the question the business wants to answer</p>	<p><u>Secondary Market Research</u></p> <p>Using data/research that others have already gathered</p>
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Secondary Market Research:

Newspapers, Magazines, Books, Journals, The Internet

<p><u>Advantages</u></p> <ul style="list-style-type: none"> • Gathered quickly <ul style="list-style-type: none"> • Cheap • Can provide information on large sections of the population (government research) 	<p><u>Disadvantages</u></p> <ul style="list-style-type: none"> • Data is out of date • Data might not be relevant to what you want to find out
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Primary Market Research:

Observing behaviour, Experiments, Surveys (telephone surveys, questionnaires, Customer and supplier feedback, focus groups, internet research, newspapers and magazines)

<p><u>Advantages</u></p> <ul style="list-style-type: none"> • Can gather in-depth responses about why people believe something. • Cheap and quick to gather. • Can see how people react and therefore if they are being truthful. 	<p><u>Disadvantages</u></p> <ul style="list-style-type: none"> • Time consuming • Small groups might not reflect the whole market
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The Marketing Mix

Product	Price
Promotion	Place

Product: The design, specification and features of the product. Improve the product can increase its appeal for difference customers.

Product Life Cycle & Boston Matrix



Prices:

- Price Skimming: High price, high profit margins to repay research and development costs.
- Penetration Pricing: Low price to get sales quickly
- Cost Plus: Guaranteed profits, work out the costs and add on a percentage profit.
- Competitive: prices are similar to competitors such as supermarkets, insurance companies who openly compare
- Loss Leader: Selling some products at a loss or no profit to create awareness so customers buy other products.

Factors influencing Price:

- Cost to make the product
- Demand: if D is high could increase price and vice versa
- Nature of the Market: Competitive therefore lower prices, offer a differentiated product therefore higher prices.
- Business objectives/approach to pricing: High M.S might mean low prices; image of quality will mean high prices.
- Position on the PLC: higher prices when the products is in high demand/growth, lower prices when the product is in decline.
- Rest of the Marketing Mix: all the elements work together to present a brand

Price & Demand:

- Increase the price demand will fall/ Reduce the price and demand will increase. The amount will depend on the brand name, image or USP of the product as well as how competitive the market is/ how competitors respond.

Place: The ways products are distributed by producers to consumers.

- Via the internet
- Via a retailer
- Via a wholesaler (who break bulky items up into smaller quantities)
- Producer directly to the consumer

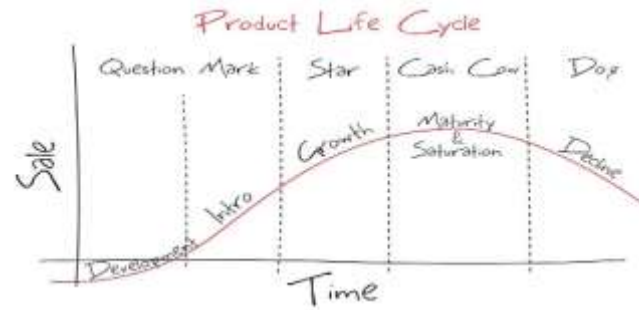
Promotion: Communicating information about the product or brand to consumers:

- Advertising in a local or national newspaper
- Advertising online
- Sponsoring an even
- Posters in the local area
- Sales promotions
- Public Relations activities
- Personal selling

Promotional Mix: combination of methods of promotion used by a business to communicate with its customers. Consider: Target audience, competitors, cost and finance, nature of the product.

Marketing Mix depends on:

- The product
- Competitors' products
- The target customers
- Business Approach



Product Life Cycle: Products may change overtime.

Development: Designing the product and building prototypes. High outflows and no inflows.

Introduction: Product is launched and sales begin. Expensive in terms of advertising and promotion to convince distributors to stock it and consumers to buy it rather than a competitor brand.

Growth: High sales, new outlets/distribution channels found

Maturity: Sales slowdown, this might be as a result of competitor action. To boost sales firms might need to consider adapting the products (EXTENSION STRATEGIES)

Decline: Low sales, business must decide if to take the product off the market or try to improve it/spend more on marketing to remind customers.

EXTENSION STRATEGIES: cutting the price, advertise, update the packaging, adding more or different features, find a new product abroad, sell more of the product

Product Portfolio Analysis – The Boston Matrix: Analysing a product in terms of their share of the market and the growth of that market.

Dog: Low share of a low growth market

Choice: Remove the product from the market OR spend money redesigning the product and promoting it

Cash Cow: High market share in a low growth market

High sales, high profits, companies want to stock these products on their shelves such as Heinz and Cadburys, firms should use the capital from these products to develop new products

Question Mark: Small share of a large growing market like a new company in the technology, phone or computer games market.

High marketing expenditure is needed to promote and adapt this product. It could be the next STAR or could become a DOG. CASH COWS will fund the expenditure on QUESTION MARKS.

Star: High share of a growing market “I phone”

High expenditure on marketing and new product development is needed so these products become the cash cows of the future.



Balanced Product Portfolio:

A business needs a mix of different product at different stages. Cash Cows = funding to help Question Marks and Stars. Too many Cash Cows are risky in the future as the market isn't growing. Too many Question Marks is risky too as many won't succeed.

Product Differentiation:

Make products stand out.

Unique Selling Point.

Brand name/ Brand image/Logo.

New Product Development:

Generate an idea

Check the idea

Develop the product

Trail the product

Launch it

