

HSC Business Studies

Marketing



2.1 Role of marketing

VEGEMITE PRETZELS SUPPER IDEA!
You need 1/2oz. butter; 2oz. Kraft Cheddar Cheese, shredded; 2 dessert-spoons Vegemite; 6 slices day-old bread.
Spread the bread slices with butter, then with Vegemite, and sprinkle the cheese on top. Cut into thin strips (about 1" wide) and place on greased baking trays. Bake in a moderate oven (325 F Gas—350 F Elec.) for 15-20 minutes, or until bread is crisp. Makes 5 dozen.

VEGEMITE

- nature's richest source of

VITALITY

Happy vitality is what we all want in life . . . and Vegemite is the delicious food source of vitality. Delicious on toast, in sandwiches and as a soup or gravy flavouring!
Here is the really pleasant way to make sure you get the fresh supply of Vitamin B you need every day. Delicious Vegemite is a pure, concentrated yeast extract, and yeast is nature's richest source of precious "B" group vitamins. Vegemite gives you Vitamin B1 for healthy nerves, B2 for firm body tissue, and Niacin for good digestion. Keep up your good health and vitality . . . keep up your Vegemite daily.

Spreads just right—tastes so bright
—keep up your **VEGEMITE**

MADE BY KRAFT

Role of marketing

- Marketing is the process that connects the customer wants with business products
- Marketing gives customers the opportunity to purchase the products they want at the right price and place
- It provides businesses with the opportunity to create products, make profits, improve market share and fulfil their goals and objectives



2.1.1 Strategic role of marketing goods and services

- It has a central strategic role within the business as it brings together the products of the business and the customers for those products
- The strategic marketing process involves the planning, pricing and promotion of the products of the business as well as the distribution and servicing of the product
- This is all covered in the marketing plan of the business



2.1.2 Interdependence with other key business functions

Marketing and operations

- As the sale of a product declines, there is close consultation between operations and marketing to design and develop new products

Marketing and HR

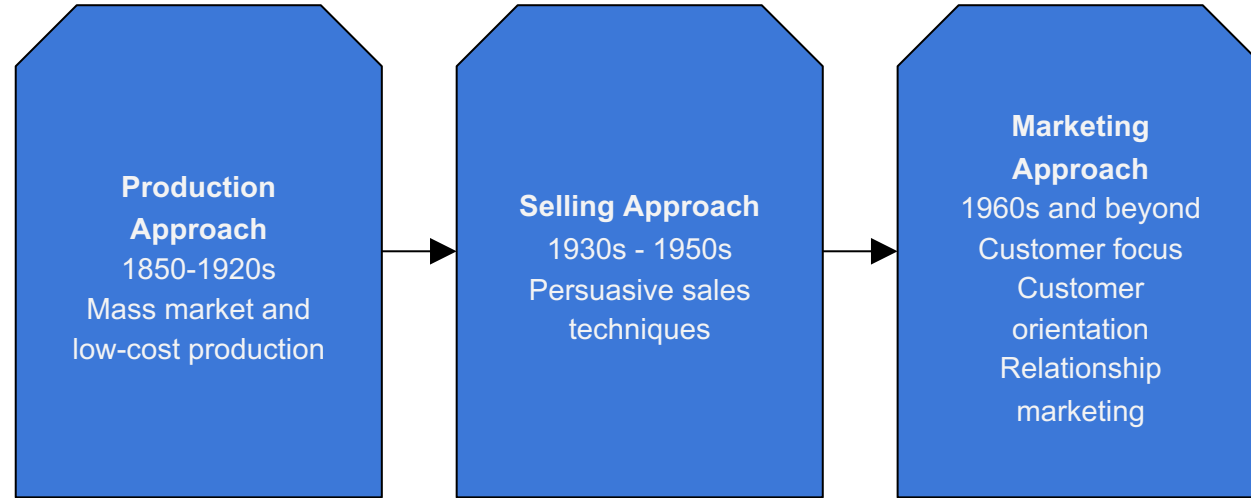
- Marketing relies on HR to hire, train and develop employees to connect the customer successfully with the products

Marketing and finance

- Finance is responsible for providing the business with financial information needed for decision making
- This assists the marketing functions with the product design and development process as well as providing assistance and information with the development of a marketing plan



2.1.3 Production, selling, marketing approaches



Production Approach

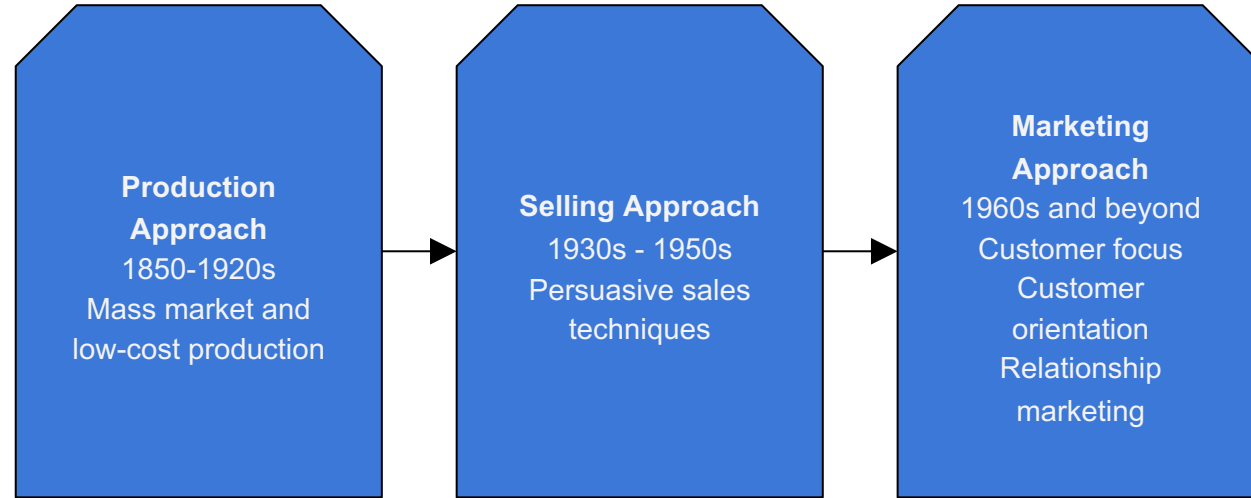
- It is based on the idea of attracting customers to an existing product
- Mass production of a standardised product aimed to increase output and reduce production costs
- This improved the affordability of the product for customers and increased market share for the business
- Customers' wants or needs were secondary to the production of the product
- 'Any customer can have a car painted any colour that he wants so long as it is black' – Henry Ford





Henry Ford and his Model T car

2.1.3 Production, selling, marketing approaches

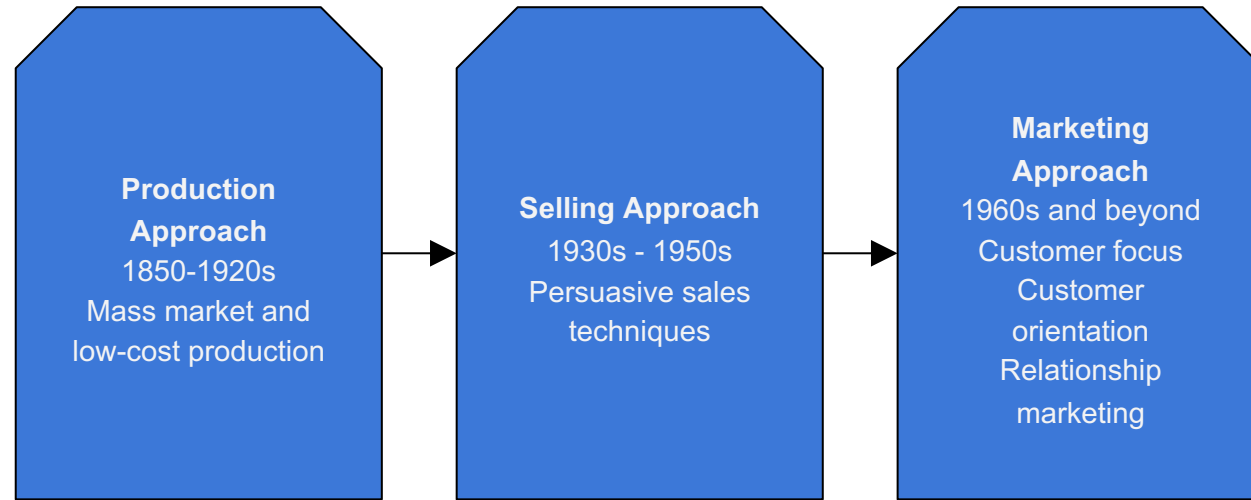


Selling Approach

- In the 1930s businesses needed to become more competitive in making their product distinct
- The selling orientation emphasised persuasive sales techniques e.g. door-to-door salesman and advertising to convince customers that they needed to purchase that particular product
- It does not attempt to understand or research what the customer's wants or needs are



2.1.3 Production, selling, marketing approaches



Marketing Approach

- Focuses on the customer's needs and wants
- Once market research has been undertaken, products are designed to meet the customer's requirements
- It is based on the idea of consumer sovereignty



2.1.4 Types of markets



- Markets exist when potential sellers of products are able to interact with potential buyers
- Resource markets: for raw materials such as land, labour e.g. oil
- Industrial markets: for manufactured products, whether partly made e.g. coffee beans or fully assembled e.g. paper cups, these items may then be used for production of other goods e.g. take-away coffee
- Intermediate markets: to provide the link between producers and the marketplaces where consumers make their purchase decision e.g. supermarkets
- Consumer markets: sell directly to the individual customer e.g. shops in a large regional shopping centre
- Mass markets: for products that appeal to a large and homogenous group e.g. milk, bread
- Niche markets: for more specialized goods and services that only a few people are interested in or can afford e.g. vintage wines

2.2 Influences on marketing



2.2.1 Factors influencing customer choice



- Price, reliability and convenience are important but in attempting to maximise their satisfaction, customers can be influenced by factors
- **Psychological factors:** a person has individual characteristics that influence their buying decisions, e.g. personality, lifestyle, interests, self concept, motivation and their past buying experiences
- **Sociocultural factors:** a customer's social grouping will influence their buying decision e.g. family, traditions and background, peers, work colleagues, community, religion, education
- **Economic factors:** the cost of living, interest rates, employment levels, level of economic growth, whether the economic cycle is in an expansion heading for a boom or in a downturn heading for a potential recession
- **Government factors:** Taxes, subsidies and law influence customers choice

2.2.2 Consumer laws

Deceptive and misleading advertising

- Businesses must be truthful with their pricing claims, advertising and special offers
- They cannot advertise a claim for a product if it cannot prove to be true
- Must be fair and not misleading
- E.g. 'bait and switch' where heavily promoted bargains turn out not to be available (NB: this practice is illegal)

Price discrimination

- It is the charging of different prices for identical products in different markets or among different groups of customers
- It is illegal
- But, there are some exceptions where it is allowed to charge higher prices where additional goods or services are provided e.g. baggage limit prices

ILLEGAL

2.2.2 Consumer laws

Implied Conditions

- In every purchase, there are written terms and conditions to which customers may be referred
- There are also certain unwritten conditions that are implied e.g. the produce being offered is suitable for its intended use and is of a reasonable standard, the product offered for sale is of merchantable quality

Warranties

- They help give con
producers maintai

australian
consumer law



2.2.3 Ethical



AUSTRALIAN
COMPETITION
& CONSUMER
COMMISSION

Truth, accuracy and good taste in advertising

- This is part of the code of conduct that is binding on all members of the Australian Marketing Institute

Products that may damage health

- If a product is not used for the purpose for which they were intended, it may be damaging to health
- However, if it is used for its intended purpose but it damages health then there must be warnings on the product
- Research: Johnson & Johnson products that have had asbestos found in them, some have caused various types of cancer

Engaging in fair competition

- The ACCC is an independent government authority that promotes competition and fair trade in the marketplace to benefit consumers, business and the community
- Their main responsibility is to ensure that individuals and businesses comply with the government's competition, fair trading and consumer protection laws

Sugging

- This is selling a product under the guise of research
- E.g. telemarketers

2.3 Marketing process



Qantas SWOT Analysis

Internal	<p>Strengths</p> <ul style="list-style-type: none"> • Recent turnaround in profitability • Multi brand strategy (Qantas, Jetstar) • Extensive network/part of the Oneworld alliance and the Emirates partnership • Highly competitive positions on major international routes • 63% domestic market share with about 80% corporate market • Very successful launch of Jetstar • Recent lowering of costs and efficiency gains • Recent purchase of new aircraft, lounge upgrades, expansion of routes • Excellent airport locations and facilities • Globally recognised brand name and logo • Excellent safety record • Largest Australian based airline loyalty programme • Successful fuel hedging programme 	<p>Weaknesses</p> <ul style="list-style-type: none"> • High risk nature of airlines • Relatively complex fleet of aircraft • Higher labour and other operating costs than some competitors • Ongoing disputes between Qantas management and unions • Recent safety incidents have tarnished the Qantas image
External	<p>Opportunities</p> <ul style="list-style-type: none"> • Expansion of Jetstar International's network particularly in Asia via new airlines • Evaluating other joint venture opportunities in Asia • Developing further E-commerce operations • Pursue growth opportunities in associated bus. (travel, catering, freight) to protect it from the peaks and troughs of its core airline bus. • Continually evolving aircraft technology • Taking adv. of aviation growth in the Asian Pacific region • Further development of alliance and code sharing relationships 	<p>Threats</p> <ul style="list-style-type: none"> • Weakening in the domestic and international market/economy • Competitive challenges, domestically from Virgin Australia and Tiger Airways and internationally especially from Asian and Middle Eastern carrier and more recently, Chinese • Threat that Jetstar and Jetstar International will cannibalised Qantas' principal routes and erode its profitability • Increases in fuel costs • Threat of further competition in the domestic and international market • Increases in government regulation to protect its smaller rivals • Falls in the Aus. dollar • Gradual foreign takeover of Virgin Australia by Singapore Airlines, Air New Zealand and Etihad

2.3.1 Situational analysis

Qantas Product Life Cycle

2.3.1 Situational analysis

Stage in Product Life Cycle	Example	Characteristics	Marketing Strategies Employed
Maturity	Qantas Domestic	Sales have been maintained with improved profitability in 2015. Lots of competition from Virgin Aus. and Tiger	Redesigning packaging/modifying marketing strategies, lots of differentiation, continue network enhancements
Renewal	Qantas International	Went from \$495 million loss in 2014 to a \$267 million profit in 2015	Ordering new Dreamliner planes, launch new routes and increase connectivity with partners
Maturity	Jetstar Domestic	Sales have been maintained with improved profitability in 2015. Lots of competition from Virgin Aus. and Tiger	Redesigning packaging/modifying marketing strategies, lots of differentiation, growth through utilisation
Growth	Jetstar International	Record earnings in 2015	Enhance customer experiences, restructure network, launch new routes, strengthen brand in key markets
Renewal	Jetstar Groups in Asia	Improvement in earnings in 2-15 with some airlines like Jetstar Asia returning to profit. Challenges remain in an aggressive competitive environment	New fleet and destination planned in 2016, continued focus on network connectivity

2.3.2 Market research

— WELCOME —
• **NEW EMPLOYEE** •



- This is the collection and analysis of information to identify what the customer wants and to make marketing decisions based on those events
- Market research is a critical success factor in ensuring a customer marketing approach and maintaining customer satisfaction

Determining information needs

- Ascertaining the particular information, or data to be collected from market research

Data collection (primary and secondary)

- Primary data involves gathering original data direct from the customers and their target market
 - It can be time consuming and costly
- Secondary data is information that has already been researched and published
 - It may be obtained internally or externally
 - It is readily available and relatively cheap
 - But, it may not be as specific to the research purpose as primary data

Data analysis and interpretation

- This is the final stage

2.3.3 Establishing marketing objectives

- They are derived from the businesses strategic plan and provides marketing performance targets
- They may focus on:
 - Introducing new products
 - Increasing market share
 - Maximising customer service
 - Expanding the product range
 - Developing new markets
 - Developing new sales methods



2.3.4 Identifying target markets

- The target market is the specific segment of the total market that the product is aimed at
- Most businesses will undertake some level of market research to identify their target market
- The target market can be segmented as follows:
 - Demographics: age, sex, marital status, job, level of education and income
 - Socio cultural factors: religion, cultural background
 - Geographical: location (urban, rural, inner city, suburbs)
 - Psychographics: lifestyle and buyer behavior (needs, wants, personality, impulse behavior)



2.3.5 Developing marketing strategies

Five Common Marketing Strategies

Marketing strategy	Description	Examples
Undifferentiated	A bus. provides one product for the whole market	Electricity or gas
Differentiated	Different products are created in a market for different customers	Cars - family sedans, utilities, vans
Concentrated	A bus. focuses its product on one segment of a market	Rolls Royce Cars
Niche	A market segment is identified and catered for with specially developed products	Food for the lactose intolerant
Micro-marketing	The needs for an individual are catered for	Tailor-made clothes

2.3.6 Implementation, monitoring and controlling

- Implementation: putting the marketing plan into action
- Monitoring and controlling: involves using financial forecast tools to compare actual with planned results
 - This is achieved by establishing controls that identify, monitor and evaluate a range of measurements e.g. market share, sales, quality, customer feedback, profitability and ratio analysis
 - Controls are developed to set standards for the business to reduce the risk of resource waste and profit loss

Developing a financial forecast

- Financial forecast: a budget of expected revenues and costs over a set period of time
- Marketing managers will use the forecast marketing budgets to help compare actual and planned results
- This will indicate the marketing strategies that are providing the most sales revenue at the least cost and will assist with revising the marketing strategy with corrective action where necessary
- Forecast revenue depends on future sales, and future sales are determined by:
 - Quantity: how much the business expects to sell
 - Price: the range of prices for which the business expects to sell its products
 - Timing: when during the budget period output will be sold
- These forecasts are based on:
 - Past sales figures and trends
 - Social and economic indicators e.g. inflation, employment and consumer confidence
 - Estimates made by sales staff

2.3.6 Implementation, monitoring and controlling

Comparing actual and planned results

- At the end of the budget period, the manager of a business will ask – has the effort and cost of marketing been rewarded with sufficient sales?
- Controls are setup to monitor and evaluate the data from actual sales and movements in market share and profitability, as compared to what had originally been forecast

Revising the marketing strategy

- Once a business has compared its actual results with its planned results, it may consider revising its marketing strategy
- If the marketing plan is not achieving its desired results, perhaps because the business environment has changed, it may need to take corrective action
- There are 3 possible broad changes that a business could make to its marketing plan:
 - Change the marketing mix
 - Delete existing products or develop new ones
 - Reallocate its resources

2.4 Marketing strategies



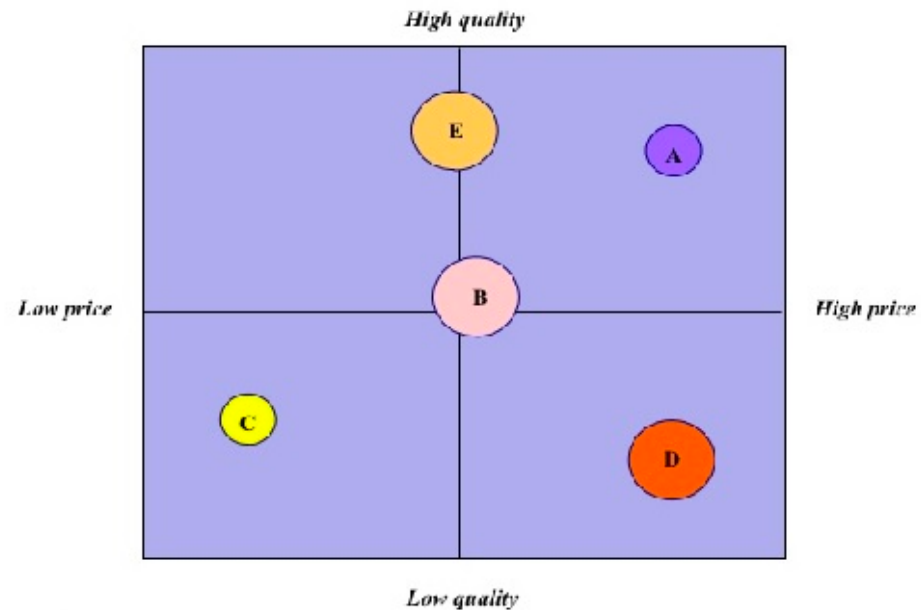
2.4.1 Market segmentation, product/service differentiation and positioning

- Market segmentation: the process of finding groups of customers, within the total market, who share similar characteristics
- Target market: the potential customers for a good or service
- The target market can be segmented as follows:
 - Demographics: age, sex, marital status, job, level of education and income
 - Socio cultural factors: religion, cultural background
 - Geographical: location (urban, rural, inner city, suburbs)
 - Psychographics: lifestyle and buyer behavior (needs, wants, personality, impulse behavior)
- Product/service differentiation occurs when consumers perceive a difference in a product or service compared to its competing products
- Product differentiation can be achieved through the following features e.g. quality, packaging, customer service, distribution and image

2.4.1 Market segmentation, product/service differentiation and positioning

Positioning

- This refers to developing a product image in relation to other similar products
- Price, quality, perceived benefits and competition are key methods of positioning a product in the minds of customers and will assist their expectations of the product



2.4.2 Products: goods and/or services

- Product: a good or service that satisfies a customer's wants or needs
- Branding: involves the development of names and symbols in the form of logos and trademarks for a product or service
- Packaging: the way a product is physically presented to the consumer and has become a highly influential way of effecting consumer choice



2.4.3 Price, including pricing methods

- Price: the amount of money charged for products that are for sale
- Price is an essential factors in influencing the buying decision of potential customers

Pricing Methods

- Cost based: the business adds a profit margin to the cost of producing the product
- Market based: prices are set by demand and supply of the market
- Competition based: a business sets its prices based on competitor's prices

Pricing Strategies

- Skimming: setting a high price while demand for the product is high and before competitors enter the market
- Penetration: setting the price of a new product lower than the prices of competing products
- Loss leaders: products that are priced well below cost in order to attract customers
- Price points: psychological pricing strategies that are based on customer's perception of values for their money e.g. \$19.99

2.4.4 Promotion

- Promotion: a means of communicating with the market about a product
- The objective of promotion is to create in the minds of consumers an image of the product that will generate sales

Elements of the promotion mix

- Promotion mix: the combination of promotion techniques used to inform and influence a target market
- *Advertising*: uses the media e.g. TV, radio to communicate with the public about a product
- *Personal selling*: involves personal interaction between the salesperson and the customer
- *Relationship marketing*: occurs when a long-term arrangements between the business and the customer develops so that there is a satisfying exchange between buyer and seller
- *Sales promotions*: directed at customers, sales staff or even the retail outlet
- *Publicity*: concerned with developing a positive public image that is reported by relevant TV, radio etc.
- *Public relations*: the planned and sustained effort to maintain goodwill and mutual understanding between the business and the public

2.4.4 Promotion

Elements of the promotion mix cont...

- *Opinion leaders*: celebrities, sportspeople and experts in specialized fields as well as organisations
- *Word of mouth*: occurs when customers who have used a product communicate their feeling about the product to potential customers, usually their friends and/or families



2.4.5 Place/Distribution

- **Distribution channels:** the link between the producer and the customers of the product
- **Direct channels:** used when a manufacturer distributes the product directly to the customer
- **Indirect channels:** used when distribution occurs through independent intermediaries e.g. agents, brokers or retailers

Channel Choice

- *Intensive channels:* the product is made available in as many places as possible e.g. supermarkets, petrol stations, corner stores
- *Selective channels:* used when the availability of products is limited and the number of distribution channels is limited e.g. Apple laptops
- *Exclusive channels:* individual outlets are given exclusive distribution rights, usually for expensive products e.g. cars

2.4.5 Place/Distribution

Physical Distribution Issues

- Physical distribution: the activities involved in moving the product from the producer to the point of consumption
- Need to consider:
 - Transport
 - Warehousing
 - Inventory and inventory control systems



2.4.6 People, processes and physical evidence

- People: refers to the business have well trained staff who can support the company's products, including both the act of selling and customers services
- Processes: refers to the procedure and policies that the business has developed in order to sell its output
- Physical evidence: refers to the way that the product and even the business appears to the consumer, includes packaging



2.4.7 E-marketing

- *E-marketing*: marketing by the means of the internet e.g. advertising on Google
- *One-to-One approach*: the person who is using the internet becomes the subject of attention for e-marketers, e.g. ads will pop up at the top of Google, depending on what was searched
- *Appeal to specific interests*: aimed at a market segment based on age, gender, lifestyle of geographic location
- *Niche marketing*: aims at creating websites that deal with products that cater for a specialized market
- *Geo-targeting*: the objective is to find out the geographic location of people accessing a particular website



2.4.8 Global marketing

- Global branding: branding is a process, using a brand name, trademark or logo to identify a product in a way that will distinguish it in the minds of consumers and global branding refers to using the same brand in many different countries, making it highly recognizable e.g. Coca Cola, Google
- Standardisation: the selling of the same product in more than one country and not altering any features , this helps reduce costs and to achieve economies of scale but it does not take into account cultural differences
- Customisation: altering products to satisfy the needs and wants of the customer, this is one way that organisations can achieve product differentiation and develop a barrier to prevent market entry for other businesses
- Global pricing: need to consider tariffs and subsidies, fluctuations in interest, exchange rates, methods of payment
- Competitive pricing: it is about creating a competitive advantage by developing an image of the product in the consumers mind that makes that product superior to those of customers

