Unit 5: Business In Action

1. **Idea Generation** is a systematic approach to generating ideas for new products and finding new ways to serve a market.

2. **Market Research** is the gathering, recording and analysis of all information needed to accurately identify and satisfy customers' needs (GRA, IS)

3. **Desk Research** is the sourcing of information that already exists

4. **Field Research** is the generating of original (new) information by going out into the marketplace (the field)

5. **Product screening** means selecting particular product/service ideas for further development

6. **Concept Development** is the stage at which the firm decides what exact needs the product will satisfy

7. **A product concept** is a precise statement of the need the product will fulfil and the form that it will take.

8. **A Feasibility study** is a study (research) carried out on the product/service to see if it would be viable both commercially and technically (will it make money and can it be made)

9. **A prototype** is the first working example of a new product.

10. **Test marketing** Test marketing is carried out to find out customers' reaction to the product before going into full production with it

Marketing

11. **Marketing** is the management process responsible for identifying, anticipating and satisfying the needs of customers, profitably. (IAS P)
    Definition from the Institute of Marketing

12. The **Marketing Concept (customer orientation)** involves a firm concentrating on putting its customer's needs at the centre of all its effort.

13. A **marketing strategy** is a plan to identify customers' needs and to satisfy those needs to earn a profit**.** A marketing Strategy involves 4 important points

    1. **Analysing the market** (Segment the market)
    2. **Choose a target market** (Based on age, gender, income, lifestyle (casual/formal)
    3. **Research the target market** Decide on the Product positioning/image in the market
    4. **Choose the Marketing mix (4P's)** - product, price, promotion and place.

14. The marketing strategy is **implemented** through marketing mix policies (tactics) relating to the 4 P's (Product, price, place, promotion)

15. A **market** refers to the total potential buyers of a product/service

16. A **market segment** is a part of the total market in which people have similar needs.

17. **Marketing Mix (4 P's):** The marketing mix is referred to as the 4 P's i.e. the product being sold, the price being charged, the place where it can be found and the methods by which it is promoted

18. **Target Market** is that part of the market (i.e. the segment) at which the firm aims its product

19. **Niche Market** is a small specialised market e.g. clothing is the market, but the sale of ties "Tie Store" is a niche market. They're often referred to as "gaps in the market".

20. **Market Research** is the gathering, recording and analysis of all information needed to accurately identify and satisfy customers' needs (GRA, IS)

21. **Research & Development (R&D)** is researching and developing new ideas, products, product improvements and processes

PRODUCT

22. A **product** is anything that is offered to a market that satisfies a need or want.

23. A **brand** is a name, symbol or design that **identifies** the goods/services of a company and **distinguishes** them from competitors e.g. The Nike “Swoosh”, Adidas “three stripes”, Guinness “harp”.

24. **Product Life Cycle**

This shows how the market for a product changes over time. The stages of a product’s life include introduction, growth, maturity, saturation and decline (development is added at the beginning before the product is launched)

PRICE

25. **Price** is the amount charged for a product

26. **Cost-Plus Pricing.** The firm considers all the costs involved in getting the product to the market. Then it adds on a percentage for profit (profit margin)

27. **Premium (psychological) Pricing:** Some customers are willing to pay more for what they perceive as higher quality e.g. expensive restaurants

28. **Competitive pricing:** The price depends on what competitors are charging e.g. petrol stations stay roughly in line.

29. **Penetration Pricing:** This involves setting a low price to gain market share (penetrate the market). Higher sales will compensate for the low profit margin.

30. **Price Skimming**: Charging the maximum price that customers are prepared to pay. This involves setting a high price when demand is high e.g. price of holidays during Easter school break is higher than normal/ accommodation on international sporting weekends (6 Nations Rugby) is higher than at other times.

31. **Below-cost Selling (Loss Leaders):** Since the lifting of the ban on below-cost selling in 2006, supermarkets sell certain goods at less than cost price (loss leaders) in order to attract customers.

32. **Tactical Pricing (discounts):** This involves adjusting prices to reward customers for certain responses such as bulk buying (trade discount), early payment of bills (cash discount), buying out of season (seasonal discount) e.g. Hotels, travel agents and airlines offer seasonal discounts during off-peak periods

PROMOTION

33. **Promotion** is bringing the product to the attention of customers and persuading them to buy the products

34. Promotional Mix - The "promotional mix" is the combination of techniques a firm uses to promote its goods/services. It's made up of the following
- Advertising
- Sales Promotion
- Public Relations (PR)
- Personal Selling

35. **Advertising** is the communication of information about a product/service and persuading them to buy it

36. **Public Relations** involves establishing and maintaining a good public image for a firm and its products.

37. **Sales promotion** is short-term incentives to boost the sales of a product/service

38. **Personal Selling** involves direct contact with potential customers to try to persuade them to buy something e.g. post or telephone

PLACE

39. **Place** refers to the methods used to distribute the firms products.

40. The **distribution channel** is the network used in the physical distribution of a product from manufacturer to consumer

41. **Job Production** refers to products that are produced to order and are one-off products

Examples include one-off trophy, wedding dress, ship, hand-cut crystal

42. **Batch Production** involved producing a quantity of an identical product at one time and then switching production to another product.

Examples include clothing and footwear where different sizes and colour are produced in batches, books, furniture, tinned vegetables

43. **Mass Production** is the continuous production of a large quantity of identical products

Examples include cars, cigarettes, computer chips, razors, pens.

44. **A Business Plan** gives a firm direction because it sets down where the firm is going and what it hopes to achieve.

EXPANSION

45. Organic growth involves increasing the size of the existing business.

46. Inorganic growth involves increasing a businesses size by acquisition (take-over), merger (amalgamation) or alliance (joint venture).

47. Acquisition occurs when one company purchases 51% or more of the shares in another company in either a hostile or friendly manner.

48. A merger is a friendly or voluntary amalgamation where two firms agree to come together to run their firms as one.

49. An alliance is where two or more firms enter into an agreement to cooperate and share resources and expertise with each other in some business activity/project for a specified period of time..

50. **Equity Capital (Share Capital or Risk Capital)** is finance from shareholders/owners and doesn't have to be repaid unless the company is being wound up

51. **Loan Capital (Debt Capital)** is finance from financial institutions and must be repaid.

52. **Retained earnings (Ploughing back profits) a**re the profits that have been retained in the business over a number of years.