Unit 5: Chapter 17

THE MARKETING MIX

Learning Outcomes from this chapter

On completion, you should be able to:

- Outline the marketing mix for a product of your choice
- Illustrate the benefits of branding for a business and the consumer
- Explain what is meant by 'own brand' and give examples
- Discuss the factors that a business considers when designing a product
- Outline the functions of packaging
- Illustrate the product life cycle for a good/service and explain how it can be extended
- Explain the factors a business considers when setting a selling price
- Distinguish between the different pricing strategies a business could use
- Describe the different promotion techniques a business can use to sell a good/service
- Outline the functions of advertising
- Describe the role of public relations and methods used to develop good PR
- Evaluate the different sales promotions techniques a business could use
- Outline the benefits and challenges of using different channels of distribution
- Explain the impact of ICT on promotional techniques
- Explain the impact of changing consumer needs on the marketing mix

The marketing mix

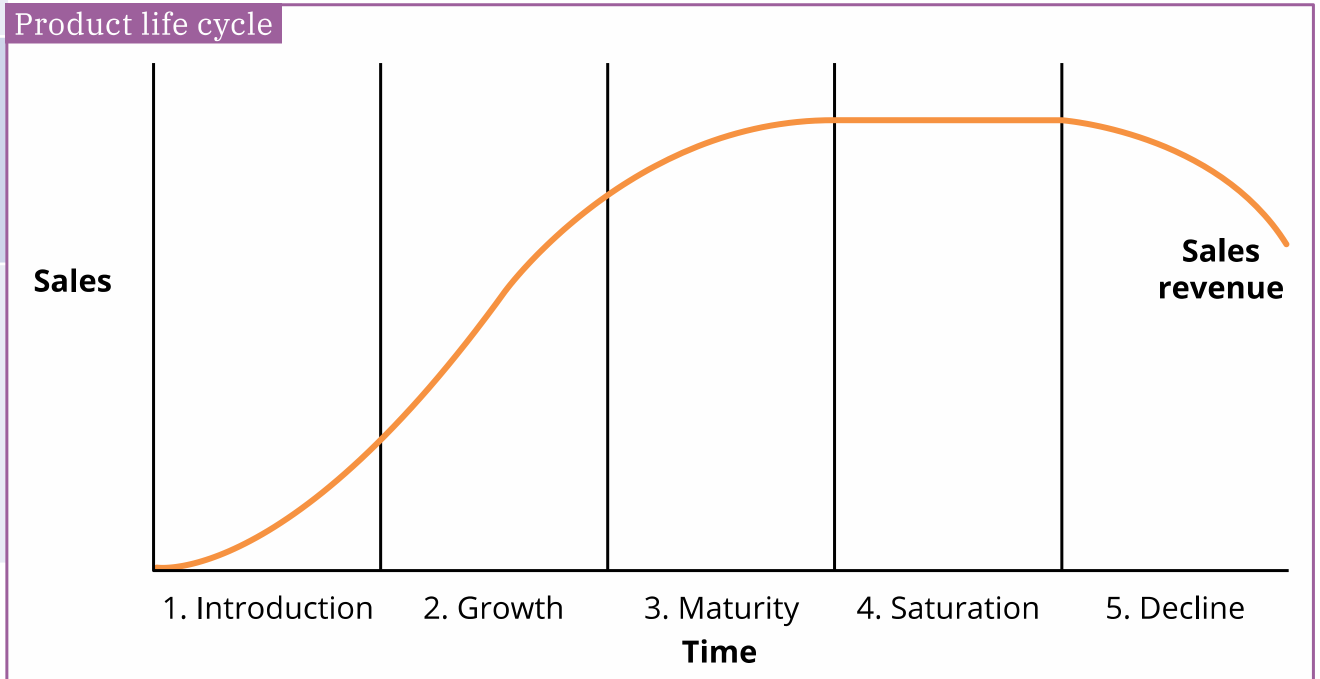
Product	Looking at the different elements a good/service has: its branding, packaging, design, functions, form, quality and product life cycle
Price	Pricing strategies a business can use to sell a good/service and the factors that can impact the selling price of the item
Promotion	All actions used to increase sales: advertising, sales promotions, public relations, personal selling
Place	Choosing the channel of distribution for a good/service (right place, right time)

USP	Unique Selling Point – sets a product apart, differentiates it
Branding	Product name, design, logo, slogan, shape, form, packaging (to identify it)
Branding (benefits)	Differentiates; can advertise a brand (rather than a product); can charge higher prices; can target different segments; the brand becomes the product (e.g. Dyson)
Own-brands	Retailers selling products using their own brand name and logo
Reasons a retailer sells own-brand	Higher profit margins; cheaper prices for consumers; can lead to customer loyalty, if people return for that product; more choice for consumers
Design	Costs, production feasibility, target market needs, legal requirements
Packaging	Attract, protect, provide information, competitive advantage, convenience

Product

Product life cycle

Introduction	Product launched, sales low, advertising increases product awareness
Growth	Brand awareness increases, sales rise as more customers buy the product
Maturity	Sales reach peak, product is established, business defends its market share
Saturation	Sales level off and start to decline, market has new entrants
Decline	Sales fall, promotions cease, product may be phased out, goods are sold off at low prices



Extending the product life cycle

Product: Introduce new design, flavours or different packets/containers
Place: Find a new channel of distribution (e.g. online).
Price: Change pricing strategy (e.g. lower prices).
Promotion: Introduce a loyalty card or run a competition.

Price (different pricing strategies)

Premium	Higher price to show image of superiority or quality	Rolex
Price skimming	High price to start, drop price later to get more sales after	PS4 game
Penetration	Lower price to start, to build market share	Aldi/Lidl
Psychological	Price at perceived cheaper amounts €19.99 vs €20	Travel agent
Bundle	Lower price per item when bought as a package	TV/broadband
Cost plus	Price to cover all costs (ads/production) plus percentage profit	Clothes retailers
Tiered	Selling different levels of quality at different price ranges	Cars (add-ons)
Discrimination	Selling goods at different prices to different groups	Dublin Bus
Predatory	Lower prices to eliminate competitors	Ryanair

Factors that influence price

INPUT COSTS	**DEPENDS ON ECONOMIES OF SCALE (SIZE OF OPERATION), COST OF RAW MATERIALS, RENTS/WAGES (LOCATION CAN BE A FACTOR)**
Competitors	Pricing will position the product’s image against competitors in the market
Consumers	Expectations of satisfaction and norms for consumers
Legal regulations	Tariffs, import costs, VAT, changes in exchange rates – all impact on price
Demand	If demand increases, companies may increase prices to match (e.g. concerts)

Promotion

1. Advertising	**Actions to convince consumers to buy a good/service.** **Types of advertising: generic, informative, persuasive, competitive.** **Forms of advertising: social media, billboards, TV, media, Google.**
2. Public relations	Efforts to build positive public image of the company and defend against criticism; uses press releases, sponsorship, endorsements
3. Sales promotions	Short-term actions to boost sales (e.g. 2 for 1, 33% off), discount codes, loyalty cards, competitions, free gifts, merchandising
4. Personal selling	Salesperson interacts with the consumer (interpersonal skills), informs them (with knowledge/training) and persuades them to buy a good/service

Promotion (impact of ICT)

Advertising	ICT has led to online advertising, which has a much bigger impact on younger market segments. Younger consumers spend more time online (on phones and tablets) so more money is spent advertising there.
Public relations	ICT has allowed companies to use social media (Twitter, Instagram, etc.) to interact with consumers. Businesses enhance their image through endorsements from social media users with lots of followers.
Sales promotions	ICT has allowed for a much wider range of ‘share and win’ competitions on social media to incentivise sales. Businesses also ask consumers to sign up for newsletters in exchange for discount codes. Businesses use pop-ups on browsers and websites.
Personal selling	ICT has allowed salespeople to use smartphones and tablets to illustrate products/services in action. Live Chat is used for direct online interaction.

Traditional	Manufacturer ➔ Wholesaler ➔ Retailer ➔ Consumer	Soft drinks
Alternative	Manufacturer ➔ Retailer ➔ Consumer	TVs
Direct	Manufacturer ➔ Consumer	E-commerce sites
Agent	Manufacturer ➔ Agent ➔ Consumer	Insurance brokers

Place: Channels of distribution

Factors for choosing a channel of distribution

Profit margin	The more stages (e.g. wholesaler, retailer) involved, the less a business profits per item sold.
Type of good	Perishable goods are best sold direct. Mass produced goods are best sold through wholesalers who can ‘break bulk’ and sell to retailers.
Market size	Low-volume operations may suit a more direct channel (especially for job production), since orders might be custom made.
Online presence	A business with lots of followers can sell directly through websites and social media. This is useful if the target market regularly uses devices.
Technology	Apps such as Uber Eats and Deliveroo provide platforms where manufacturers can sell (which enables higher sales).