

### 3 Decision making to improve marketing performance

- Sales volume refers to the number of units sold. Sales value represents the value in monetary terms of those sales.
- If the actual market is increasing in size faster than an individual company's market share, then sales will rise but market share fall.
- If a business can achieve brand loyalty, not only will it mean returning customers and maintaining market share, but these customers are also likely to recommend the product to others.
- total market size = (sales/market share)  $\times$  100  
30/5 = £6m  $\times$  100 = £600m total market size
- A cosmetics retailer may look to increase its sales volume. For example, it could sell more products through app-based platforms (consumers might take photos of themselves and 'paint on' the makeover, for example). An upturn in national income might also support that aim. As people are richer, they tend to buy more cosmetics. Or perhaps the business could raise its price and raise the sales value too.
- The objectives will almost certainly have to be revised downwards. It is likely that the new product launch will have to be executed with a smaller budget and, if there are supply-chain issues, the firm probably won't commit to a large number of sales. In fact, it may be best to delay the launch.
- Survey; observation; focus group.
- Published report; internet; government and other agencies.
- What consumers thought of the taste, and their reaction to the product and packaging.
- Time spent reading a book per day, number of new books purchased per year.
- Example of market map:



- Random; stratified random; quota.
- Quota sampling is more cost-efficient because it splits the population into a number of groups, each sharing common characteristics. A business is unlikely to have either the time or the financial resources to interview the whole of the population

so it will therefore interview only a small relevant sample when undertaking market research. This saves the business both time and money.

- Correlation is a statistical technique used to establish the extent of a relationship between two variables such as sales and advertising. Extrapolation analyses the past performance of sales and uses this to forecast the future trend of sales.
- The confidence interval in market research is the margin of error. In this case, if 60% of all respondents (sample) prefer a particular soap, market research analysts can be confident that between 55% and 65% of the overall population would prefer that brand.
- Market its product towards high-income households, e.g. raise its price, develop the product in such a way as to appeal to high-income households, only sell the product in rich areas, advertise in magazines that are targeted toward the same demographic.
- Lean into the data and market its product towards younger people, e.g. develop the product in such a way as to appeal to younger adults, advertise in magazines and on TV shows that are targeted toward the same demographic. Or, if the firm wants to capture the older market, then look at the reverse.
- Inelastic demand means that demand is not sensitive to price changes. Elastic demand means that demand is sensitive to price changes.
- $PEd = \% \text{ change in demand} / \% \text{ change in price}$   
 $20 / -10 = -2$
- Revenue would increase. The product is demand inelastic. Therefore, if price rises then the % fall in demand is less than the % rise in price.
- Differentiate it from rivals so that there are fewer substitutes; build brand loyalty.
- Spending on luxury items requires consumers to have disposable income. This means that spending on luxuries will be greater when income is rising and less when it is falling, as in the recession of 2008. This means that spending on luxuries is responsive to changes in income, i.e. it is income elastic.
- Market segmentation is dividing the market into identifiable sub-markets, each with its own customer characteristics. Examples: older people, families, people who buy cars to show off.
- Market targeting results in more effective marketing as it can be directed specifically at the target group and convey a clear message relative to the positioning of the product or service. Resources will also be used more effectively as a result of this approach. Market targeting may, however, result in potentially profitable segments being overlooked. It may also be the case that changes in taste and fashion are missed.
- Mass market refers to the whole market, whereas a niche is a small part of that larger market. A niche magazine can build customer loyalty (like

- Private Eye*) and can be highly profitable because it can charge a high price for its unique product. On the other hand, if it is profitable then it can attract competition.
- 26 People, process and physical environment have been added to the marketing mix of 4Ps due to the growth of the service sector and the importance of these Ps to that sector.
- 27 It will help to provide information about which market segments are buying the pizzas, what types of pizza they like the most, and what sorts of vouchers and promotions they might respond to best. It will also provide information relating to the price and whether the pizza shop should accept different payment systems.
- 28 Technology might allow education services to provide more online tutoring or remote teaching products. They might even be able to sell digital products alongside their core teaching function.
- 29 Advances in technology might allow a new product to be created (e.g. advances in battery technology allowing new types of electric car to be made), or allow an existing product to be made faster and/or cheaper.  
Competitor action may spur a rival to produce something new or to improve its existing products.
- 30 Advertising campaigns can be based around the USP; can charge a premium price; helps to encourage brand loyalty. (Any two of these.)
- 31 Development, introduction, growth, maturity, decline.
- 32 i Find a new market ('a new use') for hair bobbles; change the packaging, perhaps linking in with a particular celebrity endorsement.  
ii Reduce price; produce new versions (different colourways, slim-line versions); come up with new games. (Any two of these.)
- 33 The Boston matrix allows businesses to undertake product portfolio analysis based on the product's market growth rate and its market share. It classifies products into four categories and helps managers to have products in each one.  
The product life cycle is the theory that all products follow a similar pattern, moving through five stages during their lives. Its use can avoid circumstances where firms have a range of products all in declining popularity.
- 34 A cash cow is a product that has a large share of a market that is growing quickly. A problem child is a product that has a small share of a market that is growing quickly.
- 35 Pricing strategies are the medium- to long-term pricing plans that a business adopts. Pricing tactics are a series of pricing techniques that are normally used only over the short term to achieve specific goals such as increasing sales.
- 36 Price skimming may be appropriate when a new product is launched onto the market, especially if it has a unique selling point that differentiates it from rivals' products.
- 37 It is likely that prices will be reduced in order to try to stimulate more demand.
- 38 A merger might mean that fewer goods are available. Therefore, there are fewer substitutes and the demand for this product will become more inelastic.
- 39 Attract new customers; increase awareness; improve the position of the business.
- 40 It might use informative advertising to tell people where it is based and if there are any discounts. It might use personal selling in store by having more salespeople on site in order to have more one-to-one sales.
- 41 A pet store should try to establish an identity for its product(s) that distinguishes it from the rest. It may use this branding on the packaging of this product in order to increase awareness and make it more distinguishable.
- 42 The firm might choose more upmarket wrapping. It is also likely to have launches in high-profile areas and advertise in magazines that cater to a similar market segment.
- 43 Two influences on the promotional mix are the amount of finance available and the target market. Finance is likely to be limited for a new business and will need to be carefully budgeted. The restaurant's target market will also have an impact — is it targeting low- or high-income diners? The promotional mix will be determined accordingly.
- 44 Tesco sells its products both in its shops and online. It also operates a click and collect service.
- 45 The people selling a product and the process used can make or break the sale of that product, so they are just as important as they are for selling a service.
- 46 With services, the people providing the product and their interactions with consumers are vitally important. The premises of a business selling the service are just as important because they will help to attract the target audience.
- 47 A convenience product will require a different mix from a luxury product. For example, the price is likely to be lower for a convenience product. Also, the product is likely to be available to buy in more places. The luxury good might be more exclusive.
- 48 A product in the growth stage of the product life cycle will require a different mix from one in the maturity stage. For example, at the maturity stage you might want to start discounting. The product may need to change in order to extend the life cycle.
- 49 Technology now means that people can compare prices much more quickly than before. In addition, customers can leave reviews and so people can find out about other customers' experiences before they buy.
- 50 Digital marketing has benefited small businesses in that they have the ability to gather more detailed information about consumers and to build relationships with them. Small businesses can now find their target audiences more easily and can also set up and sell almost anywhere in the world.