

# Marketing, Accounting and Finance



## **1. Provide the target market for the following products:**

**a) A credit card company that gives triple loyalty points for buying tickets to major events, electronic equipment and purchases from music stores.**

Young people aged between 18 and 35 years, living in urban areas who have interests in arts and entertainment.

**b) A security company that offers sophisticated surveillance services and guarantees to respond to calls within 15 minutes.**

Large sized businesses, especially financial institutions and retailers of valuable goods. Homeowners in wealthy suburbs will be interested in this service as well.

**c) A tourism company which offers a three-day tour of Central Western NSW.**

Tourists from overseas and the Sydney Metropolitan area, aged 54 years and older.

## **2. Discuss the importance of market research in the marketing function.**

Market research is an important tool in identifying a target market and researching consumer needs and attitudes of the target market. Market research can also assist in the gathering of information about competitors' products and services. Market research has a significant role in determining the product, place, promotion and pricing strategies used by a business. However, market research requires considerable time and finance to gather, synthesise and analyse market research.

**3. Coca-Cola is one of the best recognised brand names in the world. Using your own knowledge of how Coca-Cola is promoted, explain some of the key features of its marketing mix.**

Coca-Cola relies on the image of its product using key characteristics such as the shape of the bottle and lively television commercials to differentiate its products from competitors. Coca-Cola uses a competition based pricing method to price its products, this means that it sees what its main competitors are charging and stays within the same price range. Coca-Cola uses price points to sell its products in a range of bottle and can sizes and packs. Coca-Cola uses mass media advertising to promote products to a mass market. Distribution of Coca-Cola products is provided through the channels of producer to retailer to consumer. Retailers are expected to place the product on specific shelves and in special fridges as part of their contract to sell the soft drink.

**4. You are commissioned to put together a plan for marketing a new coffee and chocolate ice cream bar. Describe the key elements of the marketing mix for this product.**

The key elements of the marketing mix for a coffee and chocolate ice-cream bar involve the “4 ps”, that is the decisions revolving around the product, pricing, placement and promotion of the new item. Important decisions to be made about the marketing mix are the ways in which the bar is positioned in the market, the location of the bar with respect to competitors, suppliers and consumers and the prices that are charged. The marketing mix will also need to include promotional strategies e.g. competitions, special fridges, adverts in local newspapers and street signage.

**5. Discuss the ethical issues that might arise in marketing products.**

Businesses may behave in an unethical way when marketing a product so as to increase sales and, therefore, profits. These areas are not covered by laws but by society’s perception of correct behaviour. This ethical, or correct, behaviour includes the following areas. Products must be promoted in a manner which is not misleading or deceptive. Products should be fit for their proper purpose and be of merchantable quality. The most challenging ethical issue is not to create consumer needs because customers sometimes find it difficult to distinguish between a product which satisfies a need and a product which creates a need. As businesses rely on customers purchasing their products, it is difficult for them to make distinctions between business and ethical behaviour in this area.

**6. Describe the role of the support function of finance and how it might affect a business if this service made major mistakes.**

The main roles of the support function of finance are to obtain funding for growth and expansion, collect credit revenue and prepare financial statements in accordance with accounting standards. If the service made major mistakes, the business may be affected by increased financial obligations to creditors. Issues regarding the liquidity and solvency of the business will also arise and the business may have to close down.

**7. Discuss the role played by the balance sheet and the profit and loss statement in the business. Can you identify any limitations in using these reports to assess business success?**

The balance sheet presents a picture of the assets, liabilities and owners’ equity of the business at a specific point in time. The balance sheet reports the (debt and equity) financing of assets by breaking up assets and liabilities into current or non current status. By doing this, the balance sheet informs stakeholders of working capital, liquidity and gearing and provides information on the status of their investment. The profit and loss statement informs stakeholders of the revenue, expenses and the profit/loss incurred by the business in an accounting period. The profit and loss statement is a source of information when making investment and financial decisions. Profitability and return financial ratios can be calculated from the information contained within the profit and loss statement. The analysis of liquidity, solvency and profitability are critical to forecasting the future success of the business.

Limitations in using these reports are the fact that they are not dynamic, meaning they only show information at a certain point in time; they show historical cost of assets and thus may not reflect the current value of an asset; and if the balance sheet contains intangible assets, it is not easy to put a true value on them.

**8. Explain how cash flow statements and budgets are important planning tools for business success.**

Cash flow statements are important in recording and analysing the cash inflows and outflows of the business. Budgets are important as they help a business plan for the short, medium and long term use of their finances. They are also used to monitor planned against actual financial results. Cash flow statements and budgets are important in terms of working capital and the ability of the business to manage cash to ensure that they can meet debts as they fall due. Thus monitoring and controlling the money moving through the business is important in planning for ongoing business success.