

Developing Marketing Strategies



1. Briefly explain the factors used to segment markets.

Market segmentation is the process of identifying smaller, or niche, markets within mass markets. The four factors are demographic, geographic, psychographic and behavioural. Demographic factors refer to the age, sex, education or income of the market segment. The geographic factors are about where the customers make purchase decisions, characterised by location and climate. Psychographic factors segment the market according to why a customer buys different products or services e.g. personality and social class. Behavioural factors describe the nature of the purchase, from consumer loyalty and usage rates.

Demographic and geographic factors are most commonly used to segment the market because information about these factors can be easily accessed.

2. Explain the link between positioning and product differentiation.

Positioning refers to a consumer's perception of the product and product differentiation refers to a series of marketing strategies used to distinguish the product from competitors. Differentiating a product could convey and reflect a product's positioning. For instance, a product which has many optional, luxurious features offered at a price (higher than the competition) can communicate a perception of prestige. For example, although two cars may be similar sizes and provide comparable performances, customers may perceive one as being superior and so are willing to pay a higher price.

3. Identify THREE factors business must consider when determining its branding strategy.

Branding is the use of names, terms or symbols to identify a product. A business must consider the following things when determining its branding strategy:

1. Will it encourage customer loyalty?
2. Will it assist in communicating the position of the product?
3. Will customers be able to distinguish the product from the competition?

4. Explain why particular businesses are more likely to use personal selling as a promotional strategy.

Personal selling is significantly cheaper than other forms of promotion e.g. advertising. The promotional 'tactics' used by sales staff can be personalised to each consumer, sales staff can also communicate the brand, answer any questions and correct misinformed consumers of the products and services.

5. Discuss what techniques a car company might take to recover sales following a scare concerning a safety defect in their cars.

The car company can utilise the public relations promotional strategy, alter the product's features and work on the product's positioning.

The public relations function is an effective tool to communicate information regarding the exact nature of the safety defects. The car company can release a media statement recalling affected cars; the statement could also inform consumers of the defect, hazards associated with the defect and contact details. To maintain quality assurance, the car company will need to review their operations and make necessary alterations to the production line or modify the finished products. The car company will also need to increase branding and positioning of the company's products as this would have been affected by safety concerns.

6. Outline how the marketing mix would change at each stage of the product's life.

The marketing mix would change at each stage of the product's life due to the changing nature of the market and increased competition. Each stage of the product life cycle is characterised by varying levels of product awareness, level of sales and competition. The marketing mix at the introduction and growth stages of the product life cycle are usually aimed at increasing consumer awareness of the product and retaining customer loyalty. Latter stages of the product life cycle generally refer to a levelling or decline in sales and a highly competitive market. Marketing strategies at the latter stages should focus on renewing the product's positioning, increasing brand awareness and competitor-focused strategies.

7. Identify the impact of environmental factors on distribution channels.

Environmental factors such as technological advances and local governments can affect the nature of distribution channels. Technological advances have increased efficiency of transporting products from place of production to the consumer. Technological developments in monitoring stock levels and logistic transportation (e.g. refrigeration) have increased the efficiency of distribution channels.

Local governments influence the location of commercial and industrial development and the nature of operations. Local governments enforce zoning regulations within which some forms of development are permitted. Local governments also have regulations which enforce noise and air pollution legislation. Local governments also influence infrastructure networks in a local area, impacting upon transport from suppliers and proximity to consumers.