



Understanding Marketing

Matching

Definitions	Terms
A market where individuals and households buy goods and services for personal consumption	Consumer market
A small specialised market which is cultivated by smaller businesses	Niche market
A marketing approach that focuses on the sales and promotion effort	Selling orientation
A marketing approach which focuses on analysing consumer needs and values and produces goods and services to satisfy them	Marketing orientation
The process of creating and maintaining relationships with customers and stakeholders based on values	Relationship marketing
The stages of a product based on sales which include introduction, growth, maturity and decline	Product life cycle
Identifying potential customers who will buy a product	Target market
Research undertaken by a business to discover who its customers are and what their consumption needs are	Primary market research
A situational analysis which examines the strengths, weaknesses, opportunities and threats faced by a business	SWOT analysis
A marketing approach where the seller mass produces its product to be distributed en masse to all buyers	Mass market

True or False

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|----------|----------|----------|
| 1. False | 5. False | 9. False |
| 2. True | 6. True | 10. True |
| 3. False | 7. False | |
| 4. True | 8. True | |

Multiple Choice

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|----|---|--|
| 1 | C | Types of markets |
| 2 | C | Production-selling-marketing orientation |
| 3 | B | Production-selling-marketing orientation |
| 4 | B | Factors influencing consumer choice |
| 5 | D | Product life cycle |
| 6 | B | Factors influencing consumer choice |
| 7 | B | Types of markets |
| 8 | A | Determining information needs |
| 9 | C | Identifying target market |
| 10 | B | Identifying target market |
| 11 | A | Elements of a marketing plan |
| 12 | D | The marketing concept |
| 13 | C | Market research process |
| 14 | A | Elements of a marketing plan |
| 15 | B | Situational analysis |
| 16 | D | Production-selling-marketing orientation |
| 17 | D | Factors influencing consumer choice |
| 18 | D | Identifying target market |
| 19 | A | Types of markets |
| 20 | C | Situational analysis |

Short Answer Questions

Question 1

- (a) Two markets that Fabio's Furniture Company (FFC) operates in are the consumer market and the intermediate resource market because FFC sells to other retail stores.
- (b) Relationship marketing involves a business developing and maintaining relationships with customers.
- (c) FFC has few repeat customers so the business needs to determine why this is happening. Research could indicate that FFC needs to implement customer orientation, where the business identifies those customers that are to be the focus of this approach and then target this group to satisfy their needs. The market research may indicate why many customers are not satisfied with FFC's products and this could mean some redesign in the production process.
- (d) FFC is geared to the selling approach, where sales staff apply highly aggressive marketing techniques. The information indicates that customers are not satisfied with the products. Therefore, FFC should concentrate on a production orientation where the products are readily available, affordable, well-designed and durable. This would involve the managers of FFC ensuring that the production process is modified to cater for this change and that distribution is changed to ensure ready availability. By doing this FFC could overcome the customer dissatisfaction and generate more repeat customers.

Question 2

- (a) One opportunity affecting Freeman's is the possibility of new customers entering the market because of customer perception that computers may be falling in price. One threat faced by Freeman's will be increased competition from cheaper competitors entering the market.
- (b) A business will have marketing goals as part of its overall strategic plan. These goals are broad long-term outcomes that the managers want the business to achieve. Marketing objectives break these broad goals down into direct, achievable statements of purpose. If a marketing goal stated that the business was going to increase market share, a marketing objective could be to increase sales from 100 000 units to 120 000 units in the next financial year. The objective would also state how the business would achieve this increase. Thus, the marketing objectives give direction to the broader goals of the business and translate them into action.
- (c) The computer retail industry is one where technological change is rapid. Freeman's computers have entered the decline phase of the product life cycle and this could be because newer models are making Freeman's stock obsolete. In order to clear obsolete stock and meet the new competition in the market, Freeman's may be employing a price skimming strategy to undersell cheaper competitors, thus maintaining and increasing market share until newer products can be introduced. At this stage, Freeman's may continue with lower prices as part of a market penetration strategy.

Question 3

- (a) One psychological factor is the motive that parents would have when buying this product for their children. The economic factor is the high price per unit which may discourage some potential customers.
- (b) The government can influence consumer choice by intervening in the market in a number of ways. It can influence price by either taxing a product or subsidising it. It can restrict the supply of a product to a particular group by requiring proof of age in order to purchase the product.
- (c) In the example being used, the business would target parents rather than the end-users who would be children. The presentation of the product will centre on the benefits of the product rather than other aspects such as taste or popular appeal. If television advertising were used, advertisements would be screened during prime time rather than when children's programs were being screened. Advertisements could also be placed in magazines that adults (rather than children) are likely to read.
- (d) BTC could commission research where primary data was collected. This could take the form of customers completing a simple survey (age, income, number of children) when they purchased products. This information could be used to develop marketing strategies which would increase sales if the research indicated that a particular type of customer bought the products developed by BTC