

Marketing Strategies



Matching

Definitions	Terms
The division of the market into categories according to set characteristics	Market Segmentation
Making a product appear different to its competitors, either physically or by advertising	Product differentiation
Creating an image for a product in relation to other products in the market	Positioning
Designing and producing a container for a product	Packaging
A pricing method which adds the cost of overheads and a profit margin to the actual cost of the product	Cost plus pricing
Setting a high price in the early stage of the product life cycle and reducing the price in the later stages	Skimming
Activities undertaken to influence the consumer	Promotion
The distribution of a product	Place
The quantity of a product that is available at a particular time	Inventory
A computer based network where businesses can communicate and conduct business	B2B

True or False

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

Multiple Choice

- | | | |
|----|---|-----------------------------------|
| 1 | D | Market segmentation |
| 2 | A | Product and service - branding |
| 3 | B | Product and service - positioning |
| 4 | D | Promotion |
| 5 | A | Pricing strategies/tactics |
| 6 | A | Place/distribution |
| 7 | C | Pricing methods |
| 8 | D | Pricing strategies/tactics |
| 9 | C | Place/distribution |
| 10 | D | Product and service -packaging |
| 11 | C | Pricing methods |
| 12 | A | Promotion |
| 13 | B | Promotion |
| 14 | D | Pricing strategies/tactics |
| 15 | B | Place/distribution |
| 16 | A | Product and service -branding |
| 17 | A | Place/distribution |
| 18 | C | Pricing strategies/tactics |
| 19 | A | Promotion |
| 20 | C | Pricing methods |

Short Answer Questions

Question 1

- (a) Although the company increased advertising the advertising failed to overcome the poor manufacturing and electric shocks indicated by the fall in sales.
- (b) The celebrities are opinion leaders and the aim here is that potential customers will respect the opinion of celebrities or want to acquire the product because of the celebrity promoting it. Quite often, after the opinion leader has promoted the product there will be a word of mouth promotion from potential buyers who have heard the message given by the celebrities.
- (c) One strategy which could work is personal selling where a salesperson approaches potential customers directly. The business could have a stand in a shopping mall and sales staff could approach the passing people directly. Many people find it hard to resist the direct approach, although sometimes people become angry or embarrassed at being approached in this way.

Combined with this personal approach, the company could attract buyers to personal approach sales staff by way of a below-the-line promotion where each person is offered entry into a “free” competition. Once potential customers are engaged in this way, personal approaches could be made. One problem with below-the-line promotions is that people can be sceptical about these schemes and try to avoid them.

Question 2

- (a) Educational institutions and households especially those where students live are two types of customers who could be interested in this product.
- (b) One factor would be economic. The fact that the computers are being sold at a very low price would influence many customers, especially educational institutions which have tight budgets and households where there are students, again because incomes are limited.

Psychological factors could also influence customers. The motive would be that there is a need to acquire a computer and PCI are offering high powered computers at a very reasonable price

- (c) With a selective channel choice, the producer selects specific retailers to sell the product. One advantage of this is that the producer can select retailers with good reputations or expertise in selling the particular product. Another advantage could be the reduction of selling costs if the producer uses fewer retail outlets and sells through a major retailer such as Harvey Norman.
- (d) The pricing strategy that is being used is price penetration. The price is set at a low level in the early stage of the product's life cycle to attract more buyers and establish market share. Once the product is established the price can be increased. There can be problems with using this strategy, especially with a reasonably durable product such as a computer, because it will be some time before the customer will want to buy a new model. The key implication here is to establish market share. The business could also increase the price of peripheral products such as printers, to offset the low prices offered to penetrate the market.

Price and quality interaction may also contribute to the positioning of a high-powered laptop at a low price.

Question 3

- (a) Market segmentation refers to dividing a market into different units depending on certain criteria. These criteria include geographic location, psychographic which refers to things like lifestyle or social class, demography where sections of the population can be targeted such as women, children, the elderly, or people from particular occupations or income groups. The fourth criterion is based on buying behaviour which can include attitudes and responses to a product.
- (b) Intermediaries are people or organisations located between the producer and the consumer. Examples of intermediaries include wholesalers and agents. This business could use intermediaries who have expertise in selling to the different markets. Former sporting heroes could be engaged to sell to sportspeople, while specialist left handed retailers could sell to that market.
- (c) Branding includes symbols, logos, trade names or designs that distinguish a particular product from its competitors. One way that branding can improve customer perceptions of a product is that it differentiates a particular product from its competitors. In this way, branding makes it easier to identify a product or a manufacturer. This could be very important to customer perceptions, especially if the manufacturer enjoys a good reputation in the market place.