**BUSINESS & MANAGEMENT (STANDARD LEVEL)**
**Module 3: Marketing**
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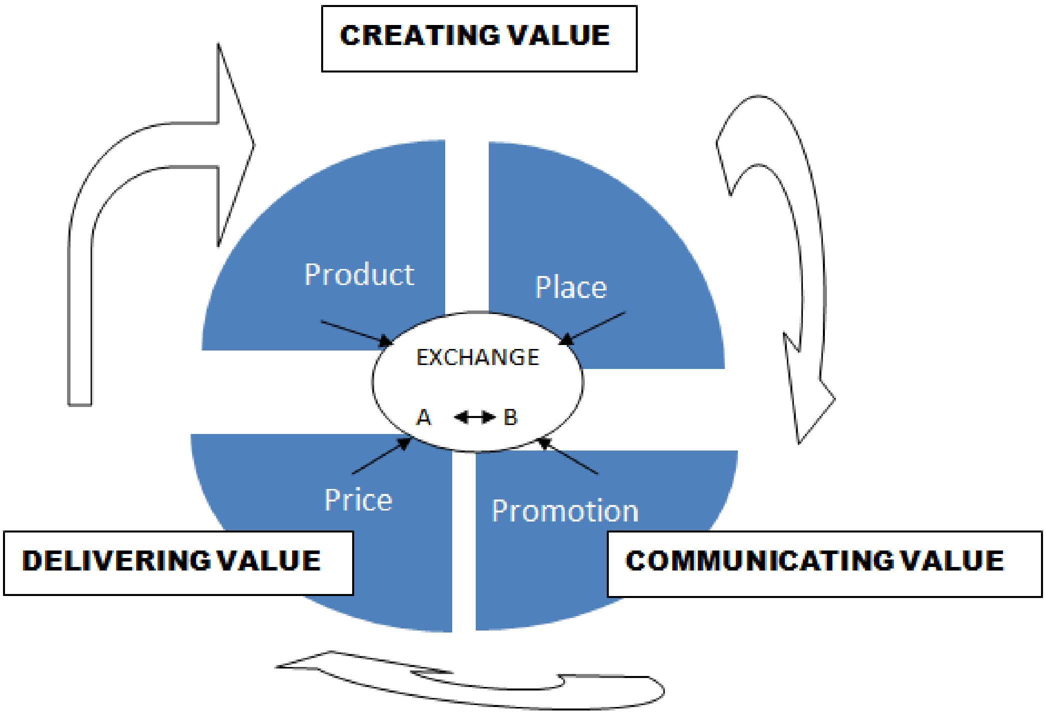
## 3.1 The role of marketing

### Definition of marketing

- Marketing is an organizational function and a set of process for ***creating***, ***communicating***, and ***delivering*** value to customers as to build **strong customer relationships** in ways that benefit the organization and stakeholders.
- satisfying **needs** and **wants** through an *exchange* process:




- A simple model of the marketing process:

Understand the marketplace and customer's **needs** and **wants**

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Design a **customer-driven** strategy

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Construct an **integrated marketing programme** that delivers superior value

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Build profitable **relationship** and create **customer delight**

↓

Capture **values from customers** in return

*Sample marketing process*

- Its relationship with other business:
    - It is important to realize that marketing cannot be carried out in isolation from the rest of the business. For example:
        1. The marketing section of a business needs to work closely with operations, research and development, finance and human resources to check their plans are possible.
        2. Operations will need to use sales forecasts produced by the marketing department to plan their production schedules.
        3. Sales forecasts will also be an important part of the budgets produced by the finance department, as well as the deployment of labour for the human resources department.
        4. A research and development department will need to work very closely with the marketing department to understand the needs of the customers and to test outputs of the R&D section.

**Marketing objectives**
1. Goals or targets that must be achieved by the marketing department in order to attain the overall corporate objectives
2. Marketing objectives are the aims set out for the organization's marketing programme
3. Marketing objectives are about products, sales and marketing only.

**The role of marketing objectives**
1. To enable a business to control its marketing plan
2. To provide a common goal
3. To provide an agreed consistent focus or a function of an organization

**Marketing objectives and strategy**
1. Objectives provide the starting point for marketing strategy and plans
2. Strategy concerns methods devise to fulfill the objectives
3. The success of the strategy should be evaluated in terms of the extent to which objectives are achieved

Objectives can be set at two levels:
1. **Corporate level**
   These are objectives that concern the business or organization as a whole.
   Examples of corporate objectives might include:
   - We aim for a return on investment of at least 15%
   - We aim to achieve an operating profit of over £10 million on sales of at least £100 million
   - We aim to increase earnings per share by at least 10% every year for the foreseeable future
2. **Functional level**
   e.g. specific objectives for marketing activities.
   Examples of functional marketing objectives might include:
   - We aim to build customer database of at least 250,000 households within the next 12 months
   - We aim to achieve a market share of 10%
   - We aim to achieve 75% customer awareness of our brand in our target markets

Both corporate and functional objectives need to conform to the commonly used SMART criteria. The **SMART** criteria (an important concept which you should try to remember and apply in exams) are summarised below:
- **Specific** - the objective should state exactly what is to be achieved.
- **Measurable** - an objective should be capable of measurement – so that it is possible to determine whether (or how far) it has been achieved
- **Achievable** - the objective should be realistic given the circumstances in which it is set and the resources available to the business.
- **Relevant/Realistic** - objectives should be relevant to the people responsible for achieving them
- **Time Bound** - objectives should be set with a time-frame in mind. These deadlines also need to be realistic.

**Marketing of products**

The distinction between marketing goods and services
1. **Intangibility**:
   The intangibility of services to be touched, seen, tasted, heard or felt in the same manner that goods can be sensed
2. **Inseparability**:
   The inability of the production and consumption of a service to be separated. Consumers must be present during the production.
3. **Heterogeneity**:
   The variability of the inputs and outputs of services, which cause services to tend to be less standardized and uniform than goods.
4. **Perishability**:
   The inability of services to be stored, warehoused, or inventoried as compared to goods.

**Marketing in non-profit organizations**

**What is nonprofit organization marketing?**
Nonprofit organization marketing is the effort by nonprofit organizations to bring about mutually satisfying exchanges with target markets. Although these organizations vary substantially in size and purpose and operate in different environments, most perform the following marketing activities:

- Identify the customers they wish to serve or attract
- Develop, manage and eliminate programs and services
- Decide on prices to charge
- Schedule events or programs and determine where they will be held or where services will be offered
- Communicate their availability through brochures, signs, public service announcements or advertisements

**Ethics of marketing**

**Marketing's impact on individual consumers**

1. High prices:
   - high cost of distribution
   - high advertising and promotion costs
   - excessive markups
2. Deceptive practices
3. High-pressure selling
4. Shoddy, harmful and unsafe products

**Marketing's impact on society as a whole**

1. Creates a very materialistic society
2. Too few social goods
3. Cultural pollution
4. Too much political power

**Marketing's impact on other businesses**

1. Acquisition of competitors
2. Marketing practices that can create barriers to entry
3. Unfair competitive marketing practices

**Data**

**Data Interpretation**

1. **Median**
   The median is the middle value in a set of values. Half of the data in the set fall above this value and half fall below, so the median estimates the 50% quantile.
2. **Mode**
   The mode is the most-frequently occurring value in a set of values.
3. **Mean**
   The expected value of a random variable

**Data Presentation**

1. Whenever you must present numerous figures or describe a technical process or procedure, graphic aids can help communicate this information to your audience more quickly. The two graphic aids most used are tables and graphs.
2. Data can be presented in tabular or graphic form. The tabular form (tables) consists of the numerical presentation of data.

Example:

| Store | Number of persons who entered the store | Percentage of total (%) |
|---|---|---|
| **West** | 4,731 | 25 |
| **North** | 4,821 | 26 |
| **East** | 3,514 | 19 |
| **South** | 3,534 | 19 |
| **Central** | 2,210 | 11 |

| | | |
|---|---|---|
| **Total** | **18,810** | **100** |

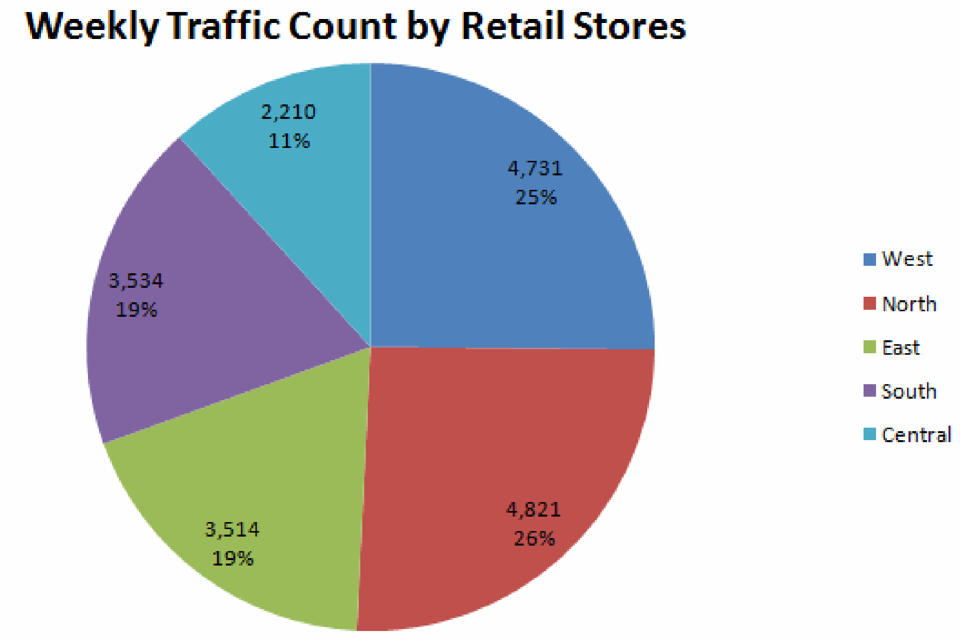
*Weekly traffic count by store location*

1. Once your data is in hand (in tabular form), you must select the best graphic format to present your data.
2. Pie, bar and line charts are format used most frequently in business communication because they provide direct visual representation of complex data.

**Pie Chart**

1. It is one of the simplest and most effective ways to dramatize proportional relationship.
2. It is a circle divided into sections such that the size of each section corresponds to a portion of the total

Example:




**Bar Chart**

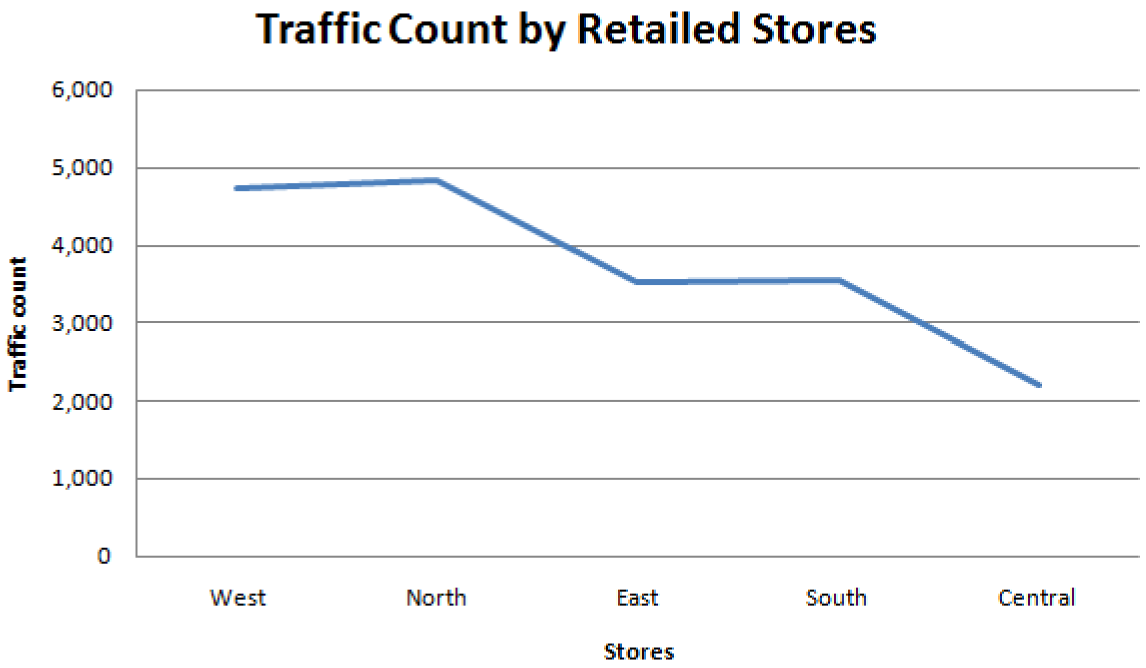
1. It depicts magnitudes of the data by length of various bars that have been laid out with reference to a horizontal or vertical scale

Example:

**Line Chart**

1. It illustrates trend over period of time. Such charts use a continuous line to trace the relationship between data.

Example:




## 3.2 Market Research

**The role of market research**

- **What is marketing research?**

1. All definitions of marketing research emphasize that it involves the 'systematic' and objective collection, analysis and evaluation of information relating to markets and marketing
2. The scope of marketing research:
   - Market research
   - Product research
   - Sales research
   - Promotion research
   - Business economics

**Role of market research in making business decisions**

1. By 'intelligence gathering' , analysis and evaluation, it is possible to devise strategies that increase the probability of success
2. It will aid the development of successful new products and the most effective ways to market them
3. It is possible to identify distinct market segments which can be targeted
4. It is also a critical component needed to make good decisions. Market research does this by giving marketers a picture of what is occurring (or likely to occur) and, when done well, offers alternative choices that can be made.

**Primary and secondary research**

**Techniques of field (*primary*) research**

1. **Observations**
   - Market researchers can observe how people behave.
   - Observers can be employed to watch behaviour in shops and how people used the product once purchased
   - **Advantage(s)**:
     - It avoids the subjective element that is present when people are questioned
   - **Disadvantage(s)**:
     - Expensive technique
     - Provides only limited information
2. **Experiments**
   - Experiments are used to test and assess the response of consumers to changes in the marketing mix.

- This might involve changes in the product or packaging, advertising, price and distribution arrangements
- Test marketing involves a limited launch of a product to test reaction, both to the product and the way in which it is marketed
- **Advantage(s)**:
  - Reducing marketing costs
  - Targeting at a particular area before the firm is committed to a national launch
- **Drawback(s)**:
  - The choice of the participants
  - The difficulties in controlling random variables (weather conditions or the mood of the participants)

3. **Focus groups**
   - This involves a group discussion in which people are encouraged to freely express views an opinions on a selected subject.
   - **Advantage(s)**:
     - The interaction between the participants results in-depths probing of topics and a wide range of views.
   - **Drawback(s)**:
     - Costly
     - Time consuming
     - Requires high levels of interviewing skills from the market researcher
4. **Surveys**
   - It is in a form of surveys of customers' opinions
   - **Advantage(s)**
     - Flexible
     - Yields a wide range of data and generates information on customers' opinion
   - **Drawback(s)**:
     - It may be hard for participants to recall information or to tell the truth about a controversial question.

**Desk research (*secondary*) research**

**Internal sources**

1. Examples:
   - Internal sources
   - Customer sales records
   - Client databases
   - Sales representatives' reports
   - Customer payment record
2. **Advantages**
   - Inexpensive
   - Avoids repeating effort
   - Quick to obtain
   - Easier to establish trends
   - Can preserve complete confidentiality

**External sources**

Examples:

1. Trade information
   - Trade press
   - Trade association reports
2. Specialist publishers
3. Company reports and accounts
4. Government ad international statistics
5. Retail audit data

**Disadvantages**

- Often out of date
- Might not be available
- Little control over quality
- Problems of interpretation
- Research methodology may be unknown

**Design and use of questionnaires**

1. In designing a questionnaire, it is important to follow these principles:
    - Clarify the purpose of the enquiry
    - Devise clear, unambiguous questions
    - Use language intelligible to the respondent
    - Avoid leading questions
    - Follow a logical sequence in questions
    - Do not use multiple choice questions where one of the offered answers appears to confer some status on respondents
2. Question types:
    - **Open question** and **closed question**

**Open questions**

1. The respondent is given the opportunity to provide a reply in their own terms, uninfluenced by guidance within the questionnaire or by the interviewer.
2. Open questions are useful for qualitative research and result in-depth probing of customer attitudes and motives
3. But answers are wide-ranging and so can be difficult to classify
4. The main forms of open questions are:
    - Completely unstructured for example; ‘what is your opinion of Ford cars?’
    - Word association such as ‘ what is the first word that comes into your mind when you think of Ford cars?’
    - Sentence completion, ‘the main factor I take into account when buying a new car is…’
    - Picture completion an example would be when respondents are presented with a picture of two people, one complete and one with an empty speech bubble, and they are asked to fill in the empty speech bubble
    - Thematic Apperception Test (TAT) a picture is presented, for example, and respondents are asked to make up a story about what they think is happening or may happen in the picture

**Closed questions**

1. The respondents are asked to choose from a number of specific responses, facilitate precise quantification.
2. The major types are as follow, with examples:
    - **Dichotomous**: yes/no questions where there are only two possible answers
    - **Multiple choice**: questions with three or more possible answers, for which the chosen response is indicated by a ticked box
    - **Likert scale**: a statement is written out and the respondent shows the degree of their agreement/ disagreement on a five category scale running from ‘strongly agree’ to ‘strongly disagree’
    - **Semantic difference**: here a scale connects two opposing words (large/small, modern/ old-fashioned) and the respondent selects the point that represents his/her opinion
    - **Importance scale**: a scale that rates the importance of something
        1. extremely important
        2. very important
        3. somewhat important
        4. not very important
    - **Rating scale**: a scale is used on which respondents rate some attribute (quality of service) from ‘excellent’ to ‘poor’
    - **Intention to buy**: a scale can be used that describes the respondents’ intentions:
        1. definitely buy
        2. probably buy
        3. not sure
        4. probably not buy
        5. definitely not buy

# 3.3 Marketing Plans

**Marketing Mix**

Marketing Plan

A systematic process concerned with devising marketing objectives and appropriate marketing strategies to achieve these objectives.

Marketing Mix

A combination of elements needed to successfully market any product

**8 elements of Marketing Mix**

**Product**

Definition

Goods or services being marketed to meet the needs and wants of consumer

**Price**

Definition

how much the customer is charged for the product

Price depends on several factors:

1. **Demand:** higher the willingness of the customer, the higher the price can be
2. **Supply:** lower the supply, the higher the price
3. **Business objectives:** charities and non-profit organization will price differently from firms which maximize profit
4. **Competition:** the higher the degree of competition, the more price competitive firms are
5. **Costs of production:** higher the cost, the higher the price
6. **Corporate images:** business with exclusive image will charge higher price

**Place**

Definition

The distribution channels used to get the products to the customer

Features:

- Wholesalers buy in bulk to reduce cost per unit and sell in smaller unit to retailers
- Each intermediary will add on profit margin to the cost paid by its supplier

**Promotion**

Definition

Process of informing, reminding and persuading customer to buy the product

Promotion depends on the type of product being promoted.

**People (customer relations management - CRM)**

Definition

The attitude and aptitude of the people employed by the firm which will determine the quality of service given to a customer

Features:

- Highly motivated and competent sales team will produce happy and loyal customer (encouraging word-of-mouth promotion)
- CRM's role:
  1. Setting standard for and training staff to deliver good customer service
  2. Emphasizes on customer lifetime value (the profitability gained from lifetime of positive relationship with customer)

**Process**

Definition

Methods and procedures used to give clients the best possible customer experience

It helps build customer loyalty by fulfilling the needs and wants of customers. Examples:

- Handling of complaint effectively
- Delivery service of bulk items in which the customer can track their items effectively
- Free delivery (but take longer time) or next-day delivery (premium pricing is charged)

**Physical evidence**
Definition

Image portrayed by a business (or perceived by the customer) regarding its tangible and observable features

Features:
- Important for businesses that offer service than physical products

Examples:
- Customers are willing to pay high prices for business which situated in prime locations, with welcoming reception areas and well-groomed staff (portray good quality and standards)

**Packaging**
Definition

The way a product is presented to the customer

Functions:
- Has profound impact on customer perception of a product or brand. Customers perceive quality packaging with a quality product.
- Acts as a form of differentiation
- Protects a product against damage during transportation of the product
- Labelling on packages can be used to provide information i.e health warnings, ingredients.
- Makes distribution of products easier e.g. boxes can be stacked on each other for distribution
- Used to encourage impulse buying (unplanned purchases) using confectionaries or eye-catching packages
- Advertise the brand or the business

**Marketing Audit**
Definition

a systematic review of the current strengths and weaknesses of a firm

Functions: help to clarify the marketing opportunities and threats facing a business, and allow managers to make any necessary changes to their plan.
Internal and external issues to be reviewed:
1. The business marketing objectives and strategies
2. The existing products and brands sold by the business
3. An assessment of the effectiveness of the firm's recent marketing activities
4. The firm's market share
5. Competitors analysis
6. An update on the demographic profiles of the firm's customers

**Market Segmentation and Consumer Profiles**
Definition

*Market Segmentation:* Process of splitting a market into distinct groups of buyers in order to better meet their needs.

*Consumer Profiles:* Characteristics of customers and consumers in different markets such as their age, gender, income and purchasing habits.

**Methods of Segmentation**

**Demographics factors**
The study of characteristics of the human population within certain area or region
- Age groupings
- Gender
- Race and ethnicity
- Marital status
- Religion
- Language
- Income and socio-economic class

**Geographic factors**
- Location e.g. different regions have different cultures and attitudes
- Climate – winter clothing line is unlikely to meet the needs of people in tropical climate areas

**Psychographic factors**
Factors that consider the emotions and lifestyle of customers i.e habits, hobbies, interests and values.
- Status: consciousness of social and economic status
- Values: people's belief, morals and principles
- Culture
- Hobbies and interests

**Advantages of Market Segmentation**
1. Better understanding of customers
2. Increase sales – cater to wider range of customers
3. Growth opportunities
4. Gives support to product differentiation – able a business to differentiate their product according to certain market segment

**PEST/STEP Analysis**

*See Module 1, Topic 1.6*

**Development of Marketing Strategies and Tactics**
Marketing Strategies

Medium to long-term plan used in achieving the marketing objectives of an organization

Marketing Tactics

Short-term plan to achieve marketing objectives; used to achieve marketing strategies

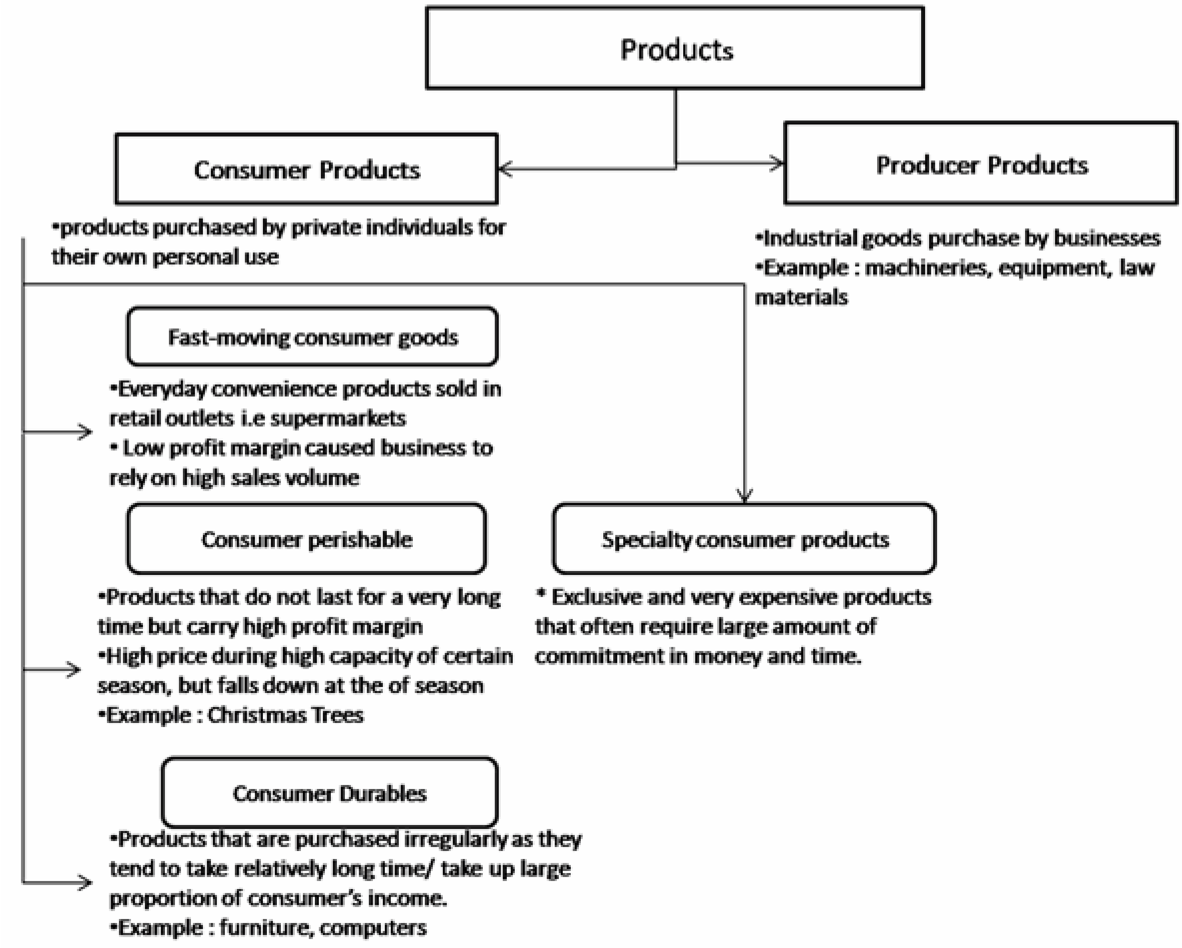
Three Key Phases of Marketing Strategies:
1. **Market research** – using primary and secondary research to identify needs and wants of customers
2. **Product planning, design and development** - producing products to meet the needs and wants of customers
3. **Implementation** – execution of the strategy through an appropriate marketing mix, within the marketing budget

Tools to develop marketing strategy:
1. **Perception mapping** - product positioning
2. **Porter's Generic Strategies** –marketing strategies for competitive advantage
3. **Ansoff Matrix** – marketing strategies for growth
4. **SWOT Analysis** – identification of firm's strength, weaknesses, opportunities and threats
5. **Force Field Analysis** - method used to successfully implement and manage organizational change

## 3.4 Product

*This section is missing required notes about **Research & Development, Product life cycles & extension strategies, product portfolio analysis,** and **other types of position maps**.*

**Classification of product:**
1. Product line
   - Definition: Variety of the same product that a business produces for customers of a particular market.
   - Features: Products in a product line typically differ in colour, size, price etc.
   - Example: Samsung produces both plasma TV and LCD TV.
2. Product Mix (Product Assortment)
   - Definition: variety of the different product lines that a business produces.
   - Example: Unilever produces food, beverages, personal care and cleaning product.
   - Product portfolio: wide product mix
3. Product Range
   - Definition: All product lines of a firm's product mix




**Product classification**

**Product Branding**

Definition

use of an exclusive name, symbol or design to identify a specific product or business in order to differentiate itself from similar products offer from rival firms.

**Role and advantages of branding**

| **Role** | **Advantages** |
|---|---|
| **Legal instrument** | • Create legal identity of a product by giving it a unique and recognizable name and image<br>• Meet the **physical and psychological needs** of employees, suppliers and customers<br>• Gives **lawful ownership** to protect a product against imitation |
| **Logo** | • Vital source of **differentiation**<br>• Provide huge **cost advantage** e.g. using "m" for McDonald instead of full name<br>• Break international **language barriers** e.g Nike logo |
| **Risk reducer** | • Better chance of survival in marketplace<br>• Encourage **customer loyalty** and **brand loyalty**<br>• Help to **prolong product life cycle** |
| **Image enhancer** | • Brands allow to charge **premium price**<br>• **Higher profit margin** can be obtained<br>• Create **'feel good'** factor on a purchase of a product |
| **Sales generator** | • Reduce **price elasticity of demand**<br>• Customer perceive brand as **superior** to others |

**Targeting and Positioning of Products**

Definition:

1. **Targeting:** Market segment(s) that a business wishes to sell to
2. **Market Positioning:** Analytical tools that ranks different products , services or firms in relation to others in the market according to the views of general public
3. **Position (perception) Maps:** A visual tool which shows the customers' perception of a product or brand in relation to others in the market

**Broad targeting strategies**

| Targeting Strategy | Advantages | Disadvantages |
|---|---|---|
| **Niche marketing**<br>• targets specific and well-defined market segment | • Better focus<br>• Less competition<br>• Able to charge higher prices<br>• Highly specialized in meeting needs and wants of customer<br>• Encourages customer loyalty | • Customer number in the market is limited<br>• Few opportunities for economies of scale<br>• Niche market may attract new entrants |
| **Mass Marketing / Market Aggregation**<br>• Strategy that ignores targeting individual market segments | • Huge potential of economies of scale<br>• A single marketing campaign can be addressed<br>• Bigger customer base | • High entry barriers for mass production<br>• Fierce competition<br>• Lack of focus in marketing |
| **Differentiated Marketing / Selective Marketing / Multi-segment Marketing**<br>• Strategy that tailors a marketing mix to each marketing segment | • Individual needs and wants are fulfilled<br>• Satisfied customers<br>• Risk are spread out over several market segments | • Costly<br>• Economies of scale are not fully exploited<br>• Possibility of drained firm's resources and confused customer |

**Position map**

| | | **Quality** | |
|---|---|---|---|
| | | **High** | **Low** |
| **Price** | **High** | Premium brand | Cowboy brand |
| | **Low** | Bargain brand | Economy brand |

**Use of position map:**

1. Allows a business to identify any gap in its product portfolio
2. Can be used for marketing strategy
3. Inform business to reposition their product

## 3.5 Price

**Pricing policies**

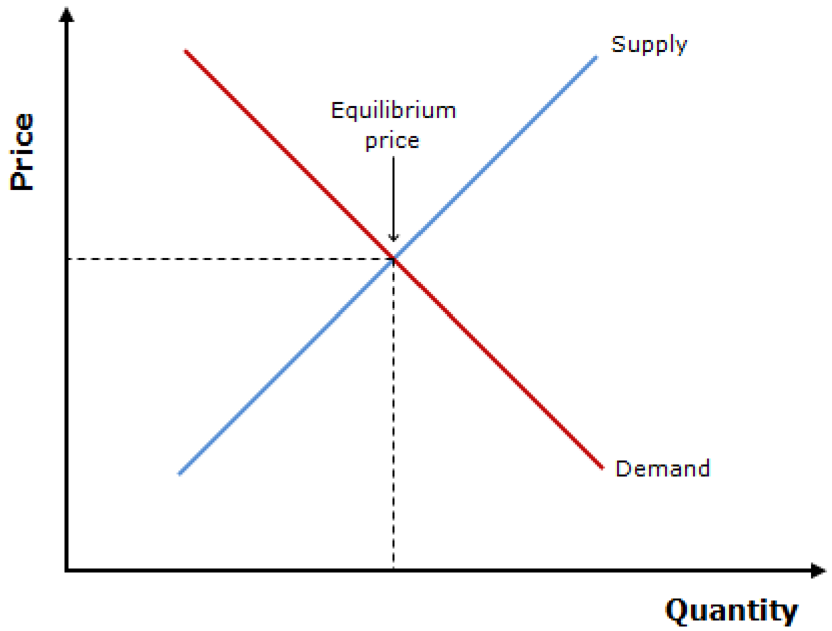
Pricing policies can be divided into three main sections:

1. cost-based
2. competition-based
3. consumer orientated

| Pricing policy | Pricing strategy | Explanation | Example |
|---|---|---|---|
| **Cost-based** | Cost plus | • The most basic pricing method.<br>• Average cost is calculated, and then a markup is added. | • Most basic goods. |
| | Going rate (market rate) | • The price is set at the level most consumers would expect to pay. | • The 'going rate' of the day's newspaper would be about RM 1. |
| | Price skimming | • Usually used for new products.<br>• A high price is charged at first to regain development costs.<br>• Only works under two conditions:<br>1. the high price is justified by its quality<br>2. enough buyers must want the product at such a high price | • Products using the latest technology, such as Plasma/HD TVs. |
| **Competition-based** | Destroyer pricing | • The price is intentionally set low to 'destroy' competition or force competition into other markets. | • Microsoft offered Internet Explorer free to establish dominance over the other internet browsers in the market. |
| | Loss leader | • Products are intentionally sold at low prices to encourage customers to visit the store or buy from that company.<br>• These products are sold at a loss, but usually are regained through margins on other products sold by the same company. | • Supermarkets often sell 'home brand' products at a loss to encourage customers to buy at their outlets. |
| | Penetration pricing | • Usually used by a company to enter a new market.<br>• Prices are set low to attract and build a customer base. | • Dell entered the PC market by selling high-quality products at comparatively lower prices. |
| | Premium-pricing | • Prices are intentionally set higher.<br>• High prices usually signal high quality, so this might give the perception that the product or service is of a higher quality. | • Steinway pianos usually cost between $ 40, 000 to & 165, 000, and are claimed to be the best pianos money can buy.<br>• High prices are maintained to retain that exclusive image of Steinway. |
| **Consumer orientated** | Captive product pricing | • Used for products which have 'complementary' products.<br>• The profit margin on these 'complementary' products is usually higher. | • Razor blades are priced at relatively low prices, but the blade cartridges are more expensive. |

| | | | |
|---|---|---|---|
| | Discriminatory pricing | • Different prices are charged to different groups of people at different times. | • Cinemas charge different prices for different showing times and days, and for different people. |
| | Geographical pricing | • Prices vary according to the outlet, or geographical location. | • Petrol pricing in the US varies by location. |
| | Psychological pricing | • Usually refers to the psychological association people have with the number 9 and price barriers.<br>• Prices ending with 99 cents or $ 9 are perceived to be 'cheaper' by people. | • A shirt that sells for RM39 might probably sell better than one that sells for RM 37.<br>• Prices usually ending with 99 cents. |

**Supply and demand**
The price of goods is greatly affected by supply and demand.




**Supply and demand curve**

- The interests of the buyers are represented by the red line, and the interests of the sellers by the blue line.
- As demand increases, the price of goods drop and the buyers are willing to purchase a higher quantity for a lower price.
- As supply increases, the price of goods increase and the sellers will be more willing to sell a higher quantity for a higher price (more profit).
- This creates a conflict of interest, which is resolved by the **Equilibrium Price**, which is a price both buyers and sellers can agree on.

**Elasticity**
**Price elasticity** or **price elasticity of demand (PED)** measures how much the sales of a product is affected by a change in its price.
The formula for PED (the negative sign is usually ignored):

$$Price\ elasticity\ of\ demand\ (PED) = \frac{\%\ change\ in\ quantity\ demanded}{\%\ change\ in\ price}$$

| Price elasticity of demand | Implications |
|---|---|
| PED < 1.0 (price inelastic of demand) | • A % change in price will not affect the % of change of quantity much.<br>• Even if prices are raised, the demand for the good will remain roughly the same.<br>• It is a good idea for sellers to raise prices, as the demand will be roughly the same (more profit). |
| PED > 1.0 (price elastic of demand) | • A % change in price will affect the % of change of quantity.<br>• Sellers will consider lowering prices to produce more total revenue, as long as the cost of producing and selling more does not exceed the extra revenue. |

*Interpretations / analysis of price elasticity of demand*

### 3.6 Promotion

**Techniques of promotion**
Promotion is divided into two main categories:
1. Above-the-line
2. Below-the-line

**Above-the-line** methods are methods over which the firm **does not** have direct control, while **Below-the-line promotion** involves methods over which the firm **can** have direct control.

Examples of these methods are shown in the table below:

| Type | Technique of promotion | Explanation |
|---|---|---|
| **Above-the-line** | Television & Cinema | • Relatively, it is the most expensive method, but in terms of 'per viewer' advertising, it is very cost effective.<br>• Slots during heavily-viewed programs are often more expensive, but can potentially reach an even larger audience. |
| | Radio | • Relatively cheap to advertise.<br>• Specific locations can be targeted, depending on the distribution of stations. |
| | Newspapers & Magazines | • One of the most used medium for advertising.<br>• Can be used to target specific interests (such as a PC advertisement in the newspaper's IT section). |
| | Internet | • Cheap and can potentially reach a larger audience.<br>• However, most people tend to ignore internet advertisements because there are so many of them, or are regarded as annoyances. |
| **Below-the-line** | Personal selling | • Involves a sales team that 'personally' visits customers or potential buyers. |
| | Public Relations (PR) | • Quite often, PR incurs little or hardly any major expense for the company. This may be done through a media conference, which will bring more publicity for the company. |
| | Sponsorship | • A company pays for association with a certain person, event or movement.<br>• The most obvious example is product endorsement by celebrities. |
| | Point-of-sale | • The diplays at point-of-sale that promotes the product, such as its benefits, cheap price, etc.<br>• Attractive, informative, and well-positioned displays will greatly affect customer's decision to buy |

## 3.7 Distribution

### What determines how a product is distributed

- **Marketing aims** - e.g. secure as wide distribution as possible to increase sales volume
- **Product characteristics** - cost of product, shelf life, product type
- **Market coverage** - number of outlets required
- **Cost considerations** - longer distribution channel → higher cost, short channel → high stockholding costs
- **Special services** - specialist purchasing advice, etc.
- **Degree of control** - longer channel → lesser control
- **Customer expectations & brand image** - Chanel sold at Tesco is not right
- **Legal Restrictions** - Illegal to sell alcohol at petrol stations
- **Product lifecycle**

### Distribution Channel

#### Direct distribution

Producer sells goods **directly** to the end customer.
Advantages:

- sell at lower/more competitive price without affecting profit - removed mark-ups by intermediaries
- producer is able to develop relationship with consumers - direct product feedback
- producer able to react faster to changing market condition

#### Retailers

Advantages:

- Achieve wide distribution
- Help develop brand image - e.g. shirt sold at popular boutique
- Retailers help promote products
- Some retailers offer credit to customers for bulk purchases

Disadvantages:

- Fight for shelf space
- Draws customer's attention to other products

#### Wholesalers

Wholesalers:

- are a link between producers and consumers
- break down bulk into smaller quantities for resale
- are an alternative route to the market

Advantages:

- wholesalers bear the distribution costs
- provide storage facilities - reduce producer's stockholding costs
- buffer between producers, retailers, and customers - avoid direct contact
- returned goods are returned in bulk - more efficient

#### Agents

Agents never actually own a product. They **connect** buyers and sellers, and they manage the transfer of goods. Payments are usually by **commission** or by **fee**.
Advantages:

- take away the hassle of complex import-export procedures
- agents deal with different local laws - can be very challenging
- relatively a safe way of entering new foreign market

## 3.8 International Marketing

**Entry into international markets**
Strategies to enter international market:
- Multinational company: a company that operates in other countries
- Joint venture/ strategic alliances: A domestic firm that buys a part of foreign company or joins with a foreign company to create a new entity.

**Exchange rates**
The risks associated with exchange rates fluctuation:
- Taking example of UK and US, if the exchange rate is $1 = £1 moves to $2 = £1, UK exports to US will be twice as expensive and US imports to UK will be twice as cheap. Thus, UK's goods will be expensive in foreign market.

**Cultural factors**
Effects of cultural exports on local society and the ethical issues involve:
- A business that wishes to operate in other countries should consider the cultural factor:
    - Language: Marketers must take careful considerations in translating product names, slogans and production instructions so that they will not convey the wrong meaning.
    - Marketers must understand the traditions in business practices in the foreign country.

The ethical issues in trading in international market:
- Wage level in Third World Countries.
- The usage of child labour.
- Should firms get involved in certain activities such as making weapons?

**Globalization**
Globalization concerns the involvement of a business in the international trade.
Causes of globalisation:
- Increasing market size to potential customers.
- Domestic market has been saturated and the possible mean of expansion is through international market.
- New markets have been emerged and a company wishes to take advantage of it.

Effects of globalisation:

| Good | Bad |
|---|---|
| • Generate income for host country (the country where the company operates)<br>• The prices of goods are cheaper due to economies of scale, provided this benefit is passed down to consumers.<br>• Host countries gain employment for its citizens. | • Transnational company (TNC) - the company that operates in international market is often more powerful than host countries. Thus, giving TNC power to dictate wage level.<br>• The removal of TNC from a country will create redundancy.<br>• TNC's profit is returned to its shareholders, not the host countries. |

**Regional economic groups/blocs**
The way of regional economic groupings / blocs activities affects the way organizations market their products:
- Lower price of goods as the result of the removal of border controls and administration cost.
- Quality of products increases as the result of standardization of qualities for the products.
- Bigger market allows a business to grow and gains the benefits of economies of scale.