Aims for today

• To be able to define the meaning of ‘marketing’?

• To understand the role of marketing in a business

• Distinguish between mass markets and niche markets
What is marketing?

• In your books, write a definition of what you think marketing is and what it involves.
Marketing is:

“The management process of anticipating, understanding and satisfying customer needs at a profit”
Marketing involves...

1. Developing products that customers want to buy;
2. Understanding the needs of customers;
3. Selling products at a price affordable to customers (and gives a profit to the company).

Which of the above is most important and why?
Role of Marketing
The role of marketing is......

• Identify customer needs
• Satisfy customer needs
• Maintain customer loyalty
• Gain information about customers
• Anticipate changes in customer needs.

What are the consequences to the business if they have a successful marketing strategy?
Outcome of a successful marketing strategy

• Raise customer awareness
• Increase sales revenue and profitability
• Increase or maintain market share
• Maintain or improve image
• Target a new market or market segment
• Develop new products or improve existing ones.
Why do markets change?

• Consumer tastes and fashion change
• Changes in technology
• Change in income
• Ageing population
How can businesses respond to a changing market?

- Maintain good customer relationships
- Improve existing product
- Bring out new product
- Keep costs low
The Marketing role in a small business tends to be carried out by the owners of the business, as well as, other duties in the organisation.

In large organisations is divided into departments, each having their own specialist duties.

- Sales
- Market Research
- Promotion
- Distribution
Match the section of the marketing department with the duties they carry out

- **Sales**: Mary organises the airline flights for the products to be sent to their markets abroad.
- **Market Research**: Mohammed spends his time arranging for adverts of the product to be placed in newspapers and magazines.
- **Promotion**: Anya spends most of her time in other countries showing the product to people who buy inventory for large retail groups.
- **Distribution**: Paul spends much of his time carrying out questionnaires.

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Market types
Mass Marketing

Mass Marketing is the process of devising products with mass appeal and promoting them to all types of customers.

The ultimate aim is to create a generic brand e.g. Hoover or Coca-Cola

Coca-Cola aim their products at young and old alike and they aim to be the market leader.
Mass Marketing

When carried out successfully, Mass Marketing can be highly profitable. Explain.

- Mass Marketing
  - Leads to
  - High Sales
    - Which leads to
    - Low Costs & Higher Profits
      - Which leads to
      - Mass Production
Niche Marketing

Niche Marketing is the process of tailoring a product to a particular type of customer and market segment.

A niche involves identifying the needs of the consumers that make up the niche. A specialised product or service is then designed to meet the distinctive needs of the consumer.

In pairs, outline the benefits and issues with providing niche product or service.
Niche Markets

Benefits

• A premium price can be charged for highly differentiated products which are valued by the target niche market

• If first company to exploit a niche market then a loyal customer base can be established

• A niche market may grow to become a mass market e.g. Body Shop

• Little or no competition (safe haven)

• Products are not very price sensitive
Niche Markets

Drawbacks

• The market may remain small

• Successful niche firms may attract larger firms which will take market share

• Dependence on one product
Market Segments

What they are
How markets are segmented
What is it?

Market Segments = part of a market that contains a group of buyers with similar buying habits.

The way a business segments its market depends on the product being sold and the customer.
Segmenting the Class

How many different ways can you think of to segment the class?

- Month of birthday
- Where we live
- Ethnicity
- Language spoken
- Games console used
How To Segment the Market

- Age
- Gender
- Income
- Area
- Ethnicity
- Religion
- Socio-economic group (according to job)
Socio Economic Groups

In the UK, The National Readership Survey, provides the following standardised groupings…
The socio-economic scale

<table>
<thead>
<tr>
<th>SOCIAL GRADE</th>
<th>Description of occupation</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>higher managerial, administrative or professional</td>
<td>Company director</td>
</tr>
<tr>
<td>B</td>
<td>intermediate managerial, administrative or professional</td>
<td>Middle manager</td>
</tr>
<tr>
<td>C1</td>
<td>supervisory, clerical, junior administrative or professional</td>
<td>Bank clerk</td>
</tr>
<tr>
<td>C2</td>
<td>skilled manual workers</td>
<td>Plumber</td>
</tr>
<tr>
<td>D</td>
<td>semi- and unskilled manual workers</td>
<td>Labourer</td>
</tr>
<tr>
<td>E</td>
<td>state pensioners with no other income, widows, casual and lowest grade earners</td>
<td>Unemployed</td>
</tr>
</tbody>
</table>
ACTIVITY

- You have been given a picture of a product.
- With this product you are to prepare a presentation showing all the market segments that it is aimed at or appeals to.
- You are then to work out how this product can be changed in order to appeal to another market.
- Do not forget to include all the aspects that we talked about.
- You are to prepare a presentation in the context of a mind map to present in the class today.
- You have 20 minutes to prepare and then you will present to the rest of the class.
Let’s think....

- Why would organisations segment the market?

- What are the possible issues with doing this?
Customer needs differ. Creating separate offers for each segment makes sense and provides customers with a better solution.

- **Enhanced profits for business** - Customers have different disposable income.
- **Better opportunities for growth** - "trade-up"
- **Retain more customers** - Customer circumstances change
- **Target marketing communications** – relevant to customer
- **Gain share of the market segment** - become the preferred choice of customers
Issues when segmenting the market

• Lack of information and data
• Difficulty in measuring and predicting consumer behaviour
• Hard to reach customer segments once identified
MARKET ORIENTATED AND PRODUCT ORIENTATED BUSINESSES
MARKET V PRODUCT ORIENTATION

In your note books produce a definition of what you think Market Orientation and Product Orientation means....
GROUP WORK

Pro Market orientation

Pro Product orientation
MARKET ORIENATED (M) OR PRODUCT ORIENTATED (P)?

- Lexus cars only come with automatic transmission (no gearbox)  
  - P
- In 2003 General Motors (USA) decided to scrap its plans for an electric car.  
  - P
- In 2008 Marks & Spencer decided to test the introduction of brands into its stores (eg Marmite and Weetabix)  
  - M
- Nintendo Wii saw that there were many potential consumer groups being ignored by Playstation and Xbox  
  - M

Explain your choices.  

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A market orientated company will regularly use market research to keep up with current attitudes among customers.

A market orientated business will change the product/service to meet changing customer tastes.

If the business is market orientated, its growth should be at least as rapid as growth in the market size.
In 2005 Innocent Drinks launched ‘Juicy Water’, clearly branded as a part of Innocent Drinks. Sales were disappointing, as people saw the product as a watered-down version of an Innocent Smoothie. In 2008 the brand was relaunched as ‘This Water’, and the pack does not have the name Innocent on it (despite the huge power of that brand name). This Water is not even mentioned on the Innocent website. The company is determined that This Water must stand on its own, to avoid muddying the Innocent Smoothie name.

Examine the elements of market-orientation shown in this case.

Consider whether there are any signs of product orientation in Innocent’s approach.