

Figure 1.9 illustrates the different kinds of **external growth** that can occur within a business. This example focuses on a furniture manufacturer. The boxes around the outside of the diagram show how the furniture manufacturer business is involved in a **merger** or **takeover** with other businesses, with the type of growth that occurs labelled next to the arrow. The benefits of each type of growth are shown inside each box. vv

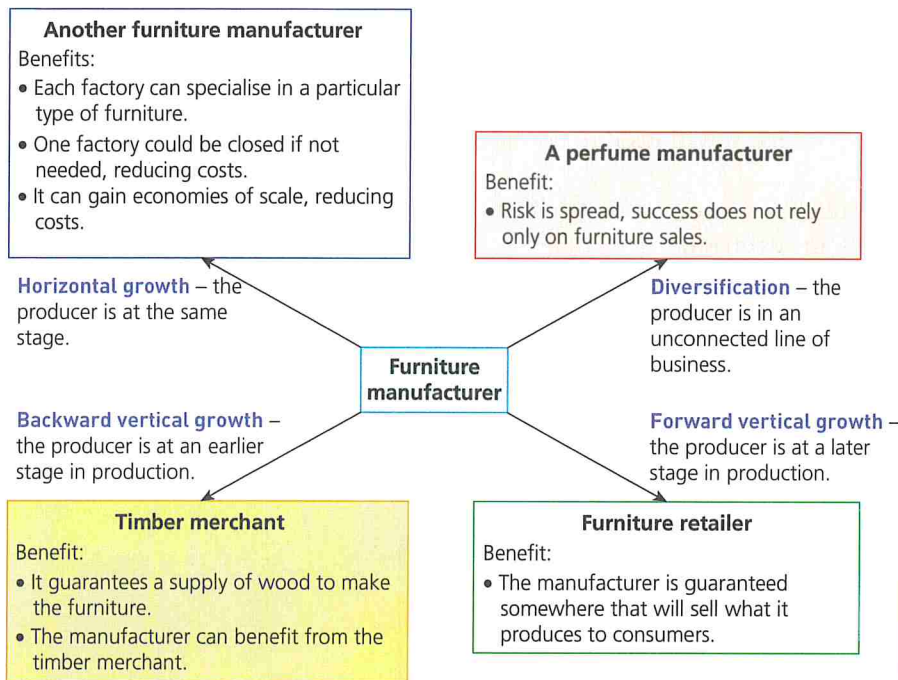


Figure 1.9 Types of external growth

Backward vertical growth:

When a business merges with, or takes over, a business that supplies it with goods or services.

Diversification: When a business merges with or takes over another business with which it has no connection.

External growth: The growth of a business by takeover or merger.

Forward vertical growth:

When a business merges with, or takes over, a business that it supplies goods or services to.

Horizontal growth: A merger or takeover where the two businesses are involved in a similar operation.

Merger: Where two or more businesses agree to join to become one business.

Takeover: Where a business takes a controlling interest in another business, for example, by buying more than 50% of the shares in it.

Exam tip

Be ready to answer questions which ask you to identify the type of external growth described. Make sure you can explain the different reasons why businesses merge or takeover other businesses.

Now test yourself

TESTED

- Which of the following statements describes a takeover? [1]
 - Orange and T-Mobile joined together to become EE.
 - Disney the film-maker bought the cartoon animation company, Pixar.
 - Honda Motor Company builds a factory to manufacture gear boxes for its cars.
 - Netflix increases its share of the market.
- Identify the type of growth which takes place in each of the following and give a reason for your choice. [6]
 - A brewery takes over chain of public houses.
 - A bus company takes over a chain of fitness centres.
 - A food retailer merges with another food retailer.

I can ...

- ☐ Explain the difference between a merger and a takeover.
- ☐ Identify the different types of external growth.
- ☐ Analyse the reasons for or benefits of different types of external growth.

2 Marketing

2.1 Role of marketing

Purpose of marketing within business

REVISED

Figure 2.1 shows the three main purposes of **marketing**.

When a business decides to market a product, it will need to consider these factors:

- Finance – how much finance is available to spend on research and development of the new product or an advertising campaign?
- Who the marketing is aimed at – young people may be more likely to respond to advertisements on social media. Different groups of people may require different products, for example, some older people may like a mobile phone that has large buttons and is easy to use; only rich people may be willing to pay high prices for top quality goods.
- Location of potential customers – which country or region of a country do they live and what language do they speak.

Marketing: Finding out the needs of consumers and demonstrating how a business fulfils those needs so that its sales increase.

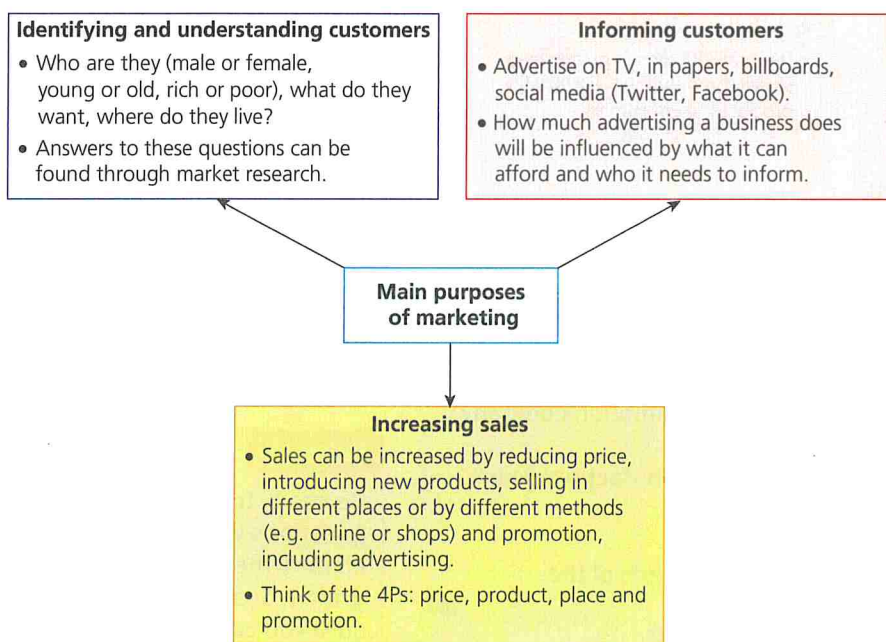


Figure 2.1 Main purposes of marketing

Exam tip

When answering a question on evaluation, make sure you use any evidence given in the case study to make a judgement. You might include further evidence in your answer if you have some or explain what further evidence would be useful.

Now test yourself

TESTED

Samsung wants to increase the sales of its mobile phones.

- 1 Explain **three** ways in which Samsung could increase its sales of mobile phones. [6]
- 2 Analyse **one** factor which will influence how Samsung markets its mobile phones. [3]

I can ...

- ☐ Explain what marketing is.
- ☐ Explain the purposes of marketing.
- ☐ Analyse the factors which influence how a business chooses to market its product.

2.2 Market research

Purpose of market research

REVISED

Market research is about identifying and understanding customer needs in order to produce goods and services to meet those needs. Figure 2.2 summarises what market research is about.

Market research is used to inform key business decisions, and so can influence whether a business succeeds or fails.

If a business does no market research, or conducts its research poorly, the chance of the business succeeding will be reduced. Any information gathered through market research must be interpreted correctly to:

- understand its significance to the business
- help marketing decision makers in the business choose the marketing strategy which best meets the needs of their **target market**.

Though market research costs money, this will, if the research is used effectively, be repaid to the business as sales revenue.

Market research: The collection of data on customer habits to help decision-making in marketing.

Target market: A group of customers to whom a business aims to sell its products. The target market may be other businesses as well as consumers.

Marketing involves the 4Ps:

Price, product, place and promotion (sometimes a fifth P, packaging, is added to the list) because the information it produces will help business to decide its marketing strategy. (See Section 2.4 for more detail on the 4Ps.)



Market research aims to find out information about the target market:

- *Their age* – children or adults, young or old.
- *Their economic status* – rich or poor, do they want high or low quality goods or services.
- *Their culture* – what motivates them, what do they enjoy.
- *Where they are* – urban or rural areas, in the north, the Midlands or the south, in the UK or abroad.
- *What they want* in a product or service – style or function, large or small size, hot or cold.



Good market research helps a business to be successful and avoid expensive mistakes by finding out:

- The *product* or service customers want.
- The *price* its customers are willing to pay.
- The *design* of the product that will be attractive to customers.
- *How many* products customers will buy and so how many it should buy-in or make.
- *How to target* customers – which media to use, what message to put out, what language to use.
- *Where and how* to sell its goods and services – through retailers, either online or on the high street, through personal sales representatives.

Exam tips

Evaluation questions ask you to make a judgement – whether something is good or bad, useful or not. You will need to weigh up these points and then come to a judgement. Remember to give a reason or reasons for your decision. Evaluation also requires analysis. For example, you may need to explain *why* information is useful to a business.

I can ...

- ☐ Explain the term 'market research'.
- ☐ Explain the term 'target market'.
- ☐ Analyse the information that market research can produce for a business.
- ☐ Evaluate the usefulness of market research for a business.

Figure 2.2 Market research

Now test yourself

TESTED

Next plc is considering introducing a new clothing range. The clothes will be targeted at women in the age group 16–25. Next plc has asked a market research company to research this market.

Evaluate the importance to Next plc of conducting market research before introducing a new range of clothing. [9]

Primary research methods

REVISED

Primary research is about collecting new data directly from people within the target market. Figure 2.3 summarises the main methods used to collect primary data and their advantages and disadvantages. Each method is a kind of survey. It will not be possible to reach everyone in the target market so usually a sample of representative people is chosen to get information from.

Primary research: Data that is collected first hand, often in the form of questionnaires, interviews and focus groups. Sometimes referred to as 'field' research.

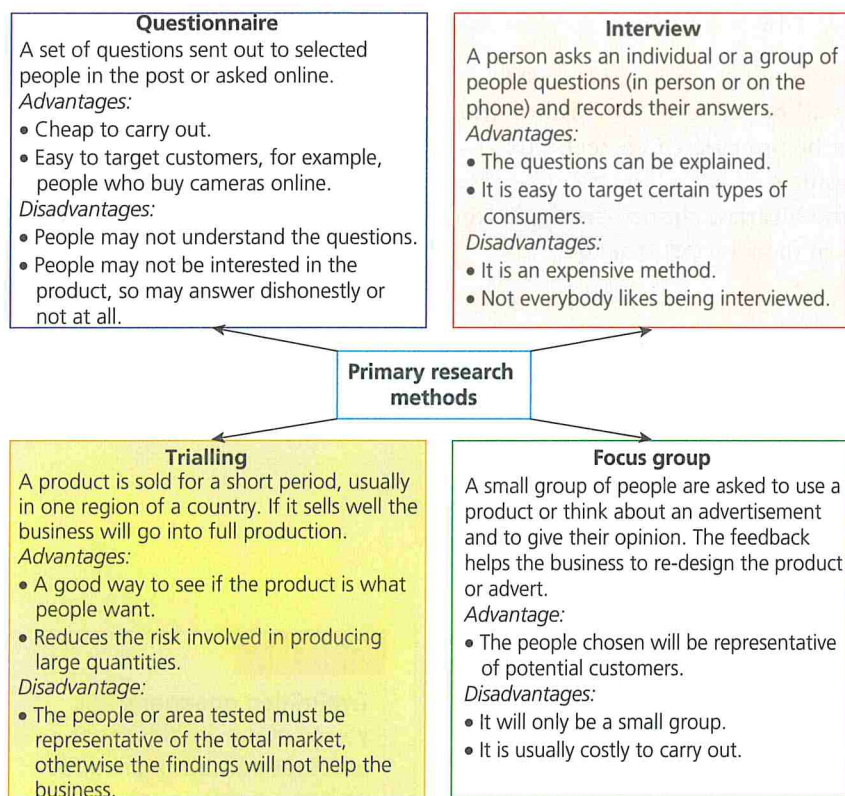


Figure 2.3 Primary research methods

Now test yourself

TESTED

The Royal Society for the Protection of Birds (RSPB) runs several bird reserves around the country, where birds can nest and feed safely. Members of the RSPB provide money to pay for the reserves through annual subscriptions. In return they receive services such as free access to the reserves, shops, conferences and education services for schools. The RSPB plans to use an online questionnaire to get the views of members about the quality of its services. The questionnaire will pop up when members enter the RSPB website.

- This online research is an example of: [1]
 - (a) primary research
 - (b) secondary research
 - (c) a trial
 - (d) interview data
- Analyse **one** advantage to the RSPB of its plan to ask members to complete an online questionnaire. [3]

Exam tip

When you revise, try to learn 'trigger' words which will remind you of key terms and their advantages and disadvantages. For example: interviews = individual questions, explained, targeted, BUT expensive, disliked.

I can ...

- ☐ Explain what primary research is.
- ☐ State and explain the main methods of primary research.
- ☐ Analyse the usefulness to a business of different types of primary research.

Secondary research methods

REVISED

Secondary research involves using information that has already been created.

Table 2.1 summarises the main sources of secondary data and their advantages and disadvantages.

Secondary research: The collection of data using research and information provided by others, such as magazines, journals and the internet. Often called desk research.

Table 2.1 Secondary research methods

Method of secondary research	Description	Advantages	Disadvantages
UK Census data	- The national census finds out information about all UK households every 10 years. - It includes information about the numbers of people living in the household, their income and where they live.	- Information comes from a lot of people – almost the whole population of the country. - It is already collected and analysed, reducing the cost to business.	- Information has not been collected to meet the specific needs of the business. - The information will need careful interpretation.
Data from newspapers and magazines	Articles in publications often describe people's interests and current fashions.	Such information is up to date, cheap (involves only the cost of the newspaper or journal or may even be available free on the internet) and is a good source of ideas.	Information will be general and not specific to the business.
Data from websites	Information about other companies can be found, including what they sell and the prices they charge.	Cheap to collect and readily available. Such data can help a business decide what to produce (and what not to produce) as well as the price to charge.	The information will need careful interpretation by the business.
Internal data	This is data collected by the business about, for example, its past sales and profits as well as customer feedback.	Cheap to collect, readily available and is specific to the business.	Data is historical – it looks at what <i>has</i> happened, not what <i>will</i> happen.

Now test yourself

TESTED

Age UK is a charity which provides advice for older people. It needs to decide whether to open an Age UK office in Leamington Spa.

- 1 Explain the term 'secondary market research'. [1]
- 2 Analyse how information from the UK Census may help Age UK decide whether to open an office in Leamington Spa. [3]

Exam tip

Exam questions may ask you to define terms or analyse advantages or disadvantages of different kinds of secondary research. You will usually need to apply your learning to a case study.

I can ...

- ☐ Explain secondary market research.
- ☐ State and explain the different types of secondary research.
- ☐ State and explain the advantages and disadvantages of the different types of secondary research.

Appropriateness of different methods and sources of market research for different business purposes

REVISED

When choosing to conduct market research, a business must decide whether to use primary or secondary research or both. The decision will be influenced by the following factors:

- How much the business can afford to spend – some organisations will only be able to afford secondary research, while others may be willing to spend large amounts of money on primary research.
- What information is required – first-hand information from potential customers gained from, for example, an interview or a trial may be a good way to get opinions about a new product. Secondary information about people in the local community may be gained from the Census or from local newspapers. Information about competitors may be obtained from their websites.
- Location of customers – a questionnaire or telephone interview may be a good way of getting information from customers in another country. A local newspaper may provide information about the market in a particular town.
- How quickly the information is needed – it will be quicker to use secondary information than to have to prepare and carry out primary research.

Now test yourself

TESTED

Bolton Wanderers Football Club plan to introduce a new football strip which the team will wear and replicas will be sold through the club shop. The club is planning to get some ideas from fans before designing a strip and then showing it to fans to see if they like it or not.

- 1 Evaluate **two** methods of primary research which Bolton Wanderers Football Club should use to research the design for its new replica football strip. [9]

Jenny Jones has just finished a university degree in fashion design. She lives in Norwich and is considering starting up a small trader business making and selling dresses in shop premises in the city. She is planning to do some market research using information from the Census or from the websites of other businesses.

- 2 Evaluate the usefulness to Jenny of researching information from the websites of other dress-making businesses in Norwich. [9]

Exam tip

You must answer the question set. You should refer to the advantages and disadvantages specific to the question, for example, about primary information or information from websites. You can also bring in ideas about other kinds of information, both secondary and primary, that the business would find useful, but which would not be provided by a research method mentioned in the question. You may also need to stress the importance of research for the business.

I can ...

- ☐ Evaluate the usefulness of different methods of market research.

Use and interpretation of qualitative and quantitative data in market research

REVISED

Qualitative data is usually collected using primary research as it involves finding out the opinions of customers who use the product or service. For example, a business may want to find out why people like or dislike the taste of the sweets its sells.

- An advantage of qualitative data is that it helps a business to understand what customers are thinking and what they want.
- A disadvantage of qualitative data is that information may only be provided by a limited number of people.

Quantitative data provides facts, for example, about what people do, what they spend or where they shop. A business may want to know how often a person goes to the cinema, for instance.

- An advantage of quantitative data is that it is easy to analyse. It can be gathered from a lot of people.
- A disadvantage of quantitative data is that it limits how much people can say about what they like or dislike.

Qualitative data: Data based on the opinions of those being asked.

Quantitative data: Data collected that is based on facts or numbers; it is usually easier to analyse than qualitative data.

Now test yourself

TESTED

A software company is planning to develop a new computer game aimed at teenagers. It is considering using research which will produce qualitative data.

Analyse **one** benefit to the software company of using research that will produce qualitative data.

[3]

Exam tip

In an exam question you may be asked to focus on qualitative or quantitative data or both. Make sure your answer focuses on the *data* obtained and not on the different research methods.

I can ...

- ☐ Explain the difference between qualitative and quantitative data.
- ☐ Analyse the benefits of qualitative and quantitative data.

2.3 Market segmentation

Use of segmentation to target customers

REVISED

The market for a product or service can be divided into segments, known as **market segmentation**, as shown in Figure 2.4. People in different segments often want different kinds of products or services. Businesses need to know this so that they can target their products at the different needs of customers in each segment. When a business targets the different segments in its market, it will need to consider:

- whether to produce different products for different markets – the business may consider offering male/female versions or basic and more sophisticated models
- what price to charge – high or low
- how to promote the products – the type of media to use and what message this method may give
- where to locate shops – town centre, shopping mall, holiday resort – and whether to sell online or not.

Market segmentation:

Splitting the market for a product or service into different parts or segments.

Exam tip

Learn as many examples of how businesses target customers in different market segments. This will help you to analyse and evaluate any case studies presented to you in the examination.

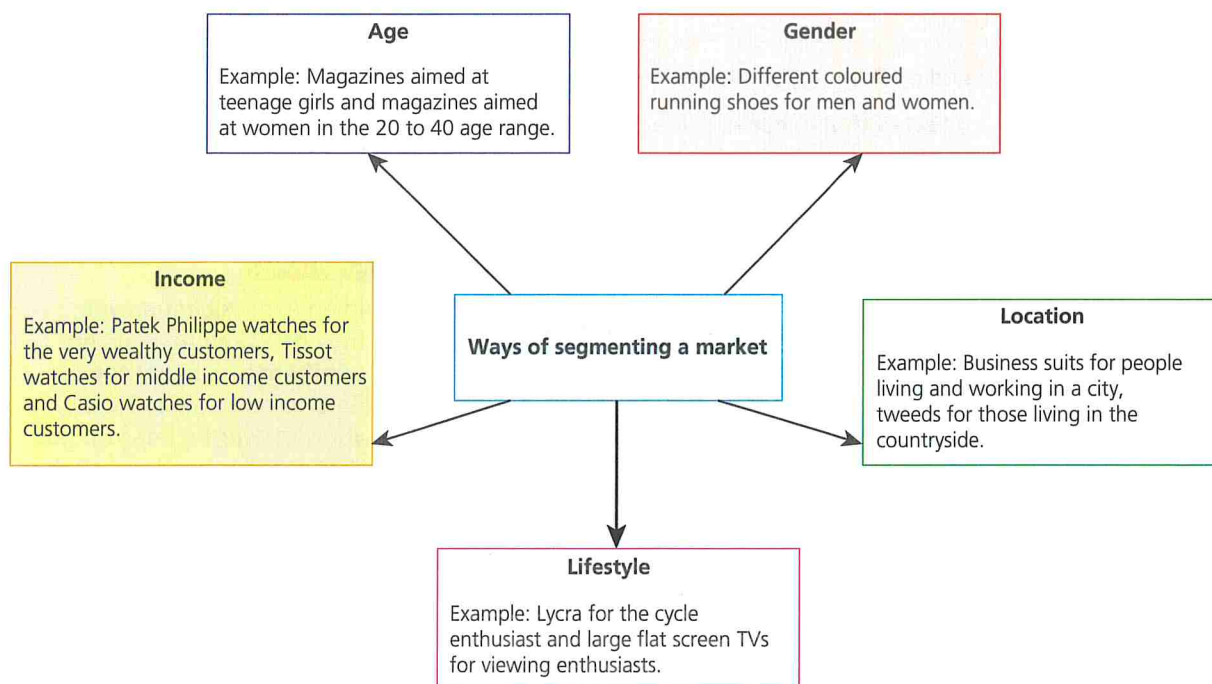


Figure 2.4 Segmenting a market

Now test yourself

TESTED

The Tesco loyalty card is called the Tesco Clubcard. When customers sign up for a Clubcard, they are asked to give Tesco information about, for example, their income, gender and age. Tesco use this information to target the different segments of their market. Wealthy customers may be sent offers about smoked salmon, while less well-off customers may be sent offers for more basic food stuffs such as baked beans.

- 1 Explain what is meant by the term 'market segmentation'. [2]
- 2 Analyse the benefit to Tesco of targeting customers, as described in the case study. [3]
- 3 Analyse **one** other way in which Tesco may target its customers. [3]

I can ...

- ☐ Explain, with examples, the meaning of the term 'market segmentation'.
- ☐ Explain how a business can target customers in different market segments.
- ☐ Analyse and evaluate the suitability of products for different market segments.

2.4 The marketing mix

The marketing mix refers to the 4 Ps of marketing – **p**roduct, **p**rice, **p**romotion and **p**lace – which are used together to market a product or service. Each ‘P’ is looked at in turn in this section, followed by a look at how they mix together.

Importance of the ‘4 Ps’ of marketing – product and stages of the product life cycle

REVISED

Market research will inform businesses what customers want. The business must **design**, **invent** or **innovate** so that it is producing the product(s) or services that customers want to buy. These three processes are explained below:

Table 2.2 Processes involved in the development of a product or service

Activity	Meaning	Example
Design	When a business plans what a product will do (its function) and what it will look like (its style).	The Ford Focus is designed to meet the needs of C-segment consumers (lower middle class workers such as junior managers and skilled working class workers such as plumbers and electricians). These consumers have a median age of 42 and a household income of around £50,000. They want features such as automatic parallel parking, rain-sensing windshield wipers, parking cameras and keyless entry, among others.
Invention	When a business comes up with a new product or service.	Firms are working on mobile phones that can be charged without having to be plugged in.
Innovation	When a business improves a product which already exists.	The Samsung 8 mobile phone is an improvement on the Samsung 7.

The **product life cycle** refers to the four stages of life that a product usually goes through.

Figure 2.5 shows the product life cycle and explains each of the stages.

Advertising will be high during the **introduction** stage to ensure customers know about the product. During the **growth** phase, advertising is used to reinforce awareness of the product. In **maturity**, additional advertising may be used to keep sales high. In **decline**, buyers may be encouraged with special offers to buy stocks of goods the business has left over. The firm could also try to find new uses for the product to extend its sales and life cycle.

Decline: When sales are falling as the product or service is seen by customers to be old and they switch to new products or services.

Design: An important element in a number of different products, especially where style and technology work together.

Growth: When sales are growing strongly as the new product or service becomes known.

Innovation: The improvement of an original idea, which will often involve using new processes.

Introduction: When a product or service is first on sale.

Invention: The introduction of a totally new product or service.

Maturity: When sales are at their highest level.

Product life cycle: The life of a product, usually shown as a graph divided up into four stages: introduction, growth, maturity and decline.

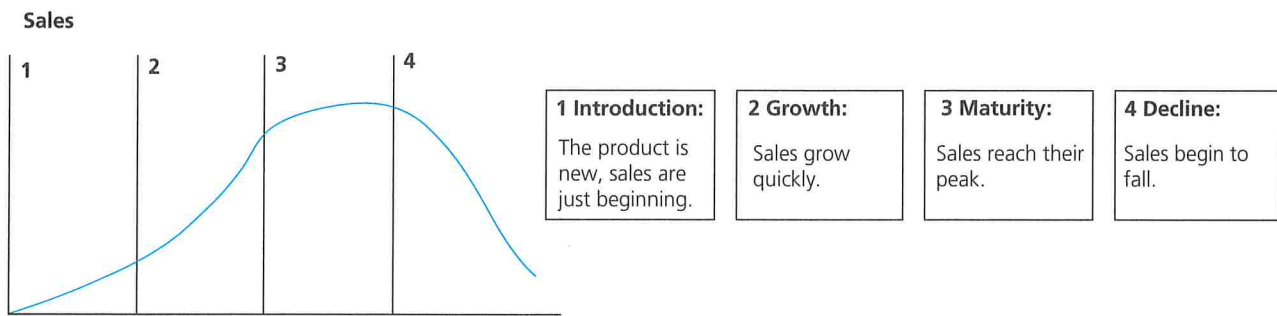


Figure 2.5 The product life cycle

Now test yourself

TESTED ☐

Lego was first made and sold in 1949. The building blocks were based on Kiddicraft Self-Locking Building Bricks which had been created by Hilary Page. Duplo, which are larger building bricks, were introduced to suit younger children. During the 1990s, sales of Lego began to fall and some thought that decade would possibly see the end of Lego's product life cycle. However, Lego introduced new models based on characters from popular films and books such as Harry Potter and Winnie the Pooh. There is now a Lego board game and a film involving Lego characters. Lego's sales and profits are now very high.

- Using the case study, identify **one** example of:
 - invention
 - innovation
 - design.

[3]
- Analyse how Lego has managed to extend the life cycle of its bricks beyond the period of decline in the 1990s.

[3]

Exam tip

If you prefer to remember things in a visual form, learn diagrams such as the product life cycle diagram and use it in an examination to remind you of the different stages of the product life cycle.

I can ...

- ☐ Explain the main processes involved in developing products – design, invention and innovation.
- ☐ Explain the main stages of the product life cycle.
- ☐ Explain how a business may extend a product's life cycle.

Importance of the '4 Ps' of marketing – pricing methods

REVISED ☐

Figure 2.6 summarises the five pricing methods that you need to know.

All pricing decisions are about making a profit. Businesses must consider the following when deciding what price to charge for a product:

- how new the product is
- the quality of the product
- the number and nature of the competitors
- how well customers know the product already
- what stage of the product life cycle the product is at
- the costs of producing the product.

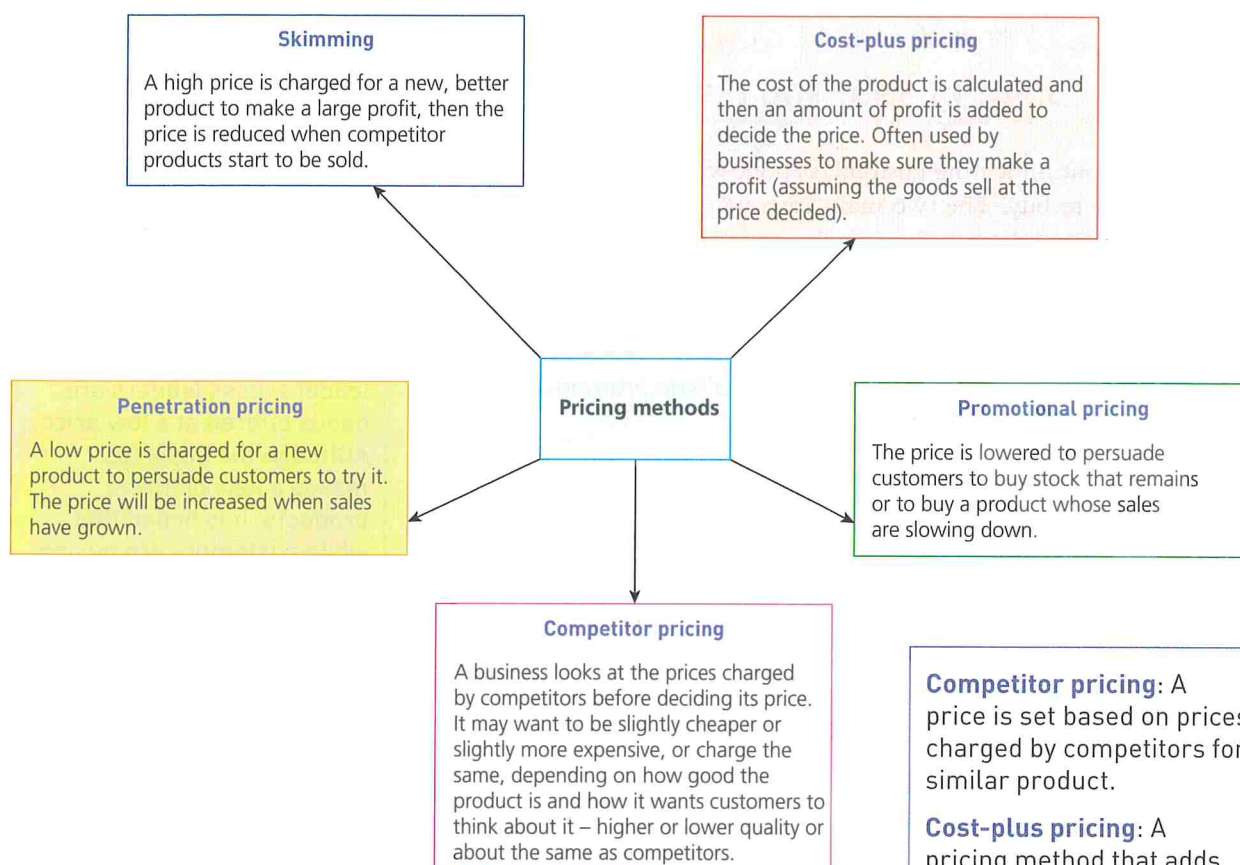


Figure 2.6 Pricing methods

Now test yourself

TESTED

Recommend **one** method of pricing which would be appropriate in each of the following situations. Give a reason for your recommendation.

- 1 Julie Roberts is opening a hairdressing salon in York. There are several other hairdressers in the part of the city where her shop is located. [3]
- 2 Vauxhall Motors has decided to introduce a new model of its popular car, the Astra. It wishes to sell off the old models of the Astra that it has already produced. [3]
- 3 Apple is introducing a new version of its iPad, which it claims has more features than previous versions and other tablet computers. [3]

Exam tip

When you are asked to make a recommendation, state your recommendation first and then give a reason or reasons for your decision. Usually more marks are given for the reason than the recommendation.

You would not normally be asked to make recommendations about more than one pricing decision in the exam. Here you have been asked for three in order to provide you with practice at recommending different methods of pricing.

Competitor pricing: A price is set based on prices charged by competitors for a similar product.

Cost-plus pricing: A pricing method that adds a percentage for profit to the total costs of making a product. This gives the selling price.

Penetration pricing: A price is set that is lower than those of competitors. Often used by new businesses to break into the market. It is a short-term strategy only.

Promotional pricing: Prices are reduced to give products a boost or to sell off old stock.

Skimming: Where a new product is more advanced than that of its competitors, a price is set high as consumers are willing to pay higher prices to own the newest technology. Also referred to as 'creaming'.

I can ...

- ☐ List the main pricing methods.
- ☐ Evaluate when each of the main pricing methods is useful.

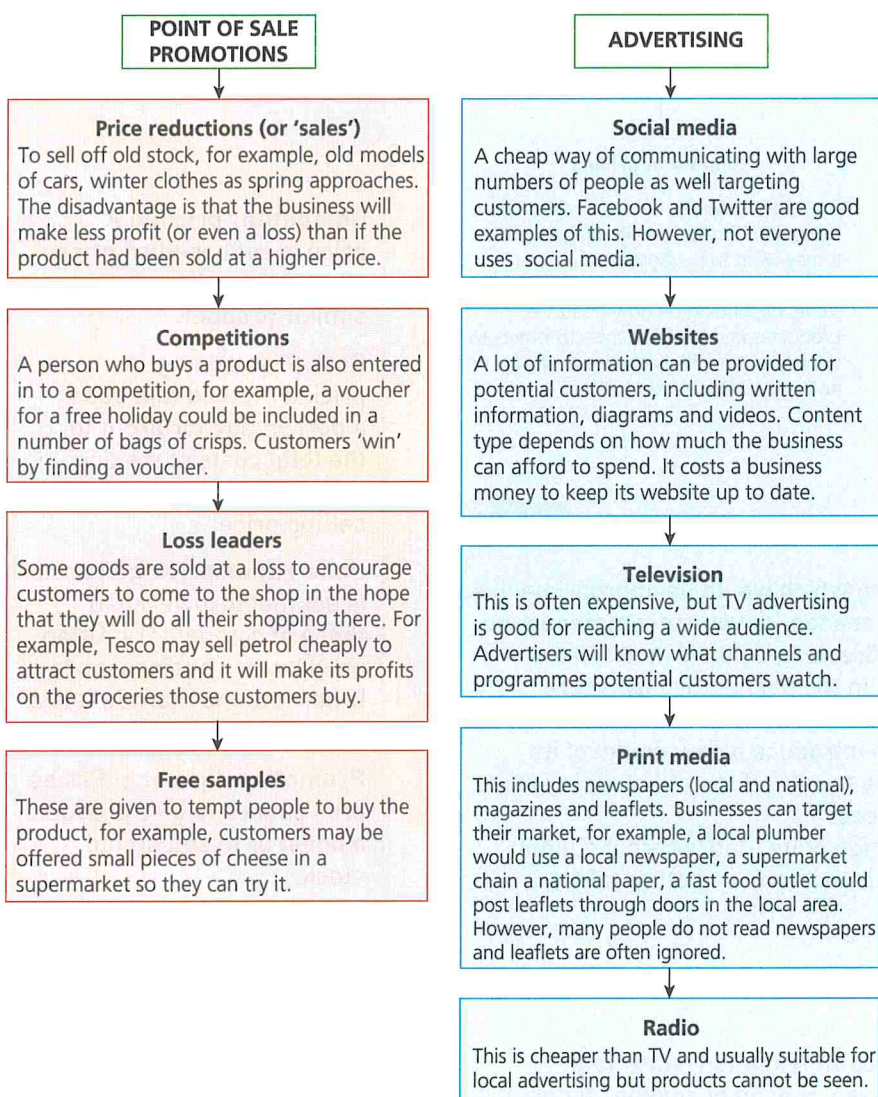
Importance of the '4 Ps' of marketing – promotion: point of sale and advertising

REVISED

Promotion is about informing customers about what is for sale and persuading them to buy. The two main areas you need to know are:

- **Point of sale promotion** – a benefit the customer will receive when they buy the product.
- Advertising – giving the customer information about the product and persuading them to buy it.

Figure 2.7 summarises the main kinds of point of sale promotion and promotional advertising media:



Point of sale promotions:

Sales offers available when purchasing a product. Promotions include price reductions, competitions, free samples and loss leaders. Loss leaders are goods offered at a low price. Although the business makes a loss on these products, it is hoped that while customers are buying these products, they will be tempted to buy other more profitable goods so that overall the shop makes the profit it needs.

Promotional advertising media: The ways in which a company can advertise its goods, such as social media, websites, print media, television and radio.

Figure 2.7 Point of sale promotion and promotional advertising

When a business wishes to promote a product, it will be influenced by the following:

- What the business can afford.
- The target audience – who and how many customers.
- The aim of the promotion – to sell off old stock, tempt new customers, etc.

Now test yourself

TESTED

Recommend **one** type of media that could be used in each of these situations:

- 1 Regent Seven Seas Cruises offers luxury accommodation, top quality food and comprehensive services on its cruises. The cruises, which are very expensive, are aimed at wealthy people. Many buyers will be retired. [3]
- 2 Coca-Cola is running a campaign aimed at 16–25 year olds based on the theme of sharing and enjoying a good time together. [3]
- 3 Jacobs Biscuits has developed a new kind of cracker to eat with cheese. Recommend the point of sale method of promotion that it should use. [3]

Exam tip

Pick out key words to help you to remember different advertising mediums in the exam. For example, when considering television as an advertising medium, 'expensive' is a key disadvantage, while 'wide audience' and 'familiar with channels potential customers will watch' are good reminders of the advantages. Select your own key words for other point of sale promotions and advertising methods.

I can ...

- ☐ Explain the main methods of point of sales promotion.
- ☐ Explain the main media used for advertising, including an advantage and disadvantage of each.
- ☐ Evaluate when to use each method of point of sales promotion and each type of media.

Importance of the '4 Ps' of marketing – place: distribution of products and services

REVISED

Physical distribution is the movement of goods from the producer to the consumer. Figure 2.8 shows the different physical distribution channels in which goods can be moved from the producer to the consumer.

Physical distribution: The distribution of a good or service using a physical presence such as a shop or office.

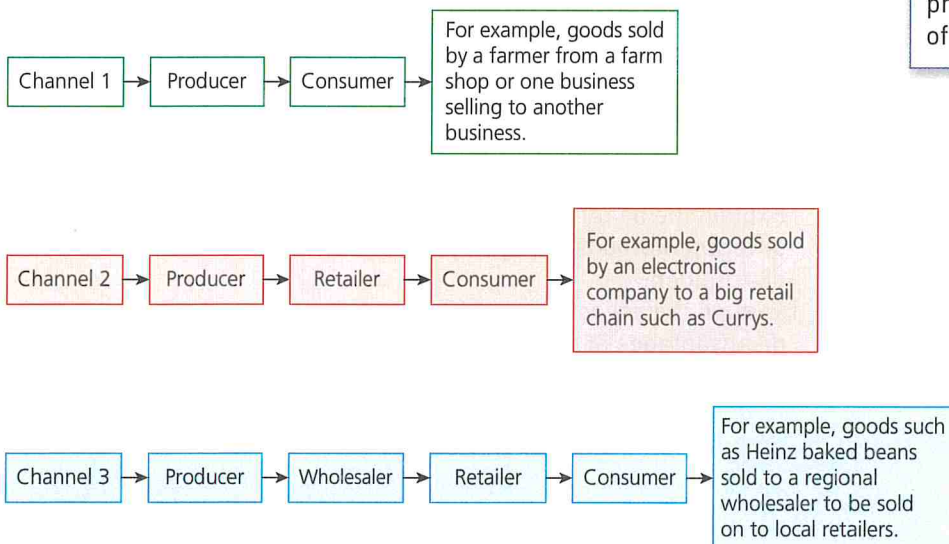


Figure 2.8 Physical distribution channels

The advantages of the three channels are as follows:

- Channel 1 – by missing out wholesalers and consumers, the producer makes more profit, rather than sharing it with a wholesaler and/or retailer.
- Channel 2 – selling directly to the retailer means the producer can benefit from keeping some of the profit that would have been made

by the wholesaler, while being confident the retailer will be able to market the goods to consumers.

- Channel 3 – a wholesaler can break up bulk stock and offer retailers the goods in the quantities that they can afford, and which they can sell, so more retailers are willing to sell the goods.

Digital distribution is when the product can be downloaded by the consumer directly from the seller, as in the case of books from Amazon onto a Kindle or music from Spotify onto a MP3 player.

Digital distribution: The distribution of goods and services digitally by downloading from a website.

Table 2.3 Advantages and disadvantages of digital distribution

Advantages of digital distribution	Disadvantages of digital distribution
The consumer can buy the product 24/7.	Physical goods cannot be distributed digitally.
It is a method of selling, without the costs of physical shops or transport.	It is a very competitive market as consumers can compare prices and products online.
	Customers who do not own a computer will be unable to buy online.
	Some customers do not like sharing their bank or credit card details online.

Now test yourself

TESTED ☐

- Dulux produces paints for indoor and external use. It sells:
 - some paint directly to large retailers
 - some paint to wholesalers who then sell it on to retailers.
 - Analyse **one** advantage to Dulux of each of these methods of selling its paint. [2 x 3]
 - Analyse **one** disadvantage to Dulux of selling its paint to wholesalers. [3]
- LV Insurance sells many insurance policies online. Explain **one** advantage to LV Insurance of selling its policies online. [2]

Exam tip

Always state an advantage and then give a detailed explanation as to why it is an advantage. The same advice applies when writing about disadvantages.

I can ...

- | | |
|--|--|
| ☐ Explain the difference between physical and digital distribution. | ☐ Explain the benefits of the different methods of physical distribution. |
| ☐ State examples of physical and digital distribution. | ☐ Explain the advantages and disadvantages of digital distribution. |
| ☐ Explain the different channels of physical distribution. | |

How the '4 Ps' of the marketing mix work together *and* Use of the marketing mix to inform and implement business decisions

REVISED

The 4 Ps of the **marketing mix** work together. When making decisions about the marketing mix, businesses must consider:

- the type of product they are selling
- the cost of the product
- the stage of the product life cycle of the product
- the target market
- the funds available for marketing.

Marketing mix: The mix of different parts of the marketing campaign – price, product, place and promotion (the 4 Ps).

Table 2.4 shows how the 4 Ps may mix together at different stages of the product life cycle of a mobile phone. All 4 Ps need to be used and be consistent with each other. Price skimming should be used only if the product is significantly better or different to those of competitors. It would not make sense to introduce a new product without also using promotional advertising to make customers aware of the product and advertising is necessary when a new product is introduced.

Table 2.4 The marketing mix and its effect on the product life cycle of a mobile phone

	Product life cycle stage			
Marketing mix	Introduction	Growth	Maturity	Decline
Product	● Introduce a new, high-tech phone.	● The phone does not change. ● Begin the process of innovating and designing a model to replace the phone.	● Add new styles of the phone to attract a wider range of customers. ● Continue the design and development process.	● Introduce new features to attract sales, for example, a larger memory or a better camera. ● Be ready to introduce the new model once sales of the current phone can no longer be extended.
Price	● Use price skimming to make high profits from the phone, because some consumers will be willing to pay the high price.	● Reduce price to maintain sales.	● Maintain a stable price.	● Use promotional 'reduced' pricing to extend sales of the phone.
Place	● Sell through exclusive shops to stress the product's quality and to be able to sell at a high price.	● Sell through a wider range of shops and online to increase custom.	● Continue sales through a wide range of outlets.	● Continue sales through a wide range of outlets but reduce sales in outlets that are not selling many of the phones.
Promotion	● Use targeted advertising to generate interest in the product and stress its quality and exclusivity to people who are interested in new technology.	● Advertise widely to stress the benefits of the phone to a wider market.	● Continue to advertise to highlight differences of the phone to its competitors.	● Advertise to raise awareness of price reductions. ● Give special offers such as free phone cases with the phone to encourage people to buy.

It is possible to judge the effectiveness of a marketing mix by asking the following questions:

- Have total sales increased and if so, by how much?
- Has the stock of products been sold off?
- Has the number of people who buy a good or service increased and if so, by how many?
- Has the business been able to increase the price or has it reduced the price?
- Has total sales revenue increased or decreased and by how much?
- Has the profit made by the business increased or decreased and by how much?

Now test yourself

TESTED ☐

Large supermarket chains such as Morrisons, Tesco and Sainsbury have traditionally achieved success by selling mainly high quality brands at prices which were not necessarily cheap but which were competitive with each other. Their advertising campaigns stressed their quality and why they were better than their competitors. Following the recession of 2008 and 2009, many people lost their jobs and their income fell. The large supermarket chains were affected by the development of the 'no frills' supermarkets such as Aldi and Lidl, which offered a smaller range of goods, sometimes of lower quality than those at the large supermarkets, and at lower prices.

Analyse how the large supermarkets such as Morrisons, Tesco and Sainsbury may have changed their marketing mix to respond to this competition from the 'no frills' supermarkets. You should refer to product, price, promotion and place in your answer.

[4 x 3]

I can ...

- ☐ Explain how the 4 Ps of the marketing mix work together.
- ☐ Analyse and evaluate the factors which influence decisions made by a business about the marketing mix it should use.
- ☐ Analyse and evaluate the effectiveness of marketing mix strategies.

Exam tip

Read the question carefully and answer the question set. If the question is only about one of the 4 Ps, your answer should only refer to that P. If it is about the marketing mix, refer to all 4 Ps in your answer.

Interpretation of market data

REVISED ☐

Most businesses collect **market data** to help them to make decisions. Using and interpreting data means that decisions are *informed* – not just guesses about what is needed or what is happening. Data which can help marketing decisions is described in Table 2.5.

Market data: Information that can help marketing decisions. It includes data on such things as market share, changes in demand and the effect of promotions.

Market share: The percentage of total sales of a product that a business has made. For example, if a business sells 20,000 products and the total market for a product is 50,000 then the business has a market share of 40% ($20,000 \div 50,000 \times 100$)

Target market: A group of consumers to whom the business tries to sell its products. It can be based on such areas as gender, age and lifestyle and will influence the methods of advertising and promotion that are used.

Table 2.5 Use of data to aid marketing decisions

Example of data	Information provided	Example use of data
Changes in demand	Data can show if demand for a product is rising, falling or is unchanged.	Inform possible changes to: ● price – increase or reduce ● advertising – more or less needed ● the type of advertising ● promotional offers ● introduce a new product.
Target market	Who the customers are. What the customers want. Any changes in the target market, for example, increase in older people who are interested in the product.	To decide: ● the design of the product ● how much to charge for the product ● where, when and how to advertise ● which retail outlets to use ● which promotional offers, if any, to use.
Market share	The percentage of the total sales in a market of the business, and how this may be changing.	To help decide whether to change or to maintain the current marketing mix.
Product changes (introduced by a business or its competitors)	This will indicate if consumers want different products and if those of competitors are more or less successful.	The first decision will be whether or not the business needs to introduce a new product to match consumer needs and/or competitor products.
Effect of promotion	How the promotion is affecting sales and profits.	Use data to evaluate the effectiveness of any current promotion and make changes if necessary.

Now test yourself

TESTED ☐

Joe Allen runs a market stall in Nantwich, one of several market towns in the county of Cheshire. The market is open on Tuesdays, Thursdays and Saturdays. Nantwich is a prosperous town with lots of retired people living in the area, many of whom have incomes that are above the national average. In the past, running his stall on just three days a week brought in enough income for Joe to support his family and gave him time to work as a volunteer on environmental projects. Joe has targeted sales at young families whose incomes are around the national average. He buys vegetables from the local fruit and vegetable wholesale market. His prices are generally lower than those in the supermarkets. Sales figures for the past year show a 15 per cent decline and his profits have fallen by 20 per cent, while competition from supermarkets has increased.

Recommend how Joe might change his marketing mix in response to the fall in sales and profits. [9]

Exam tip

Any data provided in a case study is there to help you to answer questions, so try to make as much use of this information as possible.

I can ...

- ☐ Explain the main types of market data.
- ☐ Interpret market data and its impact on a business.
- ☐ Recommend marketing decisions based on market data.

3 People

3.1 Role of human resources

Identifying and meeting human resource needs

REVISED

Businesses need to identify what **human resources** and **functions** they need when they start up and throughout the lifetime of the business.

Identifying human resource needs enables a business to create a **personnel plan**. This will include:

- how many workers it needs to employ
- the type of workers it needs – skilled or unskilled, managers, full time or part time, where they will work and at what time they will work
- how the business will get the best out of its workers.

Table 3.1 Factors influencing the human resource needs of a business

Factor	Influence on the human resource need
What it produces	Are skilled or unskilled workers needed, or a mix of both?
How much it produces	How many workers will the business need?
The method of production	Can machines rather than workers be used?
When production takes place	Are workers needed seven days a week or only on specific occasions?
The 'functions' or 'jobs' to be completed	What type of workers are needed – finance, production, marketing, human resources.
The budget available to the business	How much can be spent on workers?

Functions: The different types of work that need to be done in business, for example, in production, finance and marketing.

Human resources: The workers employed by a business.

Identifying human resource needs: The act of thinking about the purposes of human resources and how many and what types of workers will be needed.

Personnel plan: A plan detailing the employees a business needs – how many, whether they will be full or part time workers, the skills they should have and when they will work.

Now test yourself

TESTED

While in the Premier League, Bolton Wanderers football club earned a lot of money from gate money and the TV companies paid for the rights to televise games. The Club had paid big transfer fees and high wages to recruit new players and its 'backroom' staff such as coaches, specialist medical staff, player scouts and sales staff in its shops. Relegation led to severe financial trouble for the club as it now had big debts and a much-reduced income from attendance and TV. New owners bought the Club and had to reduce spending on human resources, affecting its chances of success.

Evaluate the impact of relegation and the reduction in income on the human resource needs of Bolton Wanderers Football Club. [9]

Exam tip

When revising, try learning information as a list, e.g. things that a business needs to consider when identifying its staffing needs. You could reduce the list to single words or short phrases, for example, what, how much, production method, when, functions, budget. In the exam, try to recall the list to help you write your answer.

I can ...

- ☐ Explain what is meant by human resources and the human resource needs of a business.
- ☐ State and explain the main influences on the human resource needs of a business.
- ☐ Evaluate how human resource needs may be affected by changes affecting the business.