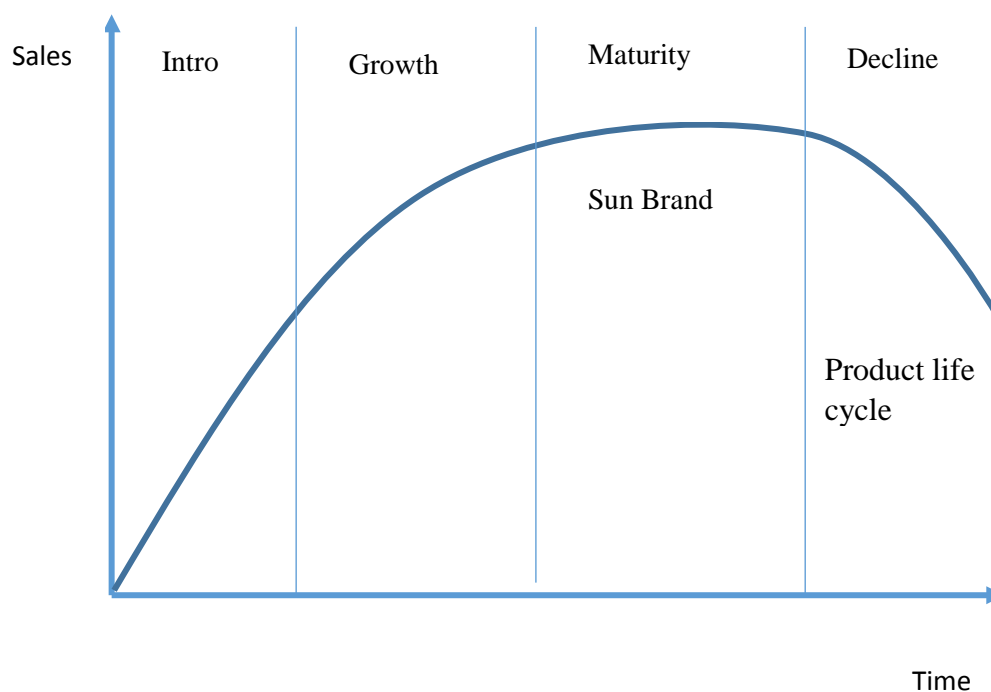




Section 4.5

Activity 4.5.1

1. The 'product life cycle' is the way sales of a product change over time from its introduction until its decline.
2. a. Product life cycle diagram:



- c. The Sun brand might be in this phase of the cycle because sales revenue has not changed significantly over the last two years and has peaked at \$125 000.
3. Three extension strategies that Jupiter Confectionery could adopt for the Sun brand:
 - Rebrand the product – quick and low-cost but does not change the product that significantly for the consumer
 - Discount the price – increases the number of consumers who can buy the product but the product might appear lower quality to the consumer
 - Sell into a new market – increases the potential number of consumers but is a relatively high-cost approach.



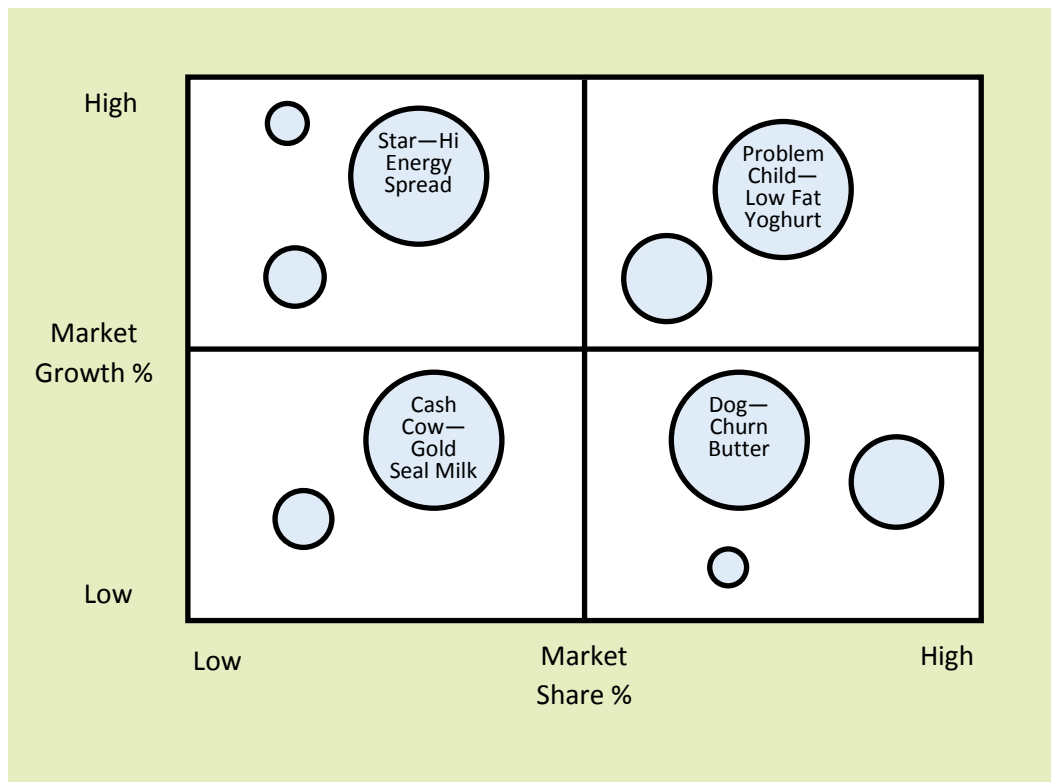
Activity 4.5.2

The estimates for the time the following products could be at phases of the product life cycle might be:

- Music download for a track by Eminem – weeks at each stage in product life cycle
- Breakfast cereal by Kellogg's – months in introduction/growth phase, years in the maturity/decline phase
- New model of iPhone by Apple - months in introduction/growth/decline phase, 1-2 years in maturity phase
- Women's fashion clothes by Zara – weeks at each stage in product life cycle.

Activity 4.5.3

1. 'Market share' is the percentage of total market sales that the sales of a specific product or business account for.
2. a. Boston Consultant Group matrix for FarmGate's products:





b. Reasons for FarmGate's products placement in the matrix:

- Hi Energy spread – newish product with fast growth and high market share
- Lo Fat yoghurt – new product with growth but low market share
- Gold Seal milk – established product with high market share but no growth
- Churn butter – declining sales with a low market share.

3. Marketing strategy for FarmGate's Lo Fat yoghurt:

- Product development through new flavours
- Raise the price to a premium level to distinguish it from the competition
- Distribute through high-quality food retailers
- Promote through in-store tasting.

Hi Energy spread strategy:

- Product development through new flavours
- Reduce price to be more competitive
- Distribute through health food shops
- Promotion by sponsoring a sports team.

4. The advantages of the Boston Consulting Group matrix might be:

- Analysis of the relative performance of products in terms of the market through market share and growth
- As a planning tool for a marketing strategy
- Can be used in conjunction with other strategy tools like SWOT analysis
- Can be used in other aspects of business planning such as cash flow.

The disadvantages might be:

- Assesses current situation but is limited for forecasting
- Market share and growth do not necessarily mean success in other areas like profit
- Does not take into account factors other than market share and growth
- Interpreting the results of the model can be difficult because it does not explain why market share and growth are as they are.

Activity 4.5.4

1. A 'brand' is an identifying symbol, name, image or trademark that distinguishes a product from its competitors.
2. Brand awareness might be important for a business because:



- It differentiates products from its rivals
- Consumers develop loyalty
- It increases the value of a business.

3. Factors that might contribute to a successful brand might be:

- High levels of consumer satisfaction with the product
- Effective promotion
- Positive exposure of the brand in the market.

4. Corporate branding:

- All products are marketed under the same name
- Marketing economies of scale
- New products are easier to launch
- One poor product can damage the whole brand.

Own-label branding:

- Retailers create their own brands
- Products can be sold at lower prices
- Own-brand creates loyalty to the retailer
- Relative low-cost promotion
- Products perceived to be lower quality.

Activity 4.5.5

1. 'Cost-plus pricing' is adding a fixed mark-up for profit to the unit price of a product.
2. Volkswagen might be considering an increase in the price of its cars in China to cover rising costs of production in labour and raw materials.
3. Loss leadership means reducing the price of the cars to increase their sales and then making high profit margins on the accessories sold with the cars such as leather seats.
4. The advantages of using cost-plus pricing in Chinese car market might be:
 - Prices will cover all the costs of producing a car
 - Easy to calculate and apply where a single car brand is sold
 - Set profit margin can be achieved on each car sold
 - Effective for firms with market power

The disadvantages might be:

- More difficult to apply where firms sell more than one car brand



- Lacks flexibility where car prices can be increased or decreased for market conditions
- Falling sales lead to the rising unit fixed costs of a car, which means increasing prices when demand is weak.

Activity 4.5.6

1. a. Predatory pricing is deliberately undercutting competitors' prices in order to try to force them out of the market.
b. Sales revenue is the income the business receives from selling its products.
2. Two reasons why Dell might have seen a fall in its profit margins:
 - Lower selling price
 - Rising unit cost.
3. If the price of computers is reduced there might be a rise in demand for computer software as a complementary product.
4. The advantages of Dell reducing the price of its computers might be:
 - Increased sales revenue and profit
 - Increased sales volume
 - Economies of scale
 - Increased market share.

The disadvantages might be:

- Reduced profit margins
- Falling sales revenue
- Reduction of the perceived quality of the computers
- Leads to a price war with other computer manufacturers.

Activity 4.5.7

1. 'Above-the-line promotion' is a form of promotion that is undertaken by a business by paying for communication with consumers such as advertising.
2. The advertising by Cadbury and Evian are examples of above-the-line promotion.
3. Reasons why the sales of Evian water might have declined despite its successful advertising could have been:
 - Increased competition
 - Change in consumer taste away from branded water
 - Higher price of Evian water.



4. The advantages of viral and social media marketing to promote a business's products might be:

- Growth of the use of technology by potential consumers
- Networks of potential consumers are created
- Advertisements can be targeted at specific consumers
- Relatively low cost.

The disadvantages might be:

- Consumers ignore the adverts
- Huge amount of online advertising to compete with
- Networks of consumers may not promote the product in the way the business wants.

Activity 4.5.8

1. Two types of advertising media that are expected to see a fall in their share of advertising expenditure by 2015 are:

- Radio
- Newspapers.

2. Reasons why the share of advertising on the internet might be expected to grow:

- Growth of the use of technology by potential consumers
- Advertisements can be targeted at specific consumers
- Relatively low cost.

3. An implication for television companies of a decline in their share of advertising might be less revenue, which means they have to source revenue from other streams like pay-per-view.

4. The advantages of the rising adoption of smartphones and tablets on the promotion strategy of a business might be:

- Greater direct access to consumers
- Advertising can be more targeted at particular consumers
- Relatively low-cost promotion opportunity
- Networks of consumers can be created.

The disadvantages might be:

- Consumers ignore the adverts
- Huge amount of online advertising to compete with
- Networks of consumers may not promote the product in the way the business wants.



Activity 4.5.9

1. 'Marketing objectives' are the goals that are set for the marketing function of a business, such as target market share.
2. The marketing objective of the 'I AM Nikon' advertising campaign looked to increase the sales of Nikon cameras in the compact camera market segment.
3. Two ways Nikon used social media and new technology to promote its products were:
 - Consumers using Wi-Fi enabled cameras to upload photos and video of a music festival
 - Live streaming of the festival on Nikon cameras.
4. The advantages of Nikon's decision to use new technology and social media as part of its promotional strategy might be:
 - Greater direct access to consumers of cameras
 - Advertising can be more targeted at particular consumers
 - Facilitates innovative methods of promotion
 - Networks of consumers can be created.

The disadvantages might be:

- Consumers ignore the adverts
- Huge amount of online advertising to compete with
- Networks of consumers may not promote the product in the way Nikon wants.

Activity 4.5.10

1. M&M'S' Gangnam Style in Paris is a form of 'guerrilla marketing' because it is unconventional, uses a high impact effect and creates a big social media reaction.
2. The advantages of guerrilla marketing as an effective form of promotion for a product might be:
 - Low cost
 - Big impact
 - Exploits social media
 - Makes a product look different to the competition

The disadvantages might be:

- May not work with conventional consumers
- Marketing 'message' may not be understood by the consumer
- High-risk strategy
- Short-term rather than long-term impact.



Activity 4.5.11

1. The marketing-mix decisions that are not integrated:
 - Mix A – product
 - Mix B – promotion
 - Mix C – place
 - Mix D – place.
2. A change in the marketing mix for each product might be:
 - Mix A – design and manufacture a car for the exclusive segment of the market
 - Mix B – advertise through lifestyle magazines and newspapers
 - Mix C – locate the salon in an upmarket area of a town or city centre
 - Mix D – distribute through computer game specialist retailers and mainstream retailers as well as the internet.

Exam practice question

1. 'Distribution channel' is the medium a business uses to get its product to the consumer, such as through retailer.
2. Reasons Apple may want to open more of its own stores to distribute its products include:
 - It has more control over the way its products are sold
 - It can increase its profit margin
 - The Apple retailers act as promotional tools.
3. Effects of opening new stores on Apple's existing retailers might be:
 - New stores take sales from existing stores
 - More stores to support the customer service reputation of existing stores
 - More stores to deal with issues like the returning or repair of faulty products.
4. Distribution might be important as part of Apple's overall marketing strategy because:
 - Consumers gain access to Apple's products to see, try and buy them
 - Apple can use distribution through its shops to support the brand through effective customer service
 - Contact with customers through distribution gives Apple promotion opportunities
 - Distribution is efficient and cost effective to support customer service and pricing strategy.

Other aspects of marketing are also important: pricing, product and promotion.



Key concept question

Changes that innovation might bring in the management of the marketing mix include:

- Changing/improving the quality of the product
- Opportunity to reduce price by reducing the unit costs
- Increasing price as the quality of the product improves
- Affecting promotional methods such as social media
- Greater access to customers for promotion through mobile and online devices
- Distribution of products through online shopping and delivery
- Online distribution through downloading and streaming.