

Chapter 17

Marketing #2

**(Promotion (4Ps) – Advertising, Sales Promotions, Personal Selling, Public Relations; Place (4Ps) – Channels of Distribution, Choosing a Location)**

## 2015 Q7 (A)

Read the information supplied and answer the question which follows.

*Kurve Ltd provides broadband, phone and television services to homes in the Irish market. In January 2015 it launched its new digital television service 'VISION', providing different bundles of channels at different prices. It charges a reduced subscription for the first six months to new customers. Orders can be placed directly online. The business operates in a highly competitive market and plans to increase its sales revenues by 20 % over the next two years.*

Explain the product, price and place elements of the marketing mix. Relate your explanations to Kurve Ltd. (25 marks)

**MS: 9m (3+3+3) 8m (3+2+3) 8m (3+2+3)**

**Product**

A products **packaging** can allow it to be **recognizable, attractive, secure** and split it in to various **convenient quantities**.

The product's design needs to be **attractive yet functional** and do what it is expected to do.

A product that has a good **brand name** can help **marketing** (costs) and also allow the business to **launch more products** as consumers will **recognize** the brand and **trust** it/have **confidence** in it

*The brand name for Kurve's "new digital television service" is "VISION" which should stand out from the competiton, their product is broadband, phone and tv services.*

**Price**

There are different **pricing strategies** a firm can use including **Premium pricing/penetration pricing/cost-plus pricing**.

Factors that affect the price a business sets for its product include **competitors prices, the product image, costs, the target market, product image...**

*For Kurve, different consumers will want to pay different amounts for normal or better services, so **price discrimination** would be a good strategy. So "Providing different bundles of channels at different prices." Is a great option as different segments will have different needs e.g. sports fans vs film buffs.*

**Place**

Channels of distribution can include various stakeholders e.g. **Producer -> Wholesaler -> Retailer -> Consumer.**

The place element is about distributing the **right product/service to the customer at the right place and at the right time.**

Businesses are using **direct selling**, cutting out the wholesaler and retailer, by **selling online**, direct from their **own website**.

This saves them a lot of money and traffic to their webpage allows them to launch and advertise more of their products.

*The channel of distribution chosen by Kurve Ltd to get its product to the market place is the **direct channel** as, "Orders can be placed directly on line" is direct to the consumer via the internet.*

### 2016 Q7 (B)

Evaluate the effectiveness of sales promotion techniques Alex could consider to boost sales. (15m) (Q has a blurb about Stitch Express to refer to)

**MS: 3 x 4m (2+2) and Evaluation 3m (1+1+1)**

#### 1. Competitions

Using a **social media campaign** to run a competition using a '**Like and Share**' method could get Stitch Express lots of **exposure online**.

Evaluation: In my opinion, a **viral** social media campaign could be great for new customers as existing ones will like and share to win, so **their friends will see**.

#### 2. Bulk Deals (2 for 1)

They could use a **short term offer** like get 4 shirts ironed, get a 5<sup>th</sup> one free.

Evaluation: In my opinion, this would be great at **attracting new customers** who might see it as a **bargain** so they'll **try out Stitch Express**.

#### 3. Customer Loyalty Card

Stitch Express could use a **loyalty card** where customers get a **stamp** every time they get an item laundered, and get a **reward** for every 5 stamps.

Evaluation: In my opinion, this would be great, as it would **incentivize** customers to **come back and use the laundry again** in order to avail of the **reward**.

## 2014 Q7 (A)

Read the information supplied and answer the questions which follow. Maria Noone is the entrepreneur who owns Sensible Foods Ltd. This new company intends to manufacture a range of low calorie confectionery products. Initially consumers will be tempted by special offers. There will also be frequent coverage on national and local radio. Goodbuys, a leading supermarket chain, has agreed to stock the range, while wholesalers will distribute them to small independent shops.

Evaluate the role of advertising and sales promotion as elements of the promotional mix at Sensible Foods Ltd. (25 marks)

**MS: 2 @ 11 (4 + 4 + 3) (Two distinct points of info & specific reference to Sensible Foods Ltd. in each case)**  
**(Evaluation in each case) 3m total (2 + 1)**

**Advertising** is used by Sensible Foods Ltd. to let **possible future customers know** about the products on **offer** and to get them **interested** in buying the goods. Advertising **informs, persuades and reminds customers** about the product.

The **medium** (TV, billboard, google ads, newspapers..) used will depend on the **market segment**, the **type of product** or service, the **message** and the **cost effectiveness** involved.

***Evaluation:** In my opinion, Sensible Foods Ltd. plan to have "frequent coverage on national and local radio" which is great as it will help build brand awareness, and appeal to its customer base at local level and nationally as it grows. So many people listen to radio and tv that they will be exposed to lots of potential customers.*

**Sales Promotion** is the use of **short-term incentives/ "gimmicks"** to **attract** customers to the product and to **reward loyal customers**.

It is useful for stimulating sales by offering customers **price reductions, competitions, loyalty cards, buy one get one free, coupons, samples, prizes, free draws, in-store displays** etc. or any other incentives to buy a product.

**Evaluation:** In my opinion, the "special offers" Sensible Foods Ltd. is supplying are crucial as they help attract new consumers and as a new business in such a competitive market, it might help attract customers that normally buy a competitor to try out Sensible foods.

## 2015 Q7 (B)

(i) Explain the term Public Relations (PR)

(ii) Discuss methods a business could consider to generate good Public Relations (20 marks)

**MS: 6m (4+2) 2 @ 7m (4+3)**

(i) Public Relations refers to **all activities e.g. press conferences/ sponsorship** related to **creating a good public image** for the product or service amongst its stakeholders.

It aims to achieve **favourable publicity** and build a **good corporate image** for the business in the **public eye in the long run**.

The activity may be carried out by the company's own **Public Relations Officer (PRO)** or by a **specialist PR agency**.

(ii)

1. Public Relations can take the form of **press releases** or **press conferences** where the **media** are **given information** about the **company's activities**. The business can arrange **photoshoots** and provide **pictures to media** for them to use, **generating publicity** for the business.

2. Businesses want to have people **associate** their **brand** with **certain events** or **teams** e.g. the **Olympics** through **sponsorship**.

They pay money so that their product name will be **displayed by individuals, organisations** or at **particular events** or **stadia**.

It can be very effective at **positioning** a business (sponsoring of sports events or TV programmes).

e.g. **3arena in Dublin, Vodafone on the Irish Rugby Jersey,**

*Other: Celebrity endorsements e.g. Messi and Adidas boots; promotional films /Donations to charity/ Local community relations/ etc...*

**2010 Q7 (B)**

Evaluate 'Sales Promotion' and 'Public Relations' as forms of promotion. (20m)

**MS: 7 marks (4+3) 7 marks (4+3) Evaluation: 6 marks (3+3)**

**As above, with an evaluation for PR e.g.** In my opinion its crucial to have a good PR team that is ready to reply to negative publicity that can appear on social media etc... which could damage reputation if it isn't dealt with.

## 2014 Q7 (B)

- (i) Describe two factors Sensible Foods Ltd should consider when choosing a suitable channel of distribution for its products.
- (ii) Outline one positive and one negative implication for Sensible Foods Ltd of using a leading supermarket chain such as Goodbuys to sell its products. (20m)

MS: 2 @ 5 (2+2+1) 2 @ 5 (2+2+1)

**Cost**

The more **stages** in the channel of distribution the **more expensive** the product will be for the consumer as each **middleman** will require a **cut or mark-up**. E.g. **Producer -> Wholesaler -> Retailer -> Consumer**  
*Sensible Foods Ltd may keep costs down by selling directly to Goodbuys. They also provide on-line selling.*

**Nature of the product being sold**

A range of low calorie confectionary products could include fresh food which may have a very short shelf life (durability of the product) so it might suit less channels e.g. not selling to a wholesaler.

Sensible Foods Ltd may sell the product directly to health stores or juice bars that can sell them with their other products. (i.e. directly to the independents).

**Other: Target Market (easy to reach/suits their habits); Market Size (economies of scale); Technology developments/ presence of a website/ consumer's tech usage and habits.**

**Positive: National Promotion Campaign**

*Goodbuys* may implement a promotional campaign for all its stores nationwide and use some of Sensible Foods Ltd. Products in the ad, giving it free national exposure e.g. in the Sunday Times.

**Other: Consumer Feedback; Higher turnover of products/less waste; Guaranteed big purchaser**

**Negative: Competition from Own-Brand**

*Goodbuys* may develop its own brand to compete directly with Sensible Foods, affecting sales/profits at Sensible Foods Ltd, if they see it is successful.

## The Business Guys

**Other: Restrictive conditions; forbidding Sensible Foods Ltd from selling its goods through rival multiples; hard to convince you're product has a USP.**

**2012 Q7 (A)**

Outline the factors a business should consider when choosing a suitable Channel of Distribution. Provide examples to illustrate your answer. (20 marks)

**MS: 2 @ 7 marks (3+3+1) 1 @ 6 marks (3+2+1)**

**As per 2014 above but with examples given below**

### **Cost**

Ryanair was motivated by cost factors when it cut travel agents out of its ticket sales distribution network.

### **Type of good/durability**

Fresh fish/flowers are delivered directly to the retailer.

### **Market size**

Cadburys distributes their products through wholesalers like Musgrave Group.

### **E-business**

Dell computers sell direct from their website, so no middlemen.

### **Technological developments**

Apps e.g. banking 365online for Bank of Ireland, less need for physical branches.

**2018 Q7 (C)**

Evaluate the benefits **and** challenges for a small start-up business of choosing a direct channel of distribution rather than selling through wholesalers and retailers. (15 marks)

**MS: 1@7(4+3); 2@3(2+1); Evaluation 0 or 2**

**Benefits:**

Higher rates of profit than indirect distribution channels. Profits are directly earned by producers. When there are more intermediaries, each will take a share/cut of the profits, so reducing the middle men, will increase how much the producer gets to keep.

An online store can be 24hours/7 days a week, making it more convenient for consumers. They will also be able to browse between all the available products the producer makes, and not just whatever is in stock at the retailer or wholesaler.

**Other:**

- Potential Global reach (internet/eBay)
- Greater flexibility
- More control over distribution-the longer the channel the less control is available.

**Challenges**

Customers may be asked to shoulder the burden of the shipping costs if phone, mail or internet is involved. They won't be able to gain from economies of scale that large retailers can, so it will be harder to compete with them for similar goods on delivery costs etc...

It can difficultly to build a reputation and get people to visit your online store, so having it available through retailers means you will have much higher footfall and exposure to customers. A new start up may lack experience and may be better off using the expertise of an established and reputable wholesaler.

**Evaluation**

In my opinion, an online store should definitely be used, a new start up can sell direct, attracting customers and gathering their data for marketing decisions, as well as selling through retailers for higher volume of sales and exposure.