Chapter 16 – Marketing #1 (Market Research (Desk & Field); Market Segmentation; Product (4Ps) – Own brand, brand name, product design, packaging, Product Life Cycle; Price (4Ps) – Factors, Strategies, Break-Even Charts)

2015 Q7 (C) (i) Define the term market segmentation
(ii) Illustrate two methods a business could consider to segment its market.
(15 marks)
MS: 5m (2+3) 2 @ 5m (1+2+2)

(i) Market segmentation involves dividing up the market into clearly identifiable segments that have common characteristics. It allows a firm to identify which segment their target market is by dividing the market into groups of consumers with common needs and then designing and implementing strategies to target them.

(ii) Demographic

You can segment markets by many different characteristics, such as age, income, gender etc. When you have your customers grouped by demographics, you can target your strategies to reach them specifically, as people from certain demographic groups often react the same way to marketing.

E.g. Gender: Males and females are targeted with different types of shampoos by manufacturers based on their genders

Geographic

Businesses can use geographic measures like location, urban vs rural, weather, population density, population growth etc... which can give important marketing details about the market segment.

E.g. Radio: local regional and national. Spin South West and Spin 103.8 in Dublin can each target their listeners more effectively than if they were one station.
(ii) **Setting Appropriate Prices**

Different segments will have different **spending patterns** and **disposable income** so segmenting the markets can allow a business to charge the right price for each segment.

E.g. All-Weather Wellies could sell a cheap boot for students that wouldn’t be very durable so appropriate for festivals.

**Build Brand Loyalty**

Businesses might target specific segments to get customers **to try out their product**, and then if they like it they will be more likely to buy other products from that brand in other segments.

E.g. ‘All-Weather Wellies Ltd’ could build loyal relationships with it’s great outdoors customers, and then introduce GPS watches, scarves, wallets etc… if they are successful with the boots.

**Other: Better marketing decisions; More efficient/targeted advertising; gain a competitive advantage in one area**

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2009 Q7 (B) (i) Explain the term ‘market segmentation’, illustrating your answer with reference to Olympian Ltd.
(ii) Outline **two** benefits to Olympian Ltd of segmenting the market. (20 marks)
An Irish company, 'All-Weather Wellies Ltd' identified a niche market for colourful wellington boots of all sizes. The wellington boots are sold mainly on-line to people who enjoy the 'great outdoors' and festival-goers. The company wishes to expand and add accessories, such as, umbrellas, scarves and hats to the product range.

Outline the market research techniques available to 'All-Weather Wellies Ltd' for developing its product range. (20 marks)

MS: 2 techniques @ 10 marks (2+3+3 +2)

Desk Research
It is secondary research, where a business accesses information that has already been gathered.
Desk research is relatively cheap which keeps business costs down, as they don’t have to pay for data to be collected.
Types include the internet (looking at competitors websites/social media), internal sales reports, trade reports, Central Statistics Office publications e.g. the Census, newspapers etc.

E.g. The CSO would provide information on the population details of towns (i.e. age, sex, family structure etc.) for All-Weather Wellies Ltd which could help develop their product range e.g. baby boots in growing populations.

Field research
It is primary research. It involves going into the marketplace to gather new business information by making direct contact with customers or potential customers.
Field research tends to be expensive and time consuming but it does provide specific information on the behaviour of the target market.
Types include: surveys, observation, questionnaires and focus groups.

E.g. Surveys could be carried out on site at concerts by field researchers employed by ‘All-Weather Wellies Ltd’ to help develop their range.
2010 Q7 (A)  Companies which invest in marketing in downtimes benefit more when market conditions begin to pick up. Discuss the reasons why businesses carry out market research. (15 marks) MS: 3 @ 5 marks (2 + 3)

Reduces Risk

Finding if consumers like the potential product through a survey reduces the risk of the business using resources producing products, which the consumer does not want. Desk research to find out if the market is big enough from sales records would also reduce the risk of failure.

Competitors

Desk research to find out a competitors product range and prices on their website can help a business set its own prices. Field research to find out from the target market what they think competitors strengths and weaknesses are can help in making decisions about their own product before launching.

Marketing Mix

It helps a business decide on the marketing mix it will use to sell its products. i.e. the Product, its Price, method of Promotion and the Place where it will be sold. Field Research can be used (survey) to ask consumers what price they would pay for the product. Desk research can be used to see where consumers normally buy similar products e.g. online/in-store etc...

Others: Consumer reactions/feedback; Market details (size etc...
2012 Q7 (B) Within the product element of the marketing mix, evaluate “product design” and “product packaging.” (20 marks) MS: 10 (5+5) + 8 (4+4) + 2 marks

Product Design

This is how the product looks and is presented and must also take into account the product’s function and form. When designing a product, it must be able to do what it is expected to e.g. there is no point designing extra lightweight material football boots if you can’t use them to kick footballs. The product must also be aesthetically appealing in terms of shape, size, colour, style, image etc. e.g. Apple products shape/colour/design.

Evaluation
In my opinion, with so much competition in every industry, making your product looks slick and premium and making it suit consumers that are fashion conscious will help boost consumer loyalty.

Product Packaging

Product packaging serves many functions that are useful for a business: Protects the product during transit, storage and handling. It also keeps the product fresh, preserving quality until it is used. Packaging contains information on contents, ingredients, best before date...
Products can be instantly recognisable due to the shape of the packaging. Packaging draws attention through brands and logos, shape and colour. Packaging can control the size and quantity of a product.

Evaluation
In my opinion, good packaging is essential for a product to succeed. It is the first thing the consumer sees before seeing the actual product, so must be able to attract consumers and enhance the user experience. It can also help products be very recognizable and build customer loyalty e.g. Pringle’s pipe.
2011 – Short Q1
(a) Explain the meaning of the term ‘Own - brand products’.
(b) Outline two reasons why retailers use ‘Own - brand products’
MS: (a) 4 marks (2+2) (b) 6 marks (3(1+2)+3(1+2))

(a) These are products sold by retailers under the retailer’s own name and logo to compete against existing products. Large multiples such as Tesco’s use own label brands e.g. Tesco Milk sold against Avonmore milk in Tescos

(b) (i) Lower Prices: They can sell ‘own- brands’ at a cheaper price than the market leader.
(ii) Repeat Customers: It can lead to customer loyalty to the retail store.

Other: Easily recognisable / requires little advertising / Higher profit margin

2010 Q7 (C) ‘Many businesses spend large sums of money developing a brand name’. Illustrate the benefits of branding for the business and the consumer. (25 marks)
MS: 4 @ 5 marks (2 + 3); example 5 marks (2+3)

Benefits to the business:

Marketing More Efficient
Having a strong brand name means businesses can advertise the brand instead of each product e.g. Cadbury’s advertising Cadbury’s, not each individual bar. Customers will more easily recognize their products on shelves and in advertising/marketing and will know it from other competitors.

Introducing new products/ranges
If a brandname is well known e.g. Under Armour, then it is much easier for them to launch new products or new ranges e.g. Under Armour Golf range, as consumers already know the brand and trust it will be of a high quality.
E.g. Apple launching the Apple Watch was easier as the brand was so well known.
**Others**: Command higher prices; repeat purchasing/customer loyalty; Market Segmentation e.g. Kelloggs;

**Benefits for the consumer:**

**Consumer Confidence/Trust**
Branding helps the buyer to identify a particular producer’s goods and allows confidence in the performance of that brand. They feel much happier parting with hard earned money for branded items. E.g. they know when they buy Nike it should be of a high standard even if it a higher price than some competitors.

**Image/Enjoyment**
Certain premium brands allow consumers to define their success or power e.g. Rolex watch/ Porsche car. Brands can allow consumers to express their own self-image e.g. what branded goods/slogans they wear as clothes.
2015 Q5 (A) (i) Draft and label a product life cycle.
(ii) Describe one characteristic of each stage of the product life cycle with reference to a product of your choice. (25 marks)
MS: 8@1m +1 m for curve; 5 @ 3m (2+1); Name one product 1m

*As with all graphs, make sure to give a title and label both axes*

**Introduction**
There is heavy expenditure on promoting (advertising/sales promotions) the product and the company has to decide on a suitable pricing strategy. Sales are slow which can lead to no profit/poor cashflow. E.g. Boojum had to advertise a lot when they opened in Dublin as sales were low.

**Growth**
As the product gets known (word of mouth, reviews etc…) sales grow rapidly.
Costs fall per unit as production increases leading to an improved cash flow. Expanded production will require further investment.
E.g. Boojum opened up two new stores to cope with increased demand.

**Maturity**
Sales increases slow as profits reach a peak and level off. If the product isn’t enhanced/developed, sales will go in to decline. E.g. advertising can be used to extend a product’s life cycle at this stage. Or new developments e.g. Boojum introduced two new burritos to their menu.

**Saturation**
The market becomes full and sales fall for each individual seller. Costs rise as advertising and sales promotions are used to maintain the firm’s position in the market. Price wars may occur to try to keep customers. E.g. Tolteca enter the Irish market selling burritos, reducing demand for Boojum.

**Decline**
Sales and profits fall as the product is withdrawn from the market. Product harvesting may occur; selling at a very low price with no advertising. A product may be launched in a different market instead. E.g. With the rise of Mexican food, Chinese takeaways are in decline, and many sellers are shutting down or re-opening as a different cuisine.

2011 Q7 (B) (i) Draw and label the ‘product life cycle’ diagram. (ii) Illustrate the methods a business could use to extend a product’s life cycle. (25 marks)

**Update The Product**
Businesses could update the product and launch it in new flavours or sizes or with different features. E.g. Coke launched different size bottles like the 1.25 litre to maintain sales

**Change the Design**
The business could improve the design of the product, tweaking a feature e.g. adding Bluetooth radio to a car. This might attract new customers or previous customers may retry the product to find out what has improved. E.g. The Honda Civic changed its design to be more modern

**Change The Pricing Strategy**
Changing the selling price can increase sales. Price drops can increase demand as consumers look for value e.g. The FAI lowering match tickets to encourage fans to buy tickets to increase overall revenue.
Price increases may make the product more exclusive and attract a different type of consumer (new segment of the market). E.g. Apple did this when they rebranded from Mac.

Others: Change packaging; use a different promotion technique e.g. 33% off instead of a loyalty card; Re-brand the product e.g. Mini One; Change where it is sold (Place) e.g. Dell selling online; Use a different distribution system e.g. direct to consumer (Ryanair online instead of travel agents)
**2013 Q7 (C)** Outline the factors a marketing manager might consider in determining the selling price of products at ‘All-Weather Wellies Ltd’. (20 marks) **MS: 4 @ 5 marks (2+3)**

**Input Costs**
The price needs to be higher than all the firm’s costs on raw materials, labour, marketing, distribution etc... and also include a satisfactory profit margin on each sale.
All-Weather Wellies will need to add up all projected costs and profit margin per unit at projected sales to set their price.

**Competitors Prices**
A firm will need to decide where to position their product in a market compared to their competitors. They can do this using pricing strategies e.g. penetration pricing to go below the market level or premium pricing to make the product seem of a higher status or quality than competitors.
All-Weather-Wellies Ltd could opt for a low pricing strategy such as ‘penetration pricing’ in order to capture market share from competitors.

**Product Image**
A price will also often reflect the image of the product e.g. a low price will reflect low quality but could lead to high sales e.g. Ryanair Predatory Pricing
All-Weather-Wellies Ltd is selling branded boots so they could use premium pricing to show that they are superior to other options.

**Consumers**
The type of buyers (target market) will determine the price that can be charged to each segment. Their income levels, spending patterns, habits etc...
All-Weather-Wellies Ltd may discriminate between the festival-goers and the great outdoors in the price setting process (price discrimination strategy).

**Demand**
If initial demand is high before a launch, a business could charge a high initial price for those consumers that ‘must have’ the product, and then later on lower the price to get more customers (Price Skimming).
New products launched by All-Weather Wellies Ltd may be very popular so higher prices can be charged at the introductory stage.
*(Similar Q asked in 2009 Q7 (C) Olympian Hoodies – Same layout / keywords)*
2016 Q6 (B) Read the information supplied and answer the questions which follow.

Medron plc has supplied the following financial information for the new medical device:

- **Forecast Output (Sales)**: 60,000 units
- **Selling Price per unit**: €30
- **Fixed Costs**: €400,000
- **Variable Costs per unit**: €20

Illustrate the following by means of a breakeven chart:

(i) Breakeven point
(ii) Margin of safety at the forecast output
(iii) Profit at forecast output. (25 marks)

*Make sure to show and use formula. Show all calculations*

(i) **Break-Even Amount**

Fixed Costs / Contribution per unit (Selling Price - Variable Costs)

\[
\frac{€400,000}{€30 - €20} = 40,000 \text{ units}
\]

(ii) **Margin Of Safety**

Forecast Output - Breakeven amount (in units)

60,000 units - 40,000 units = 20,000 units

(iii) **Profit at Full Capacity**

Total Revenue = Forecast Output x Selling Price

60,000 units x €30 = €1,800,000

Total Costs = Fixed Costs + Variable Costs (Forecast Output x Variable Costs)

€400,000 + (60,000 units x €20) = €400,000 + €1,200,000 = €1,600,000

Profit at Full Capacity = Total Revenue - Total Costs

€1,800,000 - €1,600,000 = €200,000

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Following a review of costs, Medron plc decreased its variable costs per unit to €10.

(i) Calculate the new breakeven point and illustrate on your breakeven chart the new total cost line (TC2) and the new breakeven point (BE2).

(ii) Outline one limitation of a breakeven analysis when making business decisions. (20 marks)

(i) Break-Even Amount

Fixed Costs / Contribution per unit (Selling Price - Variable Costs)

(€30 - €10) = €20 --- €400,000/€20 = 20,000 units

(ii) Limitation

*Also appears similar to 2016 Q6 (B) at: 2014 Q10 – Short; 2012 Q10 – Short; 2011 Q7 (C) and in slightly different formats below.*
2013 Q6 – Short  In break-even analysis a distinction is made between ‘Fixed Costs’ and ‘Variable Costs’. Explain these terms, and give one example in each case.

**MS:** Fixed Costs 5 marks (3+2(1+1)) Variable Costs 5 marks (3+2(1+1))

Fixed costs

**Remain the same irrespective of the level of output.**

E.g. rent, loan repayments, insurance all remain the same as output increases.

Variable costs

**Increase/decrease directly with the level of output changing.**

E.g. direct wages, raw materials, energy costs all increase as output increases.

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2010 – Short Q6

Study the break-even chart below and answer the following questions:

(i) **Break-even point** (BEP) in units and in euros

(ii) The **Profit** at Forecast Sales (10,000 units) in euros.

(iii) **Margin of safety** (MOS) in units.

*Be careful when reading B/E Charts, units and revenue/costs here are in ‘000s.*

(i) 4,000 units; €40,000.

(ii) Revenue (€100,000) – Costs (€70,000) = €30,000

(iii) Forecast units – B/E amount = 10,000 – 4,000 = 6,000 units
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 product’s packaging can allow it to be recognizable, attractive, secure and split it into 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 brandname 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 competition, 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 online” is direct to the consumer via the internet.
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 (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.
(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) Generating Publicity
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.

Sponsorship
Businesses want to have people associate their brand with certain events or teams e.g. the Olympics. 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...

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.
(20 marks)

**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.

**Other:** Restrictive conditions; forbidding Sensible Foods Ltd from selling its goods through rival multiples; hard to convince you’re product has a USP.
Outline the factors a business should consider when choosing a suitable Channel of Distribution. Provide examples to illustrate your answer. (20 marks)

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.