

BUSINESS STUDIES

Marketing summary: HSC preparation

Role of marketing

Strategic role of marketing

Marketing is:

- Management process that identifies, anticipates and supplies customer requirements efficiently and profitably
- Achievement of corporate goals through meeting and exceeding customer needs better than competition
- Process of planning and executing the conception, price, distribution and promotion of ideas, goods & services to create exchanges that satisfy individual and organisational objectives
- Set human activities directed at facilitating and consummating exchanges
- All-embracing function that links business with customer needs and wants in order to get right product to right place at right time

Strategic importance:

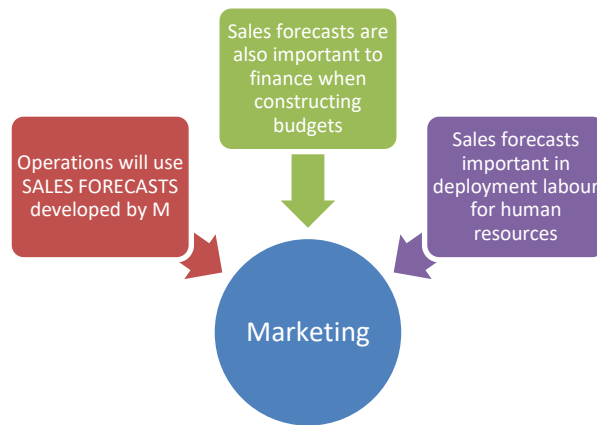
- Direct effect profitability and sales
- Strategic role = translate goals into reality → firms develop marketing plan sets out strategies to increase sales, achieve greater objectives of business i.e. financial objectives – increase profits by 5% over next 12 months
- Qantas' marketing plan & strategies are very comprehensive, encourage new product development, focus on market research, emphasis more market segmentation

Explain why goods and/or services are central to both marketing and operations

- Goods/services = focus of marketing and operations
 - operations works to produce product that satisfies marketing objectives of business
 - marketing executes product, price, place and promotion of product to create exchanges

Interdependence with other key business functions

- Cannot carried out in isolation
- Needs work closely operations, finance, human resources to check plans are possible
- Operations need use sales forecasts produced by marketing department plan their production schedules (tells operations what they are going to do)
- Sales forecasts = important part budgets produced finance department
- Sales forecasts = important deployment labour for human resources



- Marketing concept = business philosophy states all sections of business involved satisfying customer's needs/wants while achieving business goals

Finance at Qantas depends marketing to generate funds. Qantas' marketing strategies are judged using financial criteria i.e. sales, market share, profitability analysis. Staff can determine fate of Qantas' marketing efforts → Marketing aligned with HR in developing job descriptions and designing training programs. Operations may constrain marketing by creating physical limits i.e. scheduling flights, Use of marketing strategies like sales promotion help boost sales in non-peak times to help smooth operations.

Production, selling and marketing approaches

- **Production approach**

- Focused businesses on production goods/services (1820's – 1920's)
- High quality product = high quality sales
- Based on demands of mass production, rather than customer needs
- Marketing = taking orders, delivering products (production oriented)
- Henry Ford's T model – produced only black

- Sales approach

- 1920's – 1960's
- Emphasised selling because of increased competition
- Stimulate demand product, businesses increased spending on advertising (radio, film, sales reps. Hired) as faced challenge persuading customers buy specific brand
- Marketing departments = more dominant role → started employee 'sales representatives' to use high-pressure tactics convince consumers buy products
- Still neglected needs customer

- Marketing approach

- Stage one: 1960's – 1980's
- Focuses finding out what customers want, through market research, then satisfying that need
- Emphasis shifted development marketing concept → customer-oriented, supported integrated marketing strategies, aimed satisfying customers, integrated business plan to achieve business goals

- Most successful businesses take market-oriented approach → to compete, businesses need be more sensitive to their customers' needs otherwise lose sales to rivals
 - Stage two: 1980's – present (changing economic/ social conditions seen modification marketing approach)
 - CSR: external pressure customers, environmental organisations influences marketing plans many businesses → ecological sustainability
 - Customer orientation: process collecting info from customers and basing marketing decisions and practices on customer's wants/ interests
 - Relationship marketing: development long-term/ cost-effective relationships with individual customers; places high priority customer retention and continual satisfaction; aims generate repeat sales → rewards programs, customer care or good after sales service
- Core RM is loyalty

Types of markets – resource, industrial, intermediate, consumer, mass, niche

Market is:

- Group individuals, organisations or both that:
 - Need/want products
 - Have \$\$ purchase product
 - Willing spend \$\$ obtain product
 - Socially, legally authorised purchase product

Resource market: individuals/ groups engaged forms primary production (raw materials bought/sold)

Industrial market: goods that are used as supplies in production process are traded

Intermediate market: wholesalers/ retailers purchase finished products and sell again to make profit

Consumer market: individuals who plan use or consume product they buy

Mass market: products aimed all consumers irrespective age, gender → mass production

Niche market: mass market divided smaller markets consisting buyers specific needs/ lifestyles

Resource	BHP Billiton is a seller of resources in this market. BlueScope Steel is a buyer of resources i.e. purchases iron ore to make steel. Sand, aluminium, gold, copper, coal, iron, unprocessed agricultural products
Industrial	CocaCola is a buyer of products in the industrial market i.e. refined sugar from CSR, tyres, glass, aluminium cans from Alcoa. Buyers in this market are manufacturers who add value to products through the use of machinery, technology and labour.
Intermediate	Producer – consumer. i.e. George Weston Foods Limited which manufactures foods under range brands i.e. Burgen breads, Tip Top Breads
Consumer	Myer, David Jones, Woolworths, Coles
Mass	Standard, undifferentiated products for which large demand i.e. petrol, fruit, vegetables, meat
Niche	Highly differentiated products.

Influences on marketing

Factors influencing consumer choice – psychological, socio-cultural, economic, government
Important marketing managers understand motivates individual purchase particular product.

1. Psychological factors:

- Influences within individual that affect his/her buying behaviour
- Includes perception, motives, attitudes, personality/ self-image
- Perception: process people select, organise, interpret info to create meaning → people often hold different views about same thing → marketing managers conscious with idea to create perception their product as positive/ favourable to consumers
- Motives: reason individuals does something → e.g. comfort, taste, safety
- Attitudes: person's overall feeling about object / activity → heavily influence success/ failure businesses marketing strategy
- Personality: collection all behaviours/ characteristics that make up person → type brand/product reflects persons personality
- Self-image: relates how person views himself/ herself = major determinant products we buy

2. Sociocultural

- Forces exerted by other people/ groups that affect an individual's buying behaviour
- Include: social class, culture/ subculture, family & roles, peer group
- Social class: (socio-economic status) = person's relative rank in society, based education, income, occupation → people high socioeconomic background buy prestigious items
- Culture/subculture: learned values, beliefs, behaviours, traditions shared by society → significant impact customer behaviour → cultural shift towards health/fitness = low calorie foods, health club memberships
- Family and roles: market research shows most women still make decisions related healthcare products, food, laundry supplies
- Reference (peer) groups: groups of people with whom person closely identifies, adopting attitudes, values, beliefs

3. Economic

- Enormous impact businesses/customers → influence businesses capacity compete & customer's willingness spend
- BOOM: period low unemployment, rising incomes → businesses increase production lines & attempt increase market share through promo efforts → customers willing spend
- RECESSION: unemployment reaches high levels, incomes fall → customers, business spending reaches low → customers become price-conscious → look value, products functional and long-lasting; survival becomes main goal business

4. Government

- Direct, immediate impact on marketing plans of business
- Directly, indirectly influence business activity & customer spending habits
- Competition & Consumer Act 2010 (Cth), Sale of Goods Act 1923 (NSW)

Consumer laws

Improve protection & rights of consumers & clarify rights/ responsibilities of businesses
Endure successful business able develop motivated, positive workforce whilst adopting ethical, legally correct practices

Australian Consumer Law

- Replaced 17 existing national, state and territory laws
- Attempts promote fair, competitive behaviour in market place
- Enforced by ACCC as law of Commonwealth
- Implemented by Competition and Consumer Act 2010
- Attempts prevent businesses deceptive, misleading behaviour towards consumers

Competition and Consumer Act 2010

- Formerly Trade Practices Act 1974 (Cth)
- Protect consumers against undesirable practices i.e. misleading advertising
- Regulate certain trade practices that restricts competition
- Administered by ACCC (Australian Competition and Consumer Commission) & Australian Securities and Investment Commission (ASIC) → respect financial services

Breaches of Act

Legal action taken against you by ACCC → impose penalties = companies, individuals for unconscionable conduct (any practice by business that is not reasonable, often illegal)

Following practices contravene Competition and Consumer Act 2012 (Cth):

1. Deceptive & Misleading Advertising
 - a. Fine print = imp conditions written small-print → difficult to read
 - b. Before & after advertising = misled by 'before' 'after' → comparison distorted
 - c. Tests & surveys = unsubstantiated claims → '9/10 people' but no survey actually conducted
 - d. Country origin = 'made Australia' & 'product of Australia' → two distinctly different meanings
 - e. Packaging = size, shape = misleading impression of contents (1/2 filled chip packets)
 - f. Special offer = apply special offer available limited time only → offer continuously available
 - g. Bait & switch advertising = advertising few products at reduced, enticing prices to attract consumers → product runs out, consumers directed higher priced products
 - h. Dishonest advertising = advertisement uses words deceptive or claims product some specific quality when it doesn't
2. Price discrimination
 - a. Setting different prices for product separate markets (country/city)
 - b. CCA prohibits it if discrimination substantially reduces competition
 - c. Business cannot give favoured treatment to customers while denying it to others
3. Implied conditions – consumer guarantees
 - a. UNSPOKEN, UNWRITTEN TERMS OF CONTRACT
 - b. Most important implied term relating customer purchases → products 'acceptable quality' → product fit purpose for which it being sold, acceptable appearance and finish free from defects, safe & durable
 - c. Breach – suggest product particular characteristics does not have

4. Warranties

- a. Promise repair/replace faulty products
- b. By law, business required offer refund if products provided:
 - i. Faulty
 - ii. Do not match description / sample
 - iii. Fail purpose

Ethical influences

Ethics moral guidelines → behaving ethically = doing what morally right.

Behaving ethically = good business practice

Specific issues marketing ethics:

(a) Market research

- a. Invasion privacy
- b. Stereotyping

(b) Target customers/ market

- a. Targeting vulnerable (children, elderly)
- b. Excluding potential customers from market

(c) Pricing

- a. Price fixing
- b. Price wars
- c. Price collusion (agreeing competitors set prices in market to detriment of competition and consumers)

(d) Advertising and promotion

- a. Issues truth, honesty
- b. Issues violence, sex, profanity
- c. Taste, controversy
- d. Negative advertising

Truth & accuracy in advertising:

- Advertising = paid, non-personal message communicated through mass medium
 - Concealed facts → pieces information purposefully omitted from advertisement
 - Exaggerated claims → 'puffery' cannot be proved i.e. shampoo superior to another product
 - Vague statements → 'weasel words' – deliberately misleading/ ambiguous language i.e. helps restore
 - Invasion privacy → consumers unaware data being collected on them

Good taste in advertising:

- Usually common agreement what society considers acceptable → marketers aware community sensitiveness
- Australian Standards Bureau – ensure acceptable advertising standards followed → administering national system of advertising self-regulation (system by which business/industry controls own activities rather than being publicly regulated by outside organisation i.e. government)

Products that may damage health:

- Marketing junk food → portrayed essential part balanced diet
- Highly criticised nutritionists, health advocates → childhood obesity = epidemic proportions
- Responsible Children's Marketing Initiative & Quick Service Restaurant Code (allow fast food companies i.e. Coca-Cola, Cadbury & Mars advertise products in kid's TV shows if meet specific nutritional standards)
- Digital advertising young people not strongly regulated → viral marketing (Sydney Morning Herald, 10 October 2010)
- Facebook, Bebo, Twitter, MySpace provide marketers new, largely unregulated ways advertising junk food → children

Engaging in fair competition:

- Temptation businesses engage unfair marketing strategies → consumer exploitation
 - Advertisements make false promises, highly exaggerated, incomplete product descriptions, manipulative, high-pressure selling methods
- Engage fair competition = adopt ethical marketing policy
 - Acts as standard against which to assess business's ethical performance
 - Asking questions i.e. are we being socially responsible in what we do?

Sugging:

- Selling Under the Guise of a Survey
- Ethical issues = invasion privacy, deception
- 1/3 individuals refuse participate telephone, online, personal surveys → suspicion survey case of sugging

Marketing Process

Situational analysis – SWOT, product life cycle

What is the present state of the business? Where will the business be in the future?

SWOT

- Involves identification and analysis of internal strengths and weaknesses of business, and the opportunities in, and threats from, the external business environment
- Provides firm opportunity examine current position
- Gives clear indication of business's position compared with competitors → determines marketing strategy use

- INTERNAL:
 - Strengths: reviews business' current strengths i.e. reputation of brand, strong sales performance, location business, innovative product or service
 - Weaknesses: reviews business' current weaknesses i.e. poor response times to requests for information, late deliveries, inadequate online presence
- EXTERNAL:
 - Opportunities: reviews business' future opportunities i.e. use new technology to develop new products, growing demand overseas market i.e. China, India, use social media (Facebook) research new customers
 - Threats: reviews business' future threats, mostly from other firms or changes economic situation i.e. competitors introducing new products lower prices, changes customer tastes, fashions

Product Life Cycle

Stages product passes through: introduction, growth, maturity and decline in relation to sales/profit over time

- Each stage product's life cycle, different marketing strategy necessary
- INTRODUCTION (development):
 - Market size, growth slight
 - Marketing costs high in order to test market, undergo launch promotion & set up distribution channels
 - Highly unlikely companies make profit
 - Business tries increase consumer awareness + build market share for new product
 - PRODUCT: brand, reliability established
 - PRICE: often lower than competitors prices to gain market foothold
 - PROMOTION: directed early buyers and users (early adopters)
 - DISTRIBUTION: selective
- GROWTH:
 - Characterised rapid growth sales + profit
 - Profits arise → increase outputs (economies scale) & better prices
 - PRODUCT: quality maintained, improved
 - PRICE: per unit production maintained as firm enjoys increased consumer demand + growing market share
 - PROMOTION: seeks wider audience
 - DISTRIBUTION: channels increased as product becomes more popular
- MATURITY:
 - Competition most intense → companies fight maintain market share
 - Most profit earned
 - Sales plateau as market is saturated
 - PRODUCT: features and packaging try to differentiate product from those of competitor
 - PRICE: need adjusted downwards hold off competitors & maintain market share
 - PROMOTION: continues suggest product tried & true – it's still best

- DISTRIBUTION: incentives may need be offered to encourage preference over rival products
- DECLINE:
 - Sales begin decline as business faces several options
 - Market is shrinking → company may decide end product
 - PRODUCT: maintained with some improvements or rejuvenation (renewal)
 - PRICE: reduced to sell remaining stock
 - PROMOTION: discontinued
 - DISTRIBUTION: channels reduced, product offered to loyal segment market only

Market research (3 step process)

Systematically collecting, recording and analysing information concerning specific marketing problem

1. Determining information needs

- a. Problem clearly & accurately stated to determine what needs be measured, issues involved
- b. Determines direction for market research → relevant data collection
- c. Best method determine relevance = constantly ask questions concerning ultimate use i.e.
 - i. Does it result in marketing strategies that meet needs of business's target market?
 - ii. Does it assist the business to achieve its marketing objectives?

2. Collecting data from primary and secondary sources

- a. Marketing data = information relevant to defined marketing problem
- b. Researchers know facts that are needed, those that are already available
- c. Primary data:
 - i. Facts, figures collected from original sources for purpose of specific research problem
 - ii. Survey method: gathering data by asking or interviewing people
 - Online surveys: increasingly popular, relatively low cost, widely used small businesses
 - Telephone interviews: allow quick feedback than postal survey
 - Face-to-face surveys: costly, good way to get detailed insights from individual
 - Focus groups: groups potential customers brought together discuss feelings about product, market
 - Ongoing surveys passengers in flight, mail based surveys, complaint monitoring, discussion with customer contact staff i.e. cabin crew
 - iii. Observation method: recording behaviour of customers
 - Personal observation i.e. researcher poses as customer in store
 - Electronic observation i.e. cameras, EFTPOS machines (record spending trends)
 - iv. Experiment method: gathering data by altering factors under tightly controlled conditions to evaluate cause and effect

- d. Secondary data:
- i. Information that has already been collected by some other person or organisation
 - A) Internal data – information that has already been collected from inside the business (customer feedback, sales and management reports, research reports)
 - B) External data – published data from outside the business
 - C) Government statistics, airline magazines, reported interviews with competitor's exclusive

3. Data analysis and interpretation

- a. Drawing conclusions!
- b. Statistical interpretation analysis (process focusing on data that represents average, typical or deviations from typical patterns)
 - i. Tabulate data – display info in table format
 - ii. Involve number people in interpretation data → gain wider perspective and, avoid error of personal bias
- c. Qantas replaced its cold food boxes with hot breakfasts and dinners and choice menus for business class travellers after results of recent customer surveys.

Establish market objectives

The realistic and measurable goals to be achieved through marketing plan

- Most important step in formulating marketing plan
- Should be closely aligned to overall business goals, but more customer-oriented than goals for entire business

Increasing market share

- Market share – businesses share of total industry sales for particular market
- Businesses often develop extensive product range → gain extra few percentage points market share
- Market share battles = TV, radio, airlines, motor vehicles, supermarkets
- Maintain Qantas/Jetstar's combined domestic market share of 65%

Expanding product mix

- Total range products offered by business = product mix
- Expanding product mix → increase profits long term
- Each item on product line → attempt satisfy needs of different target markets

Maximising customer service

- Customer service – means responding to needs, problems of customer → most important objective!
- High levels customer service → improved customer satisfaction, positive reaction from customers towards products they purchase → sound customer base with possibility repeat purchases
- Customer service = attitude to be adopted by everyone within business
- Strategies to maximise customer service:
 - Encouraging employees focus attention on customer's needs (customer-oriented) and not just making sale (sales-oriented)

Identifying target markets

Who will buy the product or service?

- Group of present and potential customers to which business intends sell its product
- Customers share similar characteristics i.e. age, income, lifestyle, location, spending patterns
- PRIMARY MARKET: market segment at which most marketing resources directed
- SECONDARY MARKET: smaller, less important market segment
- Once target market identified, business concentrates marketing activities toward group → business better satisfy wants, needs targeted group

Approaches to selecting target market

Mass marketing approach:

- Seeks large range customers
- Assumes individual customers in target market have similar needs → one marketing plan directed entire market for product
- One type product, one promotional program aimed everyone, one price, one distribution system

Market segmentation approach:

- Total market subdivided into groups people who share one/more common characteristics
- Enables business design marketing plan meets needs relatively uniform group

Niche market approach:

- Narrowly selected target market segment → segment within segment “micro-market”
- Needs customers these markets neglected large businesses

Developing marketing strategies

Actions undertaken to achieve business’s marketing objectives through marketing mix

Marketing mix – the four p’s

Combination of the four elements of marketing, the four Ps – product, price, promotion and place – that make up the marketing strategy

Products: “anything capable of satisfying customer needs”

Price: major pricing decision = whether set prices above, below or about even with competitors prices

Promotion: inform, persuade and remind customers about its products

Place/distribution: ways of getting product to customer

- Develop 7 P program to appeal target market

Implementation, monitoring and controlling – developing a financial forecast; comparing actual and planned results, revising the marketing strategy

Implementation – process putting the marketing strategies into operation

- Involves daily, weekly, monthly decisions that have to be made to ensure plan effective
- “How, where and when it is to be done”

Developing a financial forecast

- Details costs, revenues for each strategy
- Until detail analysis of forecast cost undertaken, business making decisions based merely on “gut feelings”
- Requires two steps: cost estimate – how much is marketing plan expected to cost?
- Revenue estimate – how much revenue (sales) is marketing plan expected to generate?

Monitoring and controlling

- Monitoring – checking and observing actual progress of marketing plan
 - Marketing department personnel gather info + report any important changes, problems, opportunities arise during life of marketing plan
 - Info → used to control plan
 - What is actually happening?

Comparing actual and planned results:

- 1) Sales analysis – comparing actual sales with forecast sales to determine the effectiveness of marketing strategy
 - 2) Market share analysis/ratio – business able evaluate its marketing strategies as compared with those of its competitors
 - 3) Marketing profitability analysis – method in which business breaks down total marketing costs into specific marketing activities
- Controlling – comparison planned performance against actual performance & taking corrective action to make sure objectives attained
 - Is what is happening good/bad? Why is it happening? What should be done about it?
 - 1st step – establish key performance indicator (KPI)
 - 2nd step – compare / evaluate actual performance against KPI

Revising the marketing strategy

Once results of sale, market share and profitability analysis have been calculated, business now position to assess which objectives being met, which are not → marketing plan can be revised (modified)

Modifications → production, price, promotion, place or new product development, product deletion

Marketing strategies

Market segmentation, product/service differentiation and positioning

Aim: increase sales, market share and profits by better understanding, responding to desires of different target customers

Segmenting consumer markets

- Segmentation variable – characteristics of individuals or groups that are used by marketing managers to divide total market into segments
- 1) Demographic segmentation – age, gender, education, occupation, income, social class
 - 2) Geographic segmentation – urban, suburban, rural, population density, region
 - 3) Psychographic segmentation – personality, motives, lifestyle
 - 4) Behavioural segmentation – purchase occasion, benefits sought, loyalty, usage rate, price sensitivity Qantas mainly uses BS i.e. buyers distinguished according trip purpose e.g. business, leisure

Differentiation and positioning of product/service

Product/service differentiation – process developing, promoting differences between business's products or services and those of competitors

- Customer service – pre-sales service, after-sales service; presentation of premises, atmosphere, range products that set business apart
- Environment concerns – business create pollution = risk losing customers; businesses adopt 'green' philosophy & produce environmentally friendly products = sales increase
- Convenience – consumers busy = select products convenient use i.e. convenience food products
- Social, ethical issues – consumers become ethically minded & actively purchase products/brands that they believe do not exploit workers i.e. Nike

Product/service positioning

- Technique in which marketers try create image, identity for product compared with image of competing products
- Highly competitive markets, business attempt create image that differentiates product/service from others
- Uses positioning in relation competition i.e. launching own no-frills carrier, Jetstar, has retaken its loss of market share from Virgin Blue
- In relation target market i.e. Qantas concentrated securing lucrative corporate/business market through City Flyer express service, lounge upgrades, Frequent Flyer Scheme

Products – goods and/or services

Goods or services that can be offered in exchange for purpose satisfying need/want

Branding

- Brand = name, term, symbol, design or any combination these that identifies specific product and distinguishes it from competition
- Brand name = part of brand that can be spoken
- The brand name, kangaroo symbol and logo, "Spirit of Australia" clearly identify Qantas and distinguish it from its competitors

Consumer benefits:

- Identify specific products that they like → without branding, consumer would be quite random in purchases
- Evaluate quality product

- Reduce level perceived risk of purchase → respected, trusted brand provide reassurance consumer making right choice

Business benefits:

- Gain repeat sales
- Introduce new products on market because consumers familiar with businesses existing products
- Encourage customer loyalty

Branding strategies:

- Manufacturer's brand or national brand: owned by manufacturer i.e. Sunbeam appliances, Kraft, Billabong
- Private or house brand: owned by retailer or wholesaler → often cheaper i.e. Myer sells products from own label – Reserve, Miss Shop
- Generic brands: products no brand name at all e.g. Select – Woolworths

Packaging:

- Development container and graphic design for product
- To assist sales, packaging sometimes as important as product
- Preserves product, protects product, attracts consumer attention
- Shape packaging part of product itself e.g. Coke bottle shape

Price including pricing methods – cost, market, competition based; pricing strategies; price and quality interaction

Amount money customer prepared to offer in exchange for a product

- Pricing methods = how? Cost-plus, market, competition based, combination
- Pricing strategies = why? i.e. penetration pricing – increase market share

PRICING METHODS:

1) Cost-based (mark-up) pricing / cost-plus

- Price method derived cost of producing, purchasing product and then adding mark-up
- $\text{Cost} + (\text{Cost} \times \text{Mark-up percentage}) = \text{price}$
- Mainly used wholesalers + retailers
- Two major drawbacks:
 - Difficulty in accurately determining appropriate mark-up percentage = overpriced or losing profit
 - Product priced after production & associated costs are incurred without taking into account other elements of marketing mix
- Qantas determines cost production, then adds margin for profit

- 2) Market-based pricing
 - a. Setting prices according interaction between levels of supply/demand – whatever the market is prepared to pay
 - b. When demand for product is greater than supply, there will be shortage → force up price of good
 - c. Most fares Qantas determined by market, where demand matched with supply
- 3) Competition-based pricing
 - a. Price covers costs (cost raw materials + cost of operating business) and is comparable to the competitor's price
 - b. Used high degree competition from businesses producing similar products
 - c. Established base price, choose to set price:
 - i. Below that of competitors
 - ii. Equal to that of competitors
 - iii. Above that of competitors
 - d. Monitoring what other airlines such as Virgin Blue are charging

PRICING STRATEGIES:

- 1) Price skimming
 - a. Business charges highest possible price for product during introduction stage of life cycle
 - b. Main objective employing PS = benefit high short-term profits & from effective market segmentation
 - c. Objective is to “skim” off customers who are willing to pay more to have product sooner “innovators”
 - d. Apple used price skimming effectively for iPods, iPads
- 2) Penetration
 - a. Business charges lowest possible price for product/service so as to achieve large market share
 - b. Most often used businesses wishing enter new market, build on relatively small market share
 - c. Objective = sell large number products during early stages life cycle
 - d. Disadvantages = more difficult raise prices significantly than is to lower them → locked low sales revenue
 - e. Lowest possible price used for Jetstar and Jetstar international
- 3) Loss leader
 - a. Product sold at or below cost price
 - b. Method sales promotion
 - c. Purpose: encourage customers make further purchases of profitable goods while in shop
 - d. Often used business: overstocked, wants build rep of having low prices
 - e. Used when first launched Jetstar in May 2004, Jetstar International November 2006 by introducing ridiculously low fares to gain initial market share i.e. Sydney-Melbourne = \$19

4) Price points

- a. (price lining) = selling products only at certain predetermined prices
- b. i.e. \$50 items, \$100 items, \$5000 items → attract almost anyone who is in market
- c. car manufacturers have myriad models at varying prices in attempt capture sale

Price and Quality interaction

- Products superior quality = higher prices → reflective level of manufacturing involved
- Price-quality relationship helps determine image customers have of products
- Business charges low price → cheap, bad quality stigma; charging higher price = aura quality, status → prestige or premium pricing
 - High price charged to give product an aura of quality, status
- Customers MAY believe high prices reflect expensive packaging or market exploitation → reduction sales because consumer perceives there to be little actual difference between quality of low and high priced item

Promotion

Elements of promotion mix – advertising, personal selling and relationship marketing, sales promotions, publicity and public relations

Methods used by business to inform, persuade and remind target market about its products

Promotion mix – various promotion methods business uses in its promotional campaign (advertising, personal selling, relationship marketing, sales promotion, publicity and public relations)

Advertising

- Any paid form non-personal communication of ideas/products in “prime media” i.e. tv, newspapers, magazines, billboard posters, radio
- Intended persuade, inform
- Advertising media – many forms of communication used to reach audience
 - Mass marketing – tv, radio, newspapers, magazines
 - Direct marketing catalogues – mailed individual households (EziBuy)
 - Telemarketing – use telephone to personally contact customer
 - E-marketing – use internet to deliver advertising messages
 - Social media advertising – online advertising using social media platforms i.e. Facebook, Twitter
 - Billboards – large signs placed at strategic locations
- 2010 Qantas announced 3 year \$44 million advertising campaign with Tourism Australia
- Trying use less blanket (media) advertising, more direct marketing which is cheaper, more targeted to corporations

Personal selling

- Activities of sales representative directed to customer in attempt to make a sale
- Businesses offering expensive, complex or highly individual products = main promo strategy
- Advantages:
 - Message modified suit customer’s circumstances
 - Can create long-term relationship → repeat sales

Relationship marketing

- Development long-term, cost-effective, strong relationships with individual customers
- Focuses oral communication with potential buyers of product with intention making sale
- Ultimate aim = create customer loyalty by meeting needs of customers on individual basis → creating reasons keep customers returning
- Competitive advantage

Sales Promotion

- Use activities or materials as direct inducements to customers
- Coupons, premiums (gift business offers customer in return using product), refunds, samples, point-of purchase displays
- Qantas first launched Jetstar, released 100 000 tickets at \$49

Publicity and public relations

- Creating and maintaining favourable relations between business and its customers
- Communication of product, brand or business by placing information about it in media without paying for time or media space directly – public relations
- Public relations assist business in achieving objective increased sales:
 - Promoting positive image
 - Effective communication of messages – convey info about business + products
 - Issues monitoring – protecting sales by providing early warning of public trends that could affect business's sales
 - Crisis management – protecting business rep as result negative or unfavourable rumours & adverse publicity
- Qantas has used US actor, John Travolta as brand ambassador (opinion leader) & also sponsors number NRL, rugby union, netball, swimming events

The communication process – opinion leaders, word of mouth

Opinion leaders

- Person who influences others
- Marketing managers use them as info outlets for products, or to endorse existing one
- Actors, athletes, musicians, models

Word of mouth

- Process communication that occurs when people influence each other during conversations
- Businesses increasingly using Facebook, Twitter to engage form word-of mouth communication

Place/distribution

- distribution channels

Routes taken to get product from factory to customer

Traditional distribution channels

- producer – customer: involves no intermediaries, all services e.g. tax advice, use this method
- producer – retailer – customer: often used bulky/ perishable items i.e. furniture, fruit
- producer – wholesaler – retailer – customer: most common method

- producer – agent – wholesaler – retailer – customer: producer pays agent commission; business that does not have any sales representatives will often use an agent

Channel choice – intensive, selective, exclusive

How business chooses channel distribution best suited to product largely depends on location business's market coverage – market coverage refers number outlets firm chooses for its product

- Intensive: business saturates market with products e.g. convenience goods (milk)
- Selective: using only moderate proportion of all possible outlets (Apple)
- Exclusive: use only one retail outlet for product in large geographic area e.g. Bentley cars

NON-STORE RETAILING: retailing activity conducted away from traditional store = gaining popularity

INNOVATIVE DISTRIBUTION METHODS:

- Telemarketing
- Internet marketing (easy obtain domain name, website and begin marketing products via internet)

Physical distribution issues – transport, warehousing, inventory

PD: Is all those activities concerned with efficient movement of products from producer to customer
Transport: method transportation business uses largely depends type product, level service business wishes provide – most common = road, air, sea, rail

Warehousing: set of activities involved in receiving, storing and dispatching goods. The warehouse is central organising point for efficient delivery of products.

Inventory: Missed sales from 'out of stock' items → lost sales + market share. Inventory control = system maintains quantities and varieties of products appropriate for target market – too much stock = high storage costs, too little stock = lost sales or 'stock-out costs'

People, processes and physical evidence

- Apply intangible products i.e. tourism, entertainment, hospitality
- PEOPLE:
 - Quality of interaction between customer and those within business who will deliver service
 - Businesses should develop customer focus & IMPLEMENT it → i.e. show interest when dealing with customer
 - Qantas have over 35 000 staff must have appropriate attributes, training for jobs. Qantas spends over \$275 million/ year on staff training to ensure very positive interaction between its customers. Qantas provides uniform for all staff to improve professional appearance
- PROCESSES:
 - Flow of activities that business will follow in its delivery of a service
 - Inefficient processes = loss customers, damage reputation
 - Implements effective processes ensure service provided timely fashion i.e. booking flights online, online check in, mobile check in, check in kiosk

- **PHYSICAL EVIDENCE:**

- Environment in which service will be delivered. Also includes materials needed carry out service i.e. signage, brochures, calling cards, letterheads, business logo and website
- Business should provide high-quality physical evidence → create image value, excellence
- Qantas' signage, web site, terminals, lounges

E-marketing

Practice using internet to perform marketing activities

E-marketing technologies:

1. Web pages – display information accessible on web through web browser; number 'web pages' linked together = website
2. Podcasts – distribution of digital audio or video files over internet
3. SMS – short message service; text messages can be sent over phones → used alert regular customers of any special deals on offer, notify suppliers of arrival of goods shipment
4. Blogs – “weblog” online journal that can be added to by readers → allows business owner, employees to establish reputation for expertise by providing detailed info on products; new ideas for products/ services put public to gain feedback; informal → present human face to public
5. Web 2.0 – transformation world wide web into more creative, interactive platform for information sharing, rather than just means retrieving info → low cost!!

Advantages: reduction costs, faster response, increased interactivity, increased ability measure/ collect data; disadvantages = lack personal approach, dependability on technology, security, privacy issues

Social Media Advertising

Form online advertising using social media platforms i.e. Facebook, Twitter, YouTube, to deliver targeted commercial messages to potential customers

- Inexpensive
- Easy to use & monitor
- Effective method gain exposure

BUT!

- Marketer does not have control over what online customers write about business's product
- Difficult for marketer to accurately measure REACH (number people exposed message) and FREQUENCY (average number times someone exposed) of SMA

Qantas recently ventured into Twitter → decided ask “tweeters” name their dream luxury flight experience as part of competition to give away holiday → trying gain positive spin three weeks on from massive strike which grounded its fleet

Global marketing

- Businesses marketing plan needs be modified, adapted suit overseas markets

Global branding:

- Worldwide use name, term, symbol, logo to identify seller's products
- Cost effective – one advertisement used number locations (easily identifiable)
- Uniform worldwide image (easily identifiable)
- Successful brand name → linked new products being introduced
- Uses same brand, logo globally. Strong global brand allows it increase international revenues, growth & helps protect from international competition. Gives airline recognition around world.

Standardisation:

- Global marketing strategy that assumes way product is used, needs it satisfies same world over
- Marketing mix same all markets
- Cost savings for business – production runs can be longer → achieving economies of scale; R&D costs reduced; promotion strategies standardised
- Standardises most elements of marketing mix i.e. product design, brand name, packaging, distribution, product positioning → gain economies of scale

Customisation:

- “Local approach” = assumes way product is used, needs it satisfies different between countries
- Marketing plan modified according economic, political, sociocultural characteristics of target country
- Will adjust its marketing mix elements to suit particular global target market i.e. Japan

Global pricing:

- How businesses coordinate their pricing policy across different countries
- Customised pricing: whenever consumers in different countries charged different prices, same product
- Market-customised pricing: sets prices according local market conditions
- Standard worldwide pricing: charging customers anyway same price same product

Competitive positioning:

- How business will differentiate its products
- Business strive develop product leadership, positive customer relationships, operational excellence