

## **Knowledge Organisers**

### **OCR GCSE (9-1) Business - Year 10 – Business 1**

#### **2 – Marketing**

**2.1 – The role of marketing**

**2.2 – Market research**

**2.3 – Market segmentation**

**2.4 – The Marketing mix**

## OCR GCSE (9-1) Business - Year 10 – Spring Term – Business 1

### 2 - Marketing – 2.1 – The role of marketing

Key words	
Marketing	Finding the needs of consumers and demonstrating how a business fulfils those needs in a way that increases sales.

The main purposes of marketing involve:
Identifying and understanding customers
Informing customers
Increasing sales

When a business decides to market a product, it will need to consider the following:
How much finance is available
Who the marketing is aimed at
The location of potential customers

### 2 - Marketing – 2.2 – Market research

Key words	
Market research	The collection of data on customer habits to help decision-making in marketing.
Target market	Group of customers to whom a business aims to sell its products.
Primary research	Data collected first-hand eg surveys. Sometimes referred to as 'field' research.
Secondary research	Data collected using research or information provided by others eg magazines, journals, internet. Often referred to as 'desk' research.
Qualitative data	Data based on opinions of those being asked.
Quantitative data	Data collected that is based on facts or numbers, usually easier to analyse.

Methods of primary research can include:
Questionnaires
Interviews
Trials
Focus groups

Methods of secondary research can include:
UK Census data
Websites
Internal data
Newspapers and magazines

#### Questions

**Explain** what marketing is.

**Explain** the purposes of marketing.

**Analyse** the factors which influence how a business chooses to market its product.

#### Challenge Activity

Investigate how a business like Samsung could increase sales of mobile phones and how it might market its mobile phones.

#### Questions

**Explain** the difference between primary and secondary market research.

**Analyse** the usefulness to a business of conducting primary and/or secondary market research.

**Analyse** the benefits of qualitative and quantitative data.

#### Challenge Activity

Research a software company eg Microsoft and analyse one benefit to the company of using research that will produce qualitative data.

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### 2 - Marketing – 2.3 – Market segmentation

Key words	
Market segmentation	The splitting of the market for a product into different parts or segments.

Ways of segmenting a market:
Age
Income
Gender
Lifestyle
Location

### 2 - Marketing – 2.4 – The marketing mix

Key words	
The marketing mix	Made up of 4 different parts - product, price, place and promotion.

#### The marketing mix - price

Key words	
Competitor pricing	Price is set based on prices charged by competitors for similar products/services.
Cost-plus pricing	Method that adds a percentage of profit to the total costs of making a product – this gives the selling price.
Penetration pricing	Where the price is set lower than competitor businesses (often used by new businesses to break into the market) – short term strategy.
Skimming	Where product is more advanced than competitors – price is set higher as customers willing to pay higher price for new technology (sometimes referred to as 'creaming').
Promotional pricing	Prices reduced to boost sales or sell off old stock.

Factors that affect the price of products and services:
How new the product/service is
The quality of the product/service
Competitors
Whether the customers already know about the product/service
The stage of the product life cycle the product/service is at
Costs of producing the product/service

#### Questions

**Explain**, with examples, the meaning of market segmentation.

**Explain** how a business can target customers in different segments.

**Analyse and evaluate** the suitability of products for different market segments.

#### Challenge Activity

Investigate the benefit to a business like Tesco of using its loyalty card (Tesco Clubcard) as a way to targeting customers.

#### Questions

**Explain** the different pricing methods a business can use.

**Evaluate** when each of the different pricing methods is useful to a business.

#### Challenge Activity

Apple is introducing a new version of its iPad, which it claims has more features than previous versions and other tablet computers. Recommend which method of pricing would be appropriate for Apple to use. Explain why.

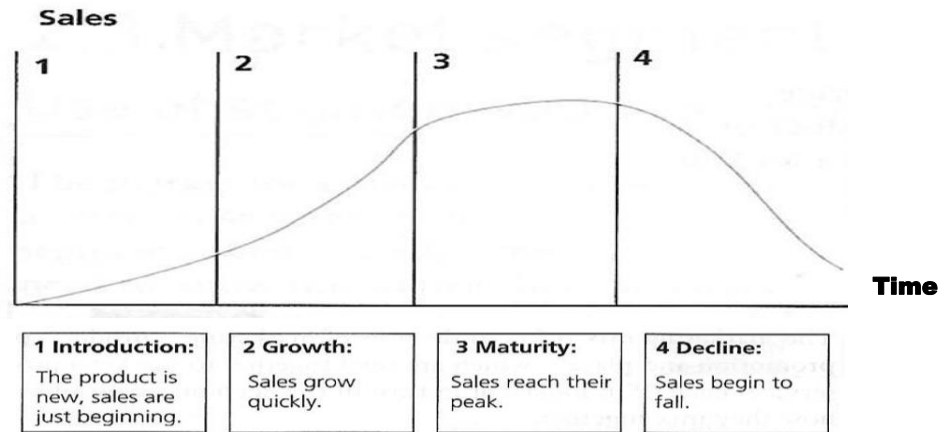
## OCR GCSE (9-1) Business - Year 10 – Spring Term – Business 1

### 2 - Marketing – 2.4 – The marketing mix (continued)

#### The marketing mix - product

Key words	
Innovation	The improvement of an original idea – often involves new processes.
Design	Important element in a number of different products, especially where style and technology work together.
Invention	Introduction of a totally new product or service.
Product life cycle	Life of a product (usually shown as a graph) divided into 4 stages: introduction, growth, maturity and decline.
Introduction	When a product/service is first on sale - advertising will be high.
Growth	When sales are growing strongly as new product/service becomes known – advertising is used to reinforce awareness.
Maturity	When sales are at their highest – additional advertising may be used to keep sales high.
Decline	When sales are falling as the product/service is seen by customers to be old and they switch to new products/services – special offers may be used to encourage sales. Successful businesses will already have developed new products/services to replace those in decline.

#### Product life cycle



#### Methods used to try to extend the product life cycle:

Advertising the product more widely – perhaps claiming it is new or improved

Reducing the price of the product to make it more appealing to customers

Developing other markets for the product (exporting) or selling the product to a different target market

#### Questions

**Explain** the main processes involved in developing products – design, invention and innovation.

**Explain** the main stages of the product life cycle.

**Analyse** the ways in which a business might try to extend the life cycle of a product/service.

#### Challenge Activity

Investigate and analyse how Lego has managed to extend the life cycle of its bricks beyond the period of decline in the 1990s.

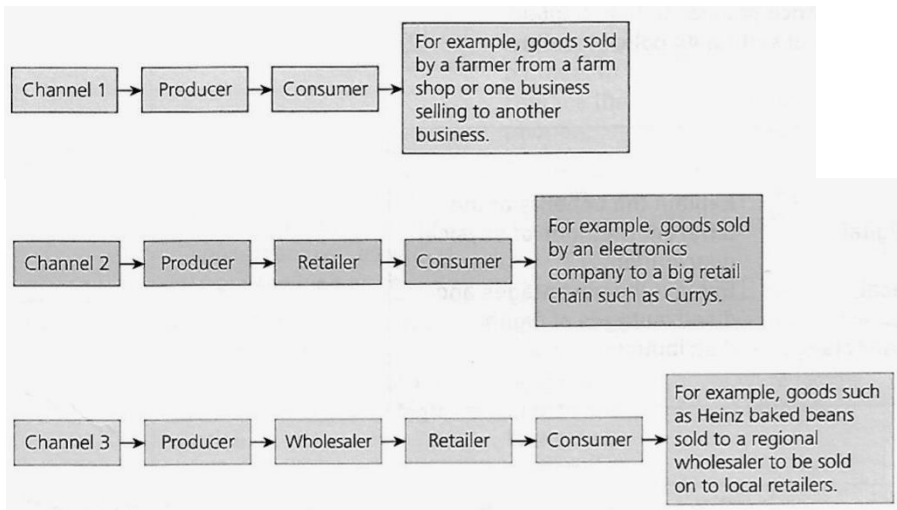
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### 2 - Marketing – 2.4 – The marketing mix (continued)

#### The marketing mix - place

Key words	
Physical distribution	Distribution of a good or service using a physical presence eg a shop or office.
Digital distribution	Distribution of goods and services digitally by downloading from a website eg music or books.

Different physical distribution channels in which goods can be moved from the producer to the consumer



Advantages of digital distribution	Disadvantages of digital distribution
Consumer can buy the product 24/7	Physical goods cannot be distributed digitally
No costs of physical transport of shops	Very competitive market as consumers can compare prices on line
Goods are downloaded so available quickly	Not all customers have computer or internet access
	Easier to illegally copy content and distribute for free
	Some customers don't like sharing bank/credit card details online

#### Questions

**State** examples of physical and digital distribution.

**Explain** the difference between physical and digital distribution.

#### Challenge Activity

LV Insurance sells many insurance policies online.

Analyse the advantages to LV Insurance of selling its policies online.

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### 2 - Marketing – 2.4 – The marketing mix (continued)

#### The marketing mix - promotion

Key words	
Point of sale promotion	Sales offers available when purchasing a product eg price reductions, free samples, competitions etc
Advertising media	Ways in which a company can advertise its goods/services eg social media, printed media, websites, TV, radio etc
Advertising campaign	Series of advertisements , often using different advertising media

Promotion is about informing customers about what is for sale and persuading them to buy. It consists of 2 main areas – point of sale promotion and advertising.

Point of sale promotions	Advertising
Price reductions	Social media
Loss leaders	Websites
Competitions	Printed media
Free samples	Television
	Radio

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

What the business can afford

The target audience – who and how many customers

The aim of the promotion eg to sell off stock, tempt new customers etc

#### Questions

**Explain** the main methods of point of sale promotion.

**Explain** the main media used for advertising – give an advantage and disadvantage of each.

**Evaluate** when to use each point of sale promotion and each type of media.

#### Challenge Activity

Research and analyse the types of promotion (point of sale and advertising) used by 2 well known businesses. Consider cost, target audience etc.

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### 2 - Marketing – 2.4 – The marketing mix (continued)

The marketing mix – how the '4 Ps' of the marketing mix work together

When making decisions about the marketing mix, businesses must consider the following:
The type of product they are selling
The cost of the product
the stage of the product life cycle of the product
The target market
The funds available for marketing

Key words	
Marketing mix	The mix of different parts of the marketing campaign – price, product, place and promotion (the 4 Ps)
Market share	Percentage of total sales of a product that a business has made
Target market	A group of consumers to whom the business tries to sell its products - can be based on gender, age, lifestyle etc
Market data	Information that can help marketing decisions eg data on market share, changes in demand, effect of promotions etc

The marketing mix – interpretation of market data

Use of data to aid marketing decisions

Example of data	Information provided	Example use of data
Changes in demand	Data can show if demand for a product is rising, falling or is unchanged.	Inform possible changes to: <ul style="list-style-type: none"><li>● price – increase or reduce</li><li>● advertising – more or less needed</li><li>● the type of advertising</li><li>● promotional offers</li><li>● introduce a new product.</li></ul>
Target market	Who the customers are. What the customers want.  Any changes in the target market, for example, increase in older people who are interested in the product.	To decide: <ul style="list-style-type: none"><li>● the design of the product</li><li>● how much to charge for the product</li><li>● where, when and how to advertise</li><li>● which retail outlets to use</li><li>● which promotional offers, if any, to use.</li></ul>
Market share	The percentage of the total sales in a market of the business, and how this may be changing.	To help decide whether to change or to maintain the current marketing mix.
Product changes (introduced by a business or its competitors)	This will indicate if consumers want different products and if those of competitors are more or less successful.	The first decision will be whether or not the business needs to introduce a new product to match consumer needs and/or competitor products.
Effect of promotion	How the promotion is affecting sales and profits.	Use data to evaluate the effectiveness of any current promotion and make changes if necessary.

### Questions

**Explain** how the 4Ps of the marketing mix work together.

**Analyse and evaluate** the factors which influence decisions made by a business about the marketing mix it should use.

**Explain** the main types of market data.

### Challenge Activity

Analyse how the large supermarkets eg Morrisons, Tesco & Sainsbury may have changed their marketing mix to respond to the competition from the 'no frills' supermarkets eg Aldi & Lidl. Refer to the 4Ps in your answer.