MARKETING FUNCTION

1 PAPER

4 TOPIC

MARKETING

Define/Elaborate on the meaning of marketing.

- Marketing refers to activities a company undertakes to promote the buying or selling of a product or service

Explain/Discuss the role of the marketing function

- Identify the needs of customers and determine the value they place on getting those needs satisfied.
- Promote the products/services that the business offers to potential clients/customers.
- Provide feedback from customers about the business' products/services and identify areas of improvement.
- Shape the experience customers have after the products/services are delivered to them.

Outline/ State/ Discuss/Explain the following marketing activities:

1. Standardisation and grading

- Promote the products/services that the business offers to potential clients/customers.
- Provide feedback from customers about the business' products/services and identify areas of improvement.
- Shape the experience customers have after the products/services are delivered to them.

2. Storage

- The large-scale production of products requires the storage of such products.
- Storage refers to the act of keeping the products at a facility for safekeeping/preservation after the manufacturing thereof.
- It ensures that products are preserved to meet future demands.

3. Transport

- Refers to the movement of products from one place to another.
- The large-scale production of products requires them to be transported to markets all over the country.
- Transport also makes it possible for certain products to be exported to other countries.

4. Financing

- Refers to the act of obtaining funds to ensure that businesses can operate effectively in pursuit of the organisations' objectives.
- The business acquires funding from financial institutions/investors to expand/maintain operations.
- Loan financing is available from financial institutions and must be repaid with interest over a certain period

5. Risk-bearing

- Investments in business opportunities are subject to constant risks, despite the prediction of positive results.
- The first risk bearer of a business venture is the entrepreneur and shareholders in a business.
- Insurance companies are prepared to share certain risks with the entrepreneur and shareholders

6. Buying & selling

- Buying and selling refer to the process of exchanging goods/services for money.
- Manufacturers would buy raw materials, convert them into finished products and sell the products to consumers.
- Consumers buy the finished products for consumption

Identify the above-mentioned marketing activities from given scenarios/case studies/statements.

PRODUCT POLICY

Definition

- The product is the main component of the marketing mix, for example, when there is no product, there is no business.
- This policy explains how a business is going to develop a new product, design and package.

Types of Products

Industrial goods

- Industrial goods are used in the manufacturing process to produce other goods, for example, spare parts, equipment and machinery etc.

Consumer goods

- Consumer goods are goods that satisfy the needs of consumers

Outline/Mention/Discuss categories of consumer goods/products.

Categories of consumer goods/products

- Convenience goods
    - Consumers are not willing to spend much effort on buying convenience goods because they differ very little in terms of price, quality and the satisfaction it provides to consumers
    - Example of convenience goods: bread, milk, soft drink, etc.

- Shopping goods
    - These goods are more expensive than convenience goods.
    - Consumers do not buy them regularly
    - Examples of shopping goods: television, motor vehicles, clothing, etc.

- Speciality goods
    - These goods usually have specific brand names.
    - Consumers know exactly what they want and are willing to search until they find exactly what they are looking for.
    - Examples of speciality goods: jewellery, branded clothing, etc

- Services
  - Services are not tangible.
  - Services are rendered by service providers to consumers.
  - Example of services: garden service, etc.

- Unsought goods
  - Goods that consumers do not think of until the need for such products arise.
  - Purchases of unsought goods may arise due to danger or fear of danger.
  - Examples are: funeral services, encyclopedias, fire extinguishers and reference books.

Explain/Discuss the importance of product development

- Product design is a process used to design goods that suit the needs of customers.
- If the product design does not suit the target market, there will be very little demand for the product.
- Businesses need to develop new products in order to replace older products when the sale of goods decline.
- Products become different from those of the competitors

Outline/Mention/Discuss/Explain the steps/stages of product design. (Any 4)

1. Generating a new idea

- A business should aim to identify opportunities that competitors have not done yet. Ideas for new products can come from:
  - a need that was identified
  - the results of conducting a SWOT analysis

2. Screen and evaluate the idea

- Screening means that the newly generated idea is critically evaluated to see if there is a need in the market, and whether it could be workable and profitable for the business.

3. Testing and developing the concept

- The market will also be tested in this stage.
- Businesses must determine how the product will best provide the necessary benefits, and how best to produce the product in the most cost-effective way.

4. Business analysis

- Business analysis of a new product should include a system of metrics to evaluate the success of the product.
- The profitability, breakeven point, sales volume, and final selling price are determined in this step.

5. Market testing

- The actual sample product is tested in the market, and the responses from the market testing are used to make the necessary adjustments to the product.

6. Technical implementation

- During this stage, systems and processes are put into the production planning and control process.
- Planning, scheduling, monitoring, and quality control are worked out and put into place for production

Mention/Explain/Discuss the purpose of packaging

- physically protect the product from any harm
- promote the marketing of a product
- prevent a product from getting spoilt
- differentiate the product from other competing goods

Outline/Mention/Discuss/Describe/Classify types/kinds of packaging.

1. Packaging for immediate use/Unit packaging

- Packaging needs to be cheap, because once the product is consumed, the packaging is thrown away.
- For example: packet of chips/chocolate bar wrapper

2. Packaging for double use

- The container can be used for something else once the contents is finished.
- Consumers will thus be reminded of the particular brand after the original contents have been consumed.
- For example: ice-cream tub

3. Packaging for resale

- Retailers buy products in bulk from wholesalers or suppliers.
- They unpack the products to sell them separately in smaller quantities.
- For example: big box containing many boxes of washing powder.

4. Kaleidoscopic/Frequently changing packaging

- Some details of the packaging change to advertise an important sporting event/competition.
- The container or wrapper are continually changing.
- For example: the advertisement of a sporting event.

5. Speciality packaging

- Packaging must suit the product.
- For example: packaging for an expensive phone.

6. Combination packaging

- Various complementary products are packaged together because such products are usually purchased together.
- For example: Soap and a face cloth/shower gel and sponge/matching perfume and hand cream.

Elaborate on the meaning of trademarks

- A trademark is the name/logo/symbol used by a manufacturer/business to differentiate its products/business from competitors

Discuss/Explain/Describe the importance of trademarks to BUSINESSES

- A trademark establishes an identity/reputation for products.
- A registered trademark protects businesses against competitors who sell similar products.
- A well-known trademark helps to make a brand instantly recognisable.
- Businesses can use trademarks to market/advertise their products.

Discuss/Explain/Describe the importance of trademarks to CONSUMERS

- A trademark creates a sense of security and consistency for customers.
- It promotes loyalty towards a specific trademark and creates consistency for customers.
- Consumers are more likely to accept new products that are marketed under a well-known brand/trademark.
- Trademarks represents a certain standard of quality and price to the consumer.

Outline/Mention/Explain the requirements of a good trademark.

- A trademark must be attractive for the consumer.
- It is important that it suits the product.
- It must be different from its competitors.
- It must also promote the image of the enterprise.

PRICING POLICY

Define/Explain the meaning of price

- Pricing is the easiest of all marketing variables to influence but it is amongst the most complex decisions to make.
- The price needs to be affordable for the customers but also allow businesses to cover costs and to make a profit

Discuss/Explain the importance of pricing.

- It defines the value of the product in terms of production costs and customer use.
- Pricing too high may have a negative impact/decrease in sales
- The price of a product must make provision for transport costs.
- The price of a product should take the VAT into account

- **Outline/Mention/Explain/Discuss the following pricing techniques e.g.:**

    - **Cost-based/orientated pricing**
        - Cost-based pricing is the practice of setting prices based on the cost of the goods or services being sold.
    - **Mark-up pricing**
        - Mark-up pricing is calculated as a percentage. This percentage is calculated from the cost per unit.
    - **Customer/target based pricing**
        - Customer/target-based pricing is when companies set certain targets to achieve, based on what the business believes customers are prepared to pay.
    - **Competition based/orientation pricing**
        - Competition-based pricing is a pricing method that involves setting prices in relation to the prices of competitors.
    - **Promotional pricing**
        - Promotional pricing is a sales strategy in which a business temporarily reduces the price of a product or service to attract more customers.
    - **Penetration pricing**
        - Penetration pricing happens when products are sold at very low prices to attract consumers to products that are being introduced into the market.

- **Psychological pricing**
  - Psychological pricing uses the customers' emotional response to encourage sales. Eg. R199,95

- **Bait pricing**
  - In bait pricing, prices are usually set lower than the item's cost price in order to attract customers.
  - It is used to attract customers into a shop to buy the product and other items.

- **Skimming prices**
  - It involves charging higher prices when the product is introduced in order to test demand.
  - Some consumers are prepared to pay higher prices because such inventions have prestige value.

Identify the above-mentioned pricing techniques from given scenarios/statements. Quote from the scenario to support your answer.

Outline/Mention/Explain/Discuss factors that influence pricing.

1. **Input costs**
   - The higher the input costs, the higher the final price. An increase in transport could increase the final price.
2. **Demand for the product**
   - The higher the demand, the higher the production volume, the lower the input costs, the lower the final price.
3. **Target market**
   - The income level of the target market could influence the price of a product.
4. **Type of product**
   - Luxury products can be priced higher.
5. **The pricing technique is used to determine the price**
   - Promotional pricing could be lower than demand-oriented pricing.
6. **Competitive and substitute products**
   - If there are similar products that could replace a product, a high price may result in a loss of sales to the substitute.
7. **The economic climate and availability of goods and services**
   - If there is a shortage of a certain product, people are prepared to pay more for it

Identify these factors from given scenarios/ statements. Quote from the scenario to support your answer

DISTRIBUTION POLICY

Define/Explain the meaning of distribution.

- Distribution is about how the business gets its goods/services to its customers.
- Products either get sold directly to customers, or intermediaries (middlemen) are used.

Outline/Discuss/Explain the channels of distribution.

Definition: The distribution channel is the path in which the product is moved from the producer to the consumer

There are three kinds of participants in a distribution channel:

- The service provider
- Intermediaries
- Customers

Differentiate/Distinguish between direct and indirect channel of distribution.

Direct channels of distribution

Definition:

- When direct distribution channels are used, producers sell their goods directly to customers without using any intermediaries.
- The goods move from the manufacturer/producer to the consumer.

Indirect channels of distribution

Definition:

- Where indirect distribution channels are used, the manufacturers/producers make use of intermediaries (middlemen) to distribute and sell their goods.
- The goods move through the hands of agents, wholesalers, and retailers before they get to the customers.

Reasons why manufacturers may prefer to make use of the direct distribution method

- Manufacturers have control over the product and marketing.
- They achieve better end-user price as there are no intermediary costs.
- The business does not need to share its profit margin with intermediaries
- There is direct contact with the target market for feedback and improvements.

Reasons why manufacturers may prefer to make use of the indirect distribution method

Indirect channel of distribution

- Transportation and storage is taken care of by intermediaries.
- There is no need to hire specialised staff to do sales complaints.
- They do not have to deal with customer complaints.
- Better market coverage is achieved.

Direct channel of distribution

- Manufacturers carry all the risks.
- This channel of distribution involves the producer and the consumer.
- The wholesaler and the retailer are cut from the process.
- This refers to the marketing and selling of products to the customers without involving the middleman

Explain the meaning of intermediaries

- All the people that fall into the distribution process between the producer and the consumer.
- They are middlemen and act as negotiators and mediators between the producer and the consumer.

Outline/Mention different types of intermediaries.

- **Wholesalers:** They buy products in bulk from manufacturers, store them in warehouses, and then sell them in smaller quantities to retailers. Examples of wholesalers include Cash and Carry, Makro.
- **Agents:** They act as representatives for manufacturers and wholesalers. They don't take ownership of products. They create a link between the manufacturers and the retailers. They earn commission on sales. For example, the sale of cars, property, or beauty products.
  - **A buying agent:** Has the authority of a business to buy certain goods on the business' behalf.
  - **A selling agent:** Brings buyers and sellers together and helps with the transactions, for example, selling houses. Sometimes selling agents take control of pricing, selling, and advertising.
  - **Export or import agents:** They ensure that the export/import process runs smoothly.
- **Retailers:** They buy goods in large quantities from manufacturers and wholesalers, and sell these goods to customers in smaller quantities, for example, Pick 'n Pay, Edgars, Shoprite, and so on.
- **Brokers:** Are sales intermediaries who don't take ownership of the product. For example, Insurance brokers (sell insurance policies), wool brokers, stockbrokers, and so on. They have a short relationship with customers – the relationship ends once the transaction is concluded.
- **Sales representatives/reps:** Are often employees of a business. They act as sellers or buyers for the business. Some reps are independent contractors who market the products of one or more businesses.

Explain the role of intermediaries in the distribution process.

- They are finding and locating buyers on behalf of the producer.
- They also help to promote the product.
- Intermediaries are specialists in selling, so the producer may be able to reach a wider audience.
- Manufacturers can achieve greater sales by using intermediaries.

Draw the channel of distribution.

COMMUNICATION POLICY

Define/Explain the meaning of a marketing communication policy.

- The marketing communication policy describes all the messages and media used
- by the business to effectively communicate with the customers.
- The focus of the marketing communication policy is to increase sales and
- generate higher overall profitability for the business.

Components of the marketing communication policy:

1. Sales promotion

- Sales promotion can be defined as various marketing methods that are aimed at improving consumer demand in particular products and services of the business.
- A marketing strategy used by the business to promote products and services of the business through short-term attractive initiatives to stimulate demand and increase sales.

Explain the purpose of sales promotion

- Increase and improve the number of products and services sold to customers and increase the sales of products of the business.
- Inform existing and new potential customers about the products and services of the business.
- Build long-lasting relationships with customers.
- Persuade immediate purchases with potential customers

Examples of sales promotions

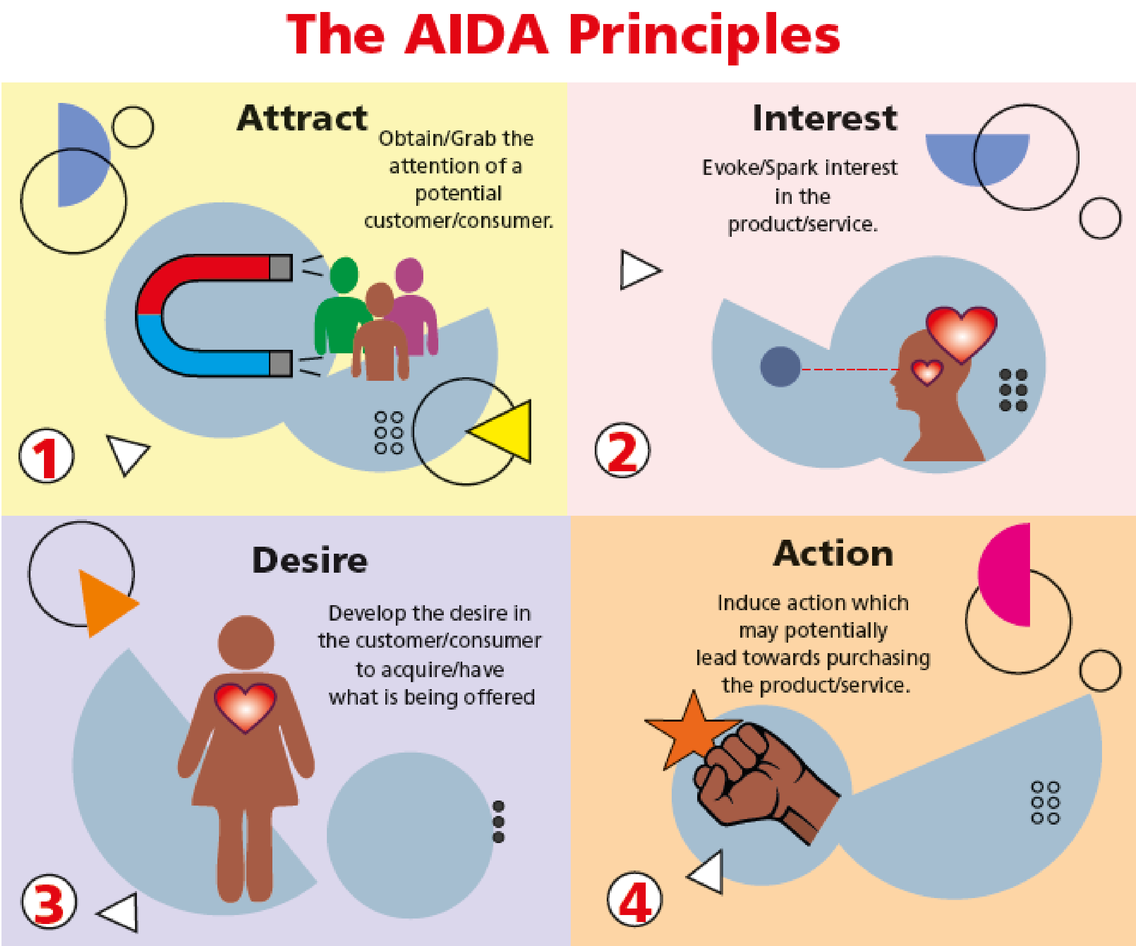
- Buy one, get one free
- Bundle discounts
- Customer loyalty cards
- Charity promotions
- Free gifts
- Competitions
- Joint promotion
- Bulk purchases
- Point of sale promotion
- Social media deals
- Discount coupons
- Cashback promotions
- Free samples
- Sustainable/Green

2. Advertising

- Advertising refers to paid messages of communication from the business to members of the public and potential target market.
- It is a marketing communication activity in which the business pays for a space to promote its products and services

Explain the purpose of advertising

- The AIDA principles are used by business practitioners to explain the purpose of advertising.
- The AIDA principles consist of four key stages in the advertising process:
  - obtain the attention of a potential customer or consumer
  - spark interest in the product or service
  - develop the desire in the customer to have what is being offered
  - induce action which may potentially lead to purchasing the product or service



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Examples of advertising media

The examples of the various advertising media are classified into FOUR main categories, namely:

- printed media
- broadcast media
- direct mail
- web-based media.

3. Publicity

- Publicity can be described as a free form of non-personal communication that
- a business and its products and services can receive through various forms of mass media.
- It refers to unpaid communication in the mass media about the business and its operations.

Explain the role of the public relations in publicity.

- Public relations aims to present a favourable image of the business and its products and services.
- Public relations strives for members of the external stakeholders to view the business in a positive light.
- There is a direct link between public relations and publicity.
- The public relations function develops sound relationships with members of the media.

Give examples of publicity e.g. press release to the media.

- Internal publicity
- Competition
- Press releases
- Endorsements
- Free gifts / samples
- Donations / sponsorship
- Social media

4. Personal selling

- Personal selling is a form of face-to-face selling in which the salesperson tries to convince the customer to purchase a product or service.
- Personal selling can also involve demonstrating the way the product, such as an appliance, and so on, works.

Discuss the effectiveness of personal selling in promoting a business product.

- Improves customer relationships and customer loyalty because it is an effective marketing communication tool that can be a powerful source of customer feedback.
- Enhances flexibility because the salesperson can tailor their presentations to fit the needs and preferences of individual customers.
- Increases immediate sales as personal selling is directed at potential members of the target market.
- Creates and improves brand awareness with existing and new customers.