LESSON 4

MARKETING

Many new business owners are so enthusiastic about starting they often overlook one crucial question: who will buy my product or service?

Business owners need to be able to identify the market most suitable for their products or services. This involves identifying a need or want expressed by consumers and being able to satisfy that demand by presenting the products/services at an attractive price in an appropriate location.

Marketing is often confused with selling. Selling is only part of the whole marketing process. There are many definitions used to describe marketing. One of the most commonly accepted definitions of marketing today comes from the American Marketing Association:
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'Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organisational objectives. In other words, it is a total system of interacting activities designed to plan, price, promote, and distribute products to present and potential customers.

This definition tells us that marketing:

Involves a wide range of activities	Is directed at a wide range of both ideas and products
Stresses the importance of satisfying exchanges, that is, something in return	Not limited to the activities of just businesses

At the core of these activities is the most important question all businesses should continually ask – "What do customers want to buy – now and in the future?". This is what marketing is all about – finding out what customers want and then trying to satisfy those needs. Selling is just getting rid of existing stock, whereas marketing takes a much broader view. Successful marketing involves bringing the buyer and selling together to make a sale.

The consumer market for almost any product or service is dynamic and extremely competitive, year by year competition increases. Each year new competing products, services, or businesses are launched and not all of these will succeed. In fact, only a small percentage will become established in the market place on a long term basis. As an example the wholesaler or manufacturer is competing for space on retail shelves, this leads the retailer to restrict what they are willing to display on their shelves opting for the most profitable and popular lines. The wholesaler or manufacturer therefore needs to convince the retailer that their product deserves shelf space. The service provider and retailer must also compete with other similar businesses for a share of the market: once again they need to convince their customers that they are offering the best on the market. The best way to achieve this is through a marketing strategy.

For a business or product to succeed it has to be marketed. Marketing plays an integral role in the business process and marketing strategies should be included from the outset, when an idea for a new business or product is put forward. The market for a particular service/product needs to be identified and prices set where applicable. This is difficult for a service type of business, but these types of operations should use the 'going market rate' as a guideline. In identifying the target market for your business you can tailor your advertising to suit that market, for example if you are setting up a surf shop with an identified market demographic of people under the age of thirty, there is no point advertising at the local senior citizens club.

WHAT IS THE PURPOSE OF ADVERTISING?

The sale of a specific product is not necessarily the main reason why a business advertises. Most large companies, for example, advertise to sell a certain company image, or to maintain a high profile clientele. This is particularly so in the case of luxury lines such as expensive cars. In this instance the company may not be seeking to sell a particular product but rather one of a range. The advertisements are targeting high income earners, through publications known to be attractive to them. The product advertised may not convert into an immediate sale, however if the advertisement is effective the reader will recall it when they are ready to make a purchase. In this instance the advertisement is selling the 'brand' rather than the product.

Advertiser image is an important facet of advertising; large companies, government, corporations, all advertise for reasons other than to sell a product i.e. a large corporation may want to project an image of environmental responsibility such as re-forestation after clear felling: local government may do the same by advertising a new recycling program. The image they are trying to create in this instance is one of sensitivity and responsibility.

The small business operator can also use the principles of advertising in the same way as larger organisations. The scale will be smaller but the expected result the same i.e. to sell a product or service through presenting a positive image of the business.

MANAGING THE MARKETING PROCESS

Marketing today places a strong emphasis on viewing the business through the customer's eyes or customer-oriented marketing. A market-focused business will want to create products that customers want to buy. The business needs to see itself as a customer-satisfying process rather than a production process.

A marketing strategy should consider the following:

- Identify the target market
- Market saturation (are there too many of this type of product/service already?)
- Compare similar businesses/products/services
- Where will you operate (i.e. near your market, from home, etc)?
- Decide on price (in relation to a product or service as discussed earlier)
- How will your products be distributed (if applicable)?
- How will you promote your business (advertising, word of mouth etc.)?

The Marketing Concept

In developing a new product, to achieve financial goals and make a profit, the product would need to generate sales and this would require the development of a marketing plan. To achieve the goal of profit, the marketing plan should be the focus of all short-term planning for three reasons:

1. The marketing plan outlines the strategies to be used to bring the buyer and seller together. The business needs to be able to identify:

where the market is	who will buy the product	why they will buy the product

2. The core of marketing is satisfying existing customer wants, which should lead to repeat sales.

3. Marketing is the revenue-generating activity of any business. Nothing is achieved until a sale is made. A business, therefore, must determine what the customer wants, then develop a product and marketing plan to satisfy these wants.

A **marketing concept** is a business philosophy that states that all sections of the business are involved in satisfying a customer's needs and wants while achieving the business' goals. The business should direct all of its policies, plans, and operations to achieving customer satisfaction. Therefore, the marketing plan needs to become integrated into all aspects of the business.

The marketing concept in based on four principles.
It must be:

1. Customer oriented
2. Supported by integrated marketing strategies
3. Aimed at satisfying customers
4. Integrated into the business plan so as to achieve the business's goals.

Changing economic and social conditions over the last two decades has seen a modification to the marketing approach. With the growing public concern over environmental pollution and resource depletion, there has been a shift in the emphasis of marketing plans. Marketing executives now realise that their organisations have a social responsibility. External pressures from customers and environmental organisations, as well as political forces, are presently influencing the marketing plans of many businesses. One major change has been the increase in demand for ecologically sustainable products. To disregard the 'quality of life' issues when developing a marketing concept could lead to a customer backlash. Businesses need to stay in tune with the changing political, economic and social scene and modify their marketing plans accordingly.

The Marketing Goals
Obviously, the major goal for most businesses is to increase the sales and profit while attempting to satisfy customers' needs and wants. Such a goal could be stated in very general terms – 'to increase our market share' or 'to increase our profits'. However, these statements are too generalised. When deciding on market goals, it is better to be more specific eg., the business wants to increase its market share by 5 percent.

To be able to achieve such goals, there are a number of minor goals that the marketing plan will need to achieve. They are as follows:

- Encourage brand loyalty which will lead to repeat sales.
- Develop a positive image of the product among customers.
- Package, price and distribute the product.
- Increase customer satisfaction through the provision of after-sales service.
- Emphasise the unique characteristics of the product – *product differentiation* – that cause customers to purchase your product(s) rather than the competitors' product(s).
- Recognise any adverse customer reactions and respond accordingly.
- Undertake promotional strategies to support the product.

The Marketing Plan
Every business should develop a marketing plan. Market planning may be carried out either formally or informally. Whether this is a simple, inexpensive process or a more complex undertaking, depends on the tasks to be done, the problems to be overcome and the expertise of the staff.

The business environment is constantly changing and becoming more complex. New markets are opening up while others are closing. Customers' tastes and preferences change over time, and their expectations are increasing. Due to globalisation – the process by which the world's economies are becoming more closely linked – competition within the marketplace has never been so fierce. These factors make a marketing plan an essential item for all businesses to operated effectively.

A business should draw together all the market research available and use it to develop a strategic marketing plan. A marketing plan involves the essential elements of:

researching the market and finding out the target customers' needs	publicising the product/service through advertising and other means
competitive pricing	appealing and appropriate packaging
selecting suitable locations or distribution points	appropriate selling techniques

Since sales are the lifeblood of any business, it is important for small business owners to have a good understanding of their target market. Target market refers to the group of customers to which the business intends to sell its products/services. Once the target market has been identified, the business should concentrate its marketing activities towards that group.

Small business owners need to conduct some basic research to identify their customer's needs in order to stock what is *wanted* and to service their customers at the expected level. Data can be collected through questionnaires, informal interviews with customers, and written surveys. Sometimes a business' target market has to be redefined to cater for changing demographics and lifestyle trends.

Small business that do not have a clear understanding of why its customers buy its products will be unable to decide the best way to promote, price, and present the product.

The marketing plan of the small business should be regularly evaluated using a strengths, weakness, opportunities, and threats ***(SWOT)*** analysis. Analysis of the business' strengths and weaknesses is an *internal* analysis. Because a business has a large degree of control over its internal environment, the analysis should provide information that will be used to place the business in a stronger financial position. From this, new goals and objectives can be set.

Analysis of the business' opportunities and threats is an *external* analysis. The external environment is scrutinised to identify any opportunities and threats facing the business. Of special importance to the marketing plan of the business, is the identification of any unmet or unsatisfied demand that the business can perhaps satisfy.

After such an analysis, the business should be in a better situation to determine:

The challenges facing existing products	The target market to which the marketing strategy should be directed
How well existing products are performing	Any problem areas that need work
The effectiveness of the business plan	

Strategic marketing planning is a process of developing and implementing marketing strategies to achieve market objectives, which in turn helps to realise the business' goals.   With this strategic marketing plan, objectives can be identified and strategies or actions plans can be developed to achieve them.   Such a plan usually consists of five steps:

Step 1- Organising the Marketing Planning Process
The starting point of any marketing plan is an assessment of the business' present position. To do this, market research is used to gather all the available information concerning the market environment. The data are then analysed by marketers.

A review of the business' situation is best achieved by conducting a **situational analysis** which investigates the marketing opportunities and potential problems. Situational analysis attempts to answer two broad questions:

- where is the business now?
- where will the business be in the future?

The situation analysis also examines the existing marketing plan. It outlines where the business has been, how it has been performing and what difficulties it may face in the future. This information helps to evaluate the effectiveness of the present marketing plan.

A **marketing objective** is a statement of what is to be achieved through the marketing activities. Determining these objectives is the most important step in the marketing planning process.
To establish marketing objectives, businesses need to outline precisely what it they wish to achieve. These expectations become the business' objectives. Clear objectives are essential for any marketing plan to be effective.

Then you are ready to develop marketing strategies to achieve objectives: **Marketing strategies** are actions undertaken to achieve the business' marketing objectives. The four main strategies a business can pursue are:

- increase market share
- expand into new geographical areas
- sell more products to more customers
- establish a competitive price

Step 2 - Analysing Market Opportunities
All businesses operate in a dynamic environment, being influenced by a number of external forces that are largely beyond the control of the business. Changes in the external environment can dramatically alter the course of a business. For this reason, the business must constantly monitor these changes, looking for any opportunities to exploit and any threats to avoid.

Internal forces operate from inside the business and are largely within the control of the business. These internal forces are unique to each business and, by analysing them, management can assess the strengths and weaknesses of the business. To develop a clear understanding of both the external and internal environments, a SWOT (strengths, weaknesses, opportunities, and threats) analysis should be conducted and the marketing plan modified to reflect this information.

Step 3 - Selecting Target Markets
The total market is normally too large and fragmented to be a viable target for a business' marketing efforts. Therefore, a business will select a **target market,** a group of customers with similar characteristics who currently, or who may in the future, purchase the product. There are two broad approaches that can be adopted when selecting a target market: the total market approach or the market segmentation approach.

- *Total Market Approach* - applies when a business defines the total market for a particular product as its target market. The business develops a single marketing mix and directs it at the entire market for the product. This means there is one type of product with little or no variation, one promotional program aimed at everyone, one price, and one distribution system used to reach all the customers. Basic food items are marketed using the total market approach. A total market approach is useful only in a limited number of situations because, for most products, customers have different needs. When buyers' needs vary, the market segmentation approach should be used.

- *Market Segmentation Approach* - A business that is marketing diamond rings would not direct its marketing efforts towards every person in the entire jewellery market. Some people might want only earrings. Others might want a watch. Instead, the business would direct its efforts towards a particular part, or 'segment', of the total market for jewellery. Market segmentation occurs when the total market is subdivided into groups of people who share one or more common characteristics .

  Marketers use four main variables when segmenting the total market. These are:

demographic – age, gender, ethnicity, income, occupation, education level, religion, family size, and social class	product-related – regular user, first-time user, brand loyalty, price sensitivity, and end use
geographic – urban, suburban, rural, region, climate, and landform	psychographic – personality, motives, and lifestyles

Step 4 - Developing the Market Mix

The **marketing mix** is the combination of the four elements of marketing, the four Ps, that make up the marketing strategy. They are:

1. **product,** including brand name, packaging, positioning, and warranties
2. **price,** including list price, discounts, credit terms, and payment period
3. **promotion**, including advertising, sales promotion, and publicity
4. **place**, including location of markets, warehousing, distribution, transport, and inventory.

Once the four Ps have been established, the business must then determine the emphasis it will place on each of the variables. This will largely be determined by where the product is positioned or its stage in the product life cycle. For example, a product that is being marketed with an image of exclusivity and prestige will require a marketing mix totally different from a no-frills, generic item. A different marketing mix will also be required for a product in its introductory stage than when it reaches the decline stage.

Step 5 - Managing the Market Effort

The marketing plan will not operate effectively unless it is well managed. **Marketing management** is the process of monitoring and modifying the marketing plan.

Monitoring involves comparing actual performance with predetermined performance standards. By using performance standards, such as market share analysis, profitability by product, or territory, management can assess the effectiveness of the marketing plan. If the plan is found to be failing, then modifications can be made. Modifications may be minor, such as a small change in price, or they could mean a major shift involving the development of a completely new marketing strategy.

MARKETING – AN EVOLUTIONARY PROCESS

As we have seen, marketing is concerned with customer satisfaction and ensuring maximum profit for the business. The marketing plan must focus the business' activities towards optimising customer satisfaction in the market. However, markets are not static – they are dynamic. Markets change and the marketing plans must evolve and adapt to new circumstances. Inflexible plans will result is dissatisfied customers, lost sales, and reduced profits.

A fairly recent example of evolution in marketing is the development of micro-marketing. This is explained in the following extract from Neil Shoebridge, "The Secrets of Successful Marketing".

MICRO-MARKETING

A BRAVE NEW WORLD of marketing was emerging in the 1990s. Forget the million-dollar advertising campaigns: the 1990s will be the age of micro-marketing. Small, clearly targeted marketing strategies will appear as companies search for ways to impress increasingly jaded and fragmented consumers.....

[In the 1980s] the typical Australian consumer ceased to exist and marketers had to learn to understand single, old, and non-English-speaking customers. The retail trade changed. Mergers created powerful retail chains with a ruthless attitude to new products: supermarkets give newcomers just thirteen weeks to perform or they are axed. Retailers became less willing to give manufacturers big slabs of shelf-space and more interested in selling their own high margin lines such as fruit, flowers, and vegetables.

Many companies soon found the mass market either too difficult or too costly to reach because of escalating media and advertising production expenses. Niche marketing became a buzz word and companies began experimenting with marketing techniques and targeted media outlets.....

During the 1990s, niche marketing is steadily evolving into micro-marketing. Rather than pour millions of dollars into television advertising and in-store displays, micro-marketers invest in dozens of small, different projects. Many of the micro-marketing techniques, such as regionalised brands for specific markets, are still experimental, but the use of them is growing.

As micro-marketers search for small target audiences, the use of new, high-tech research tools will increase. Single-source data systems, which measure a household's total media viewing, product buying and usage habits in one hit, are starting to appear in Australia. By linking that information with data about advertising recall and awareness, micro-marketers can fine-tune and quickly adjust their marketing efforts.

DEVELOPING A MARKETING PLAN

The focus of most business activity today is to satisfy customer wants while at the same time achieving a profit. In many instances, a business' marketing plan needs to be fully integrated with all other aspects of the business.

An **integrated marketing plan** outlines what marketing actions need to be conducted and specifies:

what has to be done – ie. the action plans	why these actions are necessary
who is responsible for carrying them out	when they are to be done
how they will be done	the objectives to be achieved

This integrated marketing plan gives purpose and direction to the business' activities. The plans need to be known by everyone in the business, so each department can work towards achieving the goal. The marketing plan needs to mesh with the business' other plans ie. financial, operational, and also its cashflow.

An integrated marketing plan may be short term (one year), medium term (two to five years), or long term (five to ten years). It must be constantly reviewed and modified to meet the business' objectives over time.

There are no set formats for developing a market plan. Each plan will reflect the individual characteristics of a business. However, all marketing plans should have two features in common:
1. realistic in light of the situational analysis
2. achievable within the business' resources and budget.

ORGANISING THE PLANNING PROCESS

A starting point for developing a marketing plan for a business is to devise a strategic marketing plan. Strategic marketing planning is a continuous process of planning and implementing the marketing activities so that the business' marketing objectives can be achieved and the business goals can be realised.

There are three important steps that need to be carried out.

1. reviewing the business situation – ie defining the business's mission, goals, and objectives	2. establishing marketing objectives – outlining what the business wants to achieve from its marketing plan	3. developing strategies to achieve those objectives – explaining how the business is going to achieve the objectives.

REVIEWING THE BUSINESS SITUATION

The most important component of the marketing plan is that management has a precise understanding of the business' current position and has a clear picture of where it is heading. A situational analysis needs to be developed, based on market research.

The situational analysis and SWOT exercises are conducted by:

1. examining the business environment and looking for opportunities to exploit	3. assessing both strengths and weaknesses, relative to its competitors.
2. deciding whether the business has the resources and abilities to take advantage of these opportunities	

Once the situational analysis has been conducted, the marketing plan can be developed by focusing on the business' mission, goals, and objectives.

<u>Business Mission Statement</u>

The mission statement, expresses the underlying purpose of a business and what it hopes to achieve. By considering the ultimate goals of the business, management is able to integrate the minor decisions with the achievement of these larger intentions. The purpose of the mission statement is to guide all managers, departments, and employees in their decision-making processes.

<u>Business Goals and Objectives</u>

The second step to strategic marketing planning is to look at the business' goals and objectives. Goals describe the expected achievements within a two to three year period, while objectives refer to shorter term targets. The goals and objectives are much more specific than the mission statement and provide answers to the following questions.

1. What is the business trying to achieve?	2. How is the goal/objective to be achieved?	3. When will it be achieved?

The answers to these questions provide a framework for evaluation, and indicate what changes need to be made to the marketing plan. Goals and objectives enable the business to monitor its performance.

ESTABLISHING MARKETING OBJECTIVES

The next step in the marketing plan is the formulation of marketing objectives. This is considered to be the most important step in the marketing planning process. These marketing objectives should be closely aligned to the overall business objectives.

Marketing objectives should be more customer-oriented than the objectives for the entire business. They are concerned with products and markets. Marketing objectives are more directed towards:

increasing market share	broadening the geographical representation
expanding the product range	expanding sales through export markets

Increasing Market Share

All marketing plans aim to achieve a specified market share. **Market share** refers to the business' share of the total industry sales for a particular market. Most businesses want to increase their market share for two basic reasons:
1. Long term profit increases – A successful marketing plan should increase the number of customers who buy the product. In the long term, this should result in increased profits.
2. Protection from competition – As the business increases it market share, it begins to obtain market dominance and this will improve its competitive position.

Expanding the Product Range: The Product Mix

Most businesses do not sell just one product; they usually offer a range of products. The total range of products offered by a business is referred to as the business' **product mix.** Businesses are usually keen to increase their product mix, as they will increase their profits in the long term. The same product mix will not remain effective for long because customer's taste and preferences change over time, and demand for a particular product may decrease.

A product mix can be described according to its width or depth. **Product mix width** refers to the number of different products, or product lines, offered by a business. **Product mix depth** refers to the number of similar products offered in a specific product line.

A business can expand the product mix by increasing the width and /or depth. For example:
1. Increasing product depth – Carlton and United Breweries offer a product mix of Victoria Bitter, Melbourne Bitter, Fosters Light Ice, Crown Lager, plus others.
2. Increasing product mix – Avon Cosmetics Limited has expanded into jewellery, clothing, fashion accessories, and ornaments.

An expanded product mix allows a business to diversify its products and appeal to new segments in the market. Because the business in not putting 'all its eggs in the one basket' some degree of protection for that business is provided. To develop the ideal product range, businesses must understand customers' needs. Each item in a product line should attempt to satisfy the needs of different target markets.

Broadened Geographic Representation

Demand for products can vary greatly from one geographic region to another. Differences in climate, landforms, or customs can combine to influence customers' tastes and preferences.

Geographic representation refers to the presence of a business and the range of its products across a suburb, town, city, state, or country.

Small businesses, such as the local milk bar, have a very restricted geographic representation. They serve the immediate area and are in no position to offer a range of products to another suburb or town. Large businesses, however, usually group their business activities according to territory. A **territory** is a specified geographical area, ranging in size from a collection of suburbs or towns to whole continents. To be near their customers, large businesses usually place factories, sales offices, and service agencies in a number of market areas.

Expansion through Export

There are many advantages to be gained by exporting, including:

increased profits	achievement of economies of scale
establishment of new target markets	access to new technology

Maximizing Customer Service

Of all the objectives looked at so far, maximising customer service is the probably the most important. **Customer service** means responding to the needs and problems of the customer. Central to this is to make sure the right product is delivered at the right place at the right time. High levels of customer service will result in improved customer satisfaction and a positive reaction from customers towards the products they purchase. The old saying 'the customer is always right' still applies today. Customers are the life-blood of any business.

Businesses today are starting to realise that customers are no longer responding in the same way as previously to marketing. Customers are deluged with offers 'too good to refuse', claims that 'we won't be beaten on price'. The new breed of customer is more discerning and 'street smart'. They now perceive such statements as glib, throw-away lines. Successful businesses today, are those that offer a high level of service. Such businesses do not regard customer service as a cost that needs to minimised but view it as an effective marketing tool. It makes their business just that little bit better than their competitors.

To keep existing customers and attract new ones, businesses need to:

talk and listen to the customers – research has shown that one dissatisfied customer usually tells ten others, who in turn will tell another five each.	anticipate market trends by reading and conducting research
review the product mix regularly	try to always maintain customer contact
find out what the competitors are offering	train the staff in how to deal with customers
reward staff for excellent customer service	ask the customer what they really want.

DEVELOPING STRATEGIES TO ACHIEVE OBJECTIVES

Once the business has established its marketing objectives, the next step in the marketing plan is to develop the marketing strategies so as to achieve the objectives. A marketing strategy plan should outline:

1. how the objectives are to be reached	3. how the business's resources will be allocated to meet the objectives.
2. a time frame for reaching the objectives	

A strategy is a broad statement. The plan that evolves from it will be more detailed and will include the specific strategies to be used.

As you can imagine, there are a wide range of variables that can influence the decisions affecting the market strategy. However, decisions are normally based on the four major elements of the marketing mix, ie. product, price, promotion, and place.

Through changes in the marketing mix, the business can devise a strategy that will achieve the marketing objectives of:

increased market share	geographic expansion
market penetration	price advantages

<u>Increased Market Share</u>

Business will often state an objective as being increased market share. Increased market share can be achieved in a number of different ways. These include:

lower the price of the product until the objective is achieved	improve product image and recognition through large scale advertising
improve customer service	increase the number of retail outlets
introduce a new line of products – increase product width	introduce more differentiated products – increase product depth
offer discounts, free gifts, or loyalty schemes.	

Business needs to realise that, due to the cost of establishing the strategy, profits may suffer in the short term but are prepared to accept this in return for higher long term benefits.

Geographic Expansion

To be near their customers, large businesses often establish outlets in a number of market areas. This allows the business to serve customers quickly as well as providing the business with a regional base for future expansion. Whether the geographic expansion is across town, interstate, or global, there are two main strategies that can be used:
1. Open a new branch, store, or office at another location.
2. Merge with or take over an existing business in another area. (This way gives immediate presence in the new location).

Due to rapid improvements in electronic communications, and especially the internet, geographic expansion is becoming much easier and more prolific. The internet is removing the barriers of distance. Even small businesses in remote locations can place a home page on the World Wide Web and sell to the world (take for example, Australian Correspondence Schools). Because of these advancements, geographic expansion is taking on a complete new meaning.

Market Penetration

Market penetration is a strategy used to achieve more sales of existing products in established markets. The strategies that can be used to achieve this objective are:

reduce the price (price penetration)	increase brand recognition by increasing advertising
improve brand loyalty be offering better service	employ more sales staff.

Market penetration strategies are most effective in rapidly growing markets with low levels of competition. In a highly competitive, established market, any gain to one business usually means a loss of customers to its competitor. This situation can lead to very aggressive and expensive competition. It is usually better to concentrate on increasing market share rather than market penetration.

Price Advantages

Price refers to the amount of money a customer is willing to pay for a product, at a certain time, and under certain conditions. A number of different strategies can be used by business when determining the price of their product. These include:

Multiple-unit pricing – establishes a cheaper price for buying two or more of the same products. This method is very popular in supermarkets (Coles $ dazzlers) and discount stores.	**Prestige pricing** – If too low a price is charged for a product, customers may perceive the product as being 'cheap'. By charging a high price, the product takes on an aura of quality and status. (For example, Rolex watches, Yves St Laurent clothing, and Volvo cars).
Price skimming – This is when a business charges the highest price possible for innovative products (that is, skimming the 'cream' off the market).	**Price penetration** – This is where a business will charge the lowest price possible. This strategy aims to achieve a large market share quickly for a product and is sometimes called 'mass market pricing'
Odd pricing – That is, pricing below the whole dollar – for example - $5.95. Research has shown that odd pricing tends to generate more sales than if the product was priced at the whole dollar amount, such as $6.00. (Customers perception that they are getting a better bargain!)	

ANALYSING MARKET OPPORTUNITIES

Businesses need to critically examine the environment in which they operate. Marketers need to understand the marketing environment and modify their marketing plans so as to maximise opportunities and minimise threats. Businesses are constantly being influenced by their external and internal environments.

EXTERNAL INFLUENCES

The factors within the external marketing environment are fairly broad in nature and are usually beyond the control of the business. These factors include:

1. General Economic Conditions

Economies do not experience constant growth. In fact, the level of economic activity fluctuates – from boom to contraction to recession to expansion and then back to boom conditions. These activities have an enormous impact on both business and customers. They influence a business' capacity to compete and customers' willingness (and ability) to buy.

Boom
A boom is a period of low unemployment and rising incomes. Businesses and customers are optimistic about the future. It is during this time that business will increase their production lines, invest in plant and equipment, and try to increase their market share. Customers are willing to spend because they feel secure about their jobs and source of income. This phase is often referred to as 'the good times'. The marketing potential during this phase is large, with sales responding to all forms of promotion.

Contraction
A contraction is a period of slowly rising unemployment with incomes stabilising. During this phase, both businesses and consumers become more cautious. If this phase lasts a long time, businesses and consumers become pessimistic, resulting in reduced consumer spending which in turn forces businesses to reduce the level of investment. It is during this phase that business closures become more common. Consumers become more price conscious – they look for value and products that are more functional and long lasting.

During this phase, marketers need to modify their marketing plans to reflect the changes in consumer spending. Marketing plans should stress the value and usefulness of a product.

Recession
A recession is where unemployment reaches high levels and incomes fall dramatically. Both businesses and consumers lack confidence in the economy and a mood of deep pessimism persists. Spending is reduced. The marketing plan during this phase should concentrate on maintaining existing market share. Survival becomes the main objective.

Expansion
In the expansion phase, unemployment levels slowly start to fall and incomes once again begin to rise. This is the 'recovery stage'. Businesses and consumers begin to regain their lost confidence. Marketing plans need to take advantage of this rise in 'prosperity'. Increasing market share should once again become an important objective.

2. Government Policy and Regulations

Depending on the prevailing economic conditions, the government will put in place policies that expand or contract the level of economic activity. These policies directly or indirectly influence business activity and consumer spending, and therefore, will have an impact on the marketing plan.

Government regulations can have a more direct and immediate impact on the marketing plans of a business. Regulations are made up of laws and regulatory bodies that can influence business behaviour. For example, Trade Practices Act, Sale of Goods Act, and Fair Trading Act.

Marketplace Laws

Fair trading laws are based on the principles of equity, fairness, and honesty. They aim to create a fair and informed marketplace. They also recognise that traders, as well as consumers, can suffer loss through the actions of unfair or unscrupulous operators.

Misleading or deceptive conduct
The fair trading laws say that misleading or deceptive conduct is unacceptable, regardless of whether your business supplies consumer goods or deals commercially with other businesses. Conduct is considered misleading if it creates a misleading overall impression.

Unconsciousable conduct
This means acting without conscience, that is, in an unscrupulous or unprincipled manner. It is prohibited in relation to goods and services that are supplied to personal or domestic use. This is when conduct has the effect of placing one party at a serious disadvantage, such as where the stronger party has greater bargaining power and uses this to take advantage of the weaker party.

The Commonwealth Trade Practices Act
This act was designed to promote competition by prohibiting certain practices that are harmful to competition. It is also concerned with the protection of consumers and deals with product safety and information, conditions, and warranties in consumer transactions and actions against manufacturers and importers of goods. Conduct prohibited by the Trade Practices Act includes misleading or deceptive conduct, and making false representations about products. The penalties for breaches of the Act include fines, injunctions, and criminal proceedings.

3. Overseas Influences

Businesses, in relatively small economies have argued for government protection against larger, more economically powerful overseas businesses that are able to manufacture and sell their products more cheaply. Some government protection has usually come in the form of either a tariff, a tax on an imported product, or a subsidy, a payment from the government to the business to help lower the price.

Due to these protective measures, many business do not fully experience the full impact of competition and in some ways, become complacent and inward-looking rather than export-oriented. Businesses, in todays marketplace, need to become more internationally competitive and export-oriented. With the rapid expansion of globalisation, marketers need to alter their focus from domestic to global.

4. Demographic Patterns

Demographic factors are population characteristics that affect customer spending and include:

Age – in many countries, the average age is steadily increasing.	Family size – families are having fewer children and there has also been an increase in single-parent households.
Ethnicity – Since the mid-1970s there has been an increase in the number of people migrating from all different countries as well as into different countries. As a result, the populations are very multicultural and diverse or at least more than they were. This will alter consumers' tastes and preferences.	Income - Over the last decade there has been a steady increase in the number of households with two incomes as more and more women enter the workforce. As a result there has been an increase in household incomes, which in turn has lead to increased demand for holidays, leisure products, childcare facilities, second cars, etc. Another significant trend regarding income and consumer spending power is the increase in teenagers' personal incomes. According to research, teenagers are a lucrative market and exert considerable influence over household spending.
Gender	Marital status

5. Technological Change

Revolutions in technology – computers, internet, satellites, robotics – all are changing not only how business are organised, but also how products are marketed. Developments in technology can influence the marketing plan in the following six ways.

New products – Research and development are forever leading to a range of new products. Businesses are constantly looking for ways to improve existing product lines or develop new ones.	*Cheaper products* – Technology influences the types of products that businesses can offer. More efficient manufacturing has resulted in less expensive products.
New marketing methods – Technology has changed the way in which businesses promote their products. Product launches and advertising on the internet are among the more common techniques.	*Speedier delivery* - Technological changes in transportation has allowed businesses to distribute their products faster and further afield.
Product obsolescence – As new products are developed, existing products soon become obsolete and 'out of fashion'.	*Competitive advantage* – A business that is quick to apply new technology is able to develop new products which will give the business an advantage over its competitors

6. Changing Customer Attitudes and Values

Societal changes can have an enormous influence over the marketing plans of a business as they can influence the types of products consumers want. Societal changes are changes to the lifestyle, social values, beliefs, and customs of society. Unfortunately, these changes are very difficult to accurately measure or predict. The main societal changes that influence marketing are:

Concern for the physical environment. People are becoming more concerned with 'quality of life' issues, especially the physical environment. Businesses that adopt a 'green' philosophy and produce environmentally friendly products may encourage consumers to choose their products over businesses that 'create' pollution. Recycling, waste management, and environmental protection are all sensitive issues, and consumer needs and feelings should be taken into account within the marketing activities.	*Health conscious consumers* – People are becoming more health conscious in regard to what they eat. 'Less fat', 'no added sugar', 'no preservatives or colouring', 'natural', are all ways of promoting products.
Convenience – The increase in two income households has resulted in greater emphasis on time-saving and convenience. This has lead to the influx of ready-to use products, easy payment plans, and products packaged in a variety of sizes	

7. Activities of Competitors

Marketers need to be aware of the different types and amounts of competition that exists in the market place. Occasionally, a business may be unaware of the competition until it starts to lose market share or market penetration to rival producers and then it may be too late to recover.

The action of competitors who are in the process of implementing their own marketing plans can have a big impact on other businesses. Businesses need to monitor the marketing activities of competitors and ascertain what effects these activities are having in the market place. These include changes in prices, packaging, warranties, service, advertising, and even distribution methods.

8. Alternative Marketing Methods

Businesses are always looking for new and different ways to promote and distribute their products. The purchasing of products from a store or a supplier is the oldest and most common form of distribution. **Non-store retailing** is retailing activity conducted away from the traditional store. Methods such as door-to-door selling, mail-order catalogues, party plan, and vending machines are all non-store retailing and have been used for a number of years. However, with rapid changes in electronic communication and the development of the 'super-highway', marketers are now exploiting electronic marketing. Two of the most rapidly developing methods are telemarketing and internet marketing.

Telemarketing - This is the use of the telephone to make a sale. The usual line is: 'but wait, if you ring this number in the next 30 minutes we'll throw in a set of steak knives absolutely free'. This type of marketing seems to target those consumers who are home during the day – the bored housewife/hubby, the young unemployed – where the offer for something free, entices/seduces the consumer to purchase that item.

Interactive Technology and Internet Marketing - Current research suggests that businesses are moving away from the telephone and onto the internet for product communication. Businesses today are increasingly using the World Wide Web (www) as a promotional tool. It is relatively easy and inexpensive for any business to obtain a domain name and a web site and begin marketing its products via the internet. On-line shopping, holds a number of interesting marketing alternatives. It is just a matter of consumers accessing shopping catalogues via the internet, selecting a product, punching in their details, and having the item delivered the next day.

INTERNAL INFLUENCES

Businesses do have some degree of influence over internal forces. Each factor needs to be analysed to ensure the success of the marketing plan.

1. Analysis of Business Resources

Staff - the statement that 'people are our most important resource' is very accurate for all areas of business and especially within the marketing plan. Despite the importance of advertising and sales promotion, 'personal contact' can be instrumental in making a sale. It is important that the right people are recruited, and for this reason, human resource strategy of a business should always complement the marketing strategy.

Assets – It is no use developing a set of marketing objectives that are unrealistic and cannot be achieved. Marketing plans need to work within the set limits of the business' existing asset base. Businesses may be required to purchase new equipment and/or buildings. This may involve some form of debt or equity finance. Over the long term, the physical assets of a business can be built up to achieve a larger market share, deeper market penetration, or geographical expansion.

2. Analysis of Market Share

Market share analysis helps to identify whether changes in sales were due to uncontrollable external influences or to some internal weakness in the marketing strategy. If the business' market share is decreasing and there is no discernible external cause, then the marketing strategy needs to be modified.

3. Analysis of Product Characteristics

Analysing a product's characteristics can give us an understanding of the product and its potential. Often products can have other uses as well as those for which it was originally designed. The product can also be analysed in relation to its competitors' products. This allows for a direct comparison to be made and weaknesses or strengths to be identified. One effective method used to analyse the product is to have the consumer complete a market research survey, providing information from the consumers' perspective.

4. Analysis of Advertising

Advertising is a promotional activity, and like any marketing strategy, the effectiveness of the advertising needs to be analysed. A cost-benefit analysis should be carried out, where the cost of the advertising needs to be weighed against the expected benefit of increased sales.

5. Analysis of Price

The pricing of the product can be crucial to the success of the business, and needs to be looked at constantly. The **pricing strategy** is the price set for a business' products in relation to the prices of competing products. A business needs to analyse its pricing strategy carefully, for it may be that a business has priced its product incorrectly and will need to readjust the price as sales figures are evaluated. When determining the price of the product, you need to look at the gross profit margin, especially the extra sales that are needed to maintain current profit levels.

6. Financial Capacity

The financial capacity of the business needs to be taken into account when developing marketing objectives. It is totally useless to plan a $20 000 product promotion when the business financial capacity can only afford $2 000. Research and development of new products is an area that can put a lot of strain on the financial capacity of a business. Sometimes, businesses can get assistance from government agencies.

7. Analysis of Innovative Potential

A business' product line needs to be looked at and updated regularly. Products can become obsolete and new products are required to replace them. Failure to do so can result in loss of sales, revenue, and profits.

SELECTING TARGET MARKETS – MARKET SEGMENTATION

Very few businesses sell their products to the entire market – the market is just too big. A business will divide the total market into market segments, then from these market segments – they will select their target market.

The total market can be segmented into two very broad types: customer (household) markets and organisation/business markets. Each of these broad segments can be further segmented (eg. according to demographic, geographic, physiographic and behaviouristic variables).

Common Variables for Segmenting Customer Markets

Demographic	Geographic	Physiographic	Behaviouristic
Age	Region	Lifestyle	Purchase occasion
Gender	Urban	Personality	Benefits Sought
Education	Suburban	Motives	Loyalty
Family Lifestyle	Rural		Usage Rate
Occupation	City Size		Price Sensitivity
Social Class	Climate		
Religion	Landforms		
Ethnicity			

The ability to choose the correct target market is crucial, as it will influence the entire marketing mix.

Businesses can use a number of strategies to obtain information about its target market. One of the most common is the questionnaire, which asks people what they think of the product, and notes their personal details. This information is then used to refine the marketing mix.

Sometimes a business may be able to identify a primary and a secondary target market. A **primary market** is the market segment at which most of the marketing resources are directed. A **secondary market** is usually a smaller and less important market segment.

A business can choose one of three approaches to selecting a target market – through mass marketing, concentrated or niche marketing, or differentiated marketing.

Mass Marketing Approach

A **mass marketing** or **total marketing** approach pursues a large range of consumers. The business' marketing mix is aimed at a wide consumer market. The mass marketing approach assumes that individual consumers in the target market have similar needs and therefore a single marketing mix will satisfy all. The single marketing mix will have one type of product, one standard price, one promotional strategy aimed at all consumers, and one method of delivery (many internet service providers use such an approach and highlights the fact that their product has 'something for everyone').

Concentrated or Niche Markets

This approach is the opposite to the mass marketing approach. The **concentrated market** approach requires the business to direct its marketing mix towards one selected segment of the total market. By using this approach, the business is able to analyse its consumer base more closely, design strategies to satisfy this select group's needs and develop particular products based on customer feedback.

An extension of the concentrated market approach, is **the niche market**, which is a narrowly selected target market segment. In a sense, it is a segment within a segment, or a 'micro-market'. The needs of consumers in these markets are often neglected by large businesses because it is rarely profitable for them to alter their marketing mix for such small groups.

Differentiated Markets

Between the mass and concentrated market approach is the **differentiated** or **multisegment approach** which involves a business directing its marketing efforts at two or more market segments.

Cars, white goods, electronic products, clothes, and music are all examples of products that are usually marketed using this approach. The business develops a marketing mix appropriate for each segment. For example, Holden, an Australian company, has a number of different product lines – from its luxury cars, 4X4, trucks, small cars, and just recently the introduction of their new 'people mover'. This approach allows the business' marketing mix to reach more customers which usually results in increased sales.

PHYSICAL BASIS FOR SEGMENTING THE MARKET

As well as the market being able to be segmented according to demography, geography, physiography, and behaviour, market segmentation can also be carried out on either two broad bases – physical or behavioural.

Physical segmentation involves segmenting the market according to some specific physical characteristic, such as the size, share, location, industrial needs, and demographic features of the market.

Size and market share. Sales volume is the most common basis on which to physically segment the market. This involves breaking down the total market segment according to the size of customer accounts. On completion of an analysis of the information it was shown that 80 percent of the business' sales came from 20 percent of the customers, then the marketing effort should reflect this.	*Location.* As climate and landforms differ throughout the world, businesses may divide their markets into regions, with each having a common set of geographic features. Climate has a strong influence on segmenting markets for heating, air conditioning, and clothing products. Consumers in warmer places need light clothing and air conditioning while consumers in cooler areas would need warmer clothing and heating.
Industry. Many products are sold to the industrial or business market – not the household market. This market is made up of individuals and businesses who purchase products to use in their production process, or the daily routine of running the business	*Demographic features.* These include age, gender, ethnicity, family size, life cycle, occupation, social class, religion, and level of education.

Using demographic features to segment the consumer market is one of the most popular methods used by businesses, as the features can be easily measured, reflects consumer needs, and spending power.

BEHAVIOURAL BASIS FOR SEGMENTING THE MARKET

Behavioural segmentation is based on how consumers behave or respond to particular products, that is, their purchasing behaviour. For example, is the consumer a light or heavy user of the product, is there a high or low degree of brand loyalty towards the product, and what benefits does the consumer want from the product? The purchasing behaviour of consumers can be categorised according to usage rate, user loyalty, benefits sought, and user status.

Usage Rate. Consumers can be divided into heavy, moderate, and light users of a product. Heavy users are an important market segment for a business. Although they may only make up 20 – 30 percent of the total users, this group usually generates 70 – 80 percent of total sales.	*User loyalty.* This refers to the continuing commitment a consumer demonstrates towards a particular product. For example, in the car industry in some countries, there are distinct groups – in Australia - the Holden supporters and the Ford supporters. Both believe that a particular product is superior. During the 1990's businesses began to identify their loyal customers and encouraged them to remain loyal. An example of this, was the introduction of 'frequent flyer' points introduced by airlines and the use of discount cards by various stores.
Benefits sought. Consumers will purchase a product because of the benefits, either real or perceived, that they believe the product offers. Just as consumers are all different, so too are the benefits they want from a product. For example, some consumers will purchase clothing that is hard-wearing and serviceable, while others purchase clothing for prestige and image.	*User status.* This refers to the consumer's history of contact with the business. Consumers can be categorised as regular, first-timers or non-users. This last group should not be overlooked. By making changes to their marketing strategy, businesses may encourage non-users to become first-timers.

Businesses introducing new products onto the market often have great difficulty in identifying what type of consumer will be the first-time user. Such consumers are often referred to as '*very early product adopters*' (VEPA's). While they may only represent a small proportion of the total market, their behaviour is often crucial to the success of the product.

The following is an extract from Neil Shoebridge, '*The Secrets of Successful Marketing'* (BWR Library) 1993, pp. 167-8.

WHO ARE THE VERY EARLY PRODUCT ADOPTERS

One of the hardest questions in planning a new product launch is who will buy the product first. What type of consumers will take a risk and try an unknown brand long before others discover it? Every product category has its trend-setting consumers, the innovators who give a new product its first jump. Identifying them and developing specific marketing strategies to reach them is vital to marketers. If the trendsetters do not accept a new product, the likelihood of it succeeding with other, more cautious consumers, is slim.

The people who latch on to products when they are first launched are known as the very early product adopters, or vepas, and represent only 5 per cent of most country's consumers. Yet they determine if a new product lives or dies. Once a product is accepted by the vepas, who are usually aged between twenty-five and thirty-five with higher than average incomes, it will filter down to the other 95 per cent of consumers. Despite this, researchers say that many marketers ignore the existence of vepas and therefore reduce their chances of success……

There are common traits in vepas. They tend to have a higher level of education, higher incomes (14 per cent earn more than $40 000 a year and 84 per cent are in two-income families), a higher standard of living, higher aspirations for their children, and travel more than other consumers. More than 33 per cent of vepas have professional or semi-professional jobs. Being a vepa is way of life. They possess a clear set of attitudes, predispositions, and motivations that laggards, for example, will never have. Vepas are more adventurous, open-minded, inner directed, and less dogmatic than other consumers and more willing to experiment with new ideas.

DEVELOPING THE MARKETING MIX

A business controls four basic marketing elements, which it combines in such a way as to reach its target market. These four elements are product, price, promotion, and place (distribution). Together they form the marketing mix. The marketing mix is the pivotal point of the marketing plan.

PRODUCT quality style brand name warranty servicing packaging labelling accessories	**PRICE** recommended retail price wholesale price discounts odd/even pricing multiple unit pricing prestige pricing price lining
PROMOTION advertising personal selling sales promotion publicity	**PLACE (DISTRIBUTION)** channels wholesaler retailer agent door to door mail order telemarketing inventory management transport order processing materials handling

THE 'PRODUCT' ELEMENT OF THE MARKETING MIX

A **product** is a good or service, an idea or any combination of the three which can be offered in an exchange. When you buy a TV, you are purchasing a *good.* It is a real, physical object, it can be touched, and it is *tangible.* The advertising idea for the TV is an *idea.* The sales assistant at the store provides a *service.* Both ideas and services are *intangible.* Therefore, when consumers buy products, they buy both the tangible and intangible benefits – *a total product concept.*

As you can see, the term 'product' has a much broader concept than what most people understand. Usually when people talk about products, they are referring to what a business produces, such as TV's, motor cars, computers. Yet, the intangibles that come with these products are also important, and can be used to differentiate one business' product from that of its competitor. Consumers are also becoming more discerning when it comes to choosing products, and will seek out those which offer the higher levels of service, warranty, prestige, and delivery.

With mass-produced products, it is often the differences in the intangible benefits that product competition is based. For example, cars are basically a mode of transport, used to get from one place to another, and all work in a similar way.

But a car contains a wide array of intangibles, such as image, reputation, style, warranty, and safety record. Viewing the car in terms of a total product concept clearly shows that no two cars are exactly the same.

Brand Names, Symbols, and Logos

A **brand** is a name, term, symbol, design, or any combination of these that identifies a specific product and distinguishes it from its competition. A **brand name** is that part of the brand that can be spoken. A **brand symbol** or **logo** is a graphic representation that identifies a business or product. A brand symbol does not have to duplicate the words in the brand name. Some businesses encourage the instant recognition of their brand symbol rather than their brand name. For example, the 'golden arches' symbol used by McDonalds. In some advertisements, the brand name does not appear at all, only the brand symbol. This is a very clever and subtle method used to reinforce the meaning of the symbol and associate it with a brand name.

Colgate	Levi	Qantas	Pizza Hut
Speedo	KFC	McDonalds	Pepsi
Cadbury	Sony	Reebok	Nestle

These are a list of brand names. Everyone of us would be able to list products associated with each of these brand names. This is the power of *brand name recognition.* The businesses that market the above brands have spent alot of money making sure consumers instantly recognise their brand name and the products associated with them. *A brand name can be a very powerful marketing tool.*

Brands are usually classified as to who owns them. When a manufacturer owns a brand name, it is referred to as a **manufacturer's brand** or **national brand.** For example, Kraft Foods, and Panasonic appliances are manufacturer's brands. These brands are recognised nationally and internationally, are widely available, and offer reliability and quality.

A **private** or **house brand** is one that is owned by a retailer or wholesaler. These products are often cheaper because the retailer or wholesaler can buy at lower costs. Examples are Levi's Shops, Target, and Kmart, which sell their own label products, including French Star, Regatta, Miss Shop, Hot Options, and NOW.

Generic brands are products with no brand name at all. They carry only the product name and are in plain packaging. Examples can be found in supermarkets – No Frills, Farmland, Plain Label, and Home Brand.

To guard against other businesses using its brand name or symbol, businesses can apply to have their name registered. This gives the business exclusive rights to use the name or symbol and protect it from infringement. The symbols TM or R at the end of a brand name signifies that the name or symbol is a registered **trademark.**

Branding is beneficial to both the business and the consumer. It assists consumers in identifying the products they like or dislike. It helps a business to make its products stand out against those of its competitors. If the brand name becomes well recognised, the business will also enjoy a carry-over effect when new products are introduced. This gives it a distinct competitive advantage.

The Importance of Packaging

Packaging is more than simply putting the product in a container or wrapping it up. **Packaging** involves the development of a container and the graphic design for a product.

Packaging can be just as important as the product itself, when deciding what to choose.

Well designed packaging can give a positive impression of the product and can encourage first-time consumers. As well as helping to preserve, inform, protect, and promote a product, packaging can also create an image of luxury, sensuality, and exclusiveness.

When developing new packaging, a business needs to take into account a number of factors. Cost in one major consideration. Good quality packaging is another. Consumers are prepared to pay more for quality packaging, however, there is a limit as to how much consumers will pay. Nowadays, with increasing community awareness of the environment and pollution, marketers need to be sensitive to the problems caused by throw-away packaging. Recyclable and biodegradable packaging is the go!

Product Positioning and Image

Product positioning refers to the development of a product image as compared with the image of competing products. For example, No Frills, Porsche, Rolex and NOW brand names can immediately evoke an image of the product's quality. This automatically gives the product its position with the market.

In very competitive markets, sales may be difficult to achieve. For this reason, a business will attempt to create an image that differentiates its product from another. The business will decide on an image it wishes to create for a product and will use other elements of the marketing mix to shape and maintain this image.

The Provision of Warranties

All businesses have certain obligations in regard to the products they sell. One of these, is to provide a warranty or guarantee. A **warranty** is a promise by the business to repair or replace faulty products.

In recent years, government legislation has made it necessary for businesses to state, clearly and simply, the terms and conditions of the warranty.

A warranty can be used as a marketing tool, if it includes superior options to those of its competitors.

THE 'PRICE' ELEMENT OF THE MARKETING MIX

Price refers to the amount of money a customer is prepared to offer in exchange for a product. Price can be affected by a number of different factors. Selecting the 'correct' price for a product can be extremely difficult for a business. Too high a price can mean loss of sales, while too low a price can give an impression that the product is 'cheap' and of poor quality. Businesses need to find a medium between the two extremes.

Consumers will pay a particular price for a product if they believe that the benefits they receive from the product is equal to or more than the price.

Businesses will try and attempt to control gain some control over the price by differentiating their products. A good example of this, is in the clothing industry, where designer labels such as Levi and Prada can demand a higher price for their products than what Kmart and Target brand labels can.

Pricing Objectives

When putting a new product on the market, the business must decide what it wants to achieve through its pricing – that is, its pricing objectives. Marketers and management need to set pricing objectives that are compatible with the overall marketing objectives of the business.

The main long-term objective of pricing is to make a profit. In the short-term, however, other objectives become more important. These include:

Market share. A business may wish to increase it market share by reducing the price of its products to attract new customers or to beat competitors.	*Survival.* Due to external factors, businesses may need to reduce its prices so that they can generate enough cash to pay outstanding debts.
Status quo. When there are only a few businesses in the market, they may all adopt a 'follow-the-leader' pricing strategy.	*Return on Investment.* Producing a product can be a very large financial investment for a business. Because of this, a business may decide that the investment (product) should generate a certain return, for example, 20 percent for every dollar invested. This will influence the price per unit.

Pricing Methods

Once objectives have been decided, a business must then select a pricing method. There are three main pricing methods: cost plus margin, demand based, and competition based.

Cost price margin. This is the simplest method. The business determines the total cost of production and then adds an amount for profit. This extra margin is referred to as the *mark-up.*

Demand based. Instead of using costs to determine price, businesses sometimes set prices according to the level of supply and demand. Whatever the market is prepared to pay. When demand is high, prices would be high. When demand is low, prices fall.

Competition based. This method is often used when there is a high degree of competition from businesses producing similar products.

The diagram below, illustrates the steps involved in establishing a price: objectives, methods, and strategy

Pricing Objectives	**Pricing Methods**	**Pricing strategy**			
.profit maximisation	. cost plus margin	.skimming			
.market share	.demand based	.penetration			
.survival	. competition based	.odd/even	**PRICE**	list	trade
.status quo		. multiple unit		discount	quantity
.return on investment		.prestige			cash
		.price lining			

List and Discount Pricing

The price of product quoted to a customer is called the **list price.** This is the price printed on price tags and is often referred to as the *retail price.* It represents the price before any discount is offered.

A **discount** is a reduction from the list price of a product. There are three common discounts:
1. Trade discount. When retailers buy from either a manufacturer or wholesaler, they receive a trade discount.
2. Quantity discount. Bulk purchases can usually be made at a price substantially lower than the listed price.
3. Cash discount. To encourage prompt payment from customers, a cash discount may be offered.

THE 'PROMOTION' ELEMENT OF THE MARKETING MIX

Promotions describes the methods used by a business to inform, persuade, and remind a target market about its products.

To achieve these objectives, a promotion campaign attempts to:

attract new customers by heightening their awareness of a particular product	increase brand loyalty by reinforcing the image of the product
provide information so customers can make informed decisions	encourage new and existing customers to purchase new products
change individual's behaviour through information or persuasion	

Many of us confuse promotion with advertising because of its visibility and frequency. Advertising, however, is just one of the four elements of the promotion mix. A **promotion mix** is the various promotion methods a business can use in its promotional campaign. Businesses can choose from four methods – publicity, advertising, sales promotion, and personal selling.

<u>Publicity and Public Relations</u>

Publicity is any free new story about a business's products. It differs from advertising in that it is free and its timing is not controlled by the business.

As with any other form of promotion, the main aim of publicity is to enhance the image of the product. There are five main types of publicity.

Interviews. Private meetings of the business' representatives with the media	*Captioned photographs.* Photographs plus brief explanation of a new product
Feature articles. Larger articles outlining the benefits of a product	*Press conferences.* Public meetings with the media where written and graphic materials are presented.
News release. A brief newspaper report sent to the media	

A business will use publicity to raise awareness of a product, highlight the organisation's favourable features, and help reduce any negative image that may be been created.

Public relations are those activities aimed at creating and maintaining favourable relations between a business and its customers. It is the role of the public relations personnel to design, implement, and manage the publicity events of the business.

Forms of Advertising

Advertising is a paid, non-personal message communicated through a mass medium. Its purpose is to inform, persuade and remind.

Advertising is one of the main forms of promotion used to attract potential customers by creating a demand for the product, informing, and communicating essential information. It can be classified into three broad groups, depending on its purpose and message: selective or brand advertising, institutional advertising, or primary demand advertising.

Selective or brand advertising. This is used to sell a particular brand of a product and is the most common form of advertising. Business use brand advertising to persuade consumers of the benefits of their products in order to entice the consumer to purchase their product.	*Primary demand advertising.* This type of advertising attempts to increase the total consumption of a product without distinguishing between brands. These advertisements promote broad product categories. For example, 'trim pork' and milk campaigns. This sort of advertising is often used with overall consumption of a product begins to decline
Institutional advertising. This is used to enhance the image or reputation of a business rather than to sell a particular product	

Advertising media refers to the many forms of communications used to reach an audience. There are four main types of advertising media: television, radio, newspapers, and magazines.

The type of medium selected, will depend on factors such as cost, the advertising budget, the geographic distribution of the product, advertising activities of competitors, expected response rate, and the target market. Large businesses often decide to use more than one method so as to reach as large an audience as possible. A business may decide to advertise continuously or in cycles, and should analyse the response to each advertising strategy to determine what is most effective for their product.

Sales Promotion Activities

Sales promotions are activities that offer a direct inducement to consumers. Examples of these are food tastings in supermarkets, a $2-off coupon with a packet of detergent, or Fly-buys bonus points for buying a particular product or more than two, or even shopping at a particular store. Sales promotions can help increase the overall effectiveness of other promotional activities by reinforcing customer loyalty and enticing new customers.

The Personal Selling Method

Personal selling involves the activities of a sales representative directed to a customer in an attempt to make a sale. The major advantage of this method is that the message can be modified to suit the individual customer's circumstances. Complex and technical products, in particular, require the personal contact of a sales representative to familiarise the customer with the product.

Because of the extensive time and resources involved in visiting individual customers, this strategy is the most expensive of all promotion methods, and that is its chief disadvantage.

THE 'PLACE' ELEMENT OF THE MARKETING MIX

Channels of Distribution

Channels of distribution or **marketing channels** are the routes taken to get the product from the factory to the consumer. This process usually involves a number of intermediaries, such as the wholesaler, broker, agent, or retailers. Apart from retailer, the other intermediaries are often 'invisible' with the consumer having little knowledge of their role and operation.

Channels of distribution can be simple or they can be complex. Most involve the transportation of a product from the producer to the end consumer. The four most commonly used channels of distribution are shown below"

Producer → Customer

Producer → Retailer → Customer

Producer → Wholesaler → Retailer → Customer

Producer → Agent → Wholesaler → Retailer → Customer

1. *Producer to customer.* This is the simplest channel and involves no intermediaries. Virtually all services, from tax advice to car repairs, use this service.

2. *Producer to retailer to customer.* A retailer is an intermediary who buys from the producers and resells to customers. This channel is often used for bulky for perishable products such as furniture or fruit.

3. *Producer to wholesale to retailer to customer.* This is the most common method used for the distribution of consumer goods. A wholesaler is an intermediary who buys in bulk, from the producer, then resells in smaller quantities to retailers. Producers will use a wholesaler when a large number of retailers sell the product and the producer finds it difficult to deal with all of them.

4. *Producer to agent to wholesaler to retailer to customer.* An agent distributes products to wholesalers but never owns the product. The producer pays agents a commission. Usually agents are used for inexpensive, frequently used products. A business that does not have sales representatives will often use agents.

Market Coverage

Market coverage refers to the number of outlets a business chooses for its product. A business can decide to cover the market in one of three ways as follows:

Intensive distribution. This occurs when the business wishes to saturate the market with its product. Consumers can shop at local outlets and be able to purchase the product. Many convenience goods, such as milk, lollies, and newspapers are distributed this way.	*Selective distribution.* This involves using only a moderate proportion of all possible outlets. Clothing, furniture, and electrical appliances are often distributed using this method. The consumer is prepared to travel and seek out a specific retail outlet that stocks a certain brand.
Exclusive distribution. This is where there is only one retail outlet for a product in a large geographic area. This method of distribution is commonly used for exclusive, expensive products	

Warehousing Activities

Warehousing is a set of activities involved in receiving, storing, and dispatching goods. A warehouse acts a central organising point for the efficient delivery of products and undertakes a number of specific tasks which include:

receiving goods	identifying goods
storing goods	selecting or picking goods
dispatching goods.	

Physical Distribution and Transportation

Physical distribution is the 'behind the scenes' activities concerned with efficiently transporting products from the business to the consumer. An intricate network of transportation is needed to deliver a wide range of products on supermarket shelves. Developments in packaging and transportation now permit Australian native flowers, for example, to be picked and sold in Tokyo within 24 hours.

Physical distribution should be viewed as an integral part of the overall marketing exercise. The aim is to deliver the right products to the right people in the right quantities at the right time, and at the cheapest cost possible. The method of transportation a business uses will largely depend on the type of product and the degree of service the business wishes to provide. Transportation costs can be expensive and therefore, marketers need to choose carefully. The four most common methods of transportation are rail, road, sea, and air.

Inventory Control

Inventory control is a system that maintains quantities and varieties of products appropriate for the target market. Customers find it very frustrating when a product is 'out of stock' and a business which allows this to occur frequently, will lose sales. On the other hand, a business that carries too much stock, will experience high storage costs. The goal of inventory is to find the correct balance between these two situations.

DETERMINING THE EMPHASIS WITHIN THE MARKETING MIX

In reality, a marketer must decide on the appropriate market mix, that is, what emphasis should be placed on each of the marketing elements to create a unified marketing strategy. The combination of elements will depend on the following factors.

vision, objectives, and resources of the business	the stage in the life cycle of the product
unique characteristics of the target market	competitor's marketing strategies
present and future economic conditions	budget allocation for the marketing strategy
the amount, or degree of competition in the market place	the product itself.

THE IMPACT OF THE PRODUCT LIFE CYCLE ON THE MARKETING MIX

New technology, variations in consumer tastes, fluctuations in the level of economic activity, and shifts in consumer habits means that the market in constantly changing. Because of this, the marketing of a new product must be carefully planned and managed.

Marketing strategies also need to be assessed and changed depending on stage a product is at within its life cycle. Businesses need to be able to launch, modify, and delete products in response to changes in the products life cycle. There are five stages to a product's life cycle, and each stage will require a different marketing mix.

Introduction stage. At this stage, a business needs to set a price to attract its target market, promote heavily, encourage association with a brand name, and set up appropriate distribution channels.	*Decline stage.* At this stage, a business needs to lower the price to reduce inventory, narrow distribution channels, reduce promotion efforts, and eliminate the product
Growth stage. At this stage, a business needs to encourage brand loyalty, strengthen the products position, differentiate its product as competition increases, develop new market segments, offer discounts, broaden their distribution network, and emphasis customer service.	*Regrowth stage.* At this last stage, a business needs to redesign its initial advertisement, increase promotion, and encourage brand recognition.
Maturity (saturation) stage. At this point in the product life cycle, a business needs to redesign packaging, offer reduced prices, incentives and markdowns, come up with new promotion strategies, have aggressive personal selling, and look at the possible abandonment of the product.	

One strategy often used to promote the life of a product is to keep updating/changing advertising so that the product is kept 'fresh and alive'.

As all products eventually follow the path of the life cycle, a business must continually develop new products. However, developing and introducing new products is time consuming, expensive and risky. Research suggests that over 70% of all new products fail after being launched into the market.

Product Strategy

Before a new product is introduced onto the market, it goes through five stages.

1. Idea generation: This involves coming up with a new idea for a product.	*4. Product development:* At this stage the product begins to take shape. Research and development construct and test a prototype.
2 Screening: The 'good' ideas are sorted from the 'bad'. Those ideas that match the business' objectives and resources are accepted and the others are rejected.	*5. Test marketing:* Through limited sales, the product is tested against customer's reactions
3. Financial analysis: Those ideas that have been accepted are costed. Projections of expected costs, sales and profitability are calculated.	

This process, however, does not guarantee success of a product. In fact, many new products do fail, even though they have gone through such a process and the resulting product is technically superior to that of its competitor.

ANALYSING COSTS AND BENEFITS

Cost-benefit analysis allows a business to evaluate alternative courses of action. Whenever a marketing plan is adopted, a business is committed to providing considerable time and money resources for its implementation. Before deciding to go ahead with a plan, a business should conduct a cost-benefit analysis. It will analyse the expected sales revenue from a product in relation to the total cost (expenditure) on the product. By analysing these figures, management can select the best course of action, one that maximises profits while minimising costs. Even though detailed costings are undertaken, the marketing plan may still fail in the long run due to external and unforeseen circumstances.

Developing a Financial Forecast

When developing alternative marketing strategies, businesses need to develop financial forecasts that detail the costs and revenues for each strategy. By measuring the sales potential and revenue forecasts for each strategy and comparing these with the anticipated expenditure, a business is in the best position to decide how to allocate its marketing resources.

Although financial forecasting allows the marketer to undertake a cost-benefit analysis, the results are always open to individual interpretation.

Projected Revenues and Costs

A marketing plan should contain the following projected revenues and costs so that forecast performance can be compared with actual outcomes:

1. Revenue breakdown. These estimates outline how much income should be generated from the forecast sales. This revenue can be analysed from the macro to the micro viewpoint according to

market territories	company divisions	individual sales representatives

2. Costs (expenditure) breakdown. These estimates detail how much will have to be spent on each part of the marketing plan. Costs include

research and development	promotion	advertising and packaging
distribution	warranties	

Marketing costs are easier to forecast than revenue because these activities are largely controlled by the business. Being able to accurately analyse both projected costs and revenue allows a business to forecast profit levels.

Expenditure breakdown

Cost or expenditures of the marketing plan can be divided into five major components: market research costs; promotion; advertising, packaging, distribution, and warranties.

Market research costs. These costs involve the gathering and analysing of information relating to a specific marketing strategy. Such information will be used to help decision making. Market research costs will be relatively high in the early stage of the product life cycle.

Promotion. All the costs involved in the promotion of the product need to be taken into account. Promotion costs include publicity and public relations, sales promotion, advertising, packaging, and - often the most expensive – personal selling costs. These costs will be relatively high in the early stages of the product life cycle and will decrease in the latter stages.

Advertising and Packaging. Costs incurred can range from relatively inexpensive print advertisements in the classified section of a newspaper, to a multi-million dollar television campaign. Packaging costs are largely determined by the nature of the product and range from inexpensive paper bags to expensive glossy materials.

Distribution. The main expenses involved in distribution of the product include transport, commissions, insurance, brokerage and delivery personal. As the product becomes more popular, these costs will increase.

Warranties. Offering a warranty or guarantee with a product will require money to be put aside in case of the return of a faulty product. Warranty related costs include transport, personnel, and technical assistance. Over time these costs should decrease as any problems with the product are identified and eliminated.

Revenue Breakdowns

A cost-benefit analysis needs to be prepared to forecast revenue that should be generated by the marketing plan. A **business sales forecast** is the amount of a product that a business expects to sell as the result of a specific marketing strategy. As time goes by, actual revenue can be compared with the forecast revenue data to determine the effectiveness of the marketing strategy. This process in referred to as a **sales analysis.** To allow a more accurate and detailed analysis, market sales forecasts by be divided into three categories: market territories, company divisions, and sales representatives.

Market territories. These are distinct geographical areas in which a product is sold. Territories can range in size from countries, states, regions, and towns. Actual sales within the marketing territory can be compared with either the forecast figure or actual sales from a similar territory.

Company divisions. Large businesses are usually divided into a number of product related company divisions. Each company division would prepare projected sales revenue data and compare it with actual sales.

Sales representatives. Each company division usually has its own sales force and each individual sales representative is allocated a sales quota, which is a set target of sales that must be reached over a certain period of time. The sales representatives' actual performance can then be prepared with the quota. This acts as a performance indicator to measure the sales representative's effectiveness.

MANAGING THE MARKETING PLAN

Marketing management is the process of planning, organising, leading (implementing) and controlling the marketing strategies.
Planning helps a business define and achieve its marketing objectives.

Organising the marketing activities means setting up the structure of the marketing department which details the responsibility of the marketing personnel as well as who will perform specific tasks.

Leading (implementing) is the process of putting the marketing strategies into action. Personnel must be coordinated and the marketing plan integrated with other departments within the business. Action plans for staff to undertake are also developed.

Controlling means establishing desired levels of performance, comparing forecasts with actual sales revenue and costs and taking remedial action if the objectives are not being met.

A business should regularly analyse and monitor its marketing strategies. The management of the marketing plan can be divided into two main functions: monitoring and modifying.

Monitoring and Controlling the Marketing Plan

Monitoring involves the comparison of planned performance against actual performance. To achieve this, the marketer needs to constantly ask two questions regarding the marketing plan:

- What does the business want the marketing plan to achieve, that is, what are the objectives?
- Are these objectives being achieved?

These questions should be asked at every stage while the marketing plan is being developed. Such monitoring involves two distinct steps:

1. Establishing, forecast performance standards
2. Comparing actual with forecast performance.

The first step in the monitoring process requires the marketer to outline what is to be accomplished, that is, a performance standard. A **performance standard** is a forecast level of performance against which actual performance can be compared.

The second step is to compare actual performance against the forecast performance. This can be done by using budgets, sales statistics, and cost analysis figures.

Sales and the Market

A **sales analysis** uses sales data to evaluate a business' current performance and the effectiveness of a marketing strategy.

Sales figures can be broken down into:

product lines	sales person	sales territory
market segment	time period	sales method
company division		

The use of computerised sales has made the collection, storage, retrieval, and analysis of sales data much easier. Computerised sales reports can be prepared showing:

daily, weekly, monthly, quarterly, and yearly sales reports	product line sales
credit as opposed to cash sales analysis	sales reports for individual sales representatives
company division sales report	or a combination of any of the above

Market Share Analysis/ratios

A business needs to be able to evaluate its marketing strategies compared to those of its competitors. This can achieved by undertaking a market share analysis. This analysis will reveal whether changes in total sales resulted from changes in marketing strategies, or were the result of external influences. Like sales analysis, market share analysis can be broken down into territories, sales representatives, and products.

Marketing Cost Analysis

Marketing cost analysis is a method in which the marketer breaks down the total marketing costs into specific marketing activities – such as advertising, transportation, administration etc. By comparing the costs of specific marketing activities with the results achieved, a marketer can assess the effectiveness of each activity. A marketing cost analysis can be achieved by studying the marketing costs contained in the business' Profit and Loss Statement.

Modifications to the Marketing Plan

On completion of the sales market share and profitability analysis has been worked out, the marketer will be in a position to determine whether the objectives of the marketing plan is being met. Based on this information, modifications to the marketing plan can be made.

Because the business environment is constantly changing, the marketing mix will need to modified constantly. These changes could be in the form of:

product modifications	price modifications
promotion modifications	place modifications

In order to maintain an effective product mix, businesses from time to time may have to eliminate some product lines. This is called **product deletion.** If a business wishes to maintain long-term growth, it needs to continually introduce new products.

Allocation of Human Resources

Staff will be required for:

market research	market planning	market administration
market analysis	sales representatives	transport and delivery
warehousing		

The skills, attitudes, personalities, and abilities of all marketing staff will contribute to the success or failure of the marketing plan. Selecting the right employees, in the right numbers and at the right time can be crucial to the business. Staff numbers will be modified in response to the development of the marketing plan.

ADVERTISING BUDGETS

The four main ways of determining an advertising budget are:

1. AFFORDABLE METHOD
-Based upon what the business can afford.
-Major difficulty is it can lead to fluctuating advertising budget, making long range planning very difficult.

2. PERCENTAGE OF SALES METHOD
-Based on percentage of either current or anticipated sales (either based on % of each item sold...or % of total dollars received).
-Better than the affordable method because it bears a closer relationship to the movement of sales in the industry, it encourages management to think in terms of relationships between advertising cost with prices set and profit; and it encourages stability between competitors.
-Disadvantage in it discourages experimentation and being dependant on yearly fluctuations, restricts long range planning.

3. COMPETITIVE PARITY METHOD
-Budget is set to match what the competition is doing.
-Advantage is put forward that it is based upon the collective wisdom of a particular sector of industry, on the other hand, there are no real reasons to believe that the opposition is more proficient than you!

4. OBJECTIVE & TASK METHOD
-Involves defining an objective to be achieved by advertising, then then setting up an advertising program to meet that objective. This might be done via the following steps for instance:

Establish a market share goal.	Determine the number of advertising exposures needed to get to one percent of the population. (ie: How many copies of the advert, or how many times it is run on TV or radio....etc)
Determine the % of the market share which needs to be reached.	Determine the number of gross rating points which would need to be obtained (ie: A gross rating point is one exposure to one percent of the potential buying population).
Determine the % of potential customers who need to be convinced to do business.	Determine the needed advertising budget to achieve the purchase of one gross rating point.

STRUCTURING AN ADVERTISEMENT OR PROMOTION

For any promotional campaign to work well; the following points need to be achieved:

1. There should be a common thread (core theme) to the different messages being presented by promotional exercises (eg: perhaps this business is unique because each advert or promotion may give different reasons or perhaps - our products are the cheapest for example....).

2. The different promotions need to be readily identified as being the same organisations (eg: through use of the same type style on signs, adverts, and leaflets, by the use of the same person in promotions - eg: Professor Julias Sumner Miller to promote Cadbury's; by the use of the same logo on literature, ads etc).

MESSAGES

There are three stages in developing a strategy to a promotional campaign.

1. Message Generation

This involves developing a number of alternative "messages" that will promote the product or service to the desired market position. This may be achieved by...

a/ Gathering ideas from consumers, dealers, experts, and competitors

b/ Using your own ideas

Consider there are four possible types of rewards that a customer might see in a product....

rational	sensory	social	ego satisfaction

Consider there are three possible types of experience that the customer might have:

results of use experience	product in use experience	incidental to use experience

These 4 types of rewards can be crossed with the three types of experience to create twelve types of advertising messages, as shown by the following examples:

Results in Use Experience	-With rational reward: eg: get's dishes cleaner
	-With sensory reward: eg: makes a headache subside
	-With social reward: eg: you care enough to help
	-With ego satisfaction: eg: for people with a discerning taste
Product in Use Experience	-With rational reward: eg: paint that lasts twice as long
	-With sensory reward: eg: a smoother taste
	With social reward: eg: never have ugly pimples again
	-With ego satisfaction: eg: the chain saw used by professionals
Incidental to Use Experience	-With rational reward: eg: the wine cooler that keeps wine cooler
	-With sensory reward: eg: power steering makes driving easier
	-With social reward: eg: patriotic people have flagpoles in their front yard.
	-With ego satisfaction: eg: nice people live in Europe.

2. Message Evaluation and Selection

Consider messages in terms of:
a/ Desirability
b/ Exclusiveness
c/ Believability.

The strength of a message depends upon the strength of these three factors. If any one factor is weak, then the message looses strength. The message must always say something desirable and interesting about the product or service; it must be exclusive or distinctive to the particular product or service being sold, and it must be both believable and provable.

3. Message Execution

The impact of a message depends upon not only what is said, but how it is said. You must decide on the style, tone, words, and format factors which put the message across in the most effective way. For example, the following different styles can be followed....

Slice of Life -product shown to be used by people in their normal day to day life.	Personality Symbol -associates product with a character (eg: Ronald McDonald, Mr Sheen etc).
Lifestyle -emphasises how the product fits into a particular lifestyle.	Technical Expertise -shows technical expertise behind product or service being provided.
Fantasy -creates a fantasy about/around the product (eg: A frog eats cough lollies and turns into a prince).	Scientific Evidence -presenting statistical, survey, or scientific evidence to support product.
Mood or Image -Builds a mood around a product such as beauty, love or serenity.	Testimonial -highly credible persons endorsing the product.
Musical -showing characters singing a song or jingle	

Tone of the advert can be varied from the serious advert which avoids humour (so as not distract from the message), to the humorous advert which attempts to convey the message indirectly and through subtle approaches.

MAKE YOUR ADVERTISING WORK
*Extracted from the Herb Grower and Marketer's Association Newsletter Oct/Nov 1988.

-Build your ad around one big benefit. Pick a central idea, craft classes, a special sale, and make that the focus of your ad.

-State your big benefit in a headline. The headline is the single most important element in your ad. It's what draws readers. Use it to grab your prospects and tell them what you have to offer.

-Make your ad easy to read. Limit yourself to a couple of type styles.

-Create a sense of urgency. Deadlines and other limits force the prospect to act now.

-Call for action. Don't be afraid to say "Stop in Today" or "Sign up now".

-Make it easy for the customers to act. Include your location, phone number, and hours, and always use your logo.

-Let white space work for you. Don't overcrowd you ad. White space focuses the reader's attention.

-Make your copy complete. Complete sentences are easier to read than phrases or random words.

-Specify brand merchandise. Capitalize on the manufacturer's name and advertising while enhancing your own business.

PUBLICITY MARKETING

PUBLICITY involves obtaining exposure for a product or service through the media, without paying for it. It may include such things as....

- Press releases which lead to radio interviews or articles in newspapers.
- Conducting events or activities which attract media interest (such as product launches).

Publicity is based on the following principles:
1. High Credibility
News or features seem more credible than an advertisement. If an article is written about a new product being introduced, this is a more credible way for someone to learn about that product than to learn through an advertisement.

2. Catching people off guard.
People who might avoid advertisements or other sales approaches, will often read an article or listen to a news item about a product or service.

3. Dramatising products or services.
Special, extraordinary events can be attached to product launches as a way of dramatising the product. Someone might be provided with the product to use on a round the world trip - this dramatises how the product could be used.

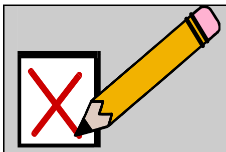
PUBLIC RELATIONS CAN WORK IN THE FOLLOWING AREAS....

Press - where newsworthy information is put before magazines and newspapers.	Product publicity -specific products or events related to products or services are brought before the news media -bringing goods or services directly before the public through promotions, displays, appearances, demonstrations, etc in places where the public gathers (eg: exhibitions, shopping centres, busy streets etc).
Corporate communications -communications within and between businesses, aimed at letting potential users know about certain products, or services.	Lobbying -efforts aimed at influencing government, in an attempt to maintain or change legislation to be desirable for the company involved.

PRESS RELEASES

For a press release to work it must do the following:

Get to the right people in the media	-The right publications, TV stations, Radio stations
	-The right people in those organisations
Getting there at the right time.	-Know the production schedule. It's no good supplying the release after a publication has gone to the printer. Some shows are pre recorded, some publications have the material written months in advance. Others only need a weeks notice.
	-Early warnings are always good perhaps a brief press release several months in advance, followed by something more substantial closer to the event.
	-Above all, know how the media thinks and operates
Compete with other press releases to the point where it "stands out", winning the attention of the media in preference to other releases. Remember, many releases can arrive every day, and not every one will be carefully looked at, let alone used	-Attention grabbers such as gifts (related to the subject -a potted plant to promote a flower show, food to promote a food festival etc), can increase your chances being considered. Photos can also increase chances. The opening words or the heading is also critical. Odd ball stunts can also increase chances (eg: having the press release delivered by a person in fancy dress).

	**SELF ASSESSMENT** Perform the self assessment test titled ' test 4.1'. If you answer incorrectly, review the notes and try the test again

SET TASK

Look through magazines and newspapers to see if you can find advertisements for any of the types of businesses which you considered in your last lesson. Note where these advertisements are placed. Contact those publications and ask for a rate card (ie: A rate card will tell you the advertising costs, and other details pertinent to advertising). Consider how these adverts are presented with respect to:

- how well they get the message across
- how noticeable they are
- where they are located in the publication etc.

<u>ASSIGNMENT</u>

Download and do the assignment called ‘Lesson 4 Assignment’.