

1.1.1 - The Market

native are
subject to
constant
change
→ update
Modify
re-launch

Diagram illustrating the relationship between Growth, Decline, Packaging, and Size:

- Growth leads to Packaging.
- Decline leads to Cool.
- Cool leads to Consistent.
- Consistent leads to Size.
- Size leads to In-line.
- Size leads to x' .

Benefits:
* Reduces selling costs (i.e. no staff)
* Cheaper

Highly dynamic - Film

Eg. Coca-Cola

- ↳ lots of money spent on branding & advertising
- ↳ to lots of competition

Characteristics:

- ★ Low risk (+)
- ★ Low unit cost (+)
- ★ More competition
- ★ Low profit margins
- ★ High productivity

Due to new entrants & constant in product

How Markets
change
availability

Global marketing ← Online Retailing → Dynamic M

Definition: → products that change over time

influences:

- * Customer needs
- * New products
- * Changing what/how customers use
- * New technology
- * Online retail

Definition:
When a business sells the same products to all consumers (mass appeal)

→

→ potential for economies of scale → unit costs fall as output increases (+)

→ 5 capacity (+)

→ Distinguishes products from rivals in same market
used to:

→ Important in mass markets

Commercial
Successful
exploitation
of ideas

Innovation & Market Growth

Product Innovation

- ↳ launching new & improved products
- ↳ first mover advantage
- ↳ increased market share

As a result of:

- Economic stage
 - + living
 - + displacement
- in general

1.1.1 - The Market

Mass & niche markets → Brand →

- differentiate
- create unique loyalty
- Help production
- recognition
- change a preference when brand strong

Definition: A smaller market that sells to customers with a specific need.

Characteristics:

- Specialist skills
- specialised knowledge

Market Size and Market Share

Ex. Toyota, Google, Apple

Ex. Zuma

- Process Innovation
- Finding new ways of producing products
- Reduced costs
- Improved quality
- Higher profitability
- Competition

+ profitably
 re efficient ways
 existing products
 waste
 quality

- Social change
 - ↳ + in one place
 - = + in child
- Legislation change
 - ↳ + in renewable
 - demographic change
 - ↳ + in 1990s = + demand for care homes

Market Size
→
Market Segment
→
Market Share
→
Market Penetration
→
Market Development
→
Market Diversification
→
Market Exit
→
Market Entry
→
Market Research
→
Market Analysis
→
Market Forecasting
→
Market Segmentation
→
Market Targeting
→
Market Positioning
→
Market Strategy
→
Market Structure
→
Market Dynamics
→
Market Environment
→
Market Performance
→
Market Growth
→
Market Saturation
→
Market Competition
→
Market Power
→
Market Influence
→
Market Impact
→
Market Reach
→
Market Depth
→
Market Breadth
→
Market Height
→
Market Width
→
Market Length
→
Market Depth
→
Market Breadth
→
Market Height
→
Market Width
→
Market Length

↓

Market share

↓

describes the proportion of a particular market that is held by a business/ product/ brand

by firms

↳ targets consumers looking for surfing skis

↳ snowboarding gear → less money needed for advertising

↳ Customer loyalty

↳ Less competition

↳ Higher profit margin (+)

↳ Risk of overdependence (-)

↳ Vulnerable to market changes (-)

↳ Lack of economies of scale (-)

Def. = ability to add more resources than costs that are done by:

- Lowering costs
- Increasing revenue
- Differentiating
- Improving quality
- Can reduce costs
- Beneficial as more choices

→ business value for its rivals.
 → Adapt to market changes.
 → Flexibility in product development.
 → Marketing to keep customers interested.
 → Lower costs for consumers.

ing to Change
ure to adapt
es of market
ape & potential
collapse.
ibility: Varie
ing practices
it research -
updated w/
nment.

The price of quality products & services is too low

→ e.g. value of the fast food market is estimated @ £29.4 m in 2014

Hard to produce so business must operate under uncertainty

of skills / ESSENTIAL developments

physical quantity of goods produced

global crude oil production (2014)
61 million tons

4 Difference between Risk & Uncertainty
↳ Risk = Committing resources that could be lost (e.g. setting up business in uncertain market)

Calculation:
$$\frac{\text{Sales of a business}}{\text{Sales of a market}} \times 100$$

↳ Shows who is market leader & can influence other companies to follow.

Low comp.
exploitation
expensive

consumers $\rightarrow$ help w/ no continue

larger market
immigrants

products can at all times
share / boost sales.

Uncertainty = external influence that negatively impacts businesses (eg. new competition, social transformation, legislation, etc.)

Electronic Filing System

Access Competitors
Websites -
Access online Surveys
Data Protection Act
Databases
Can buy

ICT Supporting MR
Social networking
+ Analyse + Conduct
+ Broad + Easy + Quick + Free
Interaction + observation

+ of Niche Segmentation
+ Increase revenue by producing different products
+ Loyalty
+ Avoids wastage of promotional materials
+ Large range
Market Segmentation
Behavioural Dependent on:
- Nature of product
- Policies
- Views
- Nature/Size of Market
- Degree of competition
Demographic
- Geographic

Needs
- Continuous MR
- Customer Wishes
- Correct Quantities
- distribute according to habits
- right price for customer
Marketing Mix
Marketing is key
- right product
- right price
- right place
- right time
led by the market
Market
eg. iPhone, clothes
customers' needs are most important

Product and Market Orientation

11.2 Market Research

Limitations of MR

Human Behaviour
Answers may change

Sampling and Bias
Sampling discrepancy
Bias Q's & A's

used to:
- identify + anticipate customer needs + wants
- quantify demand
- gain insight to consumer behaviour

Product
focuses on - skills, knowledge, systems.
eg copper mining or machine tool
+ of Market Orientation over Product.
+ Can respond quicker to market changes
+ Stronger against new competition
+ Able to anticipate market changes
+ Can be more confident in product launch

Primary and Secondary Research
Quantitative - data that can be measured
Qualitative - data about attitudes, beliefs and intentions

Secondary - Data that previously existed
eg
- Business docs
- MR reports
- Sales team reports
- Annual reports
- Company intranets
- Stock announcements
Primary - eg
- Questionnaires
- Postal surveys
- Telephone interviews
- Personal interviews
- Focus groups
- Observation
- Test marketing

Advantages:

- Spots gaps in market
- analyses competitors
- encourages MK
- Shows rivals

Disadvantages:

- gap ≠ demand
- no success guarantee
- reliable?
- 2D = only 2 factory
- total to obtain info.

Market Mapping

- ↳ def. = 2D diagram that shows two attributes/characteristics of a brand or rival brands.

1.1.3 - Market Positioning

Inputs → Transformation process → outputs

What happens in business to add value

Difference between the price of finished products & the cost of inputs involved in making it.

Adding Value

Ways to add value

- ↳ Build brand
- ↳ Customer service
- ↳ Customisation
- ↳ Efficiency
- ↳ Frequent buyer offers

Benefits:

- can charge higher price
- gain competitive edge
- target market more closely

Drawbacks

- success relevant to cost.

Product Differentiation: def. = where customers perceive a distinct difference.

Purpose

- ↳ extend product range
- develop, protect & build brands
- ↳ intangible value / strengthen customer loyalty
- Overcome competition
- ↳ ideally hard to copy, gives comp. adv.

Competitive Advantage

- ↳ matters enough to customers that cannot be easily copied by competitors → makes you stand out.

Choose product based on value proposition. Superior value = competitive advantage.

Examples:

- product design/quality
- customer service
- Economies of scale
- Flexibility
- Ethical stance
- Market segment

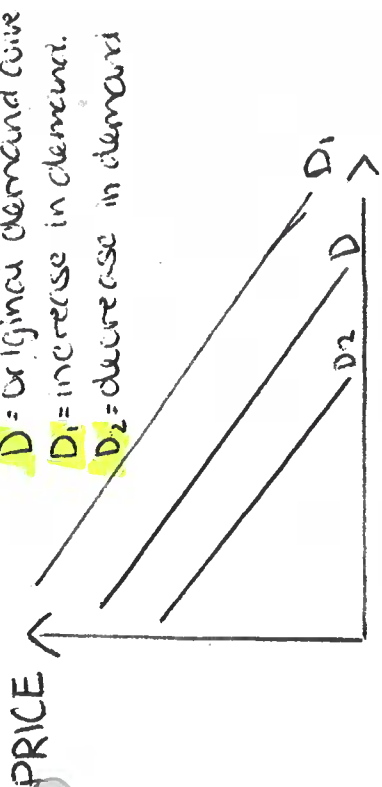
Importance of comp. adv.

- ↳ Innovation (being 1st)
- ↳ Reputation (developing)
- ↳ Relationships (brand image)
- ↳ (fair treatment)
- Staff
- Customers
- Suppliers

Possible positioning strategies

- ↳ offer more for less
- ↳ offer more for more
- ↳ offer less for much less

D = Original demand curve
 D₁ = increase in demand
 D₂ = decrease in demand



Demand Curve — Change in price
 ↓
 change in demand
 ↓
 Movement along demand curve
 (up/down)

How much of a good ppl will want at different prices

1.2.1 Demand

Diamonds

Luxury — exclusivity
 Price ↑ Demand ↑

— e.g. Public Transport
 Atk/Lidl

Inferior — income ↑ demand ↓

Goods

— Normal — income ↑ Buy ↑
 — Price ↓ Buy ↑
 e.g. clothes
 lays out

Advertising & Branding
 Social and environmental factors

Seasonality

Prices of substitutes — Age

Gender, Demographics — ethnic

Factors leading to a

Change in demand

Economic climate — External Shocks

Government — competition

fashions, tastes and preferences

Changes in consumer incomes

Prices of complements

all other factors produce a shift to the left or right

Δ in production cost

→ doesn't change price, but condition of supply & willingness to supply at current price

Δ in price = movement along supply curve

Change in price will cause movement up or down curve

A graph of the relationship between the price of a good & the quantity supplied - Supply curve

Higher price = higher amount of good offered

Supply curve slopes up

Different factors lead to Δ in supply

leftward shift = decrease in supply (if rise in cost)

rightward shift = increase in supply (if fall in cost)

* Left = worse conditions
Right = better conditions

Price of related goods (veggies/crops)

Government (bank interest rates)

External Shocks (weather (crop yields))

World events (oil)

Government Subsidies

Changes in production cost

Introduction of new technology

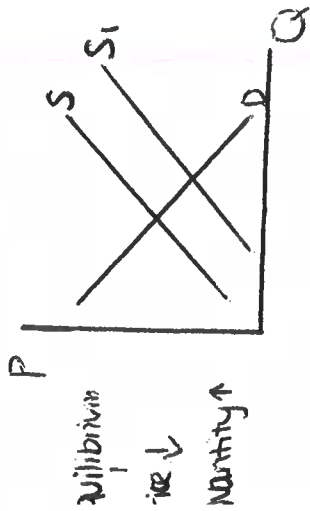
rightward shift as lower cost production

Indirect taxes

Increased = rightward shift as supply increases

Decreased = leftward shift as supply decreases

1.2.2 - Supply



view technology →

Increase → Rightward Supply Shift

caused by price increase

Shift curve to right

Shift curve to left

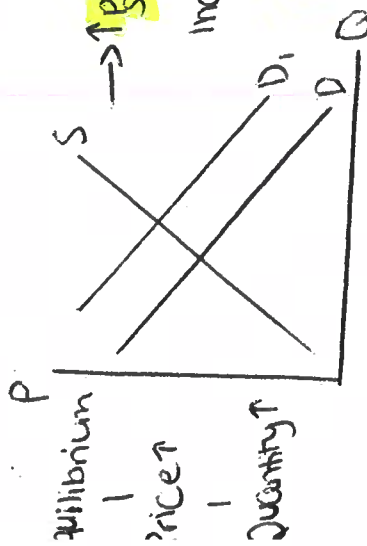
↓ Supply

↑ Supply

If price is set at the equilibrium there will either be:

Excess demand

Excess supply



↑ Price of Substitute → Increase demand

1.2.3 Markets

Interaction of Supply and Demand

Total revenue = price × quantity

Demand and Supply Curves

Where the 2 lines meet is where supply and demand are equal

Law of Supply & demand → to determine which curve shifts, find who is first affected (eg. + in price of oil impacts firms before consumers)

Equilibrium → supply curve shifts first

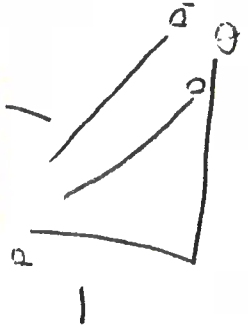
Dependent on factor Demand / Supply curve Shifts

Changing the price equilibrium

Can also consider who shifts sees the price change first → demand curve shift = A price for suppliers. Supply = A price for consumers.

Demand ↑ Price ↑

Shift of demand curve to the right



Eg. Natural Gas, electricity.

Important for commodity products.

Predicts effect of Δ in price on revenue & expenditure.

Likely price volatility following Δ in supply.

Significance of PED to businesses.

Effect in Δ in an indirect tax (VAT).

Can be used for price discrimination.

Charge different prices for different market segments (peak/off-peak).

Products where large price changes don't impact purchasing ability = inelastic. (pencils).

Loyalty = elasticity.

Branding.

Raising price when selling these products = good.

Price Elastic demand.

Allows prediction of effect on total revenue.

1.2.4 - Price Elasticity of Demand (PED)

Breadth of definition of good/service.

% of consumer income allocated to good.

Degree of necessity/ is it luxury?

Luxury = more elastic demand. (Holidays).

Necessities = inelastic demand. (Fuel).

Cost of switching between products.

Habitual consumption. Less sensitive to price changes of good as default to buy same product regularly.

Factors influencing PED.

Number of close substitutes to a good.

Time.

Customers respond to price change over time. Longer time = $\uparrow$ PED.

More close substitutes = more elastic demand. (as customers can easily switch their demand if the price of one product changes relative to others).

Peak/off-peak demand. Demand = price inelastic at peak times. Off peak = more elastic.

Δ in price = proportionally smaller Δ in demand. Price Elastic demand.

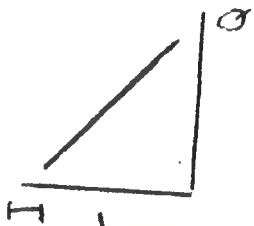
Issues = is an estimate. Can change w/ market sensitivity preferences.

Calculation of PED. $\% \text{ change in quantity} / \% \text{ change in price}$.

If answer to calculation is: less than 1 = inelastic. more than 1 = elastic.

Steep demand curve = price inelastic. Flat demand curve = price elastic.

Income ↑
Demand ↓



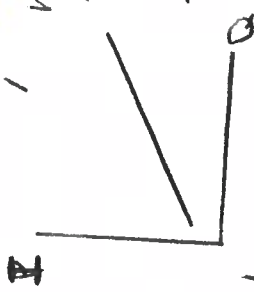
Income ↑
Demand ↑

Income ↑
Demand ↑

Goods

Income ↑
Demand ↑

Normal



→ Inelastic = steep
→ Elastic = flatter

high + IED
steepness depends on elasticity

Income elasticity less than 1 - more than 0

LOW BUT + IED

12.5 Income elasticity of demand

Product Switching
Can switch production to another product

Can affect production planning

demand will change

IED

→ extent to which the quantity demanded is affected by a change in income.

- Income elastic → Income will affect demand.
- Income inelastic → Income will not affect demand.

Influences of IED

Selling ↑ income elasticity - Holidays / sales forecast

Demand grows as economy grows

Hard to forecast as based on economic growth

Selling ↓ IED - (Farmers)
easier to forecast as changes

To Businesses - Pricing

Price

economic growth

Divestification
spread risk

elastic / inelastic

Necessities / Luxuries

discretionary spending

Cheap - inelastic

Expensive - elastic

If:

- Value ↑ = income elastic
- Value ↓ = income inelastic
- + value = normal good
- value = inferior good

% change

$$\rightarrow \frac{n - o}{o} \times 100$$

Calculation

% change in quantity demanded

% change in income

Longer product life cycles
 ↑
 Features of products that emphasise function
 ↑
 Economic through economies of scale
 ↑
 More predictable / stable demand
 ↑
 Contributes to usefulness as well as looks

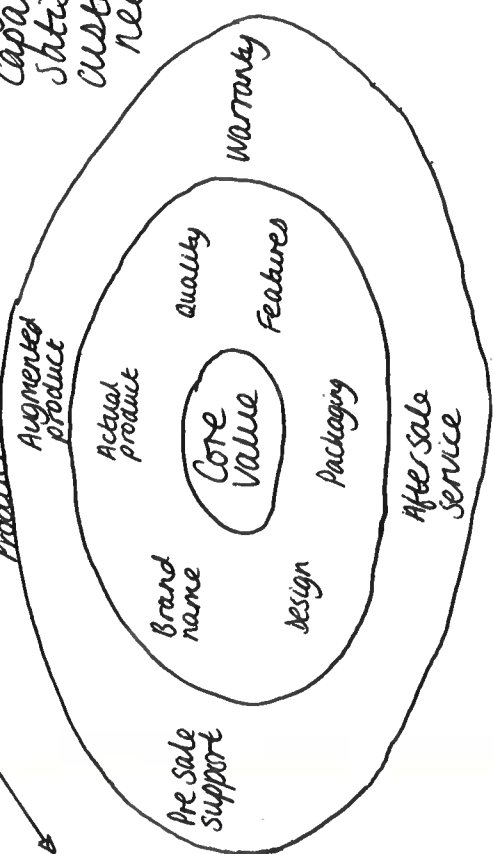
Lower promotional costs
 ↑
 Reputation for quality based on reliability
 ↑
 Features of products that emphasise function
 ↑
 Economic through economies of scale
 ↑
 More predictable / stable demand
 ↑
 Contributes to usefulness as well as looks

Need for greater promotional support
 ↑
 Features of products that emphasise aesthetics
 ↑
 Potentially shorter product life cycle
 ↑
 Demand fuelled by customer aspirations
 ↑
 High value added

Advocates imitation = need for design protection
 ↑
 Potentially shorter product life cycle
 ↑
 Demand fuelled by customer aspirations
 ↑
 High value added

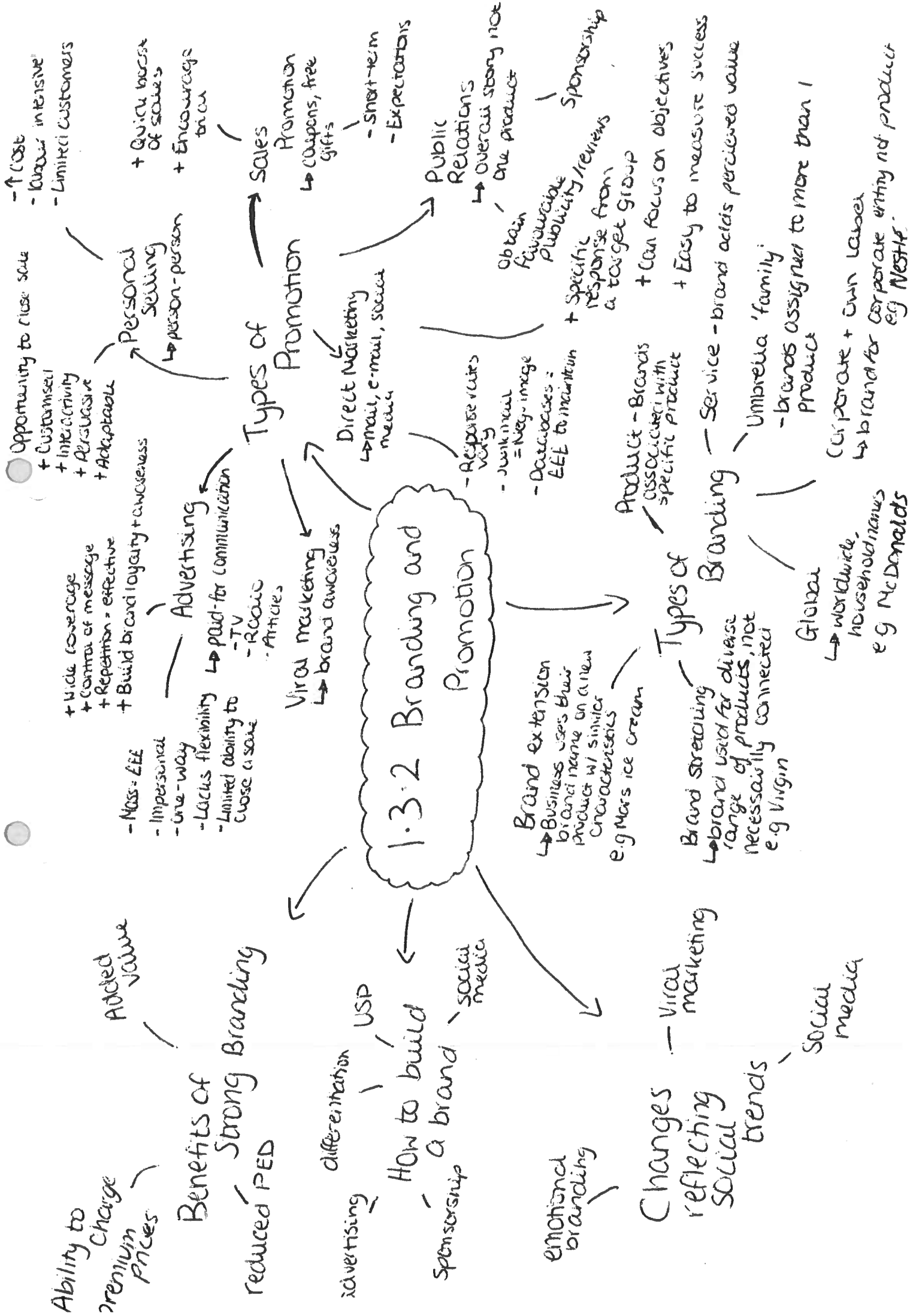
1.3.1 - Product/Service Design

Product
 Def. = Anything Capable of Satisfying customer needs

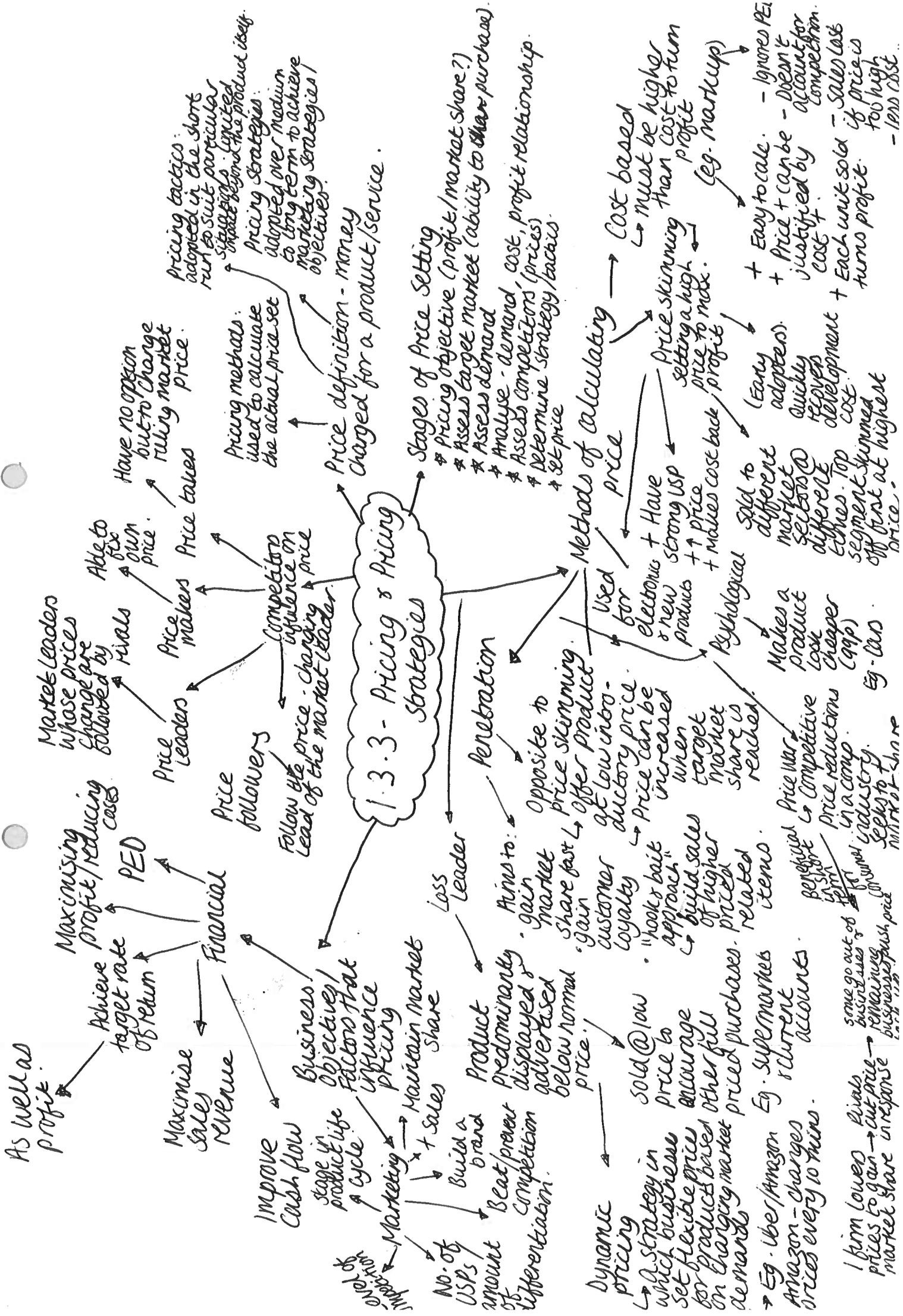


Economic manufacture
 ↑
 Cast
 ↑
 Aesthetics → Look of product
 ↑
 Functions → designed for utilitarian use
 ↑
 Design Mix elements → Effect of social trends
 ↑
 Concern over resource depletion
 ↑
 Ethical sourcing
 ↑
 Design for waste minimisation (re-use, recycle)

Part of marketing mix (see next section).



As well as profit.



- 1) Multiples - chains (Next)
- 2) Specialist chains - (fast fashion)
- 3) Department stores
- 4) Convenience stores
- 5) Independents
- 6) Franchises

Deals w/
customers
directly

Retailers

- + Convenient for customers
- + UK Wide reach to customers
- + Retailer chooses final price
- + Retailer handles financial transaction
- + Retailer holds the stock
- + After-sales support

Buy in large quantities
from producers
Breaks into smaller quantities
to sell to retailers

Wholesalers

- + Reduce products transport costs
- + Retailers can order small amounts
- + Can add profit
↳ make money

Producer
↓
Wholesaler
↓
Retailer
↓
Customer

Communicate
promotions
help gather
market info

Provide a
link between
production to
consumption

Physical Distribution
- transporting +
storing

Final communication
w/ prospective
buyers

Purposes other than distribution

- Financing
- other parties finance
- Risk taking
- other parties take risk

1.3.4 Distribution

Distribution Channels

Producer
↓
Agents/
Distributor
↓
customer

Indirect

Direct
B2B
B2C

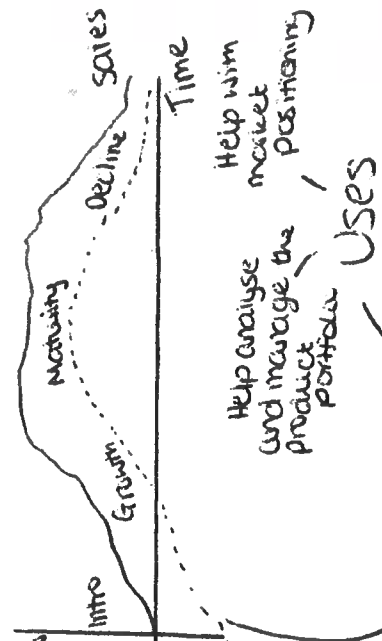
- ↳ Moves a product through the stages from production to final consumption
- ↳ Make products available at right time, price and place

Building Supplies
Electrical components
Industrial clothing

Distributors

hold stock,
agents do not

Distribute products and
serve as a local sales
point.
Usually specialise in an
industry, offer products from
many different producers
greater choice



Product Life Cycle
 ↳ A theoretical model which describes the stages a product goes through over its life.

Uses
 ↳ Help analyse market positioning
 ↳ Help manage the product portfolio
 ↳ forecast sales

Stages of PLC
 ↳ **Introduction**
 ↳ Heavy promotion
 ↳ Low sales
 ↳ Encourage spending
 ↳ High unit cost
 ↳ - Cash flow
 ↳ **Growth**
 ↳ Promote brand awareness
 ↳ Increase distribution
 ↳ Improve product
 ↳ Price skimming or Penetration Pricing
 ↳ Arrival of comp.
 ↳ ↑ sales - Unit cost ↓

Criticisms
 ↳ Only current position
 ↳ Can't predict comp. advantages
 ↳ Can't see where on PLC
 ↳ Length can't be predicted
 ↳ Decline isn't inevitable

Product Life Cycle
 ↳ Varies from product
 ↳ Decisions can change life cycle
 ↳ Length can't be predicted
 ↳ Decline isn't inevitable

Stages of PLC
 ↳ **Development**
 ↳ No inflow
 ↳ time consuming
 ↳ can be unsuccessful
 ↳ Competitors demand
 ↳ **Decline**
 ↳ Change in consumer habits
 ↳ slow sales growth
 ↳ Price cutting
 ↳ Narrow distribution
 ↳ NO marketing
 ↳ market saturation
 ↳ comp. leave market

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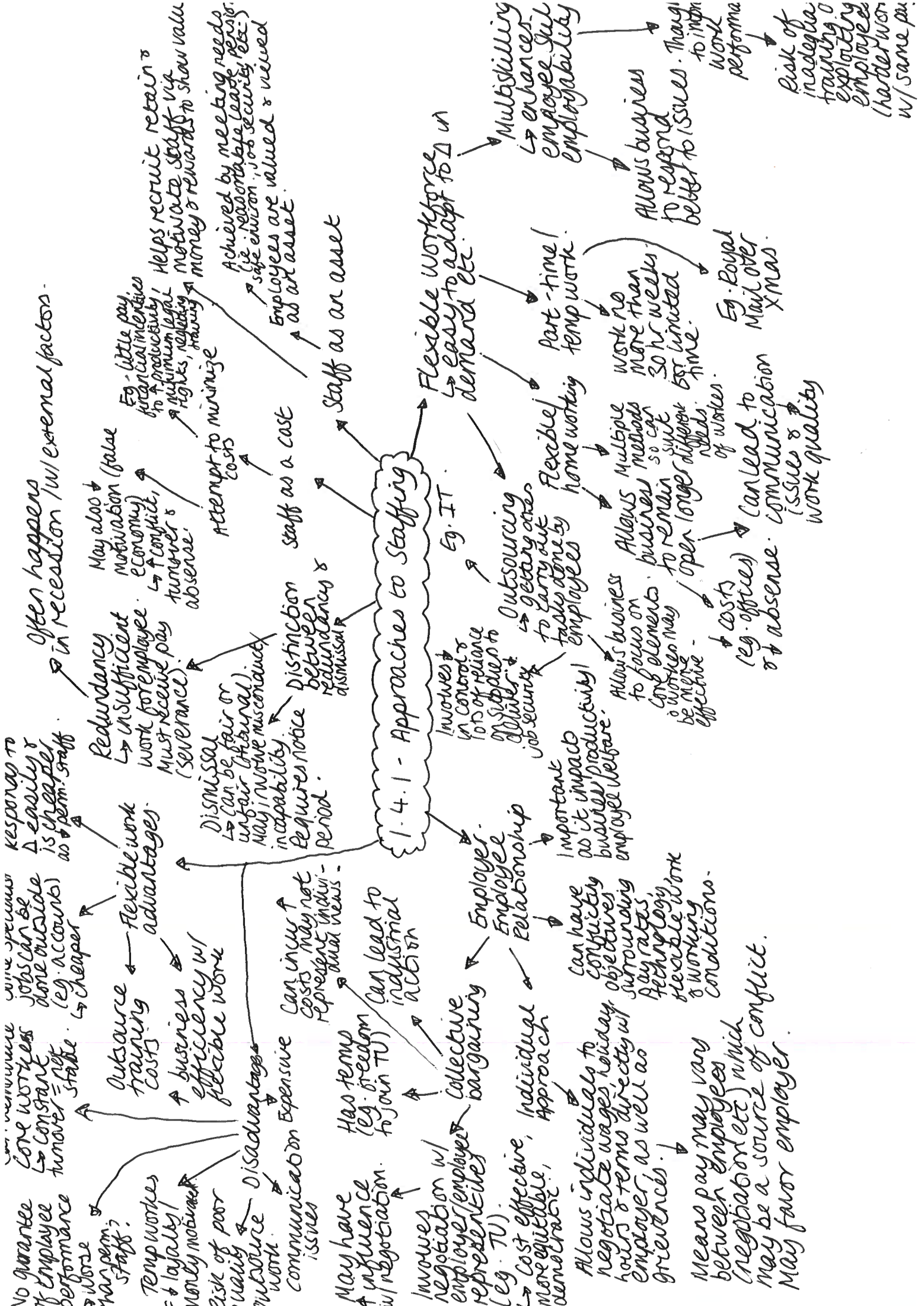
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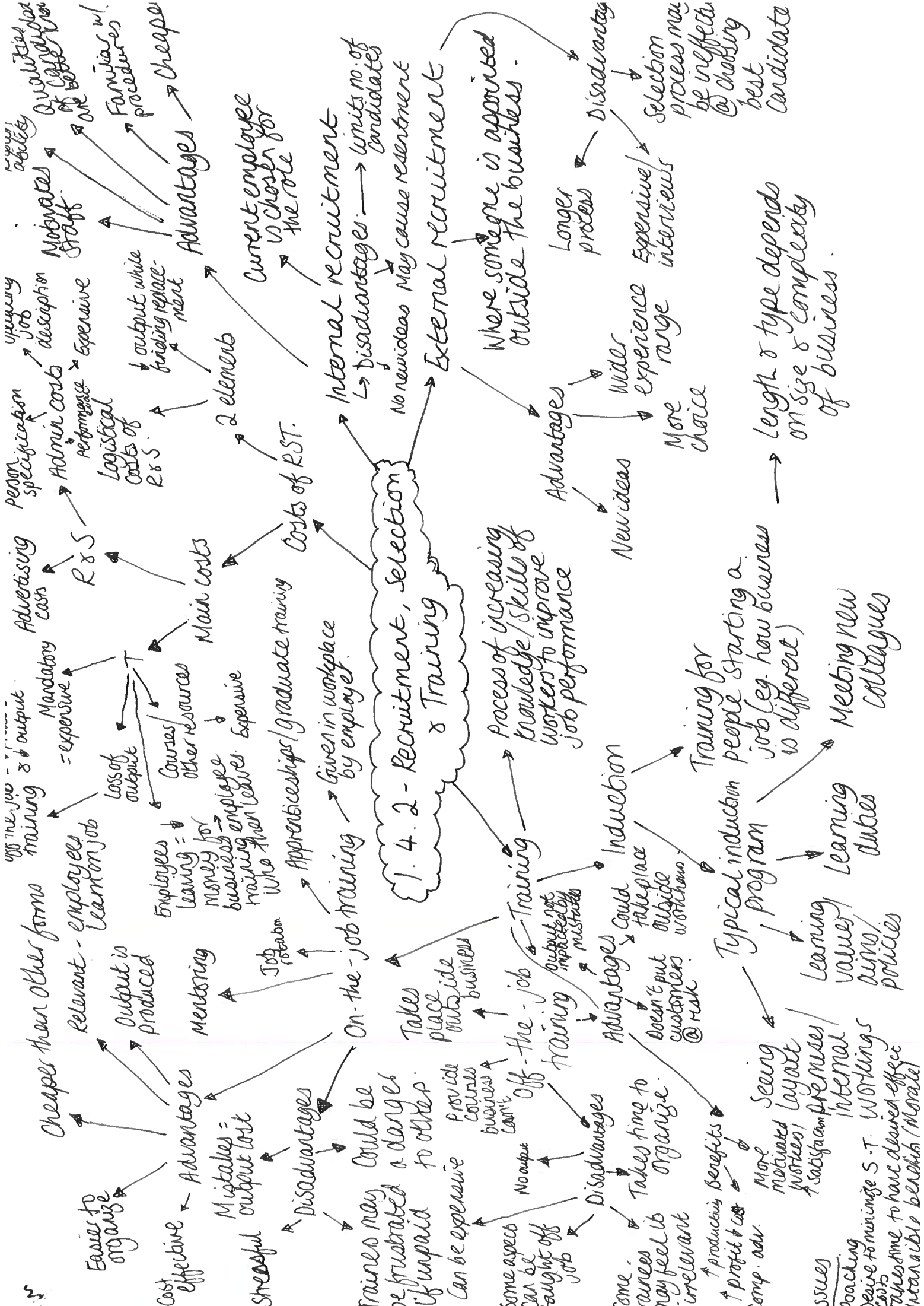
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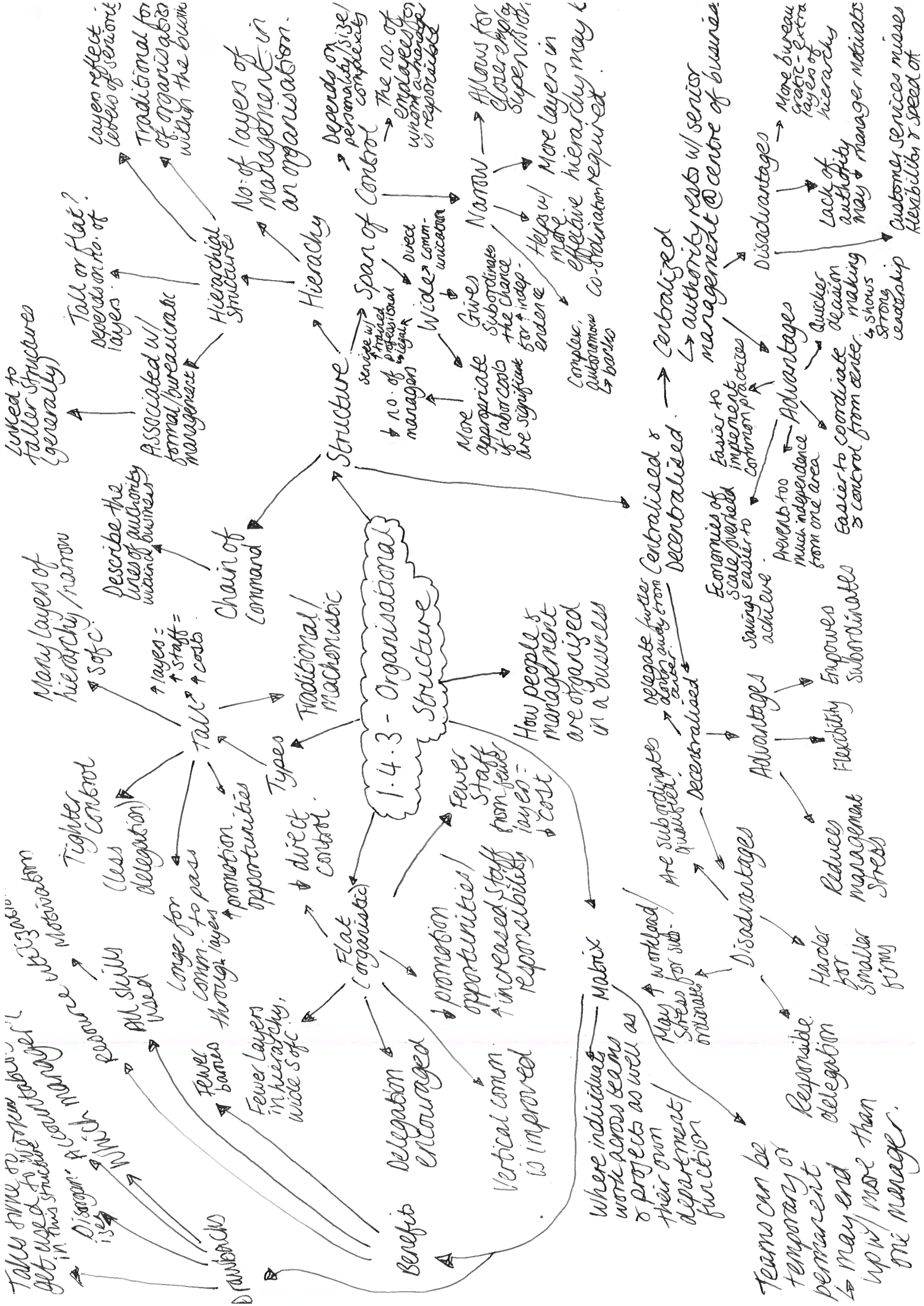
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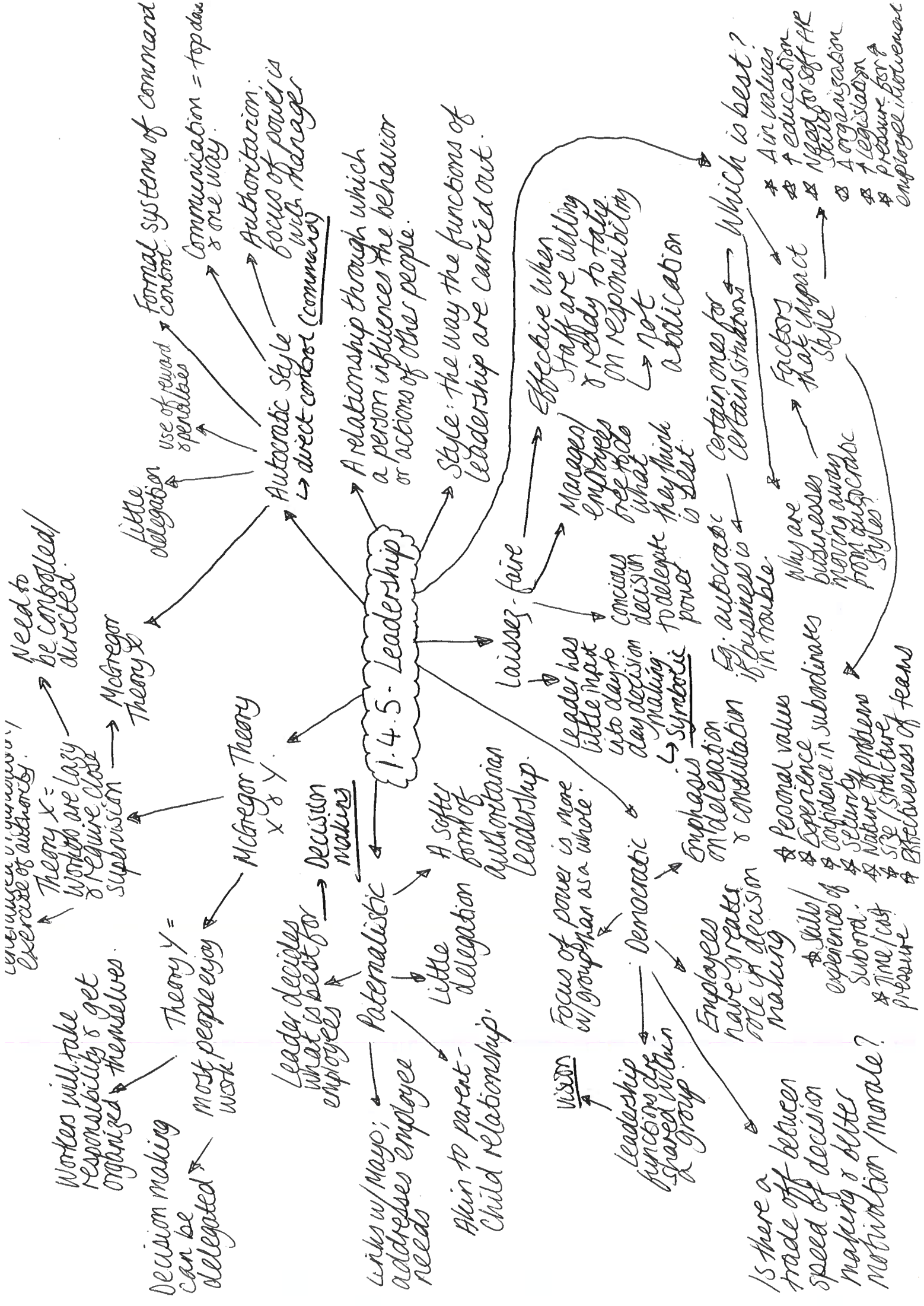
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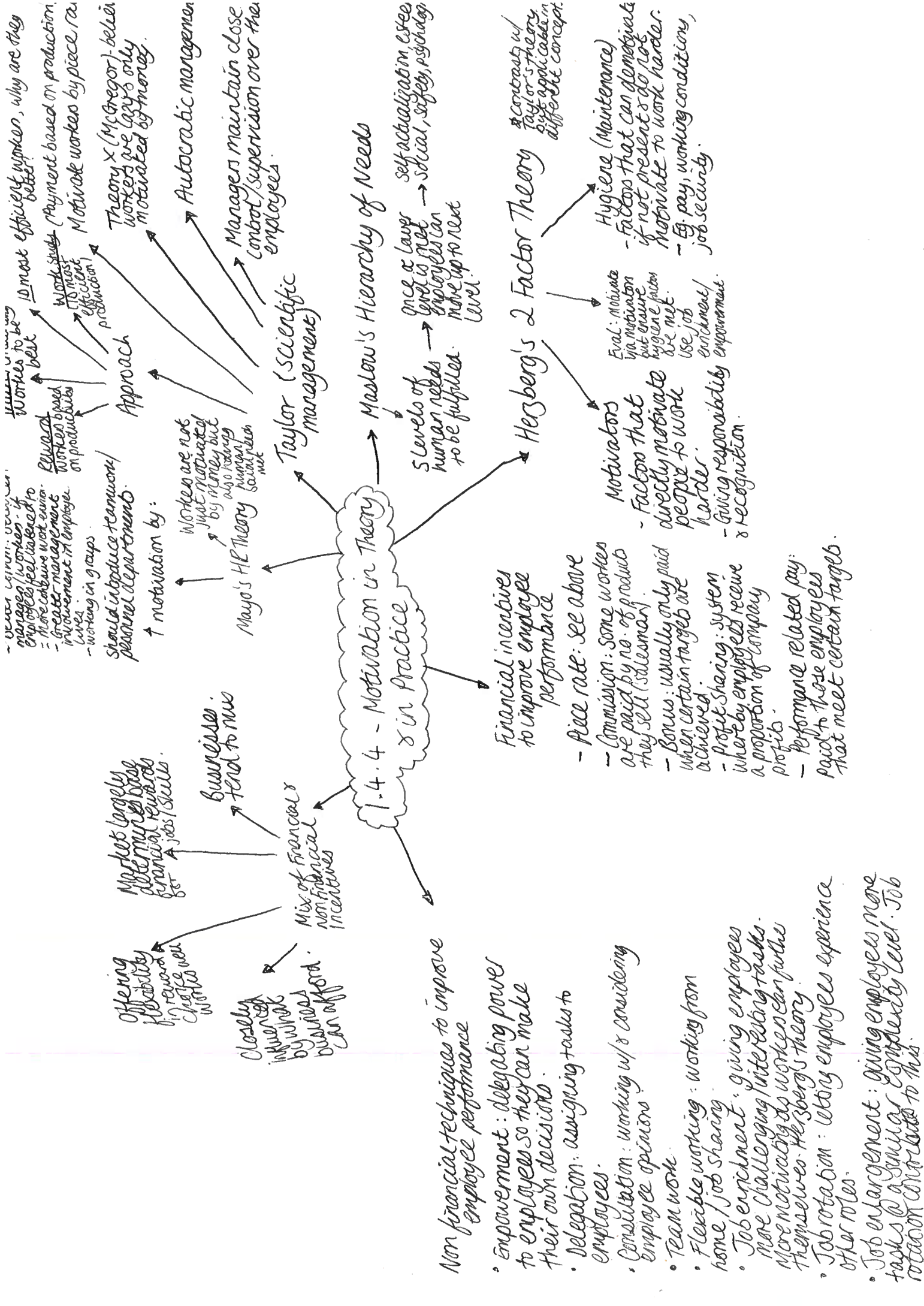
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Personal development

Capital gain (made by selling business)

self-esteem

profits

control

Finance support

Gender

Women still underrepresented as entrepreneurs in the UK

Lack of viable business ideas

Barriers to entrepreneurship

Rewards for Enterprise

Possibility entrepreneur will be personally liable for debts

Risk

Chance money invested will be lost

Risk of not getting another job

Uncertainty

Uncalculable risk

Take calculated risks rather than gamble

spread by diversifying

Look for higher returns on account of risk

Keep going despite adversity

↳ persistence

1.5.1 - Role of an Entrepreneur

Business Experience

need for market research

Good way of getting insights into what works & realistic business plan

Personal Experience

Acquisition, hobbies, interests

Bad experience/frustrations

Observations

Watch what happens to other markets, anticipate trends

Look for poor customer service

Sources of ideas

Ways to encourage

Innovation within a business

Take calculated risks for returns

Intrapreneurship

Catalyst for growth/creation

Spot opportunities

(app in market vs market in gap)

Role

Eg. Apple, Google, Playstation

- * Look for entrepreneurial opportunity
- * Give employees ownership of projects
- * Make risks/failure acceptable
- * Train employees in innovation
- * Give time outside of job description
- * Encourage networking & collaboration

Make enough profits to maintain interest in business

Profit satisfying

'Lifestyle business'

Financial motives

Profit maximisation

Make as much profit as possible in the time period given

Why do people set up a business?

1.5.2- Entrepreneurial motives & characteristics

Non-financial motives

Ethical Stance

Social enterprise

Home-working / job sharing

Independence

Eg. not for profit, trade w/ aim of improving human / environmental wellbeing

Decision Making

Organization

Financial motivation

Communication

Required skills

People management

Negotiation

IT skills

Characteristics

Initiative

Persistence

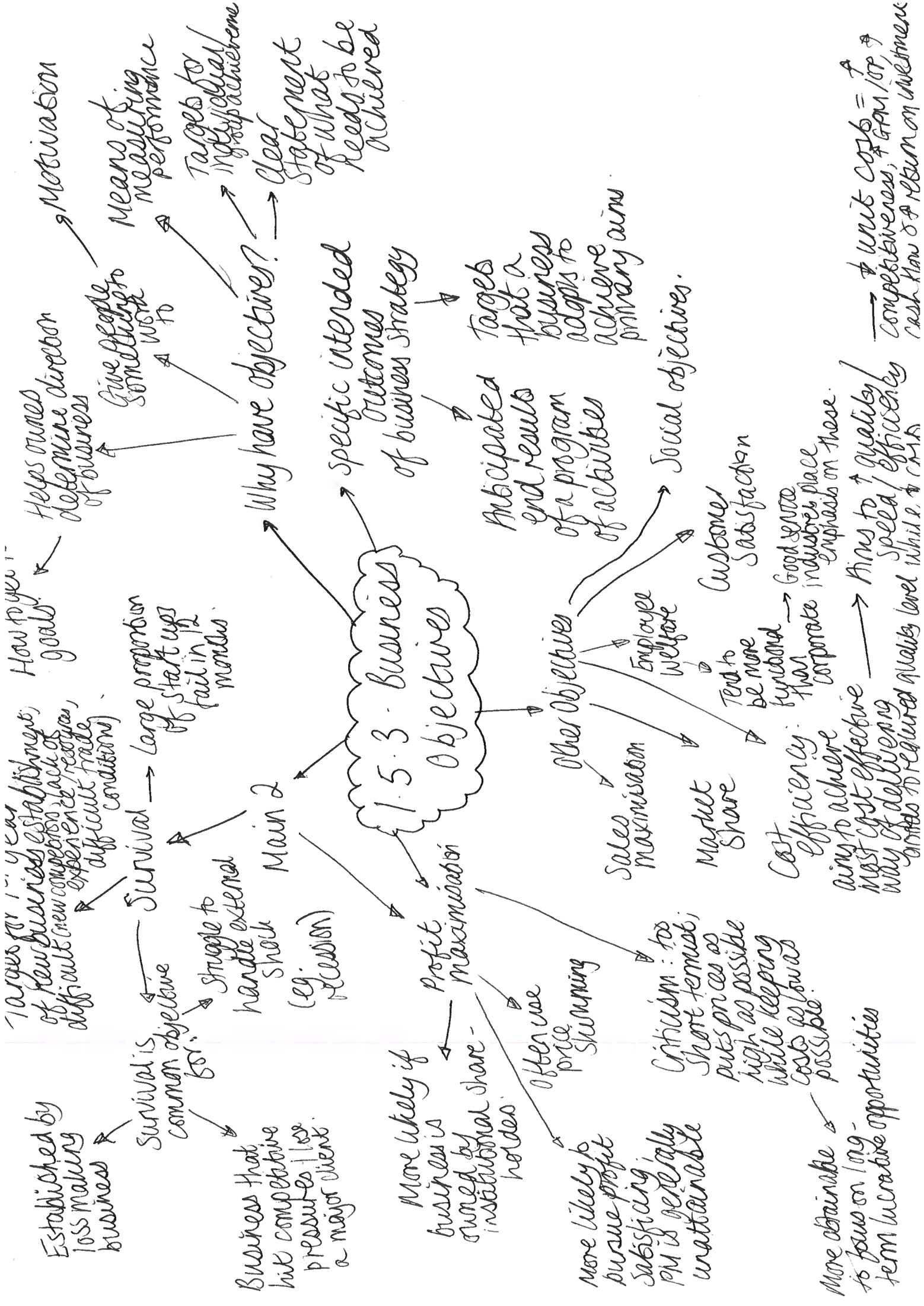
Commitment

Judgement

Self starter

Self determination

Self confidence



1.5.4-Business forms

