











Enterprise and Marketing

LO1 How to target a market	Importance of customer segmentation	Types of market segmentation	Benefits of market segmentation
	<p>Market segmentation is the process of dividing a market of potential customers into groups, or segments, based on different characteristics</p> <p>The need to segment the market</p> <ul style="list-style-type: none"> Customers require different benefits from a product Different customers have different budgets Different incomes Expect different quality of goods Want to buy larger amounts Want to be able to purchase online or in store 	<p>Demographic – segmentation according to age, race, religion, gender, family size, ethnicity, income and education.</p> <p>Behavioural – based on differences in consumer's lifestyle, patterns of buying, using, spending.</p> <p>Psychographic – based on personality traits, values, attitudes, interests and lifestyles.</p> <p>Geographic – based on geography i.e. area, city, country, region etc.</p> 	<ul style="list-style-type: none"> Ensuring customer needs are matched and met Increased profit Increased customer retention Targeted marketing Increase in market share 
	Market research	Primary & Secondary	Feedback techniques
<p>Market research is the gathering of data and information about the market a business operates in</p> <p>Purpose of market research</p> <ul style="list-style-type: none"> Aid decision making (like price, colour) Reduce risk Understand the market (competitors) Promote the organisation Gain customers' views and needs Inform product development  <p>See R065</p> <p>REMEMBER: </p> <p>you need to know the benefits and drawbacks of each of the market research methods for higher marks</p>	<p>Primary research – this is research conducted by the business – Research can be tailored to your specific product so more relevant, Results are more likely to be up-to-date, Results not available to competitors, helps make less risky decisions</p> <ul style="list-style-type: none"> Questionnaire Survey Consumer trial Observations Focus groups <p>Secondary research – this is research that has been conducted by someone else - Cost of accessing information usually low. Relatively quick to obtain</p> <p>Internal data</p> <ul style="list-style-type: none"> Books/newspapers trade magazines Competitors' data Government publications and statistics Mintel reports 	<ul style="list-style-type: none"> Customer comment card Social media reviews and comments Online surveys Comments made to staff Telephone or email surveys Email contact forms  	



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LO2 What makes a product or service financially viable

Fixed costs

Cost of producing the product or service, i.e. **Fixed costs** i.e. costs that do not vary with output e.g. Rent rates, insurance, salary

Revenue

Revenue generated by sales of the product or service - calculate

Total revenue = Selling price x Number of sales

See R065

Variable costs

Cost of producing the product or service, i.e. **Variable costs** i.e. costs that do vary with output e.g. materials, stock, gas electricity, wages

Breakeven

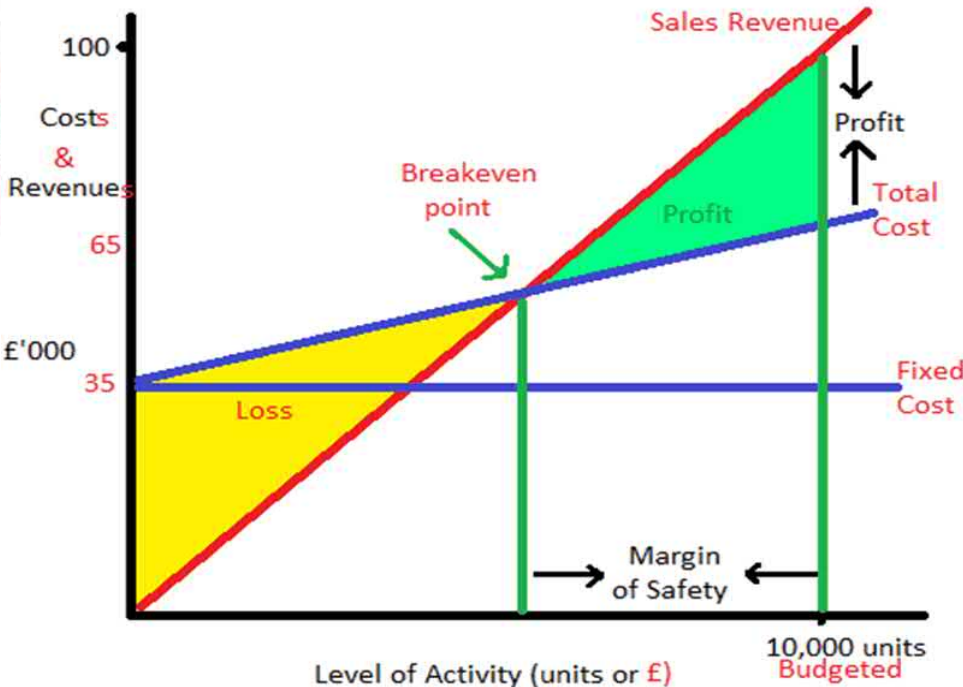
Use of break-even - the level of output where **Total revenue = Total costs**

Break-even formula –

Fixed costs / Selling price per unit – Variable cost per unit

Break-even graphs - interpretation

BREAKEVEN POINT CHART



Total costs

fixed costs + variable costs

Profit per unit

How profit per unit is calculated - i.e. **Revenue (selling price) per unit - Total costs per unit = profit**

$$\text{PROFIT} = \text{REVENUE} - \text{COST}$$

↑ TO INCREASE THIS... ↑ ... INCREASE THIS... ↑ ...OR DECREASE THIS

$$\text{Total Cost} = \text{total fixed cost} + \text{total variable cost}$$



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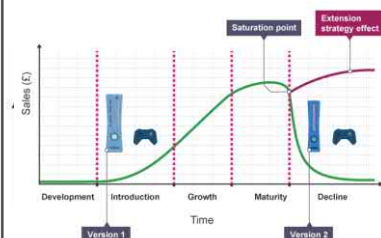
LO3 Understand product development

Product Lifecycle

The product lifecycle is the period of time in the life of a product - from its initial launch until it is eventually taken off the market.

There are 5 stages in the product lifecycle:

- Development
- Introduction
- Growth
- Maturity
- Decline



Extension strategies

Before a product reaches the decline stage, the business will try it's best to extend the life of the product by adding extension strategies such as:

Advertising – help attract new customers, remind existing customers, encourage repeat purchases

Price changes – usually the price is reduced to encourage customers to buy again

Adding value – examples are providing sugar free versions of foods, provide a 1-year warranty

Exploring new markets – sometimes a business will need to find a brand new market for its products

New packaging – provide a fresh new look to encourage existing and new customers to buy again

Product differentiation

Product differentiation is a way of making a product stand out, and be different from competing products.

Methods:-

Branding – this is the visual identity of the product and this is usually a combination of a name, logo or symbol, strapline and a distinct feature. The idea is that it will make it easier to influence customers.

Design mix model – this is what to consider when designing a product:

Function – does the product work? Is it reliable? Does it have more than 1 function?

Aesthetics – how does the product look/feel/smell?

Economics – can the product be made quickly and cost-effectively?

Unique Selling Point (USP) – John Lewis offer life time warranty on their products

Improving a product – features, functions, location, design, selling price, appearance

External factors

On occasions there are some things that a business cannot control that is going on in the world around them/outside of the business.

These external factors are:

Technological developments, economics issues and legal issues.

Technology in production

By using machines and robotics production can be automated

New technology has changed the way what consumers expect from a product (TV's are expected to connect to Wi-Fi and browse online), How we pay (PayPal, mobile payments, contactless debit cards) and how we buy products (online access)

Legal Issues

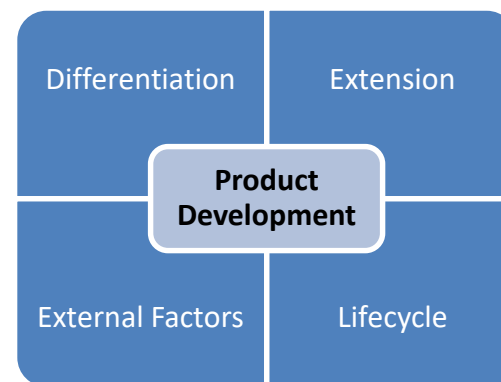
There are two main areas of law that affect businesses:

Consumer Protection – Consumer Rights Act 2015 and Consumer Protection Act 1987

Intellectual Property – Copyright, Designs and Patents Act 1988. Data Protection

External factors cont....




Economic Issues e.g. recession, boom and their effects)



Product Development
DEEL



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<p>LO4 Understand how to attract and retain customers</p>	<p>Factors to consider when setting price</p> <p>Business need to think carefully about the price they will charge as this will depend on:</p> <ul style="list-style-type: none"> Income levels of customers – how much they earn Price of competitor goods Cost of production Local factors (unemployment) 	<p>Pricing strategies</p> <p>Competitive Pricing Takes into account the prices charged by competitors in the same industry</p> <p>Psychological Pricing Designed to cause an emotional reaction by consumers. Often a business decides to set the price at just below a rounded number in order to make it feel more attractive to consumers. For example, charging £299 instead of £300.</p> <p>Price Skimming Where a business decides to set a high price in order to maximise profits. The strategy is often used when a new, innovative product is launched.</p> <p>Price Penetration Where a business decides to set a low price initially in order to maximise the number of customers and then increases it over time. The strategy is often used to attract customers away from their normal brand.</p>	<p>Customer Service</p> <p>Customer service refers to any help, advice and support provided by a business to consumers. It is the experience the customer has when purchasing the product.</p> <p>Business should ensure that customer service staff know about:</p> <ul style="list-style-type: none"> The product Customer engagement After sales service 
	<p>Sales Promotion Techniques</p> <ul style="list-style-type: none"> Discounts Competitions Buy One Get One Free (BOGOF) Point of sale advertising Free gifts/product trials Loyalty schemes <p>The advantages and disadvantages of each of the promotional methods and recommend the most appropriate method for a start-up business in a specific situation</p>	<p>Type of advertising methods</p> <ul style="list-style-type: none"> Leaflets Social Media Websites Newspapers Magazines Radio <p>The advantages and disadvantages of each of the advertising methods and recommend the most appropriate advertising method for a start-up business in a specific situation.</p>	



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LOS:

Understand factors for consideration when starting up a business

Appropriate forms of ownership for business

- Sole trader (1 owner)
- Partnership (2-20 owners)
- Limited Liability partnerships
- Franchise

Features of each form of ownership

- Owners
- Basic legal requirements to start the business (e.g. business registration, HMRC)
- Liability - limited, unlimited
- Responsibility for decision making
- Distribution of profit to the owners

To include the advantages and disadvantages of each form of ownership

Limited Liability Partnership



Sources of capital/finance for business start ups

- Own savings
- Friends and family
- Loans
- Crowd funding
- Small Business Grants
- Business Angels (investors like Dragons Den)

Know the reasons why additional finance may be required during the first few years of operating a typical new business.

Know the definition and key features of each source of capital/finance.

Know the advantages and disadvantages of each source of capital/finance, and their appropriateness to a specific business and/or situation.



Business Plans

The importance of a business plan (Why a business plan is needed)

- to clarify a business idea to others (e.g. to secure funding)
- -to measure progress towards goals (e.g. timescales, sales forecasts)
- to help manage cash flow
- to help identify potential problems (e.g. financial shortages)

What the business plan should detail

- business objectives
- business strategies
- sales plan
- marketing plan
- financial forecasts

To include who may wish to see a business plan and for what purpose



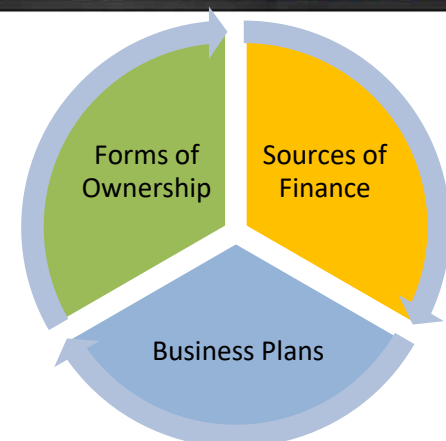
Wider materials and links

Pocket guide

Revision mind maps


Exam builders

Past Papers and mark schemes





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<p>LO6: Understand different functional activities needed to support a business start-up</p>	<p>Functional areas</p> <p>Human Resources (HR) Marketing Operations Finance</p> 	<p>Purpose of each functional activities</p> <p>Human Resources Responsible for all aspects of managing individuals who work within a business</p> <p>Marketing Responsible for identifying the needs and wants of business customers and developing products/services to meet those needs</p> <p>Operations Organising the process that turns inputs into outputs/finished goods that can be sold to customers</p> <p>Finance Managing the financial resources in a small business and reporting on financial performance.</p>	<p>Main activities of each functional area</p> <p>Human Resources Recruitment and selection, training and development and performance management of employees, responsibility of health and safety in the workplace, ensuring compliance with employment legislation.</p> <p>Marketing Market research – to research the market and find out customer opinions, developing a marketing mix (4 P's): Product. Price, Plan, Promotion</p> <p>Operations production planning, producing the product or service, quality control, stock control, logistics (organising what goes where),.</p> <p>Finance Organisation and allocation of financial resources, financial performance reporting, monitoring of cash flow.</p>
	<p><u>Wider materials and links</u></p> <p>Pocket guide Revision mind maps Exam builders Past Papers and mark schemes</p>	