Enterprise and Marketing

LO1 How to target a market

Importance of customer segmentation

Market segmentation is the process of dividing a market of potential customers into groups, or segments, based on different characteristics

The need to segment the market

- 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

Types of market segmentation

Demographic – segmentation according to age, race, religion, gender, family size, ethnicity, income and education.

Behavioural – based on differences in consumer's lifestyle, patterns of buying, using, spending.

Psychographic – based on personality traits, values, attitudes, interests and lifestyles.

Geographic – based on geography i.e. area, city, country, region etc.

Benefits of market segmentation

- Ensuring customer needs are matched and met
- Increased profit
- Increased customer retention
- Targeted marketing
- Increase in market share

Market research

Market research is the gathering of data and information about the market a business operates in

Purpose of market research

- Aid decision making (like price, colour)
- Reduce risk
- Understand the market (competitors)
- Promote the organisation
- Gain customers' views and needs
- Inform product development

See R065

REMEMBER:

you need to know the benefits and drawbacks of each of the market research methods for higher marks

Primary & Secondary

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

- Questionnaire
- Survey
- Consumer trial
- Observations
- Focus groups

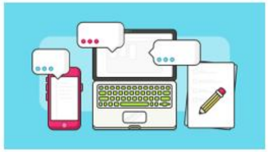
Secondary research – this is research that has been conducted by someone else - Cost of accessing information usually low. Relatively quick to obtain

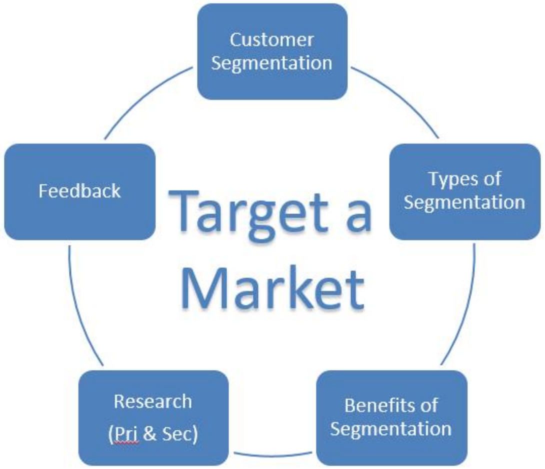
Internal data

- Books/newspapers
- trade magazines
- Competitors' data
- Government publications and statistics
- Mintel reports

Feedback techniques

- Customer comment card
- Social media reviews and comments
- Online surveys
- Comments made to staff
- Telephone or email surveys
- Email contact forms





Enterprise and Marketing

LO2 What makes a product or service financially viable	Fixed costs	Variable costs	Total 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	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	**fixed costs + variable costs**
	Revenue Revenue generated by sales of the product or service - calculate **Total revenue = Selling price x Number of sales** See R065	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	Profit per unit How profit per unit is calculated - i.e. **Revenue (selling price) per unit - Total costs per unit = profit**