

# 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

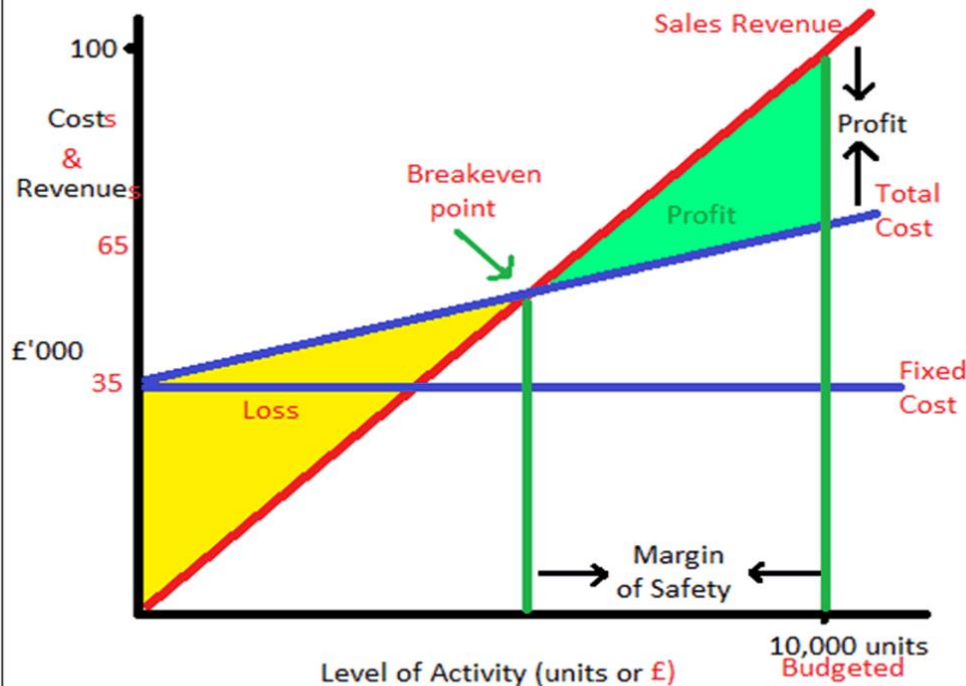




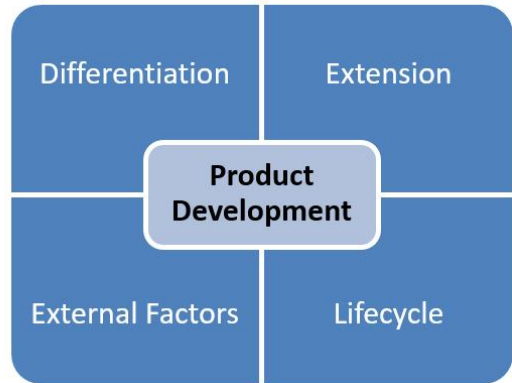


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<p><b>LO2 What makes a product or service financially viable</b></p>	<p><b>Fixed costs</b></p> <p>Cost of producing the product or service, i.e. <b>Fixed costs i.e. costs that do not vary with output</b> e.g. Rent rates, insurance, salary</p>	<p><b>Variable costs</b></p> <p>Cost of producing the product or service, i.e. <b>Variable costs i.e. costs that do vary with output</b> e.g. materials, stock, gas electricity, wages</p>	<p><b>Total costs</b></p> <p><b>fixed costs + variable costs</b></p>
	<p><b>Revenue</b></p> <p>Revenue generated by sales of the product or service - calculate</p> <p><b>Total revenue = Selling price x Number of sales</b></p> <p>See R065</p>	<p><b>Breakeven</b></p> <p>Use of break-even - the level of output where <b>Total revenue = Total costs</b></p> <p>Break-even formula – <b>Fixed costs / Selling price per unit – Variable cost per unit</b></p> <p>Break-even graphs - interpretation</p>	<p><b>Profit per unit</b></p> <p>How profit per unit is calculated - i.e. <b>Revenue (selling price) per unit - Total costs per unit = profit</b></p> <div data-bbox="1186 511 1831 696"> <p><b>PROFIT = REVENUE - COST</b></p> <p>↑                      ↑                      ↑</p> <p>TO INCREASE THIS...    ... INCREASE THIS...    ...OR DECREASE THIS</p> </div> <div data-bbox="1244 748 1773 1016"> <p><b>Total Cost =</b> total fixed cost + total variable cost</p> </div>




**BREAKEVEN POINT CHART**



LO3 Understand product development	<p><b>Product Lifecycle</b></p> <p>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.</p> <p>There are 5 stages in the product lifecycle:</p> <ul style="list-style-type: none"><li>• Development</li><li>• Introduction</li><li>• Growth</li><li>• Maturity</li><li>• Decline</li></ul> <p><b>PRODUCT LIFE CYCLE</b></p> 	<p><b>Extension strategies</b></p> <p>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:</p> <p><b>Advertising</b> – help attract new customers, remind existing customers, encourage repeat purchases</p> <p><b>Price changes</b> – usually the price is reduced to encourage customers to buy again</p> <p><b>Adding value</b> – examples are providing sugar free versions of foods, provide a 1-year warranty</p> <p><b>Exploring new markets</b> – sometimes a business will need to find a brand new market for its products</p> <p><b>New packaging</b> – provide a fresh new look to encourage existing and new customers to buy again</p>	<p><b>Product differentiation</b></p> <p>Product differentiation is a way of making a product stand out, and be different from competing products.</p> <p>Methods:-</p> <p><b>Branding</b> – 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.</p> <p><b>Design mix model</b> – this is what to consider when designing a product:</p> <p><b>Function</b> –does the product work? Is it reliable? Does it have more than 1 function?</p> <p><b>Aesthetics</b> – how does the product look/feel/smell?</p> <p><b>Economics</b> – can the product be made quickly and cost-effectively?</p> <p><b>Unique Selling Point (USP)</b> – John Lewis offer life time warranty on their products</p> <p><b>Improving a product</b> – features, functions, location, design, selling price, appearance</p>
	<p><b>External factors</b></p> <p>On occasions there are some things that a business cannot control that is going on in the world around them/outside of the business.</p> <p>These external factors are:</p> <p><b>Technological developments, economics issues and legal issues.</b></p> <p><b>Technology in production</b></p> <p>By using machines and robotics production can be automated</p> <p>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)</p> <p><b>Legal Issues</b></p> <p>There are two main areas of law that affect businesses:</p> <p><b>Consumer Protection</b> – Consumer Rights Act 2015 and Consumer Protection Act 1987</p> <p><b>Intellectual Property</b> – Copyright, Designs and Patents Act 1988. Data Protection</p>	<p><b>External factors cont....</b></p> <p>Economic Issues e.g. recession, boom and their effects)</p> 	 <p><b>Product Development DEEL</b></p>



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<p><b>LO4</b> Understand how to attract and retain customers</p>	<p><b>Factors to consider when setting price</b></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"> <li>Income levels of customers – how much they earn</li> <li>Price of competitor goods</li> <li>Cost of production</li> <li>Local factors (unemployment)</li> </ul> 	<p><b>Pricing strategies</b></p> <p><b>Competitive Pricing</b> Takes into account the prices charged by competitors in the same industry</p> <p><b>Psychological Pricing</b> 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><b>Price Skimming</b> 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><b>Price Penetration</b> 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><b>Customer Service</b></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"> <li>The product</li> <li>Customer engagement</li> <li>After sales service</li> </ul> 
	<p><b>Sales Promotion Techniques</b></p> <ul style="list-style-type: none"> <li>Discounts</li> <li>Competitions</li> <li>Buy One Get One Free (BOGOF)</li> <li>Point of sale advertising</li> <li>Free gifts/product trials</li> <li>Loyalty schemes</li> </ul> <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><b>Type of advertising methods</b></p> <ul style="list-style-type: none"> <li>Leaflets</li> <li>Social Media</li> <li>Websites</li> <li>Newspapers</li> <li>Magazines</li> <li>Radio</li> </ul> <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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<p><b>LO5:</b> Understand factors for consideration when starting up a business</p>	<p><b>Appropriate forms of ownership for business</b></p> <ul style="list-style-type: none"> <li>• Sole trader (1 owner)</li> <li>• Partnership (2-20 owners)</li> <li>• Limited Liability partnerships</li> <li>• Franchise</li> </ul> <p><b>Features of each form of ownership</b></p> <ul style="list-style-type: none"> <li>• Owners</li> <li>• Basic legal requirements to start the business (e.g. business registration, HMRC)</li> <li>• Liability - limited, unlimited</li> <li>• Responsibility for decision making</li> <li>• Distribution of profit to the owners</li> </ul> <p><b>To include the advantages and disadvantages of each form of ownership</b></p> <p><b>Limited Liability Partnership</b></p> 	<p><b>Sources of capital/finance for business start ups</b></p> <ul style="list-style-type: none"> <li>• Own savings</li> <li>• Friends and family</li> <li>• Loans</li> <li>• Crowd funding</li> <li>• Small Business Grants</li> <li>• Business Angels (investors like Dragons Den)</li> </ul> <p>Know the reasons why additional finance may be required during the first few years of operating a typical new business.</p> <p>Know the definition and key features of each source of capital/finance.</p> <p>Know the advantages and disadvantages of each source of capital/finance, and their appropriateness to a specific business and/or situation.</p> 	<p><b>Business Plans</b></p> <p><b>The importance of a business plan</b> (Why a business plan is needed)</p> <ul style="list-style-type: none"> <li>• to clarify a business idea to others (e.g. to secure funding)</li> <li>• -to measure progress towards goals (e.g. timescales, sales forecasts)</li> <li>• to help manage cash flow</li> <li>• to help identify potential problems (e.g. financial shortages)</li> </ul> <p><b>What the business plan should detail</b></p> <ul style="list-style-type: none"> <li>• business objectives</li> <li>• business strategies</li> <li>• sales plan</li> <li>• marketing plan</li> <li>• financial forecasts</li> </ul> <p>To include who may wish to see a business plan and for what purpose</p> 
	<p><b><u>Wider materials and links</u></b></p> <p><b>Pocket guide</b></p> <p><b>Revision mind maps</b></p> <p><b>Exam builders</b></p> <p><b>Past Papers and mark schemes</b></p>		






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	<p>Need more help?</p> <p>Review the relevant sections of your book.</p> <p>Review and learn the Key Terms.</p> <p>Visit:</p> <p><a href="https://www.bbc.co.uk/news/business">https://www.bbc.co.uk/news/business</a></p> <p>Try Past Paper Questions</p>		

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<p><b>LO6:</b> Understand different functional activities needed to support a business start-up</p>	<p><b>Functional areas</b></p> <p>Human Resources (HR) Marketing Operations Finance</p> 	<p><b>Purpose of each functional activities</b></p> <p><b>Human Resources</b> Responsible for all aspects of managing individuals who work within a business</p> <p><b>Marketing</b> Responsible for identifying the needs and wants of business customers and developing products/services to meet those needs</p> <p><b>Operations</b> Organising the process that turns inputs into outputs/finished goods that can be sold to customers</p> <p><b>Finance</b> Managing the financial resources in a small business and reporting on financial performance.</p>	<p><b>Main activities of each functional area</b></p> <p><b>Human Resources</b> 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><b>Marketing</b> Market research – to research the market and find out customer opinions, developing a marketing mix (4 P's): Product. Price, Plan, Promotion</p> <p><b>Operations</b> production planning, producing the product or service, quality control, stock control, logistics (organising what goes where),.</p> <p><b>Finance</b> Organisation and allocation of financial resources, financial performance reporting, monitoring of cash flow.</p>
	<p>Need more help?</p> <p>Review the relevant sections of your book.</p> <p>Review and learn the Key Terms.</p> <p>Visit: <a href="https://www.bbc.co.uk/news/business">https://www.bbc.co.uk/news/business</a></p> <p>Try Past Paper Questions</p>	