

# REVISE BTEC TECH AWARD Enterprise

# REVISION GUIDE

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# Introduction

## Revising Component 3 of your BTEC Tech Award

This Revision Guide has been designed to support you in preparing for the externally assessed component of your course.

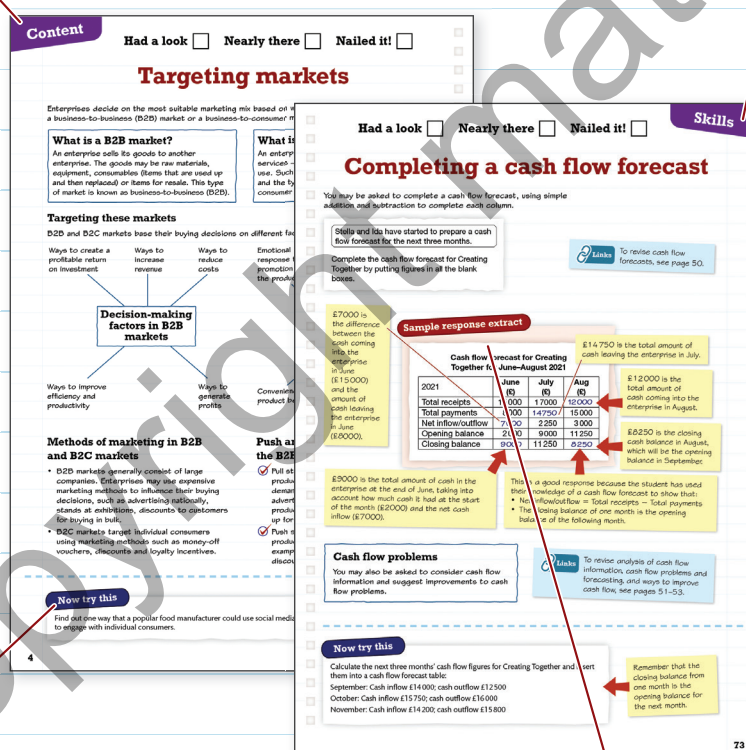
Component 3, Marketing and Finance for Enterprise, builds on the knowledge, understanding and skills developed in Components 1 and 2. The assessment requires you to be able to explain how organisations use digital systems and to understand the wider implications associated with their use.

## Your revision guide

**Content** pages help you revise the essential content you need to know for Component 3.

**Skills** pages help you prepare for your assessment.

Skills pages have a coloured edge and are shaded in the table of contents.



Use the **Now try this** activities on every page to help you test your knowledge and practise the relevant skills.

Look out for the **sample response extracts** to example assessment tasks on the skills pages. Post-its will explain their strengths and weaknesses.

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## A small bit of small print

Pearson publishes Sample Assessment Material and the Specification on its website. This is the official content and this book should be used in conjunction with it. The questions in Now try this have been written to help you test your knowledge and skills. Remember: the real assessment may not look like this.

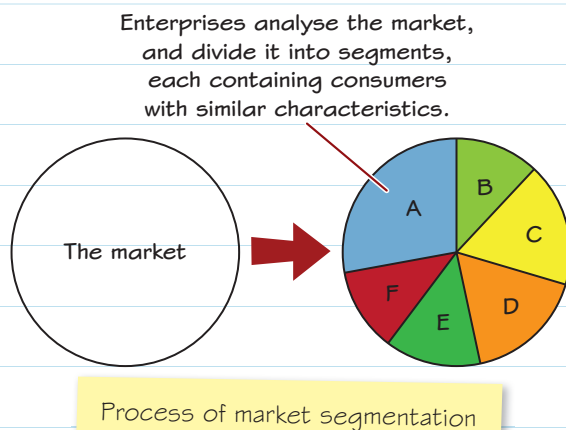
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# Targeting and segmenting the market

Markets can be sorted into different sections, known as segments. Each segment is made up of consumers with shared characteristics, needs and interests. Targeting is identifying which segment of the market an enterprise wants to sell its products and services to. Enterprises segment and target their markets for various reasons.

## Market segmentation

This is the process of breaking down a large market into much smaller groups of consumers.



## Why enterprises segment the market

- To better understand the characteristics, needs and interests of current and potential customers
- To develop products that suit the needs of different market segments
- To develop products for a particular market segment
- To choose marketing methods that are better suited to the target market.

## Target market

The target market is the segment of the market that an enterprise wants to sell its products to.

## Features of segmented markets

Markets can be segmented in different ways. Enterprises may target one or more segments. They may also target different categories within each segment.

**Demographic segmentation** covers various characteristics of consumers, such as age, gender, family size, ethnicity/ race, religious and cultural beliefs, income, education level, socio-economic group

**Geographic segmentation** is where consumers live

## Market segments

**Behavioural segmentation** includes consumer spending choices, how often customers buy products (usage rate) and the benefits consumers expect to get from them, and how loyal consumers are to brands and enterprises

**Psychographic segmentation** includes social class, attitudes, lifestyle, personality characteristics

## Now try this

Identify the different segments of the new car market that would influence the marketing of electric cars.

Electric motor cars currently tend to be more expensive than other types of motor vehicles and do not have a long mileage range.

# Demographic and geographic segments

Segmenting a market by demographics allows enterprises to focus their products and marketing methods on shared population characteristics. Geographic segmentation allows enterprises to focus on the needs of consumers in different areas.

## Demographics

### Age

People's tastes, interests and needs may change at different life stages. Markets are often segmented by different age ranges, such as 18–24-year-olds or over-50s. Holidays are an example of a product targeted at different age groups

### Gender

Men and women have different tastes, interests and needs. Toiletry products are often segmented by gender

### Income

People with higher incomes may have money to spend on luxury brands, such as designer clothing and jewellery

### Education level

People with a higher level of education may earn more and spend their extra income on a wide range of cultural interests

### Population characteristics

### Family size

Larger families usually buy products such as food and washing powder in bigger quantities. Family-size packs are marketed to this segment. Tour operators market group holidays for single people

### Ethnicity, religious and cultural beliefs

These may influence people's choice of food, clothing and cultural preferences. Some specialist food manufacturers target their products at specific communities

### Socio-economic group

People's social class is based on their income and type of occupation. Luxury cars are an example of a product that may be targeted at social class AB, which includes people in senior managerial positions

## Geographic segmentation

Where people live influences the products they buy. For example:

- People living in cold, hot or damp climates will need different types of clothing and transport.
- Regional tastes in cuisines mean different demands for food.
- Customs and cultural characteristics of a country or region affect people's choices.
- The general standard of living in an area will affect how much consumers have to spend.

## Marketing the product

Vialli's, a new local Italian restaurant and takeaway, has focused on demographic and geographic segments:

- ✓ Discounts are offered to over-60s on weekday lunchtimes, and family groups at weekends.
- ✓ On Tuesdays, customers buying a large takeaway pizza receive a second small pizza free.

## Now try this

Recommend a marketing method that could be used by Vialli's Italian restaurant and a way the restaurant could be marketed to attract younger customers.

Think about the costs and impact of the marketing methods.



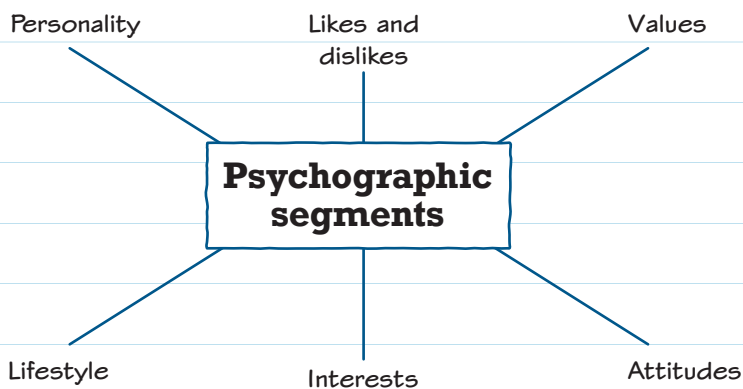
Had a look ☐Nearly there ☐Nailed it! ☐

# Psychographic and behavioural segments

Markets can be segmented according to consumers' attitudes, lifestyles and opinions. This is known as psychographic segmentation. Behavioural segmentation looks at how consumers relate to products through spending and consumption, usage, loyalty and desired benefits. Both segments impact on marketing methods used by enterprises.

## Psychographic segmentation

Consumers are segmented by:



## Using psychographic segmentation

- ✓ Cinemas may offer two-for-one deals, discounts and annual passes to attract regular movie-goers and encourage customer loyalty.
- ✓ Products made of sustainable resources, that can be recycled, and do not use animal products may be marketed to meet the needs of environmentally conscious consumers.

## Spending and consumption

When deciding what marketing methods to use, enterprises take into account how much money consumers have available to spend. Spending and consumption can be affected by how well the country's economy is doing. If the level of inflation or unemployment is high, marketing methods may focus on value for money, including price discounts and special offers.

## Usage rate

This measures how regularly customers buy products. Marketing methods may include:

- For low-value products, such as drinks, loyalty cards reward regular customers with a free product once they have bought a certain number.
- For high-value products, such as air travel, frequent flyer programmes may offer regular customers points that can be exchanged for free flights or free upgrades.

## Loyalty

To encourage customers to keep buying their products, enterprises may offer loyalty cards. These can be used to obtain information on a customer and to personalise promotions, such as special offers on specific products which are purchased regularly by the customer. Enterprises may also text or email regular and past customers with news of latest products, offers and discounts.

## Desired benefits

Products have features that provide benefits to customers or meet their needs. For example, car manufacturers may target their marketing depending on what customers require, such as electric cars for environmentally conscious drivers or small cars for driving in towns and cities.

## Now try this

Identify the psychographic characteristics associated with consumers who may be attracted to buying a new low-sugar, high-energy sports drink.

Consider aspects such as personality, values, interests and lifestyle.

## Targeting markets

Enterprises decide on the most suitable marketing mix based on whether they are targeting a business-to-business (B2B) market or a business-to-consumer market (B2C).

### What is a B2B market?

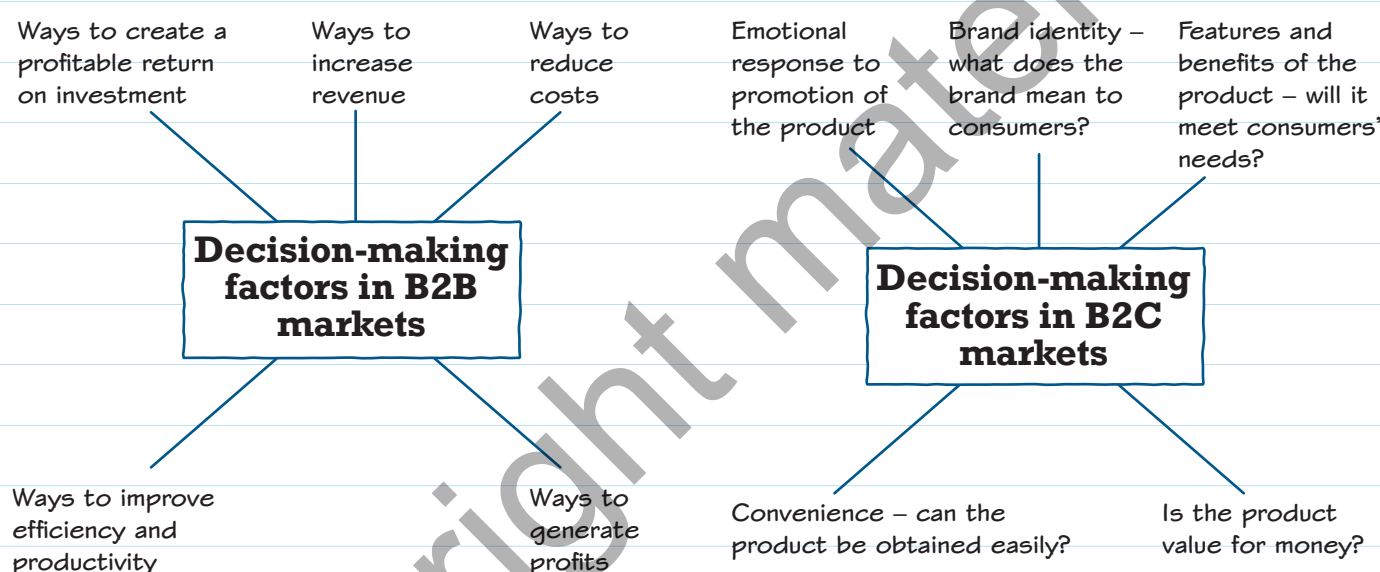
An enterprise sells its goods to another enterprise. The goods may be raw materials, equipment, consumables (items that are used up and then replaced) or items for resale. This type of market is known as business-to-business (B2B).

### What is a B2C market?

An enterprise sells its products – goods and services – directly to individuals for their own use. Such individuals are known as consumers, and the type of market is known as business-to-consumer (B2C).

### Targeting these markets

B2B and B2C markets base their buying decisions on different factors.



### Methods of marketing in B2B and B2C markets

- B2B markets generally consist of large companies. Enterprises may use expensive marketing methods to influence their buying decisions, such as advertising nationally, stands at exhibitions, discounts to customers for buying in bulk.
- B2C markets target individual consumers using marketing methods such as money-off vouchers, discounts and loyalty incentives.

### Push and pull strategies in the B2B market

- ✓ Pull strategy: enterprises market the product directly to consumers to create demand, for example through television advertising. The B2B market then buys the product as a consumer market has been built up for it.
- ✓ Push strategy: enterprises market the product directly to the B2B market, for example giving an incentive such as a discount for buying large quantities.

### Now try this

Find out one way that a popular food manufacturer could use social media to engage with individual consumers.

Use an internet search engine to complete your research.



Had a look ☐ Nearly there ☐ Nailed it! ☐

# The marketing mix: product and product portfolios

The purpose of most enterprises is to sell goods and services – their products. The marketing mix is all the factors an enterprise must consider in order to sell its products successfully to its target customers. We will consider the marketing mix over the next few pages (see pages 6–17).

## The 4 Ps

The marketing mix is often called the '4 Ps' because each factor starts with a 'P'. It is important that all aspects of the marketing mix complement each other and work well together. Just like following a recipe, the correct balance of ingredients is key to the meal being a success. The 'mix' must be appropriate for the enterprise and its products.

The 4 Ps are:

- 1 Product: product portfolio; product lifecycle; USP; branding
- 2 Price: pricing strategies
- 3 Place: digital and physical distribution of products
- 4 Promotion: promotional mix; 'above the line' and 'below the line' promotion.

## Product

The product includes the goods and the services that are being marketed. It includes all elements that are being sold to customers.

The product must meet the needs of the customer. Products targeted at business markets may need to be different from those targeted at consumers, for example, equipment sold to gyms will usually have additional features to those sold for home use.

The good or product is the smartphone.

The associated service is iTunes.

The brand image is Apple and its constant innovation.



The materials and packaging that come with the iPhone are sleek and appealing.

The product range includes many other Apple products such as MacBooks, AirPods, etc.

The iPhone as an example of the marketing mix

## Product portfolios

The product portfolio comprises all the products (goods and services) that an enterprise offers.

- Some enterprises concentrate on one type of product and offer a range of items, for example, Old El Paso offer a range of Mexican foods.
- Other enterprises produce a wide variety of products, for example, Dyson make vacuum cleaners, hairdryers, hand dryers, fans, heaters and lights.

## Matching marketing campaigns to aims

The enterprise has to consider many factors with its products to ensure they meet their aims:

- How many products to make.
- Which products to launch and when.
- When to withdraw a product.
- Which products are currently doing well or badly and forecast which will do well or badly in the future.
- How to increase sales.

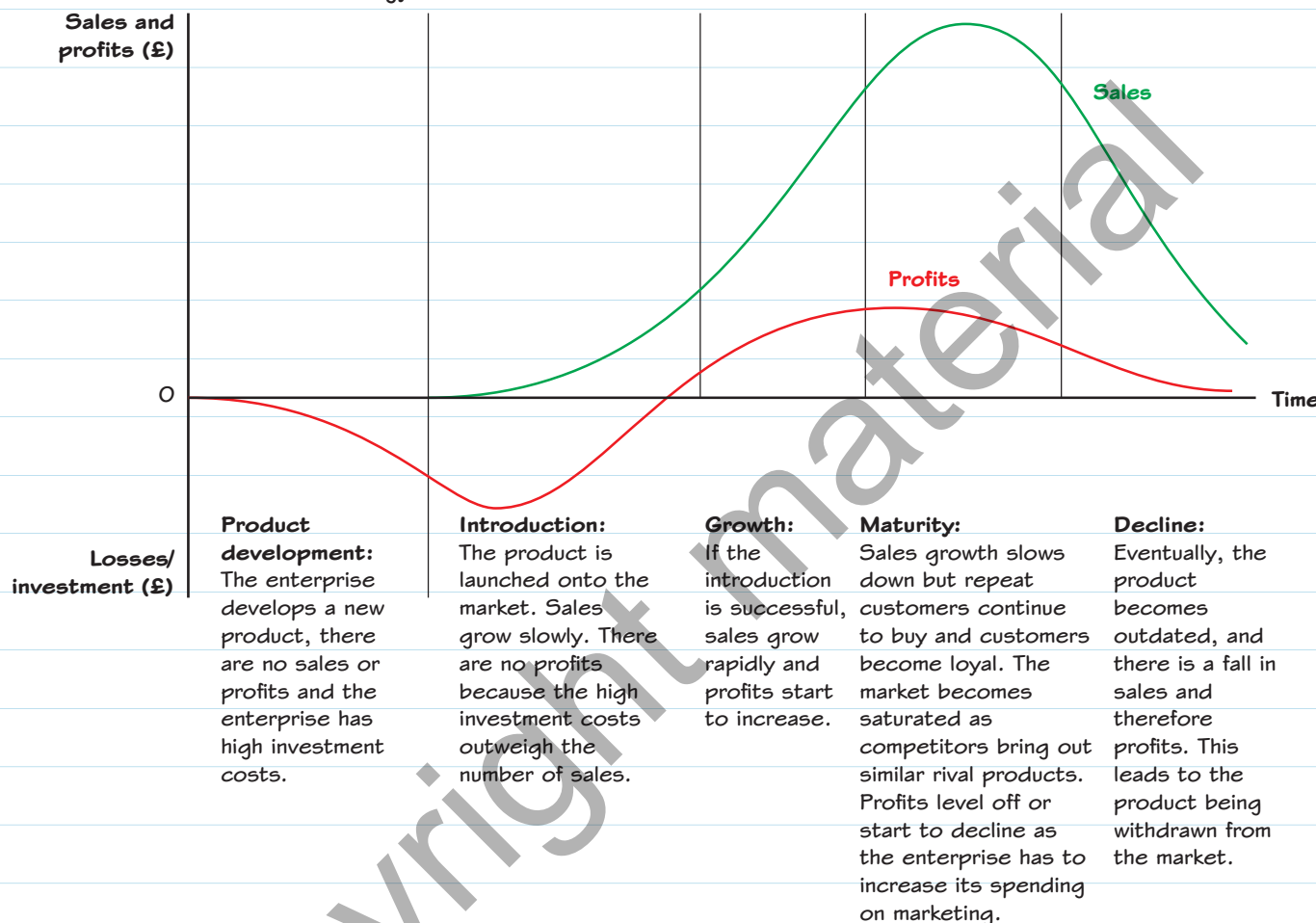
## Now try this

Can you think of one reason why the products in a portfolio should complement each other and fit with the image and focus of the enterprise?

How would you react if you saw a cake called Minty Fresh?

## Product: product life cycle

Every product has a life cycle, which means it will not last forever in the market (either not at all or in its current form). This can be long (a piece of furniture) or short (fashion trainers). Products at the end of their life cycle need rejuvenating or replacing. Enterprises need to know where each of their products is positioned within the life cycle. At the maturity stage, before products enter the decline stage, they may decide on an extension strategy.



### Extension strategies

Extension strategies are a way of increasing the shelf life of a product. They involve changing the product slightly so that it has a fresh appeal to the target market or it appeals to a new target market.



Mars and Snickers developed ice cream versions of their popular chocolate bars. This is an example of an extension strategy.

### Selling in new markets

Selling in new markets is another way of extending the life cycle of a product. This could mean selling in a different country or area or selling to a new segment of the same market.



A beauty salon could widen its market by offering male grooming products and services such as waxing, facials and tanning.

### Now try this

Identify the stage of the product life cycle where sales are high and profits are starting to increase.

Which stage sounds like it may mean that profits are starting to grow?

Had a look ☐Nearly there ☐Nailed it! ☐

# Product: USP and branding

An enterprise must decide what products to make and how to differentiate these products from others in the market.

## Unique selling point (USP)

This is the key aspect of the product that makes it different or special. It sets the product apart from its competitors.



A cake maker might offer specialised cake flavours, such as chilli, or cakes for specific diets, for example vegan, gluten free, egg free, etc.

## Why have a USP?

Enterprises face lots of competition. They need to differentiate their product to:

- avoid the risk of failing
- attract customers
- demonstrate the product meets the customers' needs
- stand out from the competitors.

## Brand personality

People see a brand as having certain characteristics. It may be daring and fun (outdoor wear), safe and reliable (a department store) or cool and stylish (a technology company).

## Branding

Branding is important because it makes an enterprise distinctive and memorable. This enables it to stand out from its competitors.

Branding includes the logo, the symbols, the colours and the images used.

All of these should be consistent and reflect the main activity of the enterprise, its values and its style.

## Brand image

The brand image is what gives the brand a visual appearance. For example, a healthy food brand may use green as its colour and a healthy figure in its image.



Some brands use green as their brand colour to give the impression of health.

## Benefits of branding

- 👍 Gives a unique image that customers may recognise.
- 👍 Customers are more willing to try new branded products.
- 👍 Customers usually trust brands, leading to repeat purchases.
- 👍 Can often charge more for branded products.
- 👍 Makes an enterprise stand out from its competitors, which may increase sales and market share.
- 👍 Helps an enterprise to expand its range and increase profits.

## Now try this

Fleur wants to set up her own female-only fitness bootcamp. She wants her brand image to be that of a non-threatening and fun environment. Suggest **two** ways she can do this.

Think about what a brand includes.

## Price: pricing strategies

A pricing strategy is the method used to determine what price to charge. There are five main strategies depending on the product, the level of competition and the demand for products and services. All these methods have their own advantages and disadvantages.

### 1 Penetration pricing

This is when enterprises ask a low price when the product is launched so more people become interested, for example, a new gardening enterprise may offer grass cutting at a low price to start with.

#### Advantages:

- 👍 gains interest
- 👍 boosts sales
- 👍 encourages customers
- 👍 increases brand loyalty.

#### Disadvantages:

- 👎 May mean low profit or selling at a loss.
- 👎 Sales may fall when the price increases.
- 👎 Customer may think the product is poor quality.

### 2 Skimming

This is when enterprises ask a high price when the product is launched, for example, high-tech products such as phones.

#### Advantages:

- 👍 Maximises profits which helps cover the development costs.
- 👍 Customers may think the product is high quality.

#### Disadvantages:

- 👎 Customers may wait until the price decreases or buy from competitors who may be cheaper.
- 👎 Sales may be low.

### 3 Competitive pricing

This is when enterprises use a similar price to their competitors. This is often done by supermarkets.

#### Advantages:

- 👍 Stops sales being lost to competitors.

#### Disadvantages:

- 👎 Does not allow for extras that customers may be willing to pay for.

### 4 Cost-plus pricing

This is when enterprises work out how much the product has cost to make and then add on a percentage of profit, for example, restaurants where there is a wide choice of meals on the menu.

#### Advantages:

- 👍 Easy to calculate.
- 👍 Costs are covered.

#### Disadvantages:

- 👎 If customers would be happy to pay more for the product then revenue would be lost.

### 5 Premium pricing

This is when enterprises ask a high price for a desirable or luxury product, for example, cars.

#### Advantages:

- 👍 Maximises profits, which helps to cover the development costs.
- 👍 Boosts brand image.

#### Disadvantages:

- 👎 Customers may wait until the price decreases.
- 👎 Customers may buy from competitors who may be cheaper.
- 👎 Sales may be low.

#### Now try this

Parkesh and Madhav are updating their kitchen. They see a discounted kitchen in a local DIY store. They decide to buy an expensive worktop from a different manufacturer to go in the kitchen. The kitchen fitter says it will take two weeks to fit and quotes them a fixed price for the job.

What are the **three** different pricing strategies that the DIY store, the worktop manufacturer and the kitchen fitter have used?

Give a reason for your choice of pricing strategy.



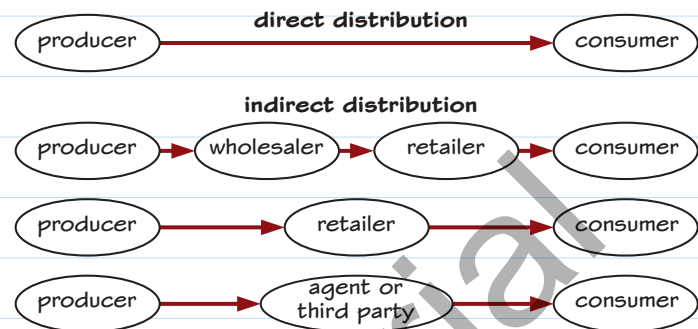
Had a look ☐ Nearly there ☐ Nailed it! ☐

# Place: distribution channels

Distribution is the aim of getting the product to the target customer in the right place at the right time. It can include both **physical** and **digital** distribution channels.

## What is a distribution channel?

A distribution channel is the method used to get the product or the marketing content from the producer to the consumer. The best channel for a product will depend on the type of product and the buying habits of the target customer.



Direct and indirect distribution channels

## Physical distribution channels

Physical distribution channels are the movement of goods from one place to another. There are different types of distribution channels.

**Indirect distribution** channels include:

- Wholesalers who buy mass-produced goods in bulk and sell them on in smaller quantities
- Producers who sell to large retailers/supermarkets
- Third parties including agents, concessions and TV shopping channels.

### Where to sell goods

Where goods are sold depends on the type of product being sold. Some products are more suited to direct distribution, for example fresh produce at farmer's markets, craft items at fayres, etc.

**Direct distribution** channels include:

- online sales
- factory shops
- farm shops.



Produce being sold at a farmers' market.

## Digital distribution channels

Digital distribution channels are when services and marketing content are delivered online. For example, a desktop programme for viewing PDFs is delivered directly from the content producer to the consumer at the time of purchase. This is a **direct distribution channel**.

### Marketing and distribution channels

Enterprises who operate online also need to ensure that their marketing is the right content and is being shared to the right platforms. For content to be effective, it has to be seen by the target customers. For example, a clothing manufacturer that makes clothes for teenagers would need to ensure their marketing content is appealing to teenagers but also shared on platforms such as YouTube and Instagram. Sharing the right content on an unpopular social media platform for the target audience would be pointless as the target customers wouldn't see it. The wrong content on the right platform would have the same effect, as the target customers may see it but not take any notice. That's why choosing the right distribution channels is one of the most important things you can do to make your content count.

## Now try this

Steph produces artwork by burning images into wood. She sells her artwork through her own website and other online platforms, such as Etsy. She decides to increase her sales by selling her art in a pop-up shop in her local town. Identify **three** advantages for Steph of using direct distribution channels.

Think about the costs Steph avoids using direct distribution channels.



## Promotion: The promotional mix

The purpose of most enterprises is to sell goods and services – their products. To attract customers, enterprises promote their products so that everyone who is likely to buy the products knows about them. The **promotional mix** is the different methods of communication that an enterprise uses to attract customers.

### What is promotion?

Promotion is any method of communication that tries to encourage current and potential customers to buy products. Examples include adverts on television and money-off coupons in magazines.

### The purpose of promotion

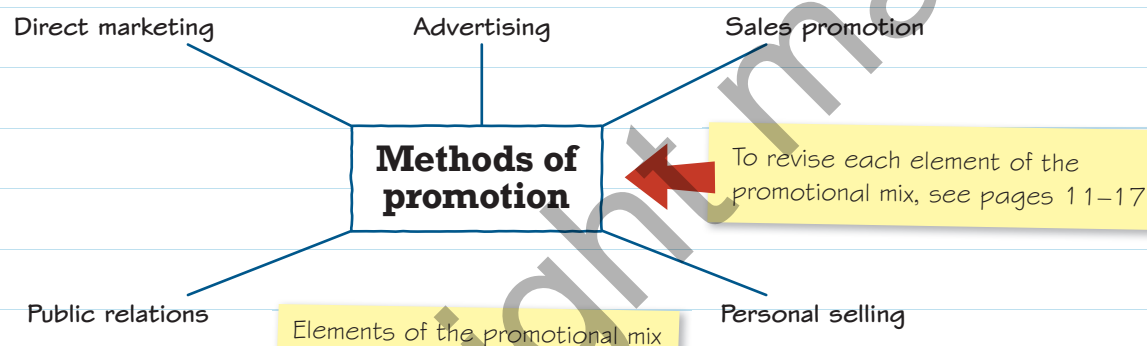
Promotion can be used to:

- create a positive image of the enterprise in the minds of current and potential customers
- encourage current and potential customers to buy products.

### The promotional mix

There are many different methods of promotion used to get current and potential customers to buy products. Enterprises will choose a combination of methods depending on their product and their suitability for **the size of the enterprise**. This is known as the promotional mix.

You need to know the features of each element of the promotional mix and how they can benefit an enterprise.



### Above the line promotion

Above the line promotion includes paid-for promotions such as:

- ✓ TV advertisements
- ✓ Radio advertisements
- ✓ Cinema advertisements
- ✓ Press advertisements
- ✓ Google Pay-Per-Click



**Below the line promotion** includes all other types of promotion, for example sales promotion, mailshots, email newsletters, press features, celebrity endorsements, telesales and personal selling.

### Now try this

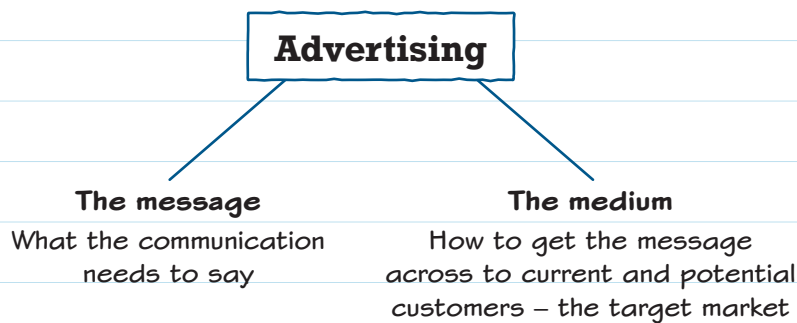
**Consider two** different products, such as trainers and headphones. Compare the methods of promotion used for each.

Choose products targeted at different groups of people.

Had a look ☐Nearly there ☐Nailed it! ☐

# Promotion: advertising message and medium

Advertising is an important element of the promotional mix. It is based on the **message** and the **medium**.



## Purpose of advertising

The two main purposes of advertising are to:

- inform
- persuade.

The purposes are linked – once potential customers know about a product or service, they may be more likely to buy it.

## The message

This is what an enterprise wants to tell current and potential customers about its product.

Key features of the message may include:

- Low price
- Good quality
- Healthy
- Lifestyle
- Fashionable
- Innovative
- Useful
- Tasty

## The medium

This is the means of advertising that the enterprise uses to reach current and potential customers.

In other words, it's how the enterprise chooses to get its message across. For example, a large enterprise may advertise its products on television while a small, local enterprise may put leaflets through letterboxes.



Depending upon the medium, the message can be conveyed through words, pictures, graphics, sounds and moving images.

## Advertising as a reminder

While the overall aim of advertising is to persuade someone to purchase, there can be occasions when advertising has a third purpose – to remind people to do something (for example, how to stay fit and healthy). Government advertising campaigns aimed at those people who drink and smoke seek to *inform* them of the risks of drinking and smoking and try to *persuade* them to reduce the amount of alcohol they drink and to give up smoking. However, sometimes it isn't easy to persuade people to change their habits even when they are informed of potential dangers.

## Now try this

What is the target market for the above advert, and what message is being conveyed?

Think about the characteristics of the product.

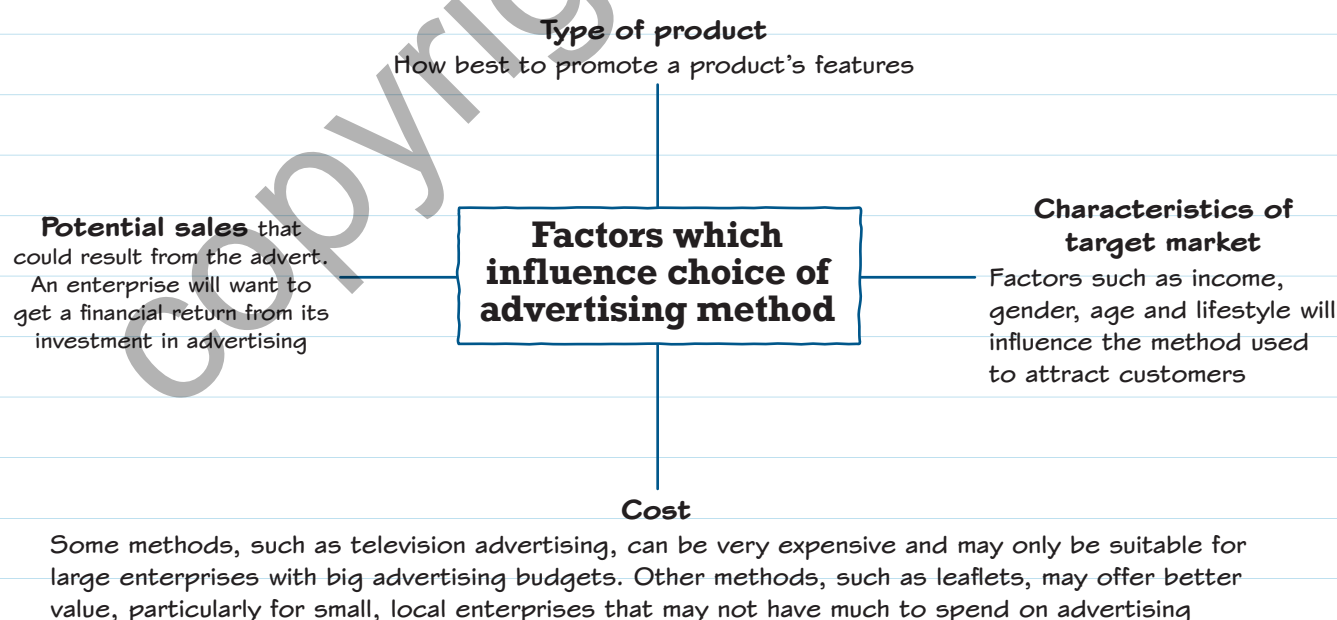
## Promotion: advertising methods

Enterprises select from a variety of methods to advertise their products. Their choice depends on a number of factors.

Method of advertising	Where advertising appears	Benefits
Moving image	Television Cinema Video sites Promotional DVDs	👍 Enables products with moving parts or a practical use to be seen in action and where/how they can be used
Print	Local and national newspapers Magazines Leaflets Billboards	👍 Likely to be seen by large numbers of people, either in a specific location (local newspaper, billboards and leaflets) or over a wide geographical area (national newspapers and magazines)
Ambient	Public places, such as bus stops, shopping centres	👍 Outdoor advertising aims to catch the attention of passers-by
Digital	Company websites Social media, such as Pinterest or Instagram	👍 Enables large and small businesses to connect with large numbers of people instantly
Audio	Local and national radio	👍 Allows businesses to speak directly to their target market

### Which advertising method?

Enterprises are influenced by different factors when choosing which advertising method is most suitable to promote their product.



### Now try this

A small enterprise is considering whether to use a radio advert to promote a product to 16–20-year-olds. What factors should it take into account?

Think about costs, characteristics of the target market and potential sales.

# Promotion: public relations

An enterprise's public image is an essential aspect of its success. A poor reputation may lead to reduced sales and a fall in profits. A positive image can maintain or even increase sales. Public relations (PR) and online public relations (OPR) involves building and maintaining an enterprise's reputation – its image – through the media and online.

## The purpose of public relations

PR and OPR may be used to promote products. Its purpose is to:

- encourage positive views of the enterprise among the general public and other organisations
- encourage positive publicity through the media
- protect or enhance the brand image.

Media space generated by PR and OPR activities is different from direct advertising.

## Brand image

A set of beliefs and opinions associated with a product, service or enterprise in the minds of consumers.

## Public relations methods

PR activities aim to get the enterprise positive publicity without paying for the time or media space directly.

### Press release

- A 150–200-word article produced by an enterprise and sent to news agencies highlighting something newsworthy or interesting about a new or existing product or service
- Covers the five Ws – who, what, when, where, why; may include a photo

### Sponsorship

- Enterprises pay to have their name and brand displayed at major events, such as a sporting venue
- Celebrities are sponsored (paid) to publicise an enterprise's goods and services – celebrity endorsements
- Enterprises associate themselves with a good cause, such as a charity

## Public relations activities

### Exhibitions

- Commercial events where many similar enterprises exhibit their products or explain the services they offer
- Newsworthy stories may be publicised by local and national news

### Online PR

- Uses the internet to communicate with customers
- Uses the internet to build relationships with customers
- Its purpose is to increase the viewing of desirable comments and news about an enterprise's products by its target customers and decrease the undesirable comments and news.

## Promotional stunts

Some enterprises use one-off publicity stunts to catch the attention of the media and general public. For example, when some customers were unable to buy Virgin Train's newly launched 26–30 Railcard due to a website crash, they were invited to bring an avocado when booking their tickets. By simply showing their avocado, they were able to claim the same discount offered by the card!

## Benefits and limitations of PR and OPR

- 👍 Free positive publicity from a neutral source such as a newspaper.
- 👍 Reaches a wide audience.
- 👍 Improve brand image and sales.
- 👎 Enterprise has no control over how journalists may write up the story – if story is 'negative', consumers may not want to be associated with the brand image.
- 👎 News story may not be picked up by media.
- 👎 Difficult to measure impact on reputation.

## Now try this

A small restaurant has been asked to support a local charity's fund-raising event including a raffle. Recommend **three** ways the restaurant could support the event to generate positive local publicity.

Consider both financial and non-financial support.



## Promotion: social media marketing

Social media marketing is the use of social media platforms to promote an enterprise's products (goods and services). This can be done using any type of social media that enables users to post and share information. The goal of social media marketing is to produce content that users will share with their social network to help a company increase brand exposure and broaden customer reach.

### Facebook

Enterprises can have a Facebook page and can encourage customers to subscribe to their newfeed and like and share information about the enterprise.

### Twitter

Having a Twitter feed enables enterprises to promote new products to its followers who may retweet it to others. The Twitter hashtag can be used to promote a product, event or new idea.

### Social media platforms

### YouTube

Posting videos to show how a product can be used, novel ideas of how to use the products and adverts for new products is done by many enterprises. Engaging new videos can go viral as users share and subscribe videos.




### Instagram

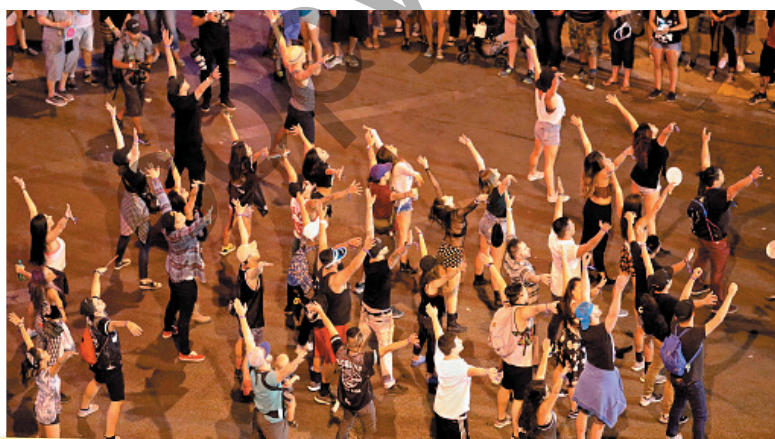
Enterprises can have an Instagram page and encourage customers to follow them and post comments.

### Guerrilla advertising

These are unconventional tactics used to promote a brand, product or idea. For example, a flash mob, a midnight walk, graffiti, street art or an unusual display. It should be original so people want to share it online.

### Limitations of social media marketing

-  Can be time-consuming, and therefore costly, to engage the public and get them to like and share posts.
-  It can be difficult to measure the financial success of social media marketing campaigns.
-  Any negative feedback posted about the brand or product could be visible to all followers, which could damage the brand reputation.



Guerrilla advertising can be used to promote brand awareness

### Multichannel marketing

Many enterprises use a range of different **traditional** marketing methods (e.g. sales promotions, direct marketing etc.) and **digital** marketing methods (e.g. social media marketing, internet adverts, search engine optimisation). This enables the enterprise to help connect with their target customers through all of their favourite channels and therefore increase brand awareness and customer engagement.

### Now try this

Describe **two** benefits of social media marketing.

Think about how enterprises can use social media to interact directly with customers.



Had a look ☐Nearly there ☐Nailed it! ☐

# Promotion: personal selling

Personal selling is where a representative of an enterprise contacts potential customers directly – either face to face, by telephone, email or video conferencing. Large enterprises may employ a specialist sales team. The advantages and disadvantages of each method of personal selling are outlined below.

## Face to face

- The salesperson is in direct personal contact with the customer.
- 👍 Able to watch customer's facial expressions/body language and adapt the sales message to suit customer's needs
- 👍 Can answer customer's questions instantly
- 👎 Requires a high level of interpersonal skills
- 👎 Can be time-consuming and therefore expensive.

## Email

- The salesperson communicates electronically with the customer.
- 👍 Can send customer web links and additional information and sales brochures in email attachments
- 👎 Impersonal
- 👎 May take longer than a face-to-face conversation
- 👎 No guarantee that initial email will be read by customer.

## Telephone

- The salesperson makes phone calls to the customer (usually from a call centre).
- 👍 Able to contact customers anywhere at a time that is convenient
- 👍 Can answer questions instantly
- 👎 Unable to respond to customer's body language or facial expressions
- 👎 Lots of customers may not answer the call making it a less efficient method.

## Video or web conferencing

- The salesperson communicates with the customer through a webcam.
- 👍 Able to watch customer's facial expressions/body language and respond instantly
- 👍 Can access customers around the world
- 👎 Customer can watch product being demonstrated but unable to try it out themselves
- 👎 Requires access to webcam facilities.

## Stages in the personal selling process

These stages can be an effective way of promoting products that have many features or are complicated as it allows the sales person to demonstrate the product and answer the customer's questions.



### Now try this

Identify the qualities required to be an effective salesperson.

Think about both personal qualities and technical knowledge a salesperson may require.

# Promotion: direct marketing

Direct marketing is when an enterprise communicates with a customer directly to try to sell them something, either by phone or written communication.

## The purpose of direct marketing

Direct marketing enables an enterprise to set up an individual relationship with the customer. Since the enterprise already knows its target market, it is able to tailor the message being sent to the customer to meet their needs. The enterprise must have the customer's postal address, telephone number or email address in order to contact them.

## Benefits and limitations of direct marketing

- 👍 Can build positive associations with a brand, leading to repeat sales.
- 👍 May introduce new customers to products.
- 👎 Uninvited phone calls may be unwelcome.
- 👎 Customers may ignore written communication.

## Methods of direct marketing

### Direct mail (junk mail):

leaflets, letters and brochures about new products. Suitable for a small enterprise such as a local restaurant or service

### Mail order catalogues:

include photos and descriptions of products and information on how to order. Used by enterprises selling a wide range of products, such as building materials, tools or clothing

### Magazines:

- enterprise's own magazine including features and news of its latest products
- specialist magazines targeting a specific market

Usually used by large established enterprises with a large customer base such as supermarkets or financial institutions

## Methods of direct marketing

### Telemarketing:

sales representatives make phone calls to inform customers of offers or new products (cold calling). Suitable for an enterprise selling home improvements such as double-glazing

### Email marketing and text messaging:

both may include links to the enterprise's website. Used by enterprises with a major online presence, such as specialist hotel booking companies, or whose customers have a track record of online shopping

## Now try this

Summertime Garden Centres operates a chain of garden centres in major towns and cities selling a wide range of plants, gardening equipment and garden furniture. It also offers a 24/7 online shopping service and a 'Gardeners Enquiry Service'. Recommend **three** methods of direct marketing it could use.

Consider the methods that will reach the largest number of customers.

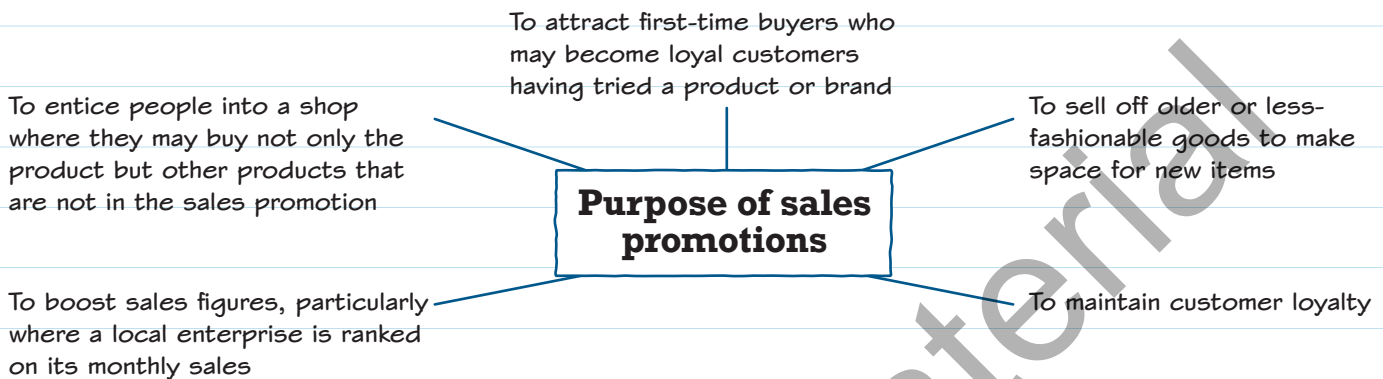
Had a look ☐ Nearly there ☐ Nailed it! ☐

# Promotion: sales promotion

All promotional activities aim to get products known in their target market. Sales promotion is specifically designed to boost sales. It involves offering an incentive to persuade current and potential customers to buy products.

## Purpose of sales promotion

Enterprises use sales promotion for different reasons.



## Methods of sales promotion

These are the main methods used by enterprises to promote their products to customers:

Method and features	Benefits/limitations
Coupons Money-off voucher	<p>👍 May encourage the customer to buy the product rather than a rival product</p> <p>👎 Impacts on profit if money-off price doesn't cover costs of product</p>
Free sample Often given with discount coupon (try before you buy)	<p>👍 Having tried the product, customers may decide to buy (possibility of repeat sales) – increases profit</p> <p>👎 Impacts on profit if too few sales generated</p>
Competitions Prize draws, for example for a free holiday, cash prize or free products	<p>👍 Allows the enterprise to build up marketing information as customers provide details to enter competitions; appeals to people's sense of thrill to build interest in the product</p> <p>👎 Impacts on profit</p>
Money off/discounts A percentage reduction on the original price	<p>👍 Encourages customers to buy more products</p> <p>👎 Impacts on profit if too few sales generated</p>
Loyalty incentive Loyal customers obtain points on purchases that can either be put towards other products or they get something for free	<p>👍 Establishes a long-term relationship with customers; customers may choose the enterprise's products over a rival's</p> <p>👎 Impacts on profit if too few sales generated</p>
Buy one get one free (BOGOF) A free product when a full-priced product is purchased	<p>👍 May encourage customers to buy additional products as they have saved money elsewhere</p> <p>👎 Impacts on profit if too few sales generated</p>

### Now try this

Lisa has started her own enterprise selling greeting cards online. Identify **three** factors she should take into account when deciding which sales promotion methods to use.

This is a new enterprise with limited resources.

# Factors influencing the choice of marketing methods

Enterprises will be influenced by several different factors when choosing the most suitable marketing methods.

## Appropriateness for product and its brand image

Some marketing methods only suit certain products. For example, discount vouchers and free samples are more suitable for lower-priced products, and buy one get one free (BOGOF) would be inappropriate for expensive products, like a car.

Having an inappropriate promotion or price for a luxury item may cause customers to switch to a different high-end brand. Therefore the promotion and the price need to match the brand image that the enterprise wants to portray.



A reduced-price strategy for a luxury handbag would give the impression that the exclusivity of the product has decreased, which might not appeal to customers.

## Examples

Further examples include:

- A small local internet café may distribute leaflets or rely on word of mouth.
- A medium-sized manufacturer may use a wide range of promotional methods (social media, trade shows, sponsorship, trade magazine adverts).
- A product with complicated features, such as double-glazing, may be sold by a sales team.
- A product with health benefits may be promoted by PR activities.

## What makes sales and marketing methods suitable?

To have a positive impact on sales, marketing methods must:

- Easily reach the target market by engaging them through a media that suits them.
- Make information quick and easy to access, for example a well-designed website.
- Encourage customers to buy by appealing to their wants and needs.
- Be based upon the habits of the target group, including what they read, their lifestyle and their use of social media.

## Cost to the enterprise

The size of the enterprise will have an impact on the amount of money available for its marketing budget. Generally, the larger the enterprise, the larger their budget. This means they are more able to employ specialist marketing and sales staff to plan and manage activities such as sales promotions and PR.

Smaller enterprises tend to have smaller budgets and therefore opt for lower-cost methods. They are unlikely to employ specialist staff, and promotions may only be run at certain times to keep costs down.

## Competitors' activities

The marketing methods an enterprise's competitors use may affect the choices made by an enterprise. The enterprise may choose to copy a successful marketing campaign in order to try and steal target customers. Alternatively, an enterprise may want to stand out from its competitors and use different types of marketing.

## Experience of the entrepreneur

To save costs, smaller enterprises may carry out some of the marketing activities themselves, such as managing social media pages, designing and printing their own leaflets etc. These choices may be limited to the skills of the owner/employees. Other methods may be beyond their reach due to their lack of experience.

## Now try this

Suggest **three** ways in which a small enterprise could reduce their spend on promotional leaflets.

The level of its sales revenue should not be affected.



Had a look ☐Nearly there ☐Nailed it! ☐

# Trust, reputation and loyalty

Brands and brand image are the impression of a product that is held by an enterprise's existing or potential customers. Branding is important because it makes the enterprise distinctive and memorable. This enables it to stand out from its competitors. Customers are more likely to purchase from and trust the brand, which leads to repeat purchases.

## Importance of brand image

Enterprises gain many benefits from having a positive brand image:

- **Quality:** It gives the perception of quality as brands can often charge higher prices.
- **Value:** Having a well-established brand image means that the enterprise can spend less on marketing because customers recognise their products quickly. Customers are also more likely to make repeat purchases and become loyal to the brand.
- **Variety:** It helps an enterprise to expand its range and variety of products under one recognisable brand, which can increase its profits.
- **Customer service:** Brands often have a reputation for having a good customer service offering. This increases customer loyalty and the likelihood of repeat purchase.



If a well-known clothes retailer were to start selling shoes under the same brand, it would be less risky as more customers are likely to buy the shoes because they recognise and trust the brand.

## Importance of reputation

The actions that an enterprise takes can affect how it is perceived by the public and its target customers. Actions that are perceived as positive can increase sales and loyalty.

- **Environmentally friendly and community aware:** Many enterprises are looking into how they can be environmentally friendly and support social projects and their local community. For example, reducing plastic in packaging, using renewable energy to cut their carbon footprint and raising funds or donations for food banks, etc. This gives a positive impression of the enterprise to the target customers so they are more likely to purchase from them.
- **Controversial or unethical strategies:** Using controversial or unethical marketing methods to gain customer attention can sometimes backfire and cause offence, which could affect customer loyalty. For example, advertising can be unethical by showing certain body images, stereotyping people or exaggerating the truth.
- **Good customer service:** Many brands are successful because they are known to have good customer service, easy to contact helpdesks, no quibble refunds, etc. Customers are willing to pay more for products when they know there is a good level of customer service that comes with the product. This relies on reputation.

## Now try this

Marco owns a small computer retailer and repair shop. He knows he charges slightly more for his goods compared to online and larger retailers. However, he offers a personalised service and has been operating for over 30 years.

Give one reason why Marco's customers may be willing to pay more for his products.

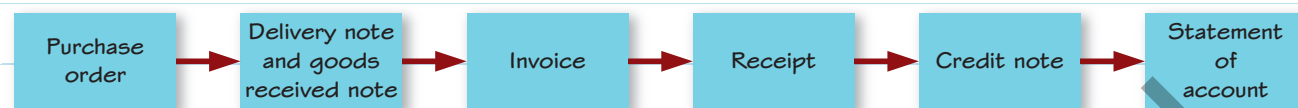
What is the importance of a retailer's reputation?



## Financial documents

Enterprises use a range of financial documents throughout the buying and selling process to record the sale and purchase of goods and services.

### Examples of common financial documents



#### Purchase order

- Completed by buyer (the customer)
- A legal offer to buy goods from supplier
- Lists items required, including price agreed and quantity
- Sent to supplier requesting products.

#### Goods received note

- Completed by the customer business to acknowledge that the products have been received
- Used to keep their own stock records updated.

#### Invoice and remittance advice slip

- Completed by supplier
- A request for payment – sent to customer, either on receipt of goods or shortly after
- Lists price of goods delivered, delivery charges and amount owed to supplier
- States date by which money must be paid
- Explains how to pay, for example by bank transfer.
- Remittance advice slips are sent by a customer to the supplier to acknowledge that they have paid an invoice.

#### Credit note

- Completed by supplier and sent to customer
- Lists any goods that may have been returned by the customer
- Confirms money refunded to customer or may be used against the purchase of other goods by customer in the future.

#### Delivery note and goods received note

- Completed by supplier
- Sent to customer when goods delivered
- Lists details about the order, including contents of delivery
- Lists any goods not supplied, with reason for non-delivery
- Used by customer to check that goods delivered match goods requested on purchase order.
- Goods received notes are completed by the customer business to acknowledge that the products have been delivered within the enterprise usually to be able to update their stock records.

#### Receipt

- Completed by supplier and sent to customer
- A record of payment made by the customer
- Rarely used when enterprises sell goods on credit (see statement of account).

#### Remittance advice

- Completed by the customer and sent to the supplier
- Acknowledges that they have paid an invoice.

#### Statement of account

- Completed by supplier and sent to customer
- A financial summary of the goods ordered, purchased or returned by the customer over a period of time, usually a month
- Some enterprises pay their invoices only after receiving the statement.

### Now try this

Explain the consequences for the supplier if a credit note was not completed accurately.

Think about the purpose of a credit note.