

## Chapter 16: The market and marketing

### What is marketing?

A **market** is where **buyers** and **sellers** come together and **exchange** their **products** for **money**. It can be in the streets, on the internet, in shops around the world, etc... Customers and sellers exchange both **goods** and **services** for money.

### Product-orientated and market-orientated businesses

A **product orientated** business focuses on the quality and price of the product before finding a **market** for it to sell in. These type of businesses usually produce **basic needs**. **New technology** could be developed this way, and customer **wants** are created by **advertising**.

Other big companies cannot afford to produce a product that will not sell, so they have to do **market research** first to find consumer wants **before** developing a product. They are called **market-orientated** businesses. They will need to set up a **marketing budget** for this, which is a **financial plan** for marketing of a product, which contains the amount of money the Marketing department may spend on marketing.

### What is marketing

**Marketing** is the **management process** which identifies consumer **wants**, predict **future** wants, **create** wants and find ways to **use** these wants to the fullest (most profitably). In other words, businesses try to **satisfy** wants in the most **profitable** way possible. Marketing covers a wide range of activities such as: advertising, packaging, promotion, etc...

### The Marketing department

Most businesses will have a **Marketing department**, which will have a **Marketing Director**. He will be in charge of things such as R&D, distribution and pricing. Here is

an organisational chart showing what departments the marketing director controls:

- **Sales department:** Responsible for sale and distribution of products for each **region**. There may also be an **export department**.
- **Research and Development department:** Responsible for finding out consumer wants and **developing new products**. They also need to find ways to **improve** an existing product.
- **Promotion department:** In charge of advertising and promotion. It will need a **marketing budget** which limits the amount of money it can spend.
- **Distribution department:** It transports products to their markets.

## The objectives of marketing

A successful Marketing department should be able to achieve these objectives for the business:

- To increase **sales revenue** and **profitability**.
- To increase **market share** (percentage of sales a product has in a market).
- To maintain or improve **image** of a product or company.
- To target a **new market** or **market segment**.
- To develop **new products** or **improve** existing ones.

## SWOT analysis

This is a method to evaluate the statistics of a product of business. It assess these things:

- **Strengths** (internal)
- **Weaknesses** (internal)
- **Opportunities** (external)
- **Threats** (external)

Strengths and weaknesses of a product are its **internal factors**, while opportunities and threats are **external factors**.

## Market segments

**Market segments** are parts of a market which contains people which have similar **preferences** for their products. The Marketing department should know which segment their product fits the most, so that they can advertise and sell their products to it.

There are two ways to **segment** markets. By the **type of product** or the attributes of the **customers** buying it. Here are two types of markets which are segmented based on the product:

- **Mass market:** Where there is a **large** number of sales of a product. (e.g. Pepsi can be bought anywhere)
- **Niche market:** A **small** market for **specialised** products. (e.g. Ferrari cars)

Here is how a market can be segmented regarding people buying the product:

- **Income**
- **Age**
- **Region**
- **Gender**
- **Use of product**
- **Lifestyle**

It is very important to **target** the right market segment since it can **increase sales** by a lot. If a business can analyse all of these market segments, they may find a market segment whose **needs** are **not** being **met**. This is when the business finds a **gap in the market**, and it could produce goods to take advantage of this gap and again increase sales.

## The marketing mix

The **marketing mix** is a term that describes how products are **marketed**. You must remember that before marketing can be achieved, **market research** is needed. The rest is summarized into the **four P's**. Let's look at them briefly first, since they will be covered in other chapters:

- **Product:** Design and quality, competitiveness, **packaging**, etc...

- **Price:** There are different pricing strategies. Businesses need to use them so that they increase sales.
- **Promotion:** Advertising and promotion. Discounts, TV adverts, sales, **packaging**, etc...
- **Place:** The location of the **point of sale** (the shop). **Channels of distribution.**  
Type of shop (wholesaler or retailer?)

A successful product require effective use of the four P's. However, businesses must be careful to not let each of these factors **counteract each other** (e.g. expensive but low quality goods), else the product will fail.