

MARKETING MIX

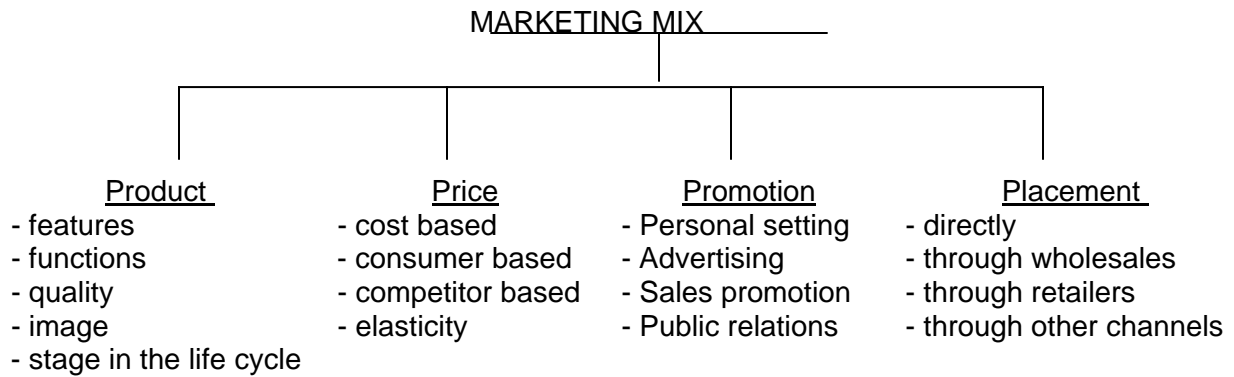
Definition

Marketing mix is a key part of any firm's marketing plan. It refers to those elements of a marketing strategy which are designed to meet the needs of the consumers. There are four main elements of the marketing mix that can be varied to meet consumer needs more effectively which can increase sales and profits. These elements are as follows:

1. Product
 2. Price
 3. Promotion
 4. Placement / Distribution
-) 4 Ps of marketing
- * Packaging

So to meet consumer needs businesses must produce the right product at the right price, make it available at the right place and then let consumers know about it through promotion.

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Not all the 4Ps in marketing mix have the same degree of significance in each case. It is vital that these elements should fit together into a coherent and integrated plan. A company should have a coordinated marketing mix. It means that every element of the mix should be in one direction to achieve the marketing and overall objectives of the firms.

Factors on which marketing mix depends

1. the types of product
2. the type of market
3. the degree of competition
4. the marketing mix of the competitors
5. the position of a business within the industry
6. the size of the business

PRODUCT

Definition

An object or a service that is mass produced or manufactured on a large scale with a specific volume of units. A typical example of a mass produced service is the hotel industry. A less obvious but ubiquitous mass produced service is a computer operating system. Typical examples of a mass produced objects are the motor car and the disposable razor. Products include consumer and industrial good and services.

Types of Products

1. Consumer product – for ultimate consumers, their family or household
2. Producer product – for manufacturing other products, reselling or running other factories

Brands

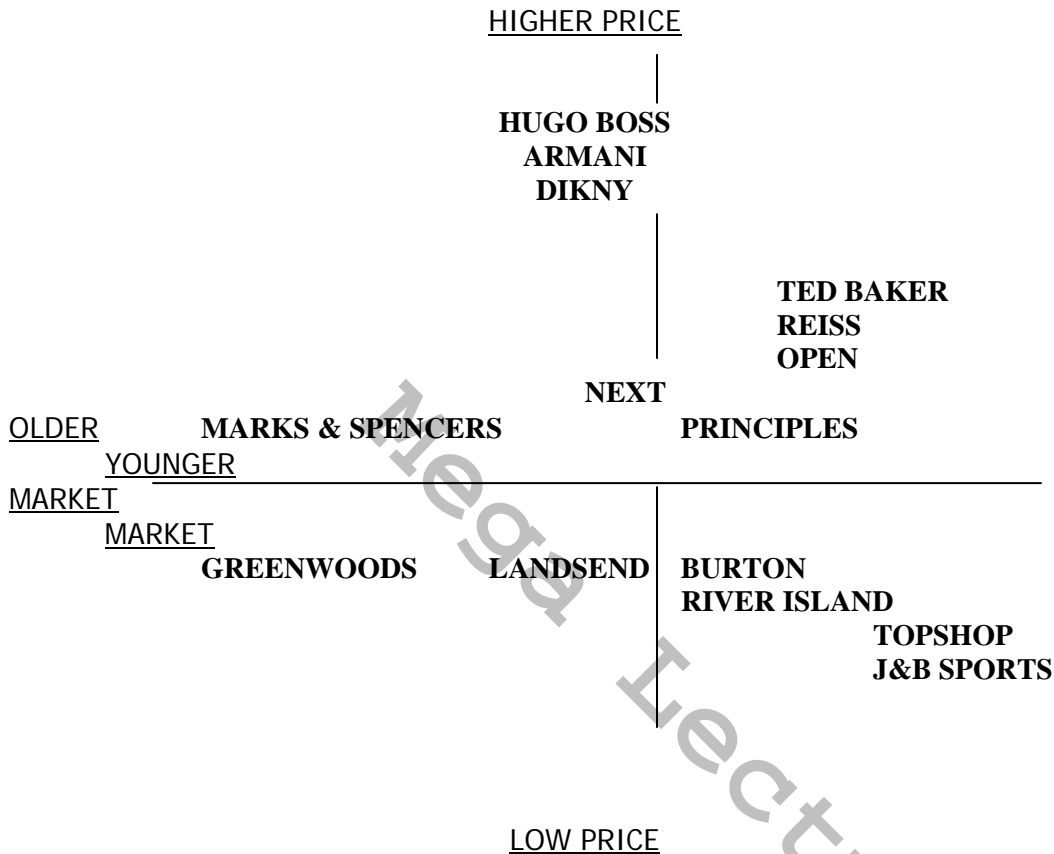
Brands were originally developed as labels of ownership: name, term, design, and symbol. However, today it is what they do for people that matters much more, how they reflect and engage them, how they define their aspiration and enable them to do more. Powerful brands can drive success in competitive and financial markets, and indeed become the organisation's most valuable assets.

Product Positioning

Product positioning is creating a certain image of a good or service in the consumers mind. That image can be related to health, premium quality, status or affordability. Positioning is done generally by using a technique called market mapping. (Fig 9.1 Peter Stimpsons pg. 163)

MARKET MAPPING

Perceptual or market maps show the position of products in a market based on the perceptions of customers rather than business. Information required for creation of such maps is found by market research.



A market map of men's clothes retailers.

- Perception maps show two attitudes of products that the business might want to compare.
- In this case this prices and nature or age of market.
- E.g. TOP SHOP is the retailer in perception of customers to have large number for younger customers and charge low prices.

The business can use this to decide where to position its own products.

Or a business might reposition itself to appeal older customers at lower prices.

PRODUCT – 1ST P OF MARKETING MIX

- Q. Write a note on the various stages of a product lifecycle a product passes through and the sales that can be expected at each stage.
- A. The usual stages are development, introduction, growth, maturity, saturation and decline.

DEVELOPMENT

- product is being designed – ideas are tested and investigated
- a prototype or model for most suitable idea might be produced
- decision for launching a product is made
- several new products don't go beyond this stage since management is reluctant to take risks associated with them
- no sales as all time is spent on developing the product

INTRODUCTION

- product is new on market i.e. just launched
- sales are low, risks are high and consumer awareness is the base
- many costs are incurred like a new production line, promotion and distribution
- at this stage, normally the products aren't profitable yet
- length of stage varies – technical products will take a long time while fashion products could be instant lists
- exception are there as Music Albums & Harry Potter series novels.

GROWTH

- the product is established and consumers are aware of it
- sales begin to increase (rapidly in case of a new product)
- the product becomes profitable and costs fall
- product is bought by early adopters
- firm attempts to build customer loyalty before the entry of competitors
- by end of the growth stage, sales rise may slowdown as competitors pressure increases

MATURITY / SATURATION

- only difference between both is that in
 - i. maturity sales grow but at a declining rate
 - ii. saturation sales level off
- product is bought by the majority
- for continuation of success, brand preference on consumer side is necessary
- packaging is very important
- stable market share which is maintained by firm's capturing sales of weaker rivals
- all people who may wish to purchase the product are purchasing it at a level unlikely to rise further

DECLINE

- sales and profits decline

- substitutes appear
- product becomes obsolete
- firms seek to cut losses and have two choices
 - i. elimination – discontinuation of product
 - ii. extension – attempt to extend the life cycle of product

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Q. With examples, explain why different products have different product life cycles.

A. Different products can have different life cycles depending on the nature of the product and the changes in the tasks of consumers.

Some products have a very short period of life between introduction and decline. They are called fads. Their growth slope is very steep indicating a sharp rate of increase in sales and their decline is as sudden too. Products like this could be fashion clothes or gadgets. Examples include the children's toy Micropets in 2003. Products showing severe loss in sales are usually withdrawn or replaced with other products in case they damage a company's image.

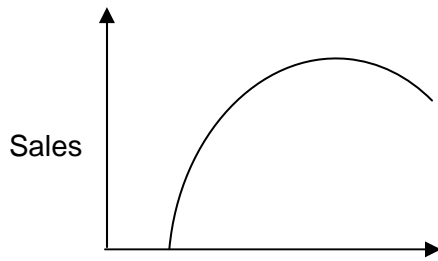
Some products may be successful when they are first launched, then they may show a trend in moving towards decline for a very short period before their sales start to increase again. So businesses should be careful when withdrawing products as they may become popular again e.g. skateboards were popular in the early 80's before decline set-in, however, they regained popularity in the mid 90s and early twenty first century.

Certain producers may all set a lifecycle of a decade for their products due to the high investment cost. E.g. car manufacturers may do this for their models so as to be able to cover-up their costs.

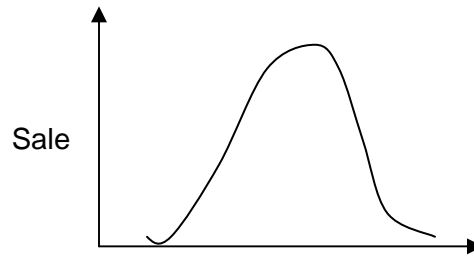
However, the product life cycles of electronics and specially the computer industry is getting shorter due to the continuous technological advancements. So this may render software obsolete within a short span of time. E.g. Microsoft launched its software Windows 95, and then replaced it by Windows 98, followed by Windows 2000, Windows XP and finally Windows Vista.

For still other products, the sales continue to increase constantly without a decline setting in ever since it has been launched. Examples include Coca Cola and Pepsi who have found more and more customers and haven't seen any such dangerous decline by continuously innovating packaging, undertaking research and bringing in new products and promotional schemes.

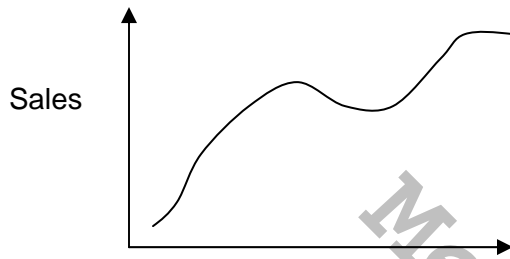
VARIETIES OF PRODUCT LIFECYCLE



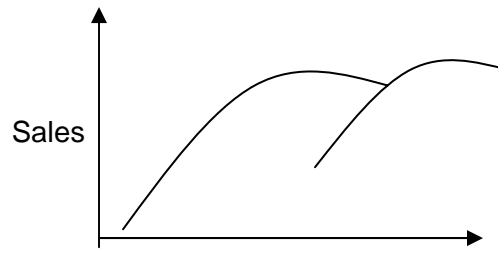
THE CLASSIC Time



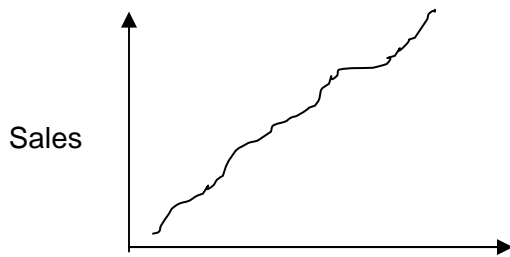
THE GIMMICK



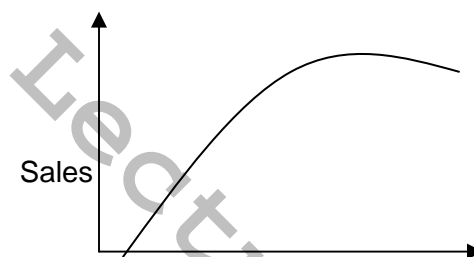
LIFECYCLE WITH EXTENTION Time



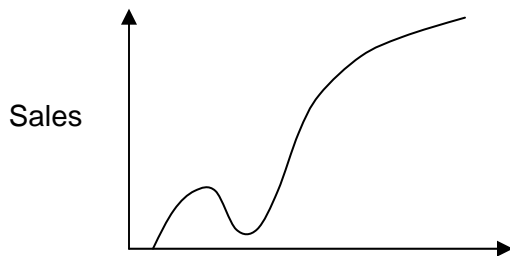
TIME LEAPFROG



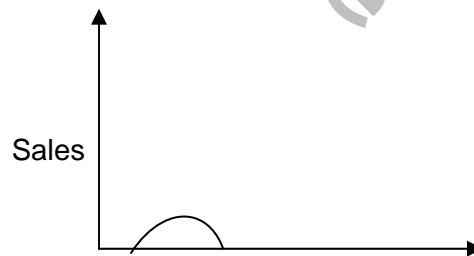
CONTINUOUS GROWTH Time



THE PLATEAU Time



THE FALSE START AND RELAUNCH Time



THE FLOP Time

PRODUCT

Extension Strategies

Firms can attempt to extend the life of a product by using the following strategies:

- 1) finding new uses of the product
- 2) finding new markets for existing
- 3) developing a wider product range
- 4) gearing the products towards specific target markets
- 5) changing the appearance, form or packaging
- 6) encouraging people to use the product more frequently
- 7) changing the ingredients or components

It would be sensible for a business to try to extend the life of a mature product before sales start to decline. Firms that can predict falling sales from market forecasts may attempt to use extension strategies before the decline takes place.

Applications / Uses of Product Life Cycle

It illustrates the broad trends in revenue that a product might earn for the business.

It gives an indication of the profitability of product at each stage in its life cycle.

It identifies how cash flow might depend upon the cycle. It helps a business to identify when and where spending is required e.g. on research and development in development stage and on marketing and distribution on the introduction & growth. It identifies points at which a business should no longer sell a product.

It identifies the points at which the extension strategies may need to be introduced.

It helps in planning the marketing mix decisions.

It helps a business to manage its product portfolio or product mix.

Product line

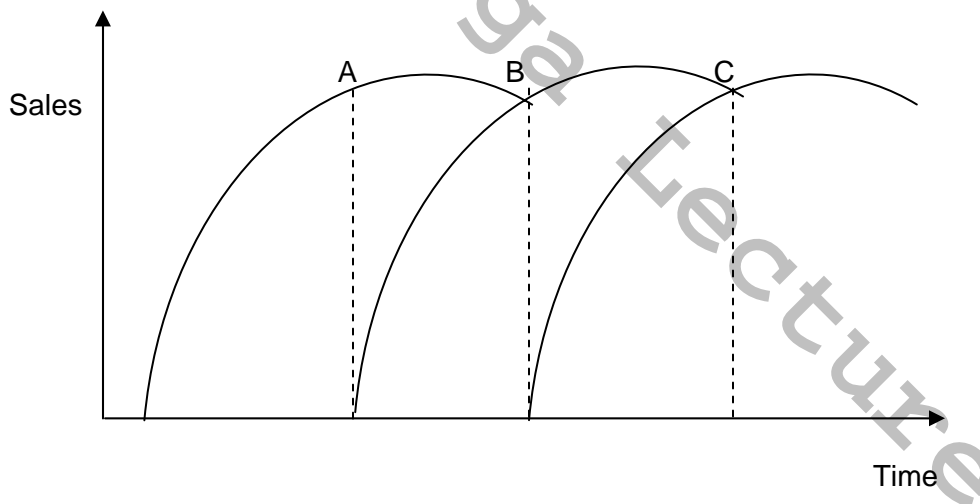
A product line is a group of products that are closely related to each other i.e. they have similar characteristics similar uses or are sold to the same type of customers.

Product Mix / Portfolio

It is the group of all the product lines of a company. Companies diversify their profits by managing the product portfolio in an intelligent way. The product portfolio or a product mix of a particular business defined as the combination of all its product lines. Managing or planning the mix means launching new products into the market at the right time. Most firms have a number of different lines at the same time. The product mix may have a significant impact upon the survival or profitability of the firm. A broad product mix enables the firm to survive when one of its performers in terms of profits may be lessened by the poor performers. The trend in many firms at present is to reduce their product mix by diverting/withdrawing operations which are not comparable with their 'core' / base activities. This helps them to maintain better control over their product portfolio.

The portfolio has to be managed in response to changes in population, buying habits, technological environment, production costs and the life cycles of various products. Well known techniques to analyze portfolio are

- through product life cycles
- BCG Matrix (Boston Consulting Groups)
- Ansof Matrix



R&D, RESEARCH AND DEVELOPMENT

New Product Development

- 1) A new unique and innovative product e.g. cell phones – purest form of the first product
- 2) A significant adaptation or modification of an existing product e.g. color screens in cellular phones and cameras
- 3) An initiative or “Me too” products or copy products e.g. sooper product, snooper

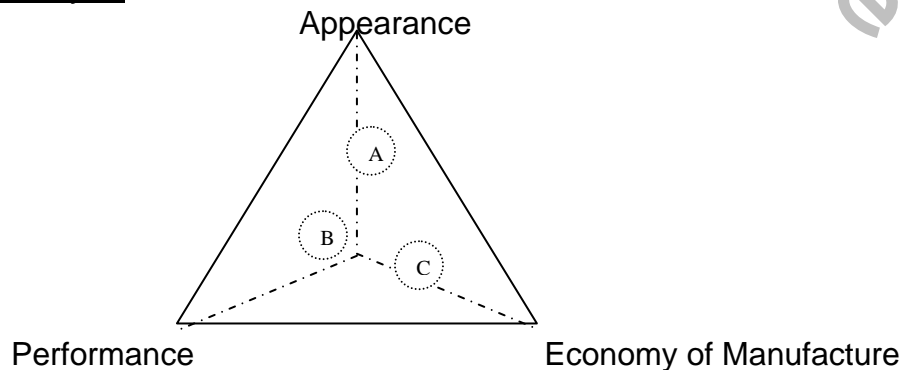
New products normally pass through the following stages

1. Ideas generation / Idea Screening
2. Marketing research / Business analysis
3. Product research, development and design
4. Pilot production / Product testing (only one product is made which is tested internally according to set standards)
5. Test marketing (if fails → reasons are found for this and changes made)
6. Large – Scale production
7. Commercialization and launch

Causes of new Product Failure

1. Inadequate market research
2. Misleading market research findings
3. Defects in the product
4. Activities of competitors
5. Insufficient or inappropriate marketing efforts
6. Distribution problems
7. Unexpected economic problems or high costs
8. Inadequate sales force – not sufficient
 - a. Sales managers or workforce is not enough or proper
 - b. Lack of proper distribution
 - c. Need to recruit more workers

Value Analysis



If Product moves from A to B then this means that economy of manufacture has been reduced but appearance has been compromised.

If it moves to point C then performance or quality has been reduced to lower economy / costs of manufacture. However for certain products like technical appliances the performance is necessary.

Q. Write a detailed note about the significance and evaluation of research and development for the business.

Ans. Research and technical development is an important part of New Product Development (NPD). The first stage of NPD is the generation of ideas or invention. Converting these ideas into successful product innovations can prove very profitable for the business; help it in surviving as well as expanding further and diversifying. So research and development into new ideas is necessary and several companies now have dedicated Research and Development department.

Nature of R&D

- Research is the inquiry and discovery of new ideas in order to solve a problem or create an opportunity. Methods used to generate ideas include laboratory research, product evaluation of a business' own product with its competitors and discussion groups designed for ideas generation.
- Development involves changing ideas into commercial products. Usually there are several ideas that could be developed. However, it is necessary to select the most appropriate idea in terms of cost and consumer requirements. The process of selection is called screening.

Strategies of R&D

There are basically three ways of researching and developing new ideas:

- Follow the leader strategy :- It is also called as a no R&D Strategy. Since research and development is usually very expensive and extremely risky due to the fact that there being no guarantee of success, some business may not do R&D at all. They license other business ideas and built 'me too' products which are safer strategy & but fail to win the consumer imagination and give upon the entire opportunity for market leadership.
- Offensive strategy: This enables a business to achieve market leadership by leading the industry with innovative products and this may give dominance e.g. Microsoft.
- Defensive strategy: This is when firms learn from other firms' mistakes and thus improves upon original products.

Benefits of Research and Development

- New product R&D lead to new product development. Firms who can do this enjoy competitive advantage in the market.
- Firms may obtain patents so that all competition is prevented and as a monopoly may create higher profile.

- R&D helps to develop new materials e.g. synthetic materials have reduced use of natural resources and may have better features than natural ones.
- New production techniques like new machines in industries such as electrical and mechanical engineering. New technology reduces costs, increases productivity, ergonomically designed making working environment better.
- Improves image as R&D is appreciated by consumers. Breakthrough innovative products give publicity.
- Consumers enjoy increasing variety of goods and services at lower prices and better quality.
- Govts. Encourage R&D by financial assistance as well as provides legal security to original inventors in the form of IPRs.

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Factors influencing R&D Budget

- availability of funds – if profits fall for a certain period then R&D spending may fall too
- nature of the product – rapidly changing technologies in e.g. pharmaceutical, computer, automobiles and defense usually have high R&D spending.
- size of business – large business usually have high R&D costs as they are better able to pay expenses than small businesses.
- corporate culture – if attitude of managers is to take risk and invest for long-term then R&D is high.
- national economic position – businesses usually invest more in R&D during economic boom.
- Competitors plans – it may be necessary to spend more on R&D if market share and technical leadership is to be maintained.
- Govt. policy – Range and scope of tax allowances for R&D as well as grants.

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PRICE – 2ND P OF MARKETING MIX

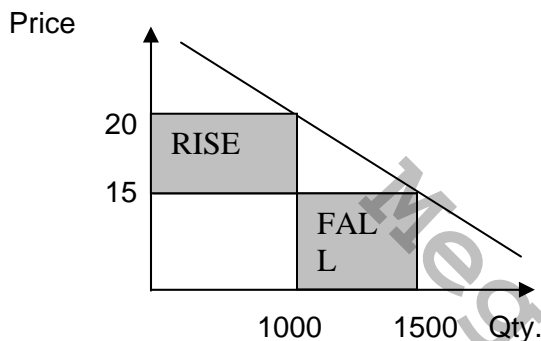
Demand

It is the quantity of a particular product the consumers are willing to buy in a given period of time

It is the ability and willingness of a consumer to buy a particular product at a particular time

Money and authority creates ability and need generates willingness.

Law of demand



The demand has an inverse or indirect relationship.
Price hike \propto Quantity hike

Factors Influencing Consumer Demand

1. Price of the product (cause a movement along the curve)
2. Factors other than price (cause of shift in the curve)
 - a. Seasonal changes
 - b. Inflation
 - c. Changes in consumers disposal income
 - d. Interest rate
 - e. Prices of substitute product (direct relationship)
 - f. Prices of complementary product (indirect relationship)
 - g. Promotion
 - h. Population size

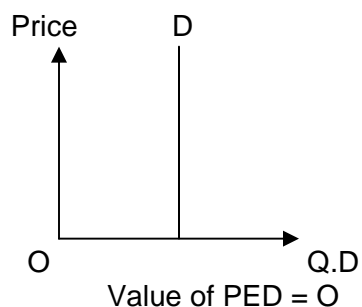
Price Elasticity of Demand

It is the degree of responsiveness of Quantity demanded to a change in price. It can be calculated by the following formula:

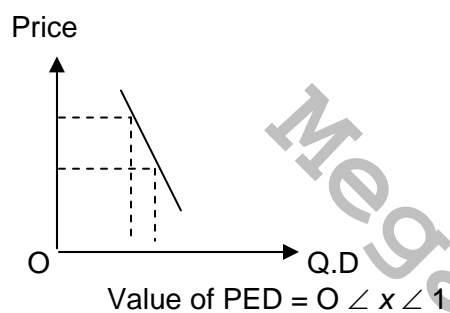
$$PED = \frac{\% \text{ change in } QD}{\% \text{ change in price}}$$

Types of PED

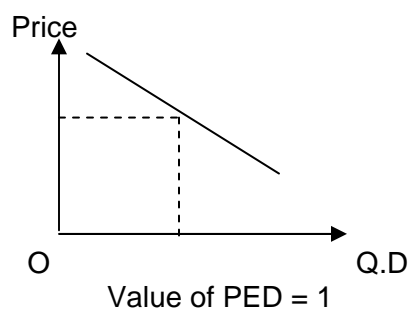
1. Perfectly inelastic demand



2. Inelastic demand

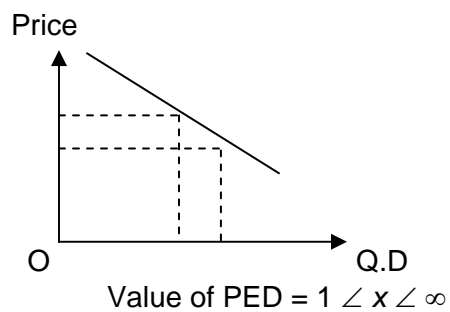


3. Unit Elastic demand

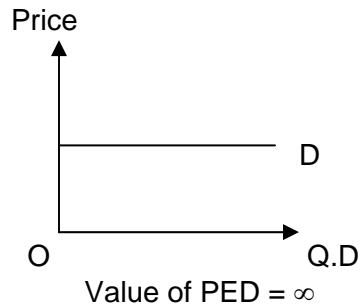


When the % change in QD = % change in price then PED = 1

4. Elastic Demand



5. Perfectly Elastic demand



Q. If the price of a particular commodity is increased from \$6 to \$9 and its QD has fallen from 400 units to 360 units. Calculate its PED and discuss.

Factors affecting the PED

1. Degree of necessity
2. Availability of similar or substitute products
3. Degree of consumer loyalty
4. Price of product as %age of total income

Applications of PED

1. Helps a business in making accurate sales forecast
2. Assists in making pricing decisions
3. Helps the government to plan indirect taxation

Pricing Decisions Factors influencing Pricing Decisions

1. Business and marketing objectives
e.g. objective is profit maximization so prices would be increased new line product as status symbol so only high price.
2. The other marketing mix element
e.g. new technological innovation – high price
products of common nature – low price or in line with competitor
channels of distribution involved.
3. Cost of production
direct technical factor, not psychological
4. Demand in the market
5. Supply in the market
6. Competition
degree of competition
cut throat competition means low price or in line with competitors. If less than high price may be charged
7. Market conditions
Monopoly – when only one supplier who could manipulate
Perfect competition – when lots of buyers and sellers – price change most
Oligopoly – few sellers → cartel → groups of firms
Join together to set a particular price like bigger firms e.g. Pepsi and Coke. They dominate market so local firms have to reduce price too.
8. Stage of product lifecycle
9. Resources or capital available
economies of scale – bigger business – more capital resources so lower prices
10. Scale of operation
Large scale or small scale
11. Type of the market (consumers)
niche market or mass market
elite class or middle class
12. Product positioning
13. Elasticity of demand
14. Economic situation
 - a. interest rates
 - b. inflation rates
 - c. taxation
 - d. unemployment rates
 - e. condition → boom or recession

Pricing methods / strategies

1. Cost – based Pricing – Full cost price is kept above the level of the average pricing cost i.e. found according to total costs / absorption costing.
 - a. Cost plus pricing / mark-up pricing
 - b. Target return pricing – setting a target profit you wish to make
 - c. Marginal cost pricing – price should at least cover the variable cost
 $Contribution = P - V.C$
2. Competitor based Pricing
 higher premium pricing – better than comp. in quality & durability
 lower – extreme form: Destroying pricing e.g. China killing competition
 equal to the competitors that could maintain sales
3. Consumer / market based pricing
 Consumer value pricing: price goods according to what major consumers want that is found by marketing research.
 Geographic pricing: different areas have different price e.g. in different cities may be also because of transportation cost.
 Price discrimination:
 Higher price charged depending on whether customers would bargain e.g. high price if customers are well dressed & high status.

New Product Pricing

- a) Market skimming – higher charges
- b) Market penetration – lower charges
 Both are part of competitor based as well as consumer based pricing. They are only used in introduction part of product cycle.
- a) Conditions: niche marketing, brand image / unique or new idea, inelastic price, less or low competition, economies of scale can't be achieved
- b) Conditions: mass marketing, homogenous products, severe competition, elastic demand, economies of scale can be achieved.

Marginal Cost Pricing Example

e.g. Fixed Cost = \$10,000
 Variable Cost = \$4/units
 Price = \$6 / unit
 Contribution = $P - V.C$
 = $\$6 - \4
 = \$2

Calculate the profit / loss at 1000 units and 10000 units sold.

$$Profit = T.R - T.C$$

$$Total\ Revenue = Total\ Cost$$

	1000 units		10000 units
T.R.	\$6000	T.R.	\$60000
T.C.	\$14000	T.C.	\$50000
Loss:	\$8000	profit:	\$10000

$$T.C = F.C. + T.V.C$$

$$\text{A.C.} = \frac{TC}{\text{No. of units produced}}$$

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Other Strategies

1. Psychological pricing
2. High low pricing
3. Loss leaders
4. Single pricing
5. Fixed pricing
6. Everyday low pricing

High low pricing

In a supermarket, where few things are priced above competitors price while others are lower than competitors e.g. sale on few items to attract customers to a market.

Everyday low pricing

Utility stores – grocery items – always low prices

Psychological pricing

E.g. \$199 i.e. you don't round of the price which portrays that price is lower

Loss leaders: those products that are sold at a loss. They are to attract customers who may buy more profitable goods alongside them.

Single Pricing

Like buffets, usually on food though on other goods it could be like 60 rupees everything.

PROMOTION – 3RD P OF MARKETING MIX

Definition:

It is the attempt to draw attention to a product or organisation in order to gain new customers or to retail the existing ones. Effective promotion does not only increasing awareness of the products but can create image and product personality that consumers can identify with.

Objectives of Production

1. to increase consumer awareness
2. to reach target audience which might be geographical dispersed.
3. to remind consumers about the existing products and their quality.
4. to show the superiority of a product over its competitors
5. to develop or improve brand image of the organisation as a whole. (corporate advertising)
6. to correct misleading information or misunderstanding
7. to create the product identity
8. to give information about a product, an issue or company
9. to increase sales revenue

Types of Promotion

- Above the line promotion
- Below the line promotion

Above the line promotion is through independent media such as advertising through television, newspapers, magazines, radio, and internet. Organizations have no direct control over these media and their audience.

Advertising

Types: Informative advertising
Persuasive advertising
Competitive advertising
Corporate advertising
Cooperative a or collaborative advertising, where companies jointly promote an issue

Advertising is done through:

1. An in house advertising department
2. An independent advertising agency e.g. prestige, Manhattan
3. A combination of the above

Functions of an advertising agency

1. Conduct market research
2. Develop and design the campaign
3. Gives advice for the choice of media
4. Monitor and measure the response of people toward the ads.

Types of advertising media:

1. Print media
 - newspapers
 - magazines
 - pamphlets
- 2.
- 3.
4. Electronic media
 - television
 - radio
 - internet → interactive media
- 5.
- 6.
7. Billboards
8. Posters } outdoor media
9. Cinema

Reference:

Dave Hall (Table 44.1) Promotion above the line

Factors influencing the choice of media

1. the size of the target audience
2. the type and profile of target audience
3. costs involved
4. advertising of competitors
5. the impact required
6. law or legislation: (Like drugs or alcohol ads are banned in Pakistan.)
7. other elements of a marketing mix

Ways to measure the effectiveness of an advertising campaign:-

1. sales performance before and after the advertising campaign
2. consumer awareness data
3. consumer panels
4. response rates to advertisement

Below the line promotion:

It refers to those promotional methods that do not depend upon advertising. Businesses have same degree of direct control over these promotional methods and their audience.

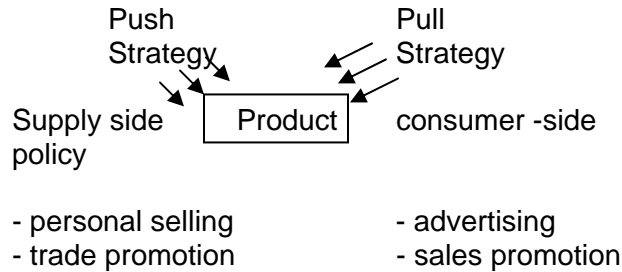
These methods are as follows:

1. Personal selling
2. Sales promotion
3. direct mailing – mails
4. Sponsorships
5. Point of sale displays
6. seminars and exhibitions – like Johnson n Johnson in Schools.

Personal selling needs a large sales force. It is the most action oriented promotion technique e.g. door to door selling. However if it is done on a large scale it could prove to be very expensive so much so that its cost could exceed that of advertising on T.V. (most exp. method of adverts).

Sales promotion is used to increase the volume of sales. Examples include discounts as well as buy 1 get 1.

→ Trade promotion too → given to retailer (scheme)



promotion- push and pull strategies

"Push or Pull"?

Marketing theory distinguishes between two main kinds of promotional strategy - "push" and "pull".

Push

A "push" promotional strategy makes use of a company's sales force and trade promotion activities to create consumer demand for a product.

The producer promotes the product to wholesalers, the wholesalers promote it to retailers, and the retailers promote it to consumers.

A good example of "push" selling is mobile phones, where the major handset manufacturers such as Nokia promote their products via retailers such as Mobilezone. Personal selling and trade promotions are often the most effective promotional tools for companies such as Nokia - for example offering subsidies on the handsets to encourage retailers to sell higher volumes.

A "push" strategy tries to sell directly to the consumer, bypassing other distribution channels (e.g. selling insurance or holidays directly). With this type of strategy, consumer promotions and advertising are the most likely promotional tools.

Pull

A "pull" selling strategy is one that requires high spending on advertising and consumer promotion to build up consumer demand for a product.

If the strategy is successful, consumers will ask their retailers for the product, the retailers will ask the wholesalers, and the wholesalers will ask the producers.

In 2001, BBC Worldwide (the commercial division of the BBC) achieved sales of £90m from its children's brands and properties last year. The demand created from broadcasting of the Fimbles and a major advertising campaign is likely to "pull" demand from children and encourage retailers to stock Fimbles toys in the stores for Christmas 2002.

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PACKAGING **5TH P OF MARKETING MIX UNOFFICIAL**

A product's packaging is important in its overall marketing. Consumers often link the quality and design of a product's packaging with the quality and image of the product itself. Unsuitable packaging can negatively affect sales.

Functions of packaging

1. contain the product
2. protects the product from damages
3. gives information or instructions about the product
4. supports the image of the product
5. makes the product stand out from the competitors
e.g. Pepsi and Coke or shampoos like Pantene
logos and symbols, taglines and colors reinforce the brand image.
6. makes the product convenient to use
7. increases the durability of the product

Public Relations (part of promotion)

Public relations are an organisation's attempt to communication with groups such as government, shareholders, employees and customers. Publicity is a part of public relations and is not paid for as advertising. This includes press conferences news and press releases, charities, donations etc.

Promotional Elasticity of demand

Formula:

$$\text{Promotional Elasticity of Demand} = \frac{\% \Delta \text{ in Qty Demanded}}{\% \Delta \text{ in promotion spending}}$$

Definition

A degree of responsiveness of quantity demanded ($PED > 1$) to a change in promotional expenditure, otherwise ($PED < 1$) there is no any obvious need to bring about any change in promotional spending.

PLACEMENT / DISTRIBUTION – 4TH P OF MARKETING MIX

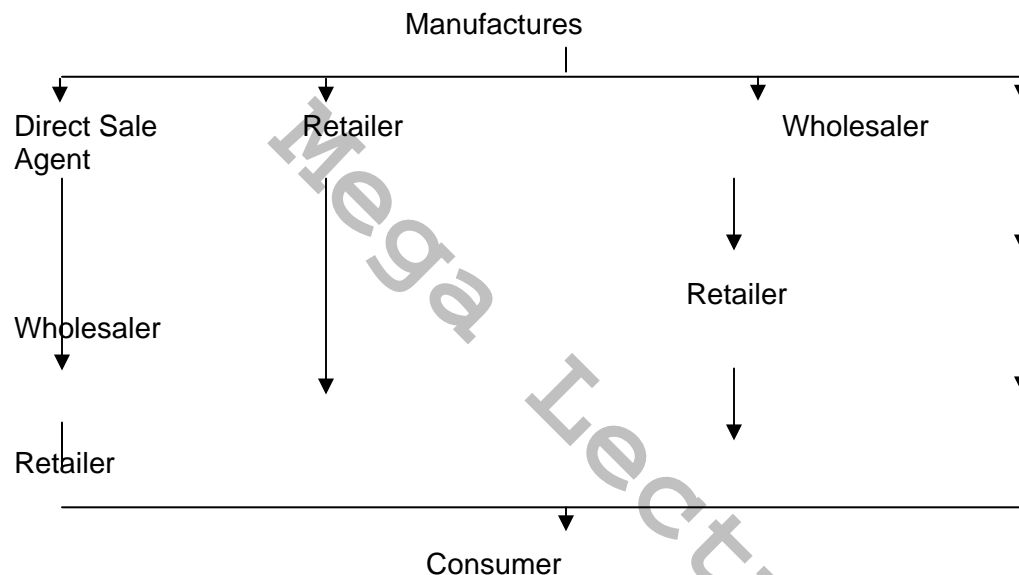
Definition:

Distribution is making the product available to the target market. A business must get the product to the right place at the right time. Place or distribution decisions are significant elements of the marketing mix.

Channel of Distribution

It is the route taken by product as it passes from the original producer to the final or ultimate consumer. A producer can sell its products using following ways:

1. Directly to the consumer
2. Through a retail outlet
3. Through a distribution agent
4. Any combination of the above channels



Factors influencing the choice of distribution channels

1. nature of the product and the market
→ mass market or niche market
2. costs involved
3. geographic placements of the market
4. present distribution methods of the firms
5. methods adopted by the competitors
6. legal constraints – e.g. license required for arms & ammunition business
7. rate of use of the Internet
8. degree of control required

MARKETING MIX

Marketing Planning:

It is the process by which future marketing activities are systematically laid down.

Strategic Planning

It is concerned with developing a future action plan for the business to help it achieve the long-term goals.

Marketing Plan:

It is a detailed statement of the business marketing strategy, including how it will be implemented and the budget available for it. Marketing plan is concerned with the following questions:

1. Where is the business at present?
 - a. SWOT Analysis
 - b. Competitive study – present market share of the business
 - c. Market position – leader or follower
 - d. Market size
 - e. Competitive situation
2. Where does the business wish to be in the future
 - Marketing objectives
 - i. Expanding the business
 - ii. Increasing awareness of the product
 - iii. Positioning image of product
 - iv. Increasing market share
3. How to achieve the objective?
 - Marketing strategy

Factors influencing the marketing plan

Internal Factors

1. Marketing Mix
2. People in the business (skilled, enthusiastic)
3. Financial resources
4. Production facilities
5. Research facilities

External Factors

1. Political factors
2. Economic factors
3. Social factors
4. Technological factors
5. Legal
6. Ethical & Environment

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Marketing Budgets

Budgets are financial plans for future time periods. The marketing budget specifies and sets out clearly the financial elements of the marketing plan. Marketing budget is a plan of what the business hopes to achieve in the forthcoming period. It also identifies the marketing profit for the business.

Marketing profit = sales revenue – Marketing expenditures.

Marketing budget focuses mainly upon sales revenue targets, marketing expenditures and marketing profits.

Ways to construct marketing budgets

1. Percentage of sales
2. Affordability based budget
3. Competitor based budget
4. Incremental budget
5. Objective and task budgeting

Factors influencing a marketing strategy

1. business and marketing objectives
2. competitors' strategies
3. structure and condition of the market
4. attitude of the decision-makers
5. size of the business
6. strengths and weaknesses of the business
 - a. financial strength
 - b. employees of organisation
 - c. the location of the firm
 - d. leadership or managerial qualities
 - e. availability of raw materials

Stages in developing marketing strategy

1. Set marketing objectives
2. Research analysis (SWOT Analysis)
3. Establish marketing strategy
4. Implement the plan or strategy
5. Review the progress (Peter Stimpson pg. 215)

Types of Strategies

Competitive Strategies:

1. Cost leadership – cutting back on costs and reducing prices
 2. Differentiation – differentiated on the basis of quality of produce.
 3. Focus – niche marketing
 4. Market leader (aggressive)
 5. Market challenger (very risky – high profit)
 6. Market follower (follows leader in products & strategies) }
- related to the position of the business in market

Growth Strategies: related to expansion

1. Market Penetration
2. Market Development
3. Product Development
4. Diversification

ANSOFF MATRIX OR PRODUCT MARKET GROWTH MATRIX

