

Knockout.Economics by Kru P'Eve & Kru P'Da

IGCSE -Business studies

Marketing mix- Product



- Executive summary IGCSE Business studies
- Series of exam questions each chapter
- Exam Strategies and exclusive tips to achieve A* from Knockout.Economics
- Exclusive Key Terms for IGCSE Business studies exam



Overview

1. Overview - The marketing mix
2. Types of product
3. The costs and benefits of developing new products
4. Brand image; impact on sales and customer loyalty
5. The role of packaging
6. The product life cycle
7. How stages of the product life cycle can influence marketing decisions



1. Overview - The marketing mix

Marketing mix: means the set of actions that the company use to promote its product and services in the market. These activities are often summarised as the 4Ps marketing mix; which are product, price, place and promotion.

Product

: refers to the item actually being sold.
: This also included quality of products, packaging, branding etc.

Price

: refers the value that is put for a product. It depends on cost of production, segment targets and ability of the market to pay.



Promotion

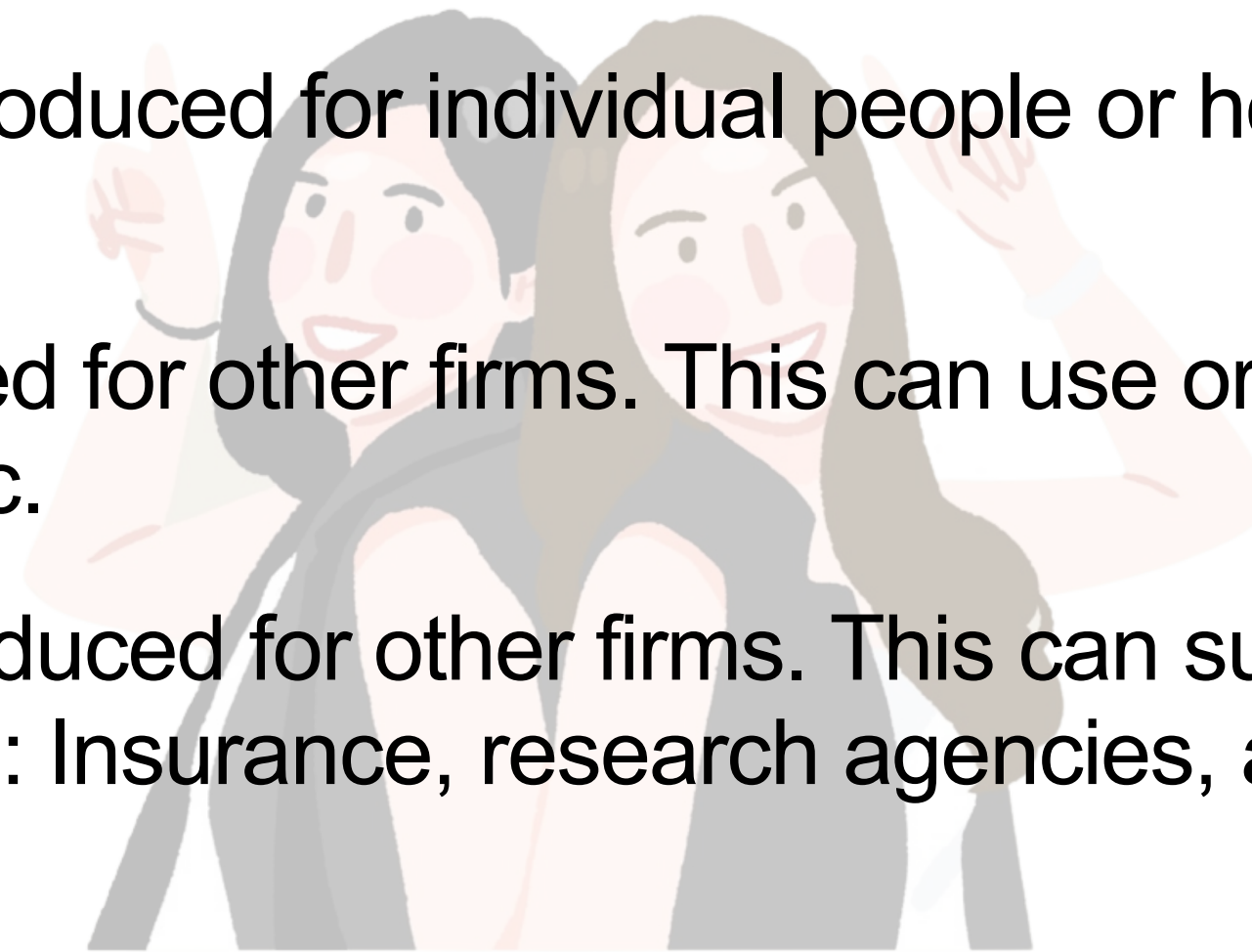
: refers to all the activities that help communicate a product to the audience or activities to boost the sales revenue.

Place

: refers to the point of sale. Firms need to ensure that the potential customers are able to access.

2. Types of product

- **Consumer goods** : goods are produced for individual people or households. For example : Food , mobile phone, Ipad etc.
- **Consumer services** : services are produced for individual people or households. For example : Hairdressing, Spa etc.
- **Producer goods** : goods are produced for other firms. This can use or facilitate in production process of the firms. For example : Fork lift, Lorries etc.
- **Producer services** : services are produced for other firms. This can support working process in any departments of the firms. For example : Insurance, research agencies, advertising agencies etc.



3. The costs and benefits of developing new products

3.1 Product development

: Some firms are looking for new products and services all the time to respond customer wants. New products can attract new customers to try new products or stimulate sales of the existing customers.

1. Generate ideas

2. Select the best ideas and find out more research

3. Make decision whether the company has chance to be successful or not.

6. If product is not successful in step 5, firms need to revise on how to improve products based on feedback. If product is successful in step 5, firms can go to the full launch of the product to the whole market.

5. Launch the product in some areas in the country. This can allow firm to see how well of the product and receive feedback from customers.

4. Develop a prototype

3. The costs and benefits of developing new products

3.2 The cost and benefits of developing new products

Advantages

1. Firms can develop **unique selling point (USP)** which means products from firms are different from others.
: Firms can **charge higher price** and generate **more profit**.
2. Developing **new products** can make business to enter into the new market.
: It leads to **increase in market base** and **raise in market share**.
: **or : This can diversify risk for business. If sales revenue from one product fails, firms can gain revenue from other products.**
3. Developing new products allow **firms to expand in the existing markets**.
: For example, iPhone developed new iPhone 13 to replace iPhone 12.
: This can attract potential customer to change from other competitors brand to iPhone 13.

Disadvantages

1. Firms need to spend money and time on market research and interpreting the finding.
: **The cost is expensive.**
2. Firms need to involve in the process of trial and error which brings to wasted material.
3. If firms launch the new products and cannot respond to customers,
: This brings to bad reputation and ruin company image.
: Also, firms may loss revenue.

4. Brand image - impact on sales and customer loyalty

4.1 Brand name

: A trade name used by an enterprise to name their products or services. This can make products to be different from other brands.

4.2 Brand identity

: is the visible elements of a brand, such as colour, design, logo that identify and distinguish the brand in consumers' views.



Cr. Starbucks, Thaiairways

4. Brand image - impact on sales and customer loyalty

4.3 Brand image

: The perception of the brand in the view of the customer.

: For example, Starbucks is sold in many countries around the world and has an image of being a high quality coffee which tastes better than other coffee shops.

: Or Hermes has an image of being luxury handbags.



Cr. galleriadallas , style.katexoxo.com

4.4 Brand loyalty

: refers to customer's willingness to repeatedly return to a company to conduct business.

4. Brand image - impact on sales and customer loyalty

4.4 The importance of branding

- **Product with brandname is usually higher quality than unbranded products.**

: Since product with brandname is always set the same standard of the products.

: For example, Starbucks at Mega Bang-na has the same menu and tastes with Starbucks at Emquatier department store.

: Firms can charge higher price than unbranded products.

- **Demand for branding products is usually inelastic.**

: Firms can generate more revenue and profit even firms set high price.

- **It can encourage customers to repeat order when there are high competition in the market.**

5. The role of packaging

Packaging : refers to material that use to enclose and contain physical goods. However, the functions of packaging are also use for

Protects the product

Packaging can protect the product before consuming or using from customers.

Eye-catching

The colour and design are also important. This can make product more attractive and consumers would like to try and use products.

Easy to carry the product

Packaging can make transportation from factory to shop easier. Or It can make more convenient for consumers from carrying products back to home.

Contain information about the product

Packaging also contains information such as how to use the product, ingredient, expire date and company the produced and distributed the product etc.

Easy to open or use the product

Packaging can support customer to open products easily.

Promote brand image

Packaging can use to promote brand image of the product. Everyone can see what is the brand and they might want to try next purchasing.

5. The role of packaging

Example - Packaging



Cr. Big C, JD Central

6. The product life cycle

Product life cycle : is the progression of an item through the six stages of its time on the market.

Diagram



6. The product life cycle

Development Stage

- The product will be developed and firms will launch prototype to test in small market.
- No sales revenue will be generated at this time.

Introduction

- Products are now launched into the market.
- Since everyone is just known the product, sales revenue can generate at the low level.
- Firms might need to provide informative advertising to inform about details of the product.
- If it is a new product in the market with the new technology, there is no competitors in the market. Firms can set high price. (Skimming pricing)
- Firms cannot generate profit since sales revenue still not cover research and development cost.

6. The product life cycle

Growth Stage

- **Growth of sales becomes increase rapidly** and profit can be taken.
- Competition becomes higher and price of products might be decrease slightly.
- **Advertising is changed from informative to persuasive advertising** since its can support people to repeat order in the future. (brand loyalty)

Maturity Stage

- **Growth of sales becomes slowly increase** since there are high competition in the market.
- **The highest profit can made in this stage.**
- Firms might apply **competitive or promotional pricing.**
- Firms continue launching **persuasive advertising** to maintain sales growth.

Saturation Stage

- **Sales revenue reaches to the peak point at this stage.**
- There are **still high competition but no new competition enter to the market.**
- **Profits start to fall** since **lower selling price and quantity have made.**

Decline Stage

- Sales revenue will decrease as new products introduce in the market or existing product will be withdrawn from the market.
- Price has been reduced and become unprofitable for this product.
- Firms will stop advertising.

7. How to extend product life cycle

Diagram



7. How to extend product life cycle

Use a new advertising campaign

Firms can introduce new advertising campaign since this can stimulate consumption of the products.

Sell more in different distribution channels

Firms sell products in additional distribution channel.
For example, Customers can buy iPhone through online channel such as Apple website or other eCommerce platforms.

Minor change of existing products

Firms can launch new colour and minor change of functions and design of the products.
For example - iPhone S series

Expand to oversea market

Firms sell into new markets in order to increase customer base.

Introduce new products

This can make company more interested and attract customers to try new products.

Change packaging

New packaging can attract customers and stimulate customers to buy products.

7. How to extend product life cycle



Successful Advertising Campaign



Minor change of existing products



Introduce new products



Change packaging

Cr. apple.com, Sprinkle-th.com, gqsize.com

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Exercise - Marketing mix : Product



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Exercise

1. Driver is a private limited company. It produces **washing machines and cleaning equipment**. The Managing Director wants Driver company to expand into a **different market**. He plans to spend **\$10bn on developing electric cars**. There is **a lot of competition in the electric car market**. This market is growing rapidly. A leading pressure group has identified the environmental problems of non-electric cars. The Managing Director knows that important decisions about the method of production and **the new car's brand image** still have to be made.

(A) Define 'brand image'. (2 marks)

Command word

Define : give a precise meaning

Exercise

2. **XYZ is a large bank.** It has **200 branches and 6 000 employees.** XYZ provides a range of **financial services** to its business customers. As it operates in a **competitive market**, XYZ aims to maintain **customer loyalty**. Last year XYZ's profit decreased to \$3 000m. The Managing Director is analysing ways to reduce XYZ's costs.

(A) Explain **two** ways ALB could improve customer loyalty.(6 marks)

Command word

Explain : set out purposes or reasons / make the relationships between things clear / say why and/or how and support with relevant evidence

Way 1:

Explanation :

Way 2:

Explanation :

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