

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

# IGCSE -Business studies

## Marketing mix - Promotion



- 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. The aims of promotion
2. Different forms of promotion and how to influence sales
3. Recommend and justify an appropriate promotion in given circumstances



# 1. The aims of promotion

Promotion is divided into 2 types

- **Above-the-line promotion**

: These can take different forms, such as advertising on television, in newspaper, magazines, internet platforms etc.

- **Below-the-line promotion**

: These are usually applied for short period of time.

: For example - Sales promotion, Free gift, Buy-one-get-one free etc.



# 1. The aims of promotion

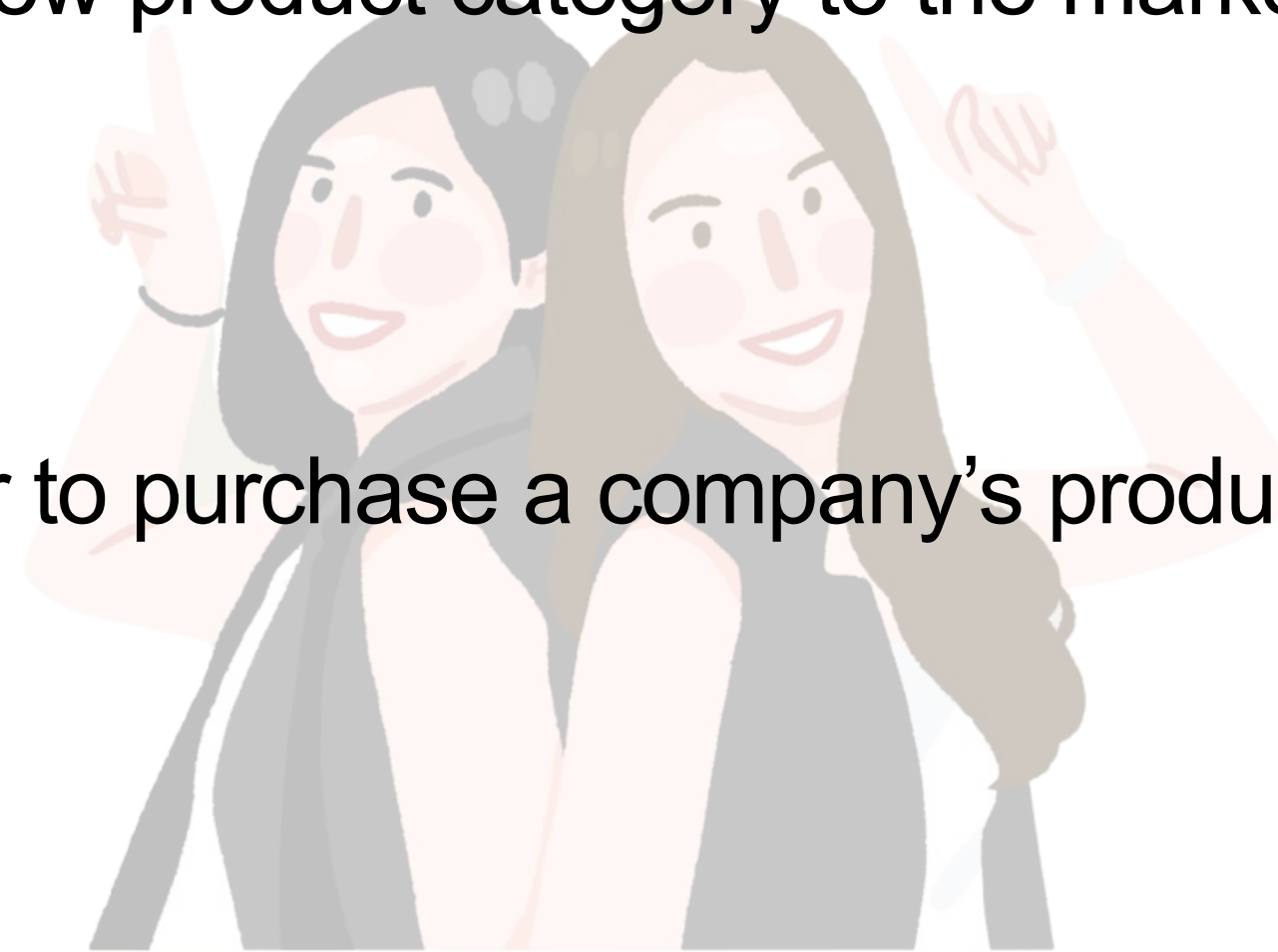
Or

- **Informative advertising**

: Is generally used when introducing a new product category to the market. This includes features of products, competitive advantages , price, etc.

- **Persuasive advertising**

: Is generally used to convince customer to purchase a company's product as opposed to the competition's .



# 1. The aims of promotion

## To stimulate demand

Firms might reduce price for a short period of time. This can stimulate demand and as a result firms can increase sales revenue.

## To inform customers

Promotion is aimed at informing customers about features, performance and price of the products.

## To persuade customers

Promotion can convince customers to be interested product. Firm can communicate competitive advantages the product offers to distinguished it from competitors' products.

## To promote new product

Promotion can use to introduce a new product in the market. Firms can inform distinct features and price of newly launched product.

## To improve brand image

Promotion is capable to create or improve image and reputation of the firm.

## To face competition

Promotion can be the barrier to entry for the new competitors.

## 2. Different forms of promotion and how to influence sales

**Above-the-line** : Business can use the different types of media to advert products.

### Television

(Household products,  
soft drinks, etc)

#### Advantages

- The advert can reach out to the huge audience.
- The advert can be performed in a very favourable way such as short movies. It leads to be more attractive.

#### Disadvantages

- It is very expensive.

### Radio

(Local events)

#### Advantages

- It is cheaper than television.
- The advert can reach out to the huge audience.
- The advert can combine with tune or music, so that the advert will be remembered.

#### Disadvantages

- The advert cannot out across visual movies or visual message.
- The audience might be limited since some people may no longer use radio.

## 2. Different forms of promotion and how to influence sales

### Magazine

( golf equipment,  
clothing, perfume etc.)

#### Advantages

- This can select the target group. For example, Firms put advert about golf equipment in golf magazine.
- Magazine adverts are in colour which are more attractive.

#### Disadvantages

- It is relatively expensive than newspaper.
- Magazines are normally published once a month or once a week.

### Posters/Billboards

(Commercial Banks,  
Promotion from  
department stores etc.)

#### Advantages

- The size is normally big. Everyone who passes them will see these advertising.

#### Disadvantages

- It cannot contain a lots of information.
- Some of people may ignore the advertising.

## 2. Different forms of promotion and how to influence sales

### Cinemas (Car, Soft drinks, etc)

#### Advantages

- It is relatively cheap.
- Advertising can include visual image of the products which brings to be more attractive.
- This can select the target group. For example, firms may advertise educational toys in kids cinemas.

#### Disadvantages

- Not everyone go to watch the film. Firms can miss some of potential customers.

### Leaflets (Local events, promotions from department stores)

#### Advantages

- It is relatively cheap.
- Leaflets can give out to many people on the street. This can reach out to a wide range of people.
- Leaflets can be kept for future reference.
- Leaflets can combine with voucher to encourage people to keep the advert and may would like to try products in the future.

#### Disadvantages

- Advert can be annoying and becomes waste.

## 2. Different forms of promotion and how to influence sales

### Internet

#### Advantages

- It can be flexible since firms can select budget, length of time, and target group.
- The advert can be performed in a very favourable way such as short movies. It leads to be more attractive.

#### Disadvantages

- Some people may skip the advert.
- There is a lot of competitors from other online platforms.
- Not everyone can access internet such as kids, older people. So that firms may miss out this target group.

### Product placement

(Household products,  
soft drinks, car, etc)

#### Advantages

- Product placement demonstrates products usage in a natural setting by actors or actress.
- This can select the target group. For example, firms may advertise Ferrari in action movies.

#### Disadvantages

- It can be relatively expensive.

## 2. Different forms of promotion and how to influence sales

For example : Product placement



Cr. soompi.com

## 2. Different forms of promotion and how to influence sales

**Below-the-line** : There are also different types of sales promotion. Sales promotion consists of short-term incentives to encourage purchase or sales of a product or service.

### Price reduction

For example, Lazada and Shopee launch “Flash sales” for a short period of time. This can stimulate demand and increase sales revenue.

### Gift



Firms may combine small gifts in packaging products to encourage customers buy products.

### BOGOF

Buy one get one free.

### Competition

Firms may combine lucky draw for customer who buy the products.

### Point-of-sale displays and demonstration

Firms can present how to use the products or the distinguish features that the no one can do in the market.

### After-sales service

Normally after-sales services provide for technical or expensive products. This can make customers more trust and would like to buy products.

## 2. Different forms of promotion and how to influence sales

Example -

12.12 แกรนด์เซเลบรیشنส่งท้ายปี 12-14 ธ.ค.

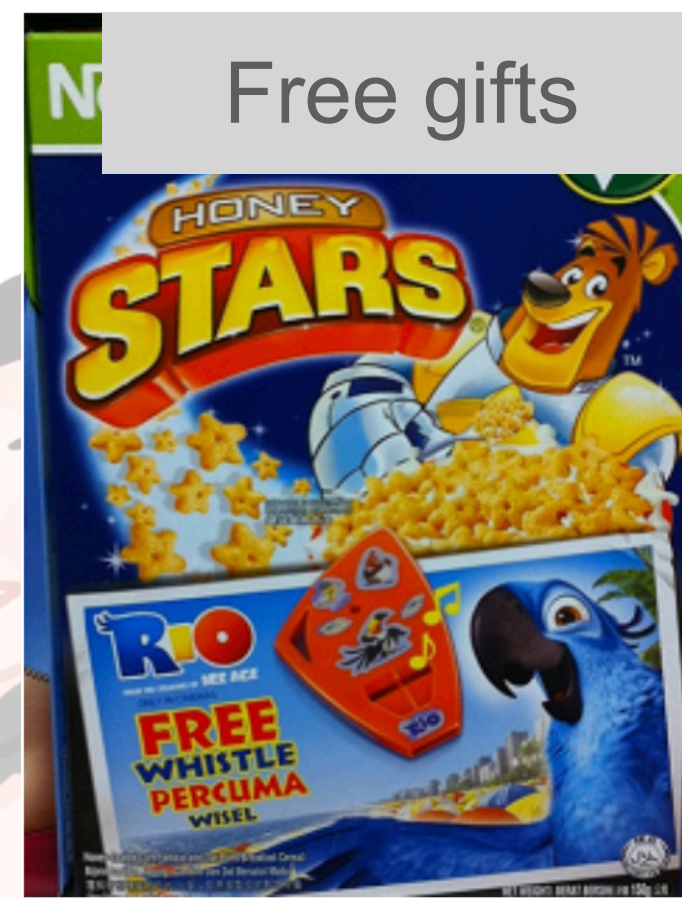
Price reduction

Laz LIVE FLASH SALE 3 เวลา ลดแรงส่งท้ายปี 11.00 | 17.00 | 18.00 เริ่มต้นเพียง 11 บาท

WITH FROM Lazada 12.12

A vibrant purple and pink banner for the Lazada 12.12 Flash Sale. It features the text 'Laz LIVE FLASH SALE' in large, bold letters, with '3 เวลา ลดแรงส่งท้ายปี' (3 times strong reduction at the end of the year) and '11.00 | 17.00 | 18.00' indicating the sale periods. Below that, it says 'เริ่มต้นเพียง 11 บาท' (Starting from just 11 baht). There's also a circular badge that says 'WITH FROM Lazada 12.12'. The background is decorated with colorful streamers and a gift box.

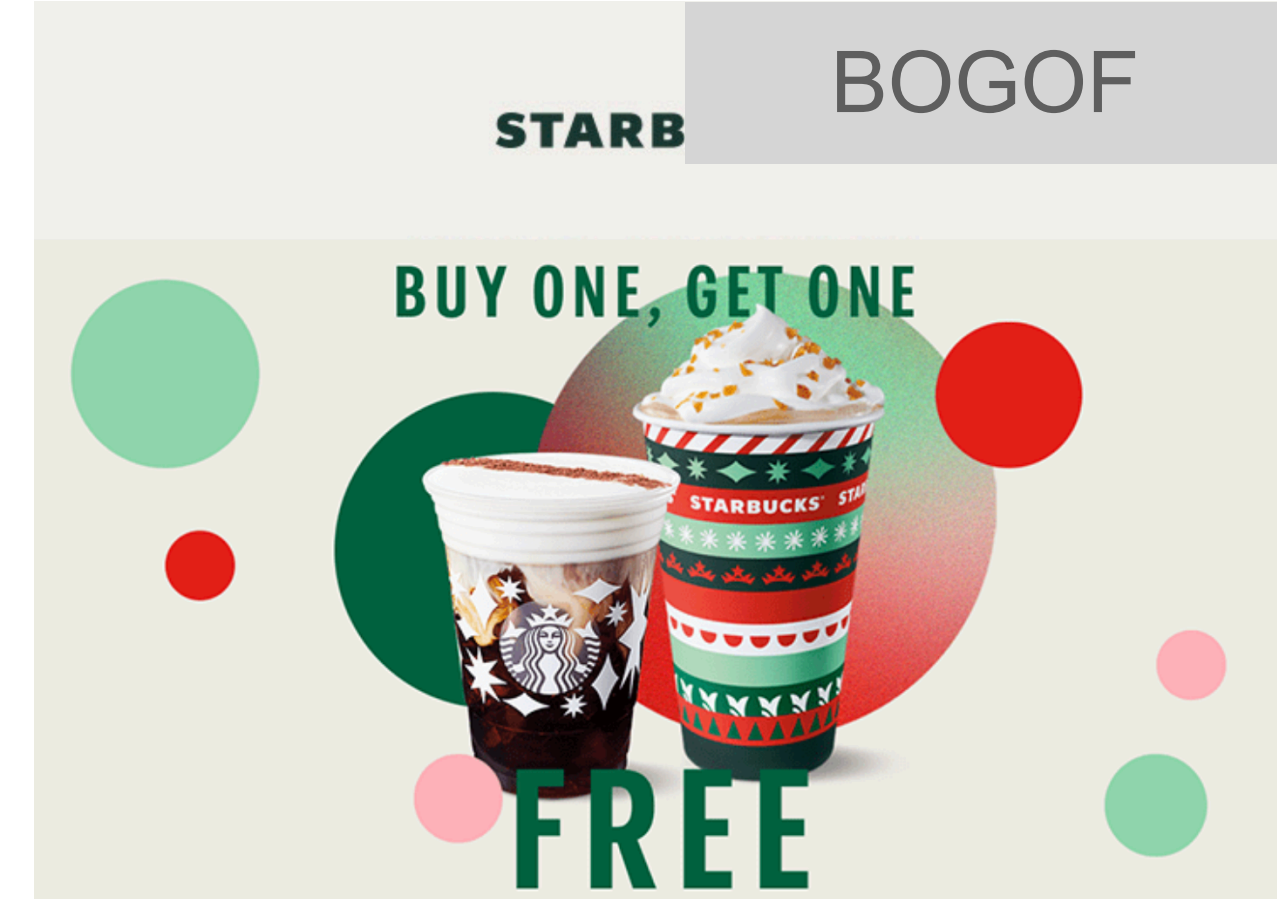
Free gifts

A box of Honey Stars cereal. The box is blue and yellow, featuring a cartoon bear character. It says 'HONEY STARS' in large letters. Below that, it says 'FREE WHISTLE PERCUMA WISSEL' (Free whistle for free Whisel). The background shows a parrot and a boat.

STARBUCKS BOGOF

BUY ONE, GET ONE

FREE

A Starbucks BOGOF (Buy One, Get One Free) promotion. It shows two Starbucks coffee cups: one with a white lid and one with a red and green holiday-themed lid. The text 'STARBUCKS BOGOF' is at the top, 'BUY ONE, GET ONE' is in the middle, and 'FREE' is at the bottom. The background is light green with colorful circles.

Competition with AIG

SHOP AND WIN MERCEDES-BENZ A-CLASS HATCHBACK SIGN UP NOW!

A Shopee 'Shop and Win' competition banner. It features a white Mercedes-Benz A-Class Hatchback. The text says 'SHOP AND WIN MERCEDES-BENZ A-CLASS HATCHBACK SIGN UP NOW!'. Below the car, there are three numbered steps: 1. Fill up a simple form to participate, 2. Shop on Shopee Store 1 chance for every 100 baht spent from 20 Jan - 1 Feb. Double your chances on 2.2 (2x) (Sale 12 Peak), 3. 1 lucky winner will win a Mercedes-Benz A-Class Hatchback. Winner will be selected through a lucky draw on 2 Feb. and verified by 4 Feb. The Shopee logo and '2.2' are at the bottom.

Demonstration

A photograph of a demonstration at a store. A woman in a red shirt and white cap is preparing a drink at a counter. A young girl in a white dress is looking at the drink. Other people are visible in the background. The counter has 'Aiy Chan' branding.

After-sales services

SONY

Excellent Creature

1 Year Warranty

579,000 Ks Only

A Sony TV advertisement. It shows a large Sony TV with a colorful abstract image on the screen. The text says 'After-sales services', 'SONY', 'Excellent Creature', '1 Year Warranty', and '579,000 Ks Only'. The TV size '55"' is also visible.

Credit : Lazada, [theodmgroup.com](http://theodmgroup.com), starbucks, Macro, Lazada, Sony

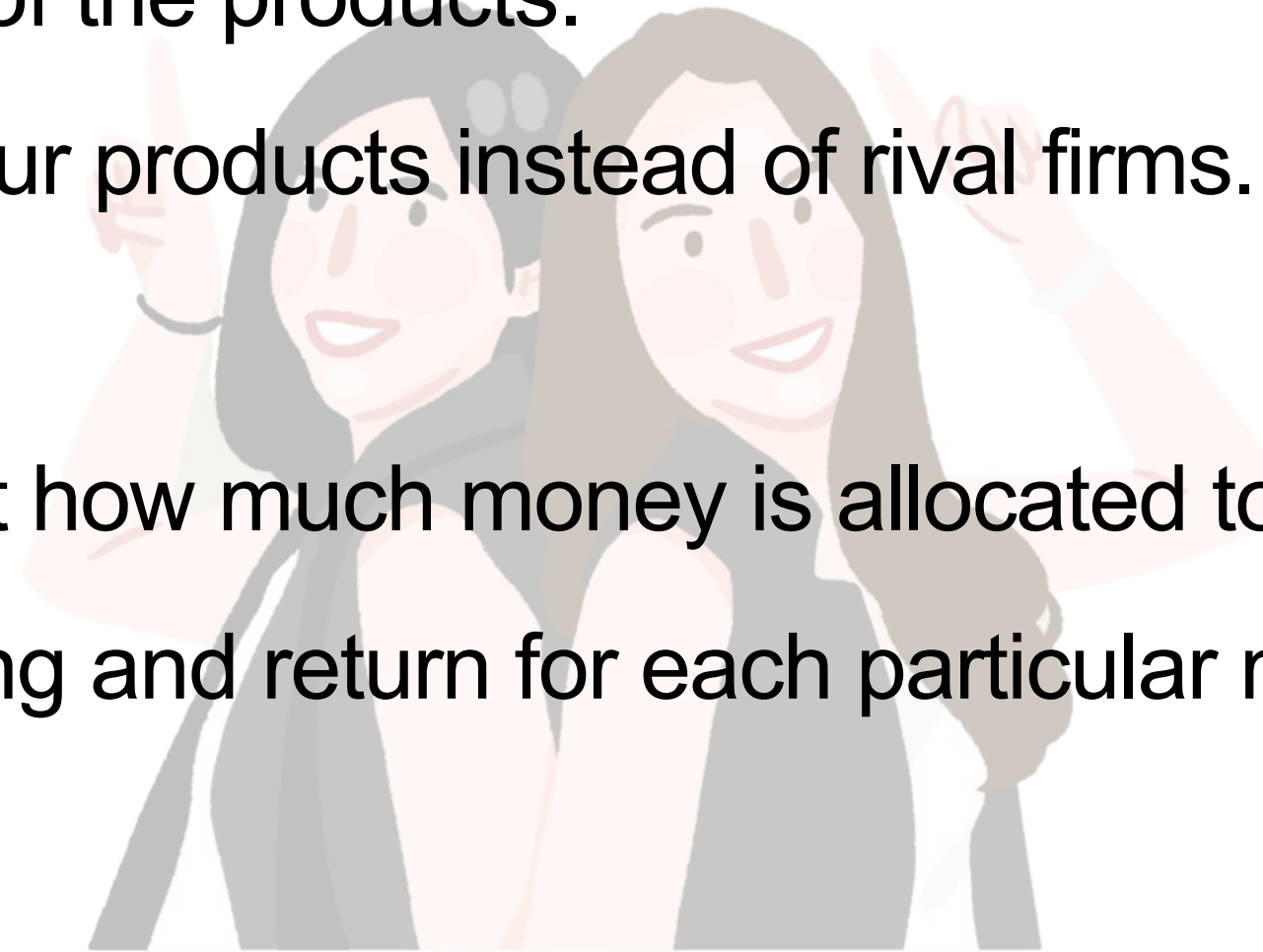
## 2. Different forms of promotion and how to influence sales

### The advantages of sales promotion

- It can encourage new customers to try new / existing products.
- It can stimulate quantities of demand of the products.
- It can encourage customers to buy your products instead of rival firms.

**Marketing budget** : when firms sets out how much money is allocated to the marketing campaign.

Firms need to evaluate cost of advertising and return for each particular media.



## 3. Recommend and justify an appropriate promotion in given circumstances

### 3.1 The stage of the product life

- : If the product is new and has just been launched in the market, firms should provide information advertising.
- : Firms should provide details, features and price of the product.
- : However, if the products enter to the maturity stage, firms should apply persuasive advertising to encourage people to buy more.

### 3.2 The type of product

- : If the demand for the products is elastic, firms should provide flash sales or discount to encourage people to buy in higher quantities.

### 3.3 The nature of the target market

- : If the target audience is teenager, firms should advert by using online platform.



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## Exercise - Marketing mix : Promotion



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# Exercise

1. Chin's business manufactures cricket bats for the **mass market**. He advertises in a **national newspaper** every two weeks. Demand for the cricket bats has **rapidly increased** since the business started two years ago. **His 50 employees now produce 5 million cricket bats per year**. Chin is finding it difficult to manage the business on his own. His friend has suggested **delegating some tasks**, such as marketing and production decisions, to employees

(A) Identify and explain **one** advantage and **one** disadvantage to Chin's business of advertising in a national newspaper. (6 marks)

## Command word

Identify : Name, Select and recognise

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

Advantage 1:.....

Explanation :

.....  
.....

Disadvantage 2:.....

Explanation :

.....  
.....

# Exercise

2. WWA is a **large food retailer**. The Finance Director is worried as last year profit fell by 10%. 'I blame **competition and increased taxes**. We have spent more **on sales promotions**, but these have not been successful. We have to find ways to increase profits.' **WWA has 200 shops and plans to close 50 to lower costs**. WWA may decide to sell a **wider range of products, such as clothes**, to help increase its profits.

(A) Identify and explain **two** possible reasons why sales promotions might not have been successful for WWA. (4 marks)

### Command word

Identify : Name, Select and recognise

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

Reason1:.....

Explanation :

.....  
.....

Reason 2:.....

Explanation :

.....  
.....

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