

DP IB Business Management: HL



Your notes

4.2 Marketing Planning

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The Role of Marketing Planning

Marketing Planning

- **Marketing planning** is the process of formulating **marketing strategies and tactics** that will help a business **achieve its marketing objectives**
- Three tools of marketing planning include
 - **Market segmentation**
 - **Market mapping**
 - **Market positioning**
- A marketing plan commonly includes the following elements:

Diagram: components of a marketing plan



A marketing plan usually contains four key elements

1. Marketing objectives

- These are specific SMART (specific, measurable, achievable, relevant, and **time-bound**) goals and may include
 - Increasing **market share**
 - Maximising **sales revenue** in a particular region or for a certain product
 - Achieving distribution targets
 - Improving **brand** awareness

2. Resources

- Planning **which resources are required** and where they will come from
 - This may include finance, staff time and expertise, as well as the capital expenditure required to achieve the marketing objectives

3. Research

- Marketing research identifies the **factors expected to impact** upon the marketing plan, such as
 - Market size and growth
 - Market segments**
 - Competitor positioning
 - Customer tastes, preferences and views
 - The nature of distribution channels

4. The marketing mix

- This involves planning the **medium- and short-term marketing activities** the business intends to undertake and **who is responsible** for them, including
 - Pricing** strategies and tactics
 - Promotional** activity
 - Distribution** and logistical plans
 - Product specifications**, features and packaging
 - Physical evidence** such as branding
 - How **people** and process are developed to support delivery of the rest of the marketing mix

Market Segmentation

- Market segmentation** is the process in which a single market is **divided into sub markets** or 'segments'
 - Each segment represents a slightly different set of **consumer characteristics**
 - Firms often segment their markets according to factors such as social status, geographical location, religion, gender, or lifestyle
 - A **target market** is one or more market segments at which a product or service is primarily aimed

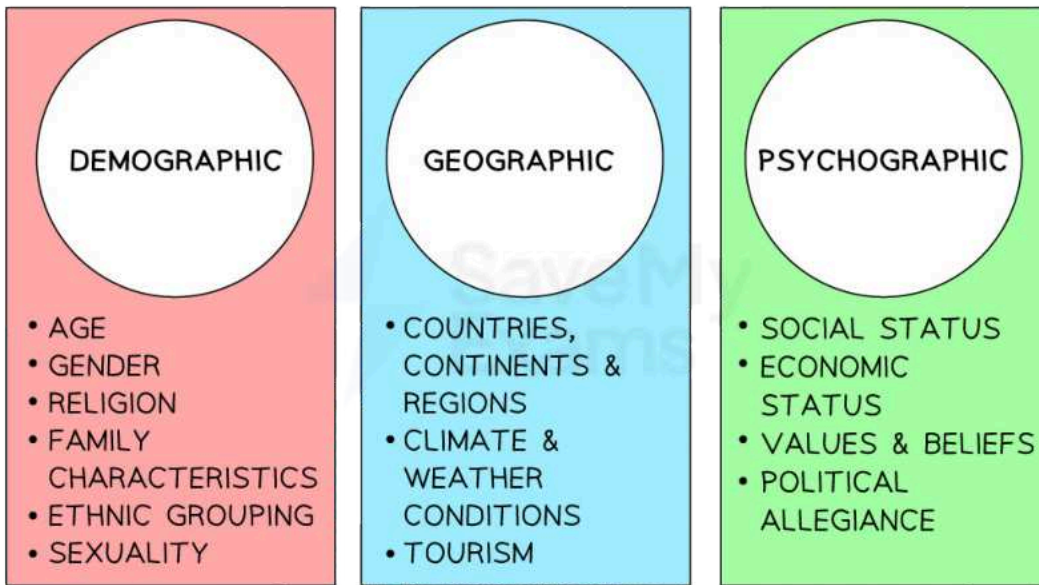
Diagram: ways to segment the market



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Examples of demographic, geographic and psychographic forms of market segmentation

- A market for a good such as crisps is not simply seen as one market e.g. the crisp market is divided up into many **market segments** such as
 - **Dinner party snacks** (Walkers Sensations, Pringles, Burts) are targeted at middle to upper earners/professionals with a premium price
 - **Health conscious crisps** (Walker's lite, Walkers baked, Revita lite) are targeted at the health conscious market
 - **Lunch box value snacks** (multipacks, hoola hoops, etc) are targeted at families and the mass market

Evaluation of Market Segmentation

Advantages	Disadvantages
<ul style="list-style-type: none"> ▪ Recognizes that consumers are not all identical - consumer groups do not all share the same tastes and preferences 	<ul style="list-style-type: none"> ▪ Not everyone within a segment will behave in the same way



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<ul style="list-style-type: none"> ▪ Products and marketing activities can be altered to meet different needs of different groups of consumers and targeted more precisely 	<ul style="list-style-type: none"> ▪ May be difficult to identify a segment and consumers can belong to multiple segments at the same time
<ul style="list-style-type: none"> ▪ Less expensive and wasteful than marketing products at wide market segments 	<ul style="list-style-type: none"> ▪ Segmentation requires more detailed market research which can prove costly (but beneficial) to the business
<ul style="list-style-type: none"> ▪ May increase loyalty if the consumer feels that their needs are being met which can lead to repeat purchases 	<ul style="list-style-type: none"> ▪ A segment may be identified but it may be too small and unprofitable to cater for



Examiner Tips and Tricks

It is important that you understand that businesses tend to use **several criteria** in identifying a market segment at which to target products and services.

For example, Coca Cola's product range is segmented according to **gender, health interests and how the product is used** (for example, two-litre bottles tend to be consumed at home, whilst cans and 500ml bottles are 'on-the-go products').

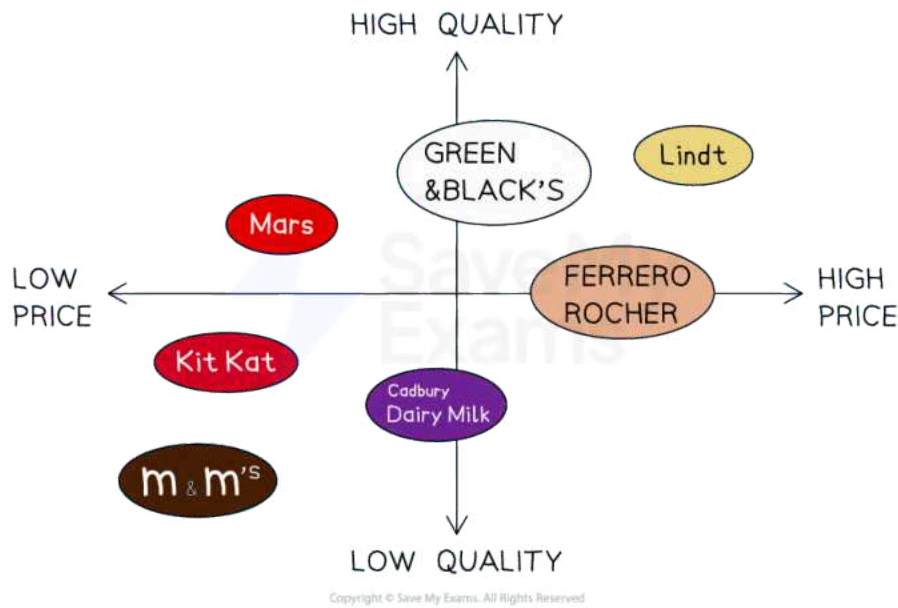
Market Positioning & Market Mapping

- **Market positioning** refers to the process a business goes through when launching a new product or service
 - The business decides where they want to position the product in the market with regard to price, quality, branding, and customer perception
- **Market mapping** is a **tool for identifying the position of a product within a market**
 - A **market map** refers to a **two-dimensional diagram** that shows the attributes or characteristics of a product in comparison to rivals' products
 - Market maps are sometimes called **perception maps**
 - Only **two criteria** can be chosen e.g. price and quality, age and income, etc

Diagram: a market map for chocolate brands



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M&M has positioned itself as low price and low quality in this example of a market map

Market map analysis

- If there are no spaces left on the market map, it indicates that **the market is saturated**
 - This means that there are no opportunities to exploit a **market niche** in the market
 - Competition is likely to be high and **profits low**
- However, the existence of a space on the market map may indicate the existence of a market niche
 - This needs to be researched carefully before the business commits e.g. it looks like there is a gap in the market in **high price / low quality area** in the map above
 - This gap does not represent a worthwhile market, as the business would find it **impossible to build and maintain a loyal customer base**

The Usefulness & Limitations of Market Mapping

Usefulness	Limitations
<ul style="list-style-type: none"> ▪ Market gaps can be identified which may enable a business to come up with ideas for new products ▪ Comparisons can be made between a business' products and those of its rivals - where are the business' products positioned about its rivals? 	<ul style="list-style-type: none"> ▪ A gap in the market may exist because it is not profitable to fill ▪ Mapping a market may require primary research which can be expensive

- Market maps are **simple to construct** and offer a **visual illustration** of the position of a product in the market
- Only **two criteria** can be chosen which may prove too simplistic
- Markets are often dynamic and a market map only provides insight at a **specific point in time**



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Unique Selling Points & Differentiation



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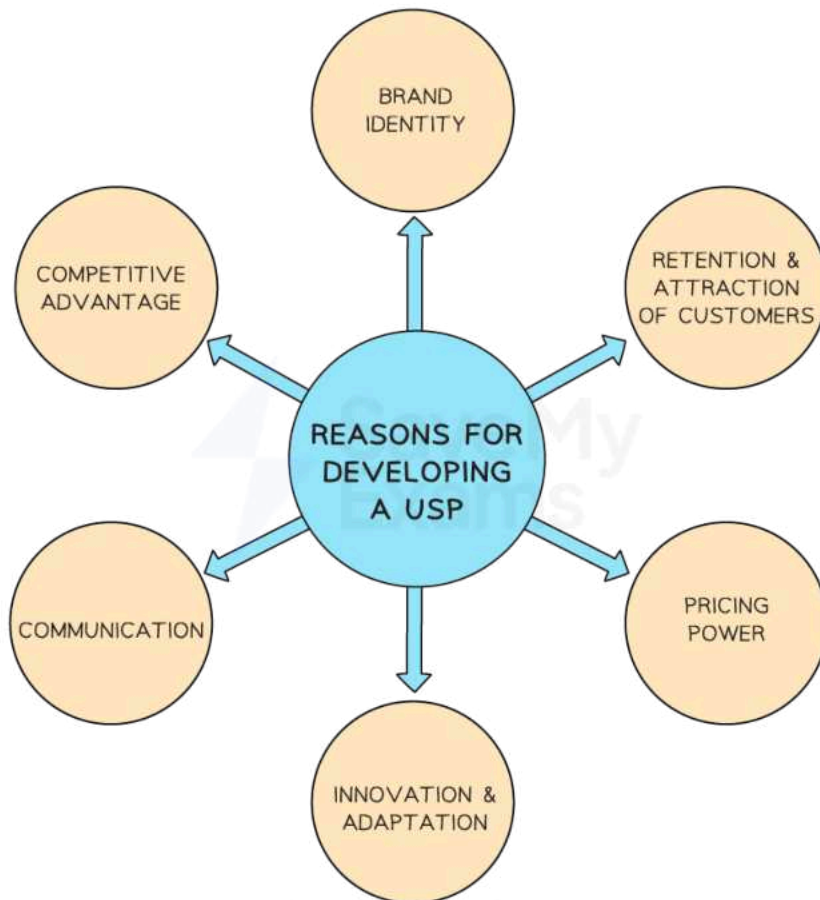
The Importance of Having a Unique Selling Point (USP)

- A unique selling point (USP) is a **distinguishing factor or characteristic** of a product, service or brand that **sets it apart from its competitors**
- The USP helps a business to **differentiate** itself and **give customers a reason to choose one product or service over others** because it offers something **distinct and valuable**
- There are a range of **reasons why businesses develop a USP** which can include
 - Developing a **brand identity**
 - Achieving a **competitive advantage** over rivals
 - Effective **communication** with customers
 - The **attraction and retention of customers**
 - Achieving **power over pricing**
 - Encouraging **innovation** and **adaption**

Diagram: reasons for developing a USP



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The development of a USP can contribute to business success for many reasons

1. **Competitive advantage:** A strong USP gives a business a competitive edge by creating a **barrier to entry** for other businesses in the market
 - If a business can offer something that is difficult to imitate, it becomes more difficult for competitors to gain customers
2. **Brand identity:** A unique selling point helps to shape the perception of the business in the minds of consumers
 - It becomes an essential part of the **brand's story** and **message**, which allows customers to associate specific qualities or benefits with the brand
3. **Communication:** A well-defined USP provides a clear message that highlights the unique benefits and advantages offered by the product/service, making it more compelling and memorable



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- E.g. *Emirates*' USP is a high-quality service and **luxurious amenities** supported by extensive marketing efforts such as **sponsorship deals with sports teams and events**
- 4. **Retention and attraction of customers:** A unique selling point can help attract new customers by appealing to their needs and desires, making customers more likely to **choose and remain loyal to the brand**
- 5. **Pricing power:** A strong USP can often justify the firm's decision to charge higher prices for products/services, as customers are willing to pay more
 - This pricing power can **improve a business's profitability** and financial performance
 - E.g. *Volvo* has a reputation for safety, reliability and comfort, which means that customers are willing to pay **premium prices** for its vehicles
- 6. **Innovation and adaptation:** Developing and maintaining a unique selling point encourages businesses to continuously improve their products, explore new ideas and adapt to changing customer needs and preferences
 - E.g. *Apple* customers expect to be able to upgrade their technology devices frequently and value the ability to buy **complementary goods**, which add value



Examiner Tips and Tricks

You should consider the value of a business's USP to its success. Those which are **difficult** or **expensive** for competitors to replicate or which are **protected in law** (such as patents or copyrights) are the most valuable and are likely to lead to long-term competitive advantage.

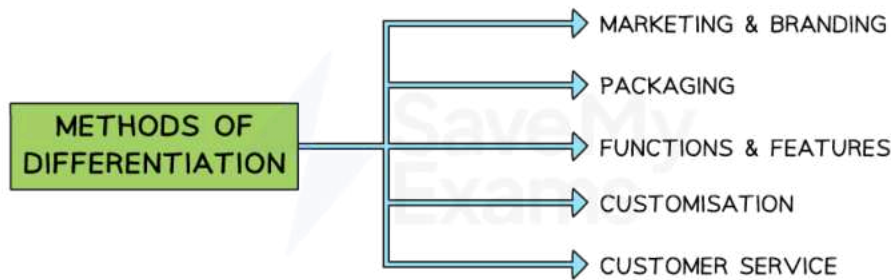
Business & Product Differentiation

- **Product differentiation** is an attempt by a business to distinguish its products from those of competitors
 - This involves creating functions or features of the product (or firm) which help it to stand out from its competitors
 - Strong product differentiation helps the firm to develop its **competitive advantage**
 - The development of product differentiation often helps a firm to create a **unique selling point** for its product which can be used in marketing
 - Product differentiation may be **tangible (clearly visible)** or it may be intangible (**a perception**) that is created about the product in the consumer's mind
- **Common methods** used by businesses to differentiate products include

Diagram: methods of differentiation



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Business can differentiate their products in many different ways

- Successful business or product differentiation helps the business to **increase demand for its products, increase brand loyalty, and** allow the business to **charge higher prices**

Differentiation Methods

Method	Explanation	Example
Marketing and branding	<ul style="list-style-type: none"> ▪ Building brand identification through distinct advertising or promotional activities helps a business to differentiate itself from competitors 	<ul style="list-style-type: none"> ▪ Compare the Market created a memorable brand identity around a meerkat, playing on the words 'market' and meerkat
Packaging	<ul style="list-style-type: none"> ▪ Well-designed and attractive packaging that appeals to the target market can provide shelf appeal and encourage customers to select one product over another 	<ul style="list-style-type: none"> ▪ Apple products are well known for their superior packaging, which creates an exciting opening experience for the customer
Functions and features	<ul style="list-style-type: none"> ▪ Adding unique features gains attention and increases demand from customers who may provide the business with favourable reviews 	<ul style="list-style-type: none"> ▪ Samsung's Galaxy Watch 5 has robust health tracking tools built into it, along with an amazing screen
Customisation	<ul style="list-style-type: none"> ▪ Allowing customers to design or customise their products allows the firm to charge a higher price 	<ul style="list-style-type: none"> ▪ MoonPig.com's celebration cards can be completely customised

Customer service	<ul style="list-style-type: none">▪ Businesses that ensure they have a good reputation for customer service are likely to retain customers	<ul style="list-style-type: none">▪ In 2014, Hyundai in Singapore introduced a three year warranty on all new cars when the industry standard was one year
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