

# HL IB Business Management



Your notes

## 4.2 Marketing Planning

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## The Role of Marketing Planning

### Marketing Planning

- **Marketing planning** is the process of formulating the **marketing strategies and tactics** that will help a business **to 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 with the four elements of a Marketing Plan



*A marketing plan usually contains four key elements*

### Marketing objectives

- These are specific SMART (specific, measurable, achievable, relevant, 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

### 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

### 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



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## 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

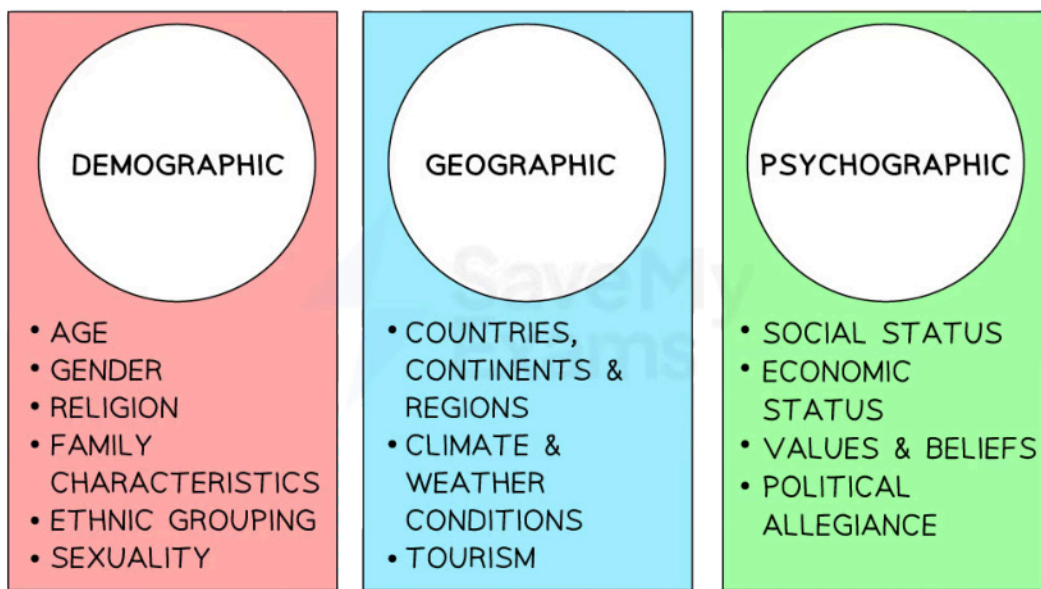


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## Market Segmentation

- **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 Explaining Demographic, Geographic & Psychographic Segmentation



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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

#### The Advantages & Disadvantages of Market Segmentation

Advantages	Disadvantages



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<ul style="list-style-type: none"> <li>Recognizes that <b>consumers</b> are <b>not all identical</b> - consumer groups do not all share the same tastes and preferences</li> </ul>	<ul style="list-style-type: none"> <li>Not everyone within a segment will behave in the same way</li> </ul>
<ul style="list-style-type: none"> <li><b>Products</b> and marketing activities can be altered to <b>meet different needs of different groups of consumers</b> and targeted more precisely</li> </ul>	<ul style="list-style-type: none"> <li>May be <b>difficult to identify a segment</b> and consumers can belong to multiple segments at the same time</li> </ul>
<ul style="list-style-type: none"> <li><b>Less expensive and wasteful</b> than marketing products at wide market segments</li> </ul>	<ul style="list-style-type: none"> <li>Segmentation requires <b>more detailed market research</b> which can prove costly (but beneficial) to the business</li> </ul>
<ul style="list-style-type: none"> <li>May increase <b>loyalty</b> if the consumer feels that their <b>needs are being met</b> which <b>can lead to repeat purchases</b></li> </ul>	<ul style="list-style-type: none"> <li><b>A segment may be</b> identified but it may be too <b>small and unprofitable</b> to cater for</li> </ul>

### Examiner Tip

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').

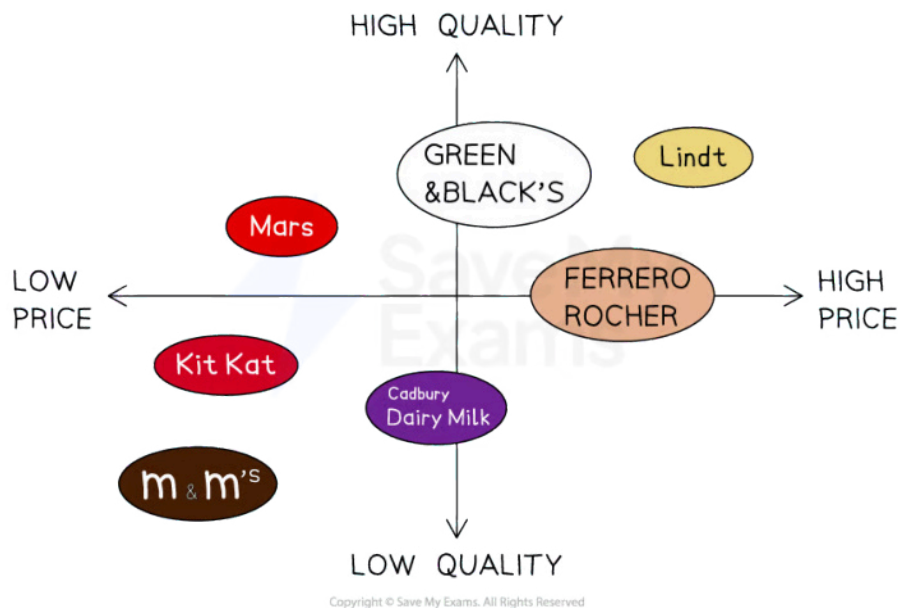


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## Market Positioning & Market Mapping

- **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 of a Market Map for Chocolate



*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**



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### The Usefulness & Limitations of Market Mapping

Usefulness	Limitations
<ul style="list-style-type: none"> <li>▪ <b>Market gaps can be identified</b> which may enable a business to come up with ideas for new products</li> <li>▪ <b>Comparisons</b> can be made between a business' <b>products and those of its rivals</b> - where are the business' products positioned about its rivals?</li> <li>▪ Market maps are <b>simple to construct</b> and offer a <b>visual illustration</b> of the position of a product in the market</li> </ul>	<ul style="list-style-type: none"> <li>▪ A gap in the market may exist because it is <b>not profitable to fill</b></li> <li>▪ Mapping a market may require <b>primary research</b> which can be <b>expensive</b></li> <li>▪ Only <b>two criteria</b> can be chosen which may prove too simplistic</li> <li>▪ Markets are often dynamic and a market map only provides insight at a <b>specific point in time</b></li> </ul>

## Unique Selling Points & Differentiation



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### The Importance of Having a Unique Selling Point (USP)

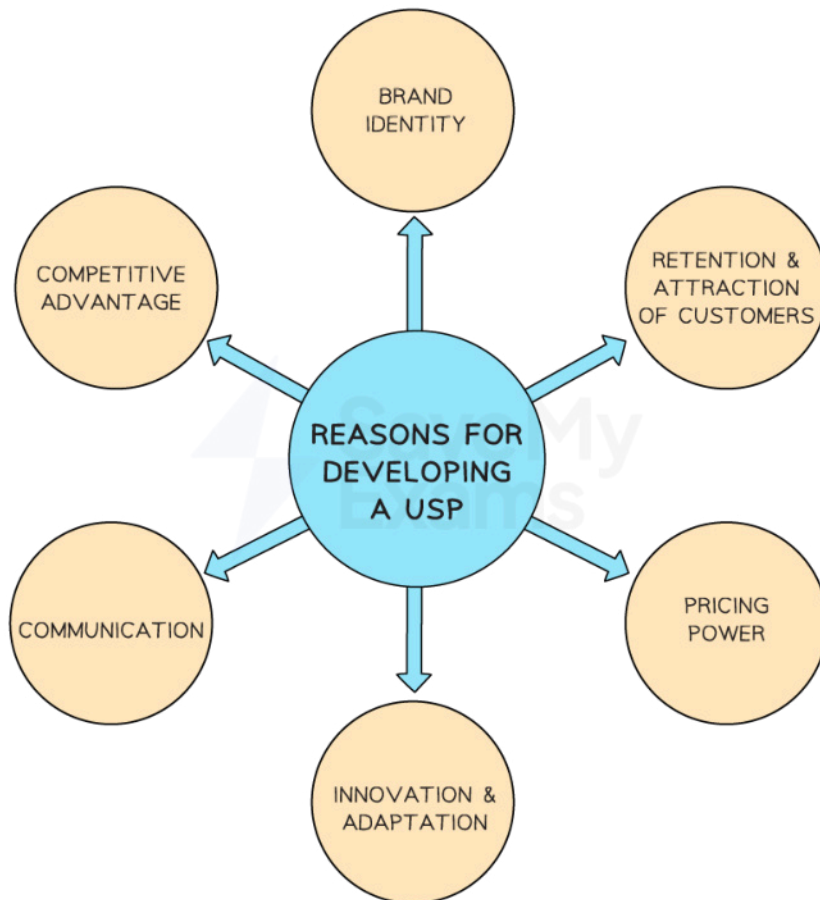
- A unique selling point (USP) is a **distinguishing factor or characteristic** of a product, service or brand that **sets it apart from its competitors**
- The USP helps a business to **differentiate** itself and **give customers a reason to choose one product or service over others** because it offers 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 Showing the Reasons for Developing USP's





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

## 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

## 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

## 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

- 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**

### Customer attraction and retention

- 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**

### 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

### 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 Tip

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.



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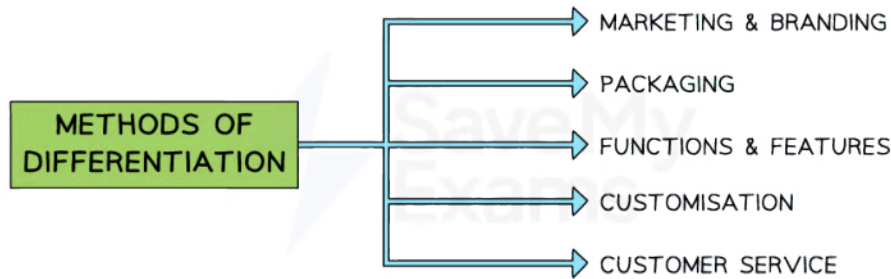


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## Business & Product Differentiation

- **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
  - **Marketing** and **branding** activities
  - Eye-catching **packaging**
  - Attractive **functions** and **features**
  - Product **customisation**
  - Excellent **customer service**

### Diagram with five Methods of Differentiation



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*Business often use a range of methods to differentiate their products and brand*

- 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**

#### Methods used by Businesses to Differentiate Themselves & Their Products

Method	Explanation	Example



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<b>Marketing and branding</b>	<ul style="list-style-type: none"> <li>Building brand identification through <b>distinct advertising or promotional activities</b> helps a business to differentiate itself from competitors</li> </ul>	<ul style="list-style-type: none"> <li>A market comparison website in the UK has created a <b>very memorable brand identity</b> around a meerkat playing on the words 'market' and meerkat</li> </ul>
<b>Packaging</b>	<ul style="list-style-type: none"> <li>Well-designed and attractive packaging that appeals to the target market can <b>provide shelf appeal</b> and encourage customers to select one product over another</li> </ul>	<ul style="list-style-type: none"> <li><i>Apple</i> products are well known for their superior packaging which creates an exciting opening experience for the customer</li> </ul>
<b>Functions and features</b>	<ul style="list-style-type: none"> <li>Adding unique features gains attention and <b>increases demand</b> from customers who may provide the business with favourable reviews</li> </ul>	<ul style="list-style-type: none"> <li><i>Samsung Galaxy Watch 5</i> has robust health tracking tools built into it, along with an amazing screen</li> </ul>
<b>Customisation</b>	<ul style="list-style-type: none"> <li>Allowing customers to <b>design or customise their products</b> allows the firm to charge a higher price</li> </ul>	<ul style="list-style-type: none"> <li><i>MoonPig.com</i> birthday cards can be completely customised</li> </ul>
<b>Customer service</b>	<ul style="list-style-type: none"> <li>Businesses that ensure they have a good <b>reputation for customer service</b> are likely to retain customers</li> </ul>	<ul style="list-style-type: none"> <li>In 2014 Hyundai Cars in Singapore introduced a three year warranty on all new cars when the industry standard was one year</li> </ul>