



higher education
& training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA



SUBJECT: INTRODUCTORY ENTREPRENEURSHIP

LEVEL: N4

MODULE 5: ASPECTS OF MARKETING

MODULE 5: ASPECTS OF MARKETING

After completing this module, you should be able to:

- Name and describe the stages in the life cycle of products.
- Explain packaging decisions, the types of packaging and labelling strategies.
- Explain the concepts and importance of trademarks.
- Name and explain guarantees and warranties.
- Explain the importance of after-sales services.
- Brief explain the importance of the physical availability of products.
- Briefly name and describe the distribution channels, with examples of consumer and industrial goods.
- Describe how the type of retail business influence the choice of a locality.
- Describe the layout of a retail business.

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- Explain the importance of pricing.
- Describe the marketing approach to pricing and the effects of competition on prices.
- Explain the pricing techniques of penetration and skimming and calculation prices.
- Give the pricing strategies of discounting, zone pricing, odd-number pricing, price lines, bar codes, geographical pricing and explain consumers' attitude to pricing.
- Explain total, fixed and variable costs.
- Determine the minimum prices of products.
- Explain and calculate mark-ups as well as retail prices.
- Explain and calculates selling and break even prices.
- Name and explain two types of services.
- Explain and calculate two types of services.

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- Explain and calculate the costs per productive hour and the price per hour for services rendered.
- Explain the direct cost method.
- Explain the concept of promotion.
- Name and explain the goals of advertising.
- Name and give examples of advertising media.
- Name and explain the principle of creating advertising message.
- Give the characteristics of effective advertisement.
- Name and describe promotional efforts to 'hook' customers.
- Describe the concept of personal selling and give the knowledge that is essential for personal sales.

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- Give the contents of sales letters.
- List ideas and advice relevant to customer service.
- Describe how you can develop sales skills.
- Name the different steps in personal selling transactions.
- Apply the marketing mix elements to a specific product or service.

MODULE 5: ASPECTS OF MARKETING

Content

1. Market feasibility
2. The marketing mix
3. Summary of module 5
4. Summative assessment for module 5

MODULE 5: ASPECTS OF MARKETING

Market feasibility refers to the chance that a product or service will sell in a particular community or area.

The entrepreneur must therefore:

- Analyse a market to find out if his/her business idea is a good fit for customer and their needs.
- Ensure that the needs of the market are satisfied in order to make their business profitable.
- Understand the difference between marketing feasibility and market feasibility.

Market is any place where buyers and sellers meet to buy or sell products and services.

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Identifying target markets

Business must have customer to succeed. They cannot target the whole market because the needs of customer differ. Entrepreneurs try to decide who their most likely customers are

Entrepreneur must ask themselves these questions to identify their target market

- What are they selling and what makes the product or services unique?
- Do they want to sell their products or service to youngsters, young people, parents or pensioners?
- Can all income group afford their product or service? Identifying target markets

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Segmenting the market means dividing the market into homogenous groups. This means that members of a particular market segment have one characteristic in common. For example, people who fall into the lower income group all earn roughly the same amount of money. However, this may be the only characteristic they have in common. They may have different interests, some may be male and others female and some may be younger than others.

The specific market segment (e.g. low income) that an entrepreneur wants to target influences the four p_s (product, price, promotion and place)

We use four variables to segment consumer markets:

Behavioural
Occasion
Benefits sought
Brand loyalty

psychographic
lifestyle
attitude
values
Interests

geographic
regions
countries
climate
city and rural

demographic
gender
age
income level
marital status

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Behavioural segmentation

Behavioural segmentation looks at the behaviour of people. It divides people according to how they respond to, use or know product.

- How people use product may link to occasion. For example, people buy different greeting cards for birthdays, wedding and graduation ceremonies.
- Customers also respond to the benefits that they want from product. For example, some women buy soaps for dry skin, while others buy soaps for normal or oily skin.
- Customers act according to brand loyalty. For example, some customers always buy the same brand of chocolates.

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Psychographic segmentation looks at:

- lifestyle of people.
- People's attitude.
- People's Interests.
- People's Values.
- Social class.

Geographic segmentation.

- Geographic segmentation divides the market into various geographic areas.
- This can include regions and countries.
- It does not make sense to sell electrical product in an area where there is no electricity.
- Temperature in various geographical region also differ. There will be a bigger market for heaters in an area where it is very cold during winter.

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Demographic segmentation

This classifies the market according to gender, age group, income level, marital status and occupation.

- Gender – men and woman have different interests, preferences and needs.
- Age group – different age group have different needs. Older people buy different clothes to what younger people buy.
- Income level – the three main income levels are the high, middle and low income group. Their income levels determine their buying habits to a large extend.
- Marital status – married people have different interests to unmarried people.
- Occupation - people with different occupation have different interests and needs.

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Calculating the size of a market

- No business can capture the whole market because there will always be competitors selling the same product or delivering the same service. A business needs to calculate the portion of the whole market that it can possibly capture. This is its market share.
- For example, an entrepreneur who wants to sell pizzas at a college must consider the competitors around the college that also sell pizzas. The entrepreneur will not capture the whole market for pizzas because she/he is surrounded by competitors.

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Steps	Calculation
Determine the average income per customer.	R10 500
Determine the total number of potential customer	600
Calculate the total income of all the potential customers (average income x total number of potential customer)	$600 \times R10\ 500 = R6\ 300\ 000$
Determine the percentage of this total income that they spend on the relevant product or service.	1.5%
Multiply this percentage with the total income to determine the total amount spent on the relevant product.	$1.5\% \times R6\ 300\ 000 = R94\ 500$
Determine the percentage that they spent on your product.	30%
Multiply this percentage with the total amount spent on the relevant product. This is your market share.	

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Identifying competitive advantages

A competitive advantage is something that gives one business a definite advantage over another. Competitive advantages include:

- Better prices than those of competitors.
- Better value for money. This means good quality products and services at lower price.
- Offering product or service that competitors do not.
- Convenience for customer.
- Better customer service.
- Faster deliveries.
- A good brand. Especially for brand loyal customers.

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Example of calculating potential market share

- Assume that there are 600 customers in your target area (target market). The average income per annum for each customer amounts to R10 500. You estimate that each customer spends 1.5% of their yearly income on your product/service, which should ensure a market share of 30%. Calculate the potential share of the business. Show all your calculations.

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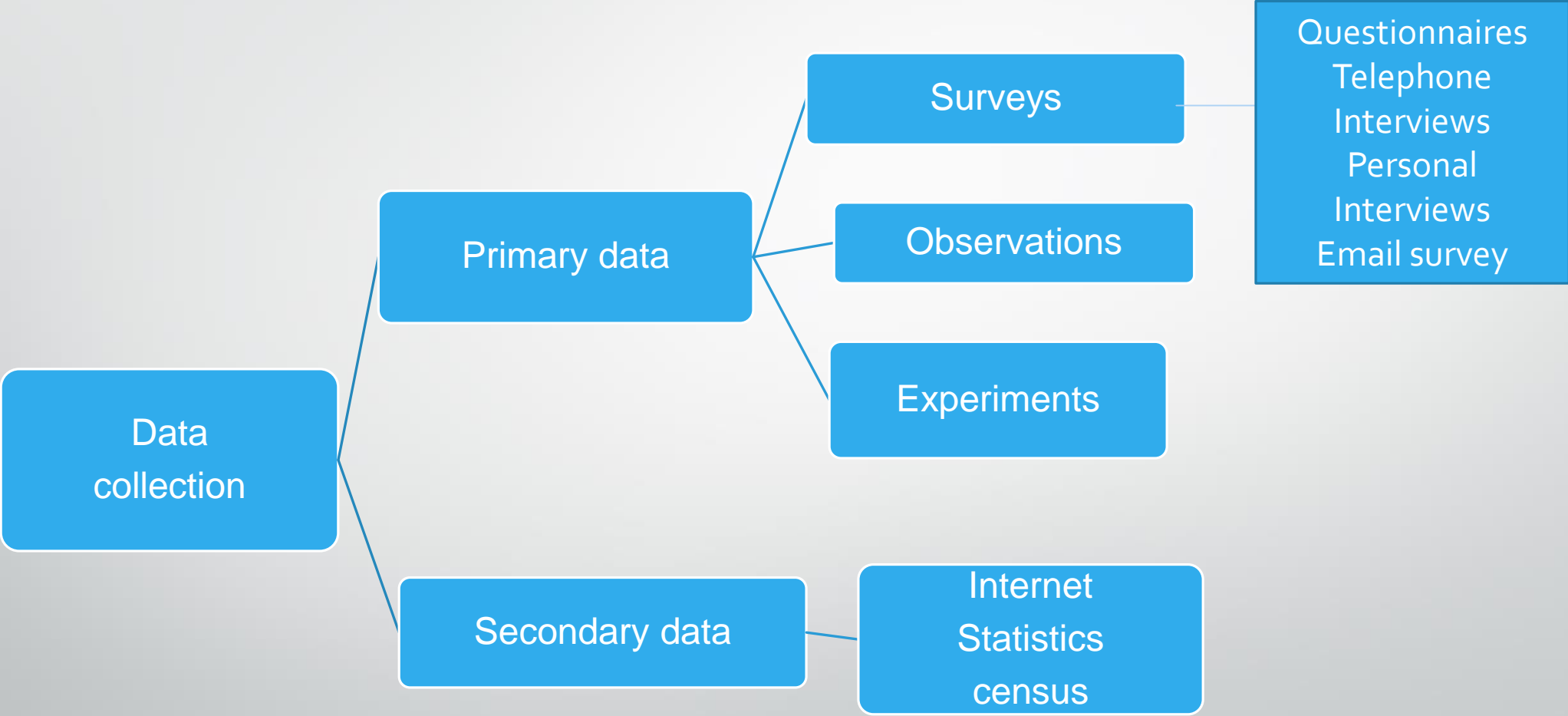
Method of obtaining market information

- **The need for market research**

Entrepreneurs should conduct market research before starting new business to test whether there is a demand for their product or service. remember that markets do not be the same:

- new competitors could enter the market.
- consumer's need or behaviours could change.
- **Method of obtaining information about the market**

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Method of collecting primary data

Surveys, observation and experiments are popular ways of collecting information

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The marketing mix

the marketing mix refers to the four p_s: product, price, promotion and place

- Their product have the right features
- Their price are right
- Their goods are in the right place at the right time.
- Their target group is aware of the existence and availability of the product through promotion.

Product or service

product are item that a business has produced to satisfy customer's needs. Product can be tangible or intangible

- Tangible product are those that you can touch.
- Intangible product are services, like accounting or gardening services.

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The nature of product

Products fall into three group:

Industrial product	Consumer product	services
<p>Refer to goods and services that are use to produce or manufacture other goods.</p> <p>Examples include: raw material (wood and metal) and machinery.</p>	<ul style="list-style-type: none">• Satisfy the needs of the consumer/household.• The consumer is the end user.• We distinguish between convenience, shopping and speciality goods.	<ul style="list-style-type: none">• Service are intangible product.• Consuption and product occur at the same time.• Example includes garden service.

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Consumer goods fall into three categories

Convenience goods	Shopping goods	Speciality goods
These are product that the consumer uses every day.	The products are more expensive than convenience goods. Consumer take time to take final decision.	These product are expensive. They are sometimes seen as status symbol.

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Introducing new product or service

There are always risks involved in introducing new product or service. It is possible that entrepreneurs have:

- Tried to introduce product without the right features.
- Tried to introduce products with the wrong prices.
- Tried to introduce products in the place at the wrong time.
- Promoted their product incorrectly.

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How can the entrepreneur reduce the risks?

- Do a SWOT analysis.
- Do marketing research.
- Compile a business plan.
- Do test marketing before developing the final product.
- Conduct analysis of their business

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Stage in product life's cycle

The four phase of the product life cycle are:

- Introductory phases - this is when product first appearance.
- Growth phases – the market is now aware of the product.
- Mature phase – sales will increase until the product reaches a speak when it starts to move to the decline stage.
- Decline phase - sales and profit decline.

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packaging products

Packaging is the wrapping that surround the product.it protects and helps to market product because because it identifies, describes, display and promotes them.

Factors to consider when choosing packaging

Packaging decisions are important for several reasons.

- Protection
- Visibility
- Added value
- Cost
- Expensive to create
- Length of time

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Types of packaging

There are different types of packaging for different product and purpose

- **Family packaging** – one packaging markets several but related products.
- **Multi-packaging** – places several units of a product, like chocolate, in one packaging to increase total sales.
- **Reusable packaging** - allow the customer to reuse the container.
- **Individual packaging** - packages different product with different features and benefits.

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Labelling strategies

Labelling products has several functions

- gives consumer important information, such as how to use the product – this is descriptive labelling
- It describe the contents.
- It contains instruction and warning
- It gives the information about the ingredients.
- It can indicate the quality of the product.

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Trademark concept

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After- sales service

It refers to the support that business gives customer after a sale.

Guarantees and warranties

Manufacturers normally give guarantee that their product will fulfill certain function, if the product do not, customer have the legal rights to demand that they return the products and have their money refunded.

When customer buy product, they can receive warrantee for stated period should the product become faulty during this time, the seller or manufacturer should repair them without charge.

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Place

Product and service should be available where customer need them. The product should also reach the customer in a good condition and should be available in the right quantity at the right time. Transport should be available as well as storing facilities. Various distribution channels can be used, including

- Direct channel
- Single channels
- Multi channels

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Distribution channels

- are used to distribute or deliver good and services
- The aim is to get the products to the customers

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Locality

When entrepreneur have to choose where to establish their retail businesses

Factors that need to be considered when to choose where to establish a business

- Product you will be selling
- Competition
- Visibility of the premises to the business

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Layout

Refers to physical display and arrangement of stock in retail

The buying habits of customers and displaying merchandise

- place convenience product at an entrance
- Place items that costumers often buy at the back of the shop
- Place items with highest profit at aisle ends
- Place items that prompt impulse buys where shoppers queue to pay

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Service to customers

- Good customer service is the most important thing for a business
- The business might be perfect but if the service is bad costumers will go else were

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Pricing

Business need sell their products to costumers at the correct prices using a competitive prices

Marketing approach to pricing

Pricing techniques

- Skimming pricing
- Penetration pricing
- Cost plus pricing
- Competitive pricing
- Discount
- Leader pricing