

## Case study 11

Chapter 26: Product

Chapter 27: Price

Chapter 28: Promotion and place (distribution)

Chapter 29: International marketing and e-commerce

### Costcut Cosmetics

In 2007 Kamran Khan bought a bulk purchase of end-of-line branded cosmetics from a well-known manufacturer. He rented a market stall in Birmingham market and, even when using a cost plus 210% pricing strategy, his business was an immediate success because he was still selling well below recommended retail price. Supplies were not keeping up with demand, so Kamran contacted other cosmetics manufacturers and was soon able to set up similar stalls on a variety of markets in the Midlands. Everywhere he went his stock was enthusiastically bought.

As Kamran built up his relationships with his suppliers, he realised that he could buy significant stocks of cosmetics that manufacturers were only too willing to sell at low prices, as new product lines arrived to fill their warehouses. He began to try to think of new ways to sell the cosmetics. One way would be to continue to open market stalls at markets throughout the UK. He was reluctant to do this because of the practical problems of control of stocks, cash and the need to employ and train a large workforce of sales staff willing to work for low wages. Another option was to open permanent shops. He then began to think of the possibilities of using the internet to sell.

In early 2009 he asked a friend to set up a basic website. He gave out flyers to his market customers and within weeks he had more orders than he and his wife could pack and post each evening from stock stored in their garage. News of the site seemed to have spread rapidly by word of mouth. Orders were being received from across the UK. In August 2009 the first orders from other countries in Europe were received. He soon realised that he needed to think of more appropriate promotional methods and advertising media.

#### SL questions: 20 marks, 35 minutes

- 1 Describe what is meant by 'advertising media'. (2)
- 2 Explain **two** possible aims of Costcut's advertising strategy. (4)
- 3 Suggest a suitable mix of **three** below-the-line promotional methods that could be used to market Costcut's online business. (6)
- 4 Discuss potential disadvantages of e-commerce for Costcut. (8)

#### HL questions: 25 marks, 45 minutes

- 1
  - a Calculate the selling price of a product that Costcut buys for 59 pence. (2)
  - b Define the term 'branded'. (2)
- 2 If Costcut opened some permanent shops, increased overheads could mean that they would have to reconsider their pricing structure. Discuss factors that may need to be taken into consideration before deciding on selling prices. (6)



- 3** Examine how above-the-line and below-the-line promotion could be used to support Costcut's e-commerce strategy. **(6)**
- 4** Evaluate whether Costcut should extend e-sales to the international market. **(9)**