



## Section 4.1

### Activity 4.1.1

1. 'Consumer service' is the intangible provision of an activity to end users (consumers).
2. Small hotels need to 'make booking seamless' to make the standard of customer service as high as possible when booking as it is such an important part of the product a hotel offers.
3. Social media can be important in promoting small hotels because it increases the exposure of their brands to consumers and potentially increases booking rates.
4. The marketing of consumer goods and services have the following similarities:
  - Consumer satisfaction is important
  - Product/service needs to meet needs and desires of the consumer
  - The price needs to be right
  - Promotion is important
  - Distribution is important.

The differences are that services:

- Are consumed immediately
- Cannot be returned if there is dissatisfaction
- Cannot be compared as easily by the consumer
- Are reliant on the performance of people to generate consumer satisfaction.

### Activity 4.1.2

1. 'Market-oriented' is an outward-looking approach basing product decisions on consumer demand.
2. The Classic Watch Company seems to have a product-orientated approach to marketing because it focuses on producing a simple, robust product rather than what the consumer wants.
3. Classic Watch Company might have problems using the product-oriented approach because it might fail to:
  - Take into account the wants of the consumer
  - Keep up with changes in consumer tastes.
4. Two changes the Classic Watch Company could make to become more market oriented are:
  - Conducting and using market research on consumer behaviour
  - Design its watches based on the market research.



## Activity 4.1.3

1. Market share of Company X:  $\$4\,500\,000 / \$16\,200\,000 = 27.8\%$ .
2. Benefits for Company X of being market leader might be:
  - Retailers are keen to stock its brands
  - It is an effective selling point in promotion
  - Higher sales and profits.

## Activity 4.1.4

1. Equation for calculating Tesco Lotus's market share in Thailand:  
 $\text{Tesco Lotus total sales} / \text{total supermarket sales in Thailand} \times 100$ .
2. Tesco Lotus's sales 2013:  $0.15 \times \$25\text{B} = \$3.75\text{B}$
3. Tesco Lotus's sales 2014:  $\$5.75\text{B} / \$35\text{B} = 16\%$
4. Advantages Tesco Lotus might gain from being market leader include:
  - It is an effective selling point in promotion
  - Higher sales and profits
  - Buying power with suppliers.

## Activity 4.1.5

1. 'Consumer product' is a good sold to the final consumer for their consumption.
2. Tax and regulation in response to obesity might affect the demand for PepsiCo's soft drinks by:
  - Tax raising the price and reducing demand
  - Regulation making the product less appealing (health warning on packaging) and reducing demand
  - Changing the make-up of the drinks and adversely affecting taste.
3. PepsiCo might develop a new product to deal with rising health concerns through:
  - Market research
  - Changing the make-up of the drinks
  - Promoting the drinks in a health-conscious way.
4. The advantages of PepsiCo changing its marketing strategy in response to changing consumer preferences include:



- Potential sales and market share rise
- An opportunity to increase prices or not cut prices
- Positive publicity.

The disadvantages might be:

- Cost of changing the product
- Consumers do not like the new product
- Accurately forecasting changes in consumer preferences.

## Exam practice question

1. A 'market segment' is a subgroup of a market made up of consumers with similar characteristics, tastes and preferences.
2. Samsung could calculate its share of the 'low price' market using this formula:
  - $\text{Samsung's sales in the low price market} / \text{total sales in the low price market} \times 100.$
3. Samsung might have launched the 'fitness-focused Galaxy S5 Sport' for the following reasons:
  - Growth market with new fitness apps
  - In response to similar products from the competition
  - To spread sales across different market segments.
4. The advantages of Samsung's decision to target the 'low price' market segment might be:
  - Attractiveness to consumers on lower incomes
  - Access to markets in developing countries
  - Sells when the economy is in recession.

The disadvantages might be:

- Lower profit margins
- Unattractive to high-income consumers
- Not as successful when incomes are rising in an economy.



## Key concept question

Ethics might influence the way businesses target consumers in different markets in the following ways:

- Young children (toys)
- Low-income consumers (payday loans)
- Pensioners (healthcare products)
- Teenagers (alcohol and cigarettes).

Culture might influence the way businesses target consumers in different markets in the following ways:

- Materialistic (premium brands)
- Environmental (renewable energy)
- Intellectual (news media)
- Leisure (sports goods).