

CHAPTER 15 – MARKETING

PAST MARKETING QUESTIONS

2019 - EXPLAIN THE FACTORS TO BE CONSIDERED BEFORE DECIDING ON THE PRICE (i)

1. Production costs
2. Competition
3. Taxation (import charges)
4. Stage of Product Life Cycle
5. Target Market business? /status of the brand?
6. Demand in the marketplace
7. Consumer Expectation (Image)
8. Product Positioning
9. Legal Restrictions

Remember to explain the ones you choose

2019 - OUTLINE THE PRICING STRATEGY BEST SUITED TO THE INTRODUCTORY STAGE AND EXPLAIN THE REASON FOR YOUR CHOICE (ii)

Penetration Pricing -The business competes for a large share of the market using price. The business tries to capture as much market share as possible. This would be suitable if targeted at the 'lunch box' / mass market.

Skimming - The business charges a high price to 'cream off' the premium section of the market. This would be suitable if the product is to be aimed at the high end of the market such as gyms, professional athletes.

2019 - DESCRIBE THE ROLE OF PUBLIC RELATIONS (PR) IN A BUSINESS (i)

1. Efforts used by a business to create and maintain good public image
2. It aims to achieve favourable publicity and build a good corporate image
3. Its concern is the long-term objective of promoting a favourable image
4. Defend the reputation of the business from criticism (in times of crisis).
5. It is not directly linked to increasing sales but rather to increasing the reputation of the business which in turn increases sales.

2019 - DISCUSS THE METHODS TO DEVELOP GOOD PR, PROVIDE EXAMPLES (ii)

1. Sponsorship - Financial Support in return for positive publicity. E.g. Sponsoring a football team for your brand name to appear on jerseys.
 2. Celebrity endorsements - The product is seen to be used by celebrities. This may entice the fans of the celebrities to use the product.
 3. Press Conferences - The official launch of the product should be profiled to attract the public and create a good image of the brand.
- Other - business brochures; promotional films /Donations to charity/ Local community relations/After Sales Service.

2019 -OUTLINE THE FACTORS TO BE CONSIDER WHEN DESIGNING THE PACKAGING FOR THE BRAND.

1. Promotion - Colour/design/shape to attract the customer.
2. Differentiation from competitors - The packaging should be different
3. A USP Keep it in the mind of the customer that it is available to buy.
4. Image - It must look good using shape, size and colour. (Stand out.)
5. Protection - during storage and handling
6. Legal requirements. What information must be displayed
7. Size/Convenience. The unit size will depend on the marketing plan.
8. Recyclable. To be environmental conscious/ reusable bottle.

2019 - EXPLAIN THE TERM NICHE MARKET & PROVIDE AN EXAMPLE

A small specialised segment of a larger market for a product or service. It is a specialised market with only a few suppliers.

- ☐ Wheelchair accessible vehicles.
- ☐ Organic.
- ☐ Speciality 'Free From' foods
- ☐ Specialist types of clothing /
- ☐ Wedding shoes.

2018 - DRAW A PRODUCT LIFE CYCLE DIAGRAM AND EXPLAIN EACH STAGE (i)

(i) Diagram, stages and explanation

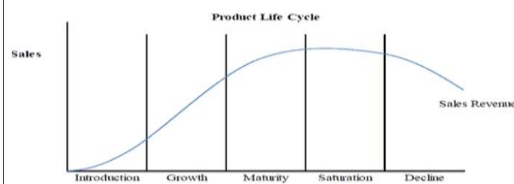


Diagram 9m
5@1: each stage
4@1
Title
Sales
Time
Curve
Each stage explained
5@2.

2018 - DRAW A PRODUCT LIFE CYCLE DIAGRAM AND EXPLAIN EACH STAGE (i)

Introduction -the product is launched onto the market. Sales may be low / costs of marketing the product will be high/Profits will be low if at all/Aim is to create product awareness. Heavy drain on cash flow.

Growth - customer awareness increases /sales are growing rapidly/Profits should start to rise/Aim is to max. market share. Cash Flow improves.

Maturity - Sales are at their peak and product is commonplace in the market/Profits are maximised / market share is defended. Cash flow is excellent

2018 - DRAW A PRODUCT LIFE CYCLE DIAGRAM AND EXPLAIN EACH STAGE (i)

Saturation - Sales are levelling off/Profits should be steady/Market will have been fully exploited. Planning needs to happen to prevent a decline/Extend the life cycle.

Decline - many competitors in the market and new products will cause a decline in sales/Profits decline/May cut prices to sell/May phase out weak products/May even be making a loss

2018 - OUTLINE TWO METHODS A BUSINESS COULD CONSIDER TO EXTEND THE PRODUCT LIFE CYCLE.

Product - New product features/new image/design/use , Create a portfolio of products to increase popularity of the brand, Create line extensions (different flavours/sizes).

Price - Image/reduce price to attract more customers.

Promotion - Advertising Campaign/Sales Promotion techniques. **Place** - Change Channel of Distribution, Sell on-line to attract a worldwide audience. Remember to use full sentence when explaining

2018 - DISCUSS THE BENEFITS OF ENGAGING IN MARKET SEGMENTATION (i)

1. Better matching of customer needs leading to increased sales
2. Position the product better in the mind of the consumers
3. More targeted advertising & marketing spend leading to lower costs.
4. Focused Communications - more of the target customers can be reached
5. Retain customers who might move to competing products
6. Easier to compete with a niche market (small artisan manufacturer).
7. Easier decision making as the focus is on a particular target group.
8. Enhance profits for the business-different customers have different disposable incomes

2018 - ILLUSTRATE TWO DIFFERENT WAYS THE CHOCOLATE MARKET COULD BE SEGMENTED (ii)

Demographic - analyses consumers according to age, gender, family size, income, occupation, Different types of products for different ages. For mass marketing demographic is one of the best ways. For Example. Age-Freddo bars for young children

Geographic location - analyses consumers according to county/country Geography can affect the taste of product being sold/different countries different tastes/chocolate in Ireland famous for its high dairy content. - Hershey's the most popular US brand not popular in Ireland.

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2018 - ILLUSTRATE TWO DIFFERENT WAYS THE CHOCOLATE MARKET COULD BE SEGMENTED (ii)

Behavioural- analyses consumers according to their knowledge of and attitudes towards the use of or response to a product. Impulse buying /Value for money (special price) /Celebration packs of chocolates

Psychological - analyses consumers according to social class, lifestyle and personality type. Attitudes-organic chocolate/environmental concerns around cocoa bean production. Lifestyles-more health conscious

2018 - EVALUATE THE BENEFITS & CHALLENGES FOR A STARTUP BUSINESS OF CHOOSING A DIRECT CHANNEL OF DISTRIBUTION RATHER THAN SELLING THROUGH WHOLESALERS & RETAILERS.

Benefits:

1. The shortest and simplest form of distribution channel
2. Low overheads
3. Potential Global reach (internet/eBay)
4. Greater flexibility □ 24/7 (convenient for consumers)
5. Higher rates of profit than indirect distribution channels
6. More control over distribution-

2018 - EVALUATE THE BENEFITS & CHALLENGES FOR A STARTUP BUSINESS OF CHOOSING A DIRECT CHANNEL OF DISTRIBUTION RATHER THAN SELLING THROUGH WHOLESALERS & RETAILERS.

Challenges:

1. Cannot compete with geographical reach
2. Customers may be asked to shoulder the burden of the shipping costs
3. Some competitors may be using different channels.
4. Lack experience and may be better off using the expertise of an established and reputable wholesaler

2017 - EXPLAIN THE TERM NICHE MARKET (i)

A **small market segment** which a firm may specialise in supplying/Small specialist segments of a **larger market**. It is a specialised market with only a few suppliers - for example Diamond rings/bridal shoes/first communion dresses/children's clothing/ specialist transport-wheelchair

Remember to make reference to the text

2017 - ILLUSTRATE THE IMPLICATIONS FOR A BUSINESS OPERATING IN A NICHE MARKET (ii)

1. Little or no competition/small market - less competition in the market, deal with a specific product for a small market segment.
2. Less investment required.
3. High cost base.
4. Less risk for the business/ more focused marketing.
5. Brand loyalty/loyal relationships with customers
6. High Margins/high profits/high prices
7. May be difficult to source finance

2017 - OUTLINE THREE PRICING STRATEGIES (i)

Premium pricing - Price is set at a high rate to reflect consumer's perception of a superior product. Ideal for small businesses that sell unique products .Product may have a (USP) or a distinct competitive advantage. BMW & Rolex Watch

Price skimming: high prices during the introductory phase Cannot last for long as rival products will come on the market. May help small businesses recover their development costs

Penetration pricing/market share pricing: Setting the price lower than competitor's prices initially to get a foothold in the market/capture

2017 - OUTLINE THREE PRICING STRATEGIES (i)

Psychology pricing: Consumers respond on an emotional level rather than a logical one. An illusion of enhanced value is created to increase demand for a product. Sun holiday €399.

Cost plus pricing (mark-up pricing): Price set to cover costs (production, marketing, distribution) and include a target/fixed percentage profit margin.

Price discrimination: Charging different prices to different market segments for the same product. Cinema tickets/airline tickets.

2017 - NAME ONE PRICING STRATEGY SUITABLE FOR A PRODUCT OR SERVICE OF YOUR CHOICE (ii)

Use any of the above and give reason for you answer - Chose from any of the following

- Premium pricing - Luxury Goods
- Price skimming - electronic goods
- Penetration pricing - mobile phone market
- Price discrimination - Student night in the cinema
- Psychology pricing - Travel packages

2016 - EVALUATE THE EFFECTIVENESS OF SALES PROMOTION TECHNIQUES

Customer Loyalty programmes - offering discounts, to regular customers through, customer card. This will reward the loyal customers - insomnia

Special Offers - Buy One Get One Free - May increase the volume of Trade

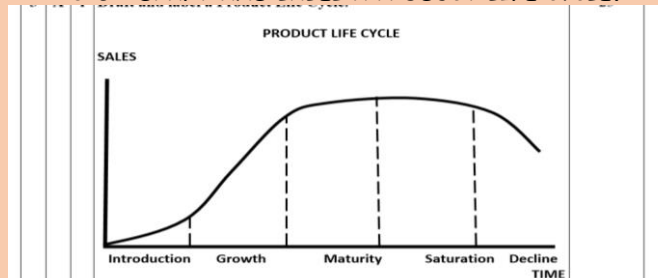
Money off vouchers/coupons - putting coupons in local papers and magazines for reduction in cost of dry cleaning/alteration service. May attract new customers to the service.

Competition - run on social media

2016 - DISCUSS THE BENEFITS OF BRANDING AS A MARKETING TOOL PROVIDE EXAMPLES

1. Easier to distinguish the product - Kelloggs
2. It is easier to introduce new products - Coco Pops Kelloggs
3. Can command a premium price - BMW
4. Repeat purchases as a result of branding will increase sales.
5. Market segments can be identified and targeted with different products under the brand name.
6. consumers become loyal

2015 - DRAFT AND LABEL A PRODUCT LIFE CYCLE.



2015 - DESCRIBE ONE CHARACTERISTIC OF EACH STAGE OF THE PRODUCT LIFE CYCLE GIVE EXAMPLES

Introduction: There is heavy expenditure on promoting the product and the company has to decide on a suitable pricing strategy. Slow Sales Growth / High Expenditure (Advertising, Sales promotion, Distribution) / Negative cash flow/ No profits. Electric Cars

Growth: Investment in production capacity is needed to keep up with demand. The company must be ready to improve the design of the product, tweaking a feature Rapid Sales Growth / Costs falling / Positive Cash Flow / Growing profits/Expanded production requiring further investment.. I phone 10

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<p>2015 - DESCRIBE ONE CHARACTERISTIC OF EACH STAGE OF THE PRODUCT LIFE CYCLE GIVE EXAMPLES</p> <p>Maturity: Sales and profits start to level off, the product has reached most customers. The focus may be on how to extend its life and maintain its competitiveness. Advertising may be reminding customers of the product. Ipad</p> <p>Saturation: Sales begin to slow down and intensive advertising and promotion take place to maintain market share. Brand loyalty is vital at this stage. Samsung spent an estimated \$14 billion on marketing in 2013.</p>	<p>2015 - DESCRIBE ONE CHARACTERISTIC OF EACH STAGE OF THE PRODUCT LIFE CYCLE GIVE EXAMPLES</p> <p>Decline: Sales and profits begin to fall and there may be an effort made to extend the product life or to re-launch the product in a new market. For example Smartphone technology lead to the demise of the Nokia handheld mobile phone.</p>	<p>2015 - EXPLAIN THE PRODUCT, PRICE AND PLACE ELEMENTS OF THE MARKETING MIX.</p> <p>Product - The item/service being sold plus anything related to how it is made, packaged and named. The business needs to consider Product design (Functionality), the packaging, quality take account of consumer legislation such as the Sale of Goods and Supply of Services Act 1980. The product/service Branding this makes it easier to distinguish the product/service from competitors. The product (service) that Kurve Ltd offers is designed as a 'digital Television service'.</p>
<p>2015 - EXPLAIN THE PRODUCT, PRICE AND PLACE ELEMENTS OF THE MARKETING MIX.</p> <p>Price - This is the amount the consumer will pay for the product. It is the selling price charged. This must be set a level that allows the business to earn a profit. The price also influences the level of sales, The image and Positioning of the product. The pricing strategy that Kurve Ltd has opted for is a low pricing strategy called penetration pricing in order to capture market share as quickly as possible.</p>	<p>2015 - EXPLAIN THE PRODUCT, PRICE AND PLACE ELEMENTS OF THE MARKETING MIX.</p> <p>Place - The place element is about distributing the right product/service to the customer at the right place and at the right time. It is how the customer will get the product. Selling online is convenient for the consumer and cuts out the costs with no retailer margin being involved. Companies can advertise and sell their products a web site. The channel of distribution chosen by Kurve Ltd to get its product to the market place is the direct channel as, 'Orders can be placed directly on line'-is direct to the consumer via the internet.</p>	<p>2015 - EXPLAIN THE TERM PUBLIC RELATIONS (PR).</p> <p>Public Relations refers to all activities related to creating a good public image for the product or service amongst its stakeholders. It aims to achieve favourable publicity and build a good corporate image for the business/ its concern is the long-term objective of promoting a favourable image of the business.</p>
<p>2015 - DISCUSS METHODS A BUSINESS COULD CONSIDER TO GENERATE GOOD PUBLIC RELATIONS.</p> <p>Sponsorship - is where businesses pay money so that their product name will be displayed by individuals, organisations or at particular events. It can be very effective at positioning a business (sponsoring of sports events or TV programmes).</p> <p>Celebrity endorsements - where celebrities are paid to endorse or be associated with the business and its brand. The celebrities market the product through television or radio advertisements, large event appearances etc. Businesses use celebrities in their marketing hoping to drive up sales</p>	<p>2015 - DISCUSS METHODS A BUSINESS COULD CONSIDER TO GENERATE GOOD PUBLIC RELATIONS.</p> <p>Other PR strategies include: Annual reports; company brochures; publicity literature; promotional films /Donations to charity/ Local community relations/After Sales Service etc.</p>	<p>2015 - DEFINE THE TERM MARKET SEGMENTATION</p> <p>Market segmentation involves dividing up the market into clearly identifiable sections which have common characteristics. It allows a firm to identify who their target market is.</p> <p>It involves dividing a broad target market into subsets of consumers, businesses, or countries that have common needs and priorities, and then designing and implementing strategies to target them.</p>
<p>2015 - ILLUSTRATE TWO METHODS A BUSINESS COULD CONSIDER TO SEGMENT ITS MARKET.</p> <p>Demographic - You can segment markets by many different characteristics, such as age, income, gender When you have your customers grouped by demographics, you can target your strategies to reach them specifically, as people from certain demographic groups often react the same way to marketing. e.g. Age:, such as toothpaste products for children and adults</p> <p>Geographic - This uses geographic measures such as nations, cities, regions, the rate of populations growth to segment the market. By using segments the business can design a marketing strategy to satisfy the chosen target markets. - Radio: local regional and national.</p>	<p>2015 - ILLUSTRATE TWO METHODS A BUSINESS COULD CONSIDER TO SEGMENT ITS MARKET.</p> <p>Psychological - Markets divided into groups based on personality, lifestyle and value variables. e.g Cars to suit different life styles</p>	<p>2014 - EVALUATE THE ROLE OF ADVERTISING AND SALES PROMOTION AS ELEMENTS OF THE PROMOTIONAL MIX</p> <p><u>Advertising</u></p> <ol style="list-style-type: none"> 1. inform the market that the business has something for sale 2. Advertising communicates a message in order to influence customers 3. It informs, persuades and reminds customers about the product. <p><u>Sales Promotion</u></p> <ol style="list-style-type: none"> 1. the use incentives/ "gimmicks" to attract customers to the product 2.. offering customers price reductions, buy one get one free, 3. It aims to attract new consumers for the product, rewarding loyal

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MARKETING STRATEGY

Marketing Strategy - This is setting out how a business will identify and satisfy the customer needs identified by market research. This involves the following steps

1. Researching - to identify opportunities
2. Segmenting - identify a suitable target market
3. Positioning -
4. Devise a suitable marketing mix

PRODUCT

The Product focus on the following

Design - looks at the function and form of the product

Quality - must meet certain standards

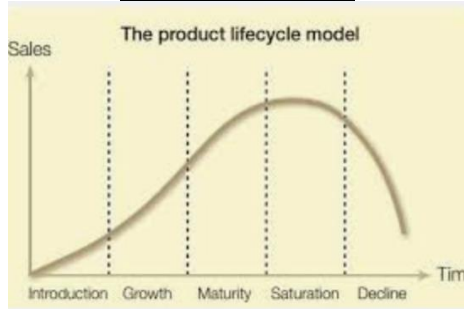
Branding - looks at branding, name, logo, leader and own brands

Packaging - Should provide protection, look good & provide information.

Product Life Cycle

The product can be protected by a trade mark and patent

PRODUCT LIFE CYCLE



INTRODUCTION/LAUNCH

This is the first stage in the product life cycle. The product is launched onto the market (after the product development process). There is a high expenditure on distribution and product promotion. The cash flow is still in negative as the company tries to get the name and the product known in the market

SEGMENTING THE MARKET

Segmenting - This divides consumers into different categories e.g young males/females, people who like sports. The two main types are of segmenting are

1. Demographic

This is analyzing customers in term of age, income, social class, geographic area

For example, Pepsi max drinkers are young males under 25 while finches' consumers are young health conscious females

2. Psychological

This analyzing customers in term attitudes and tastes - yuppies, hippies, impulse buyers

For Example, Volkswagen uses this to analyses the car market

BENEFITS OF BRANDING

1. **Recognition** - Easier to recognize from competitors, easier to advertise
2. **Desire** - Helps promote an image of a product (Lexus)
3. **Loyalty** - Brand loyalty occurs when customers repeat-purchase a particular branded product on a regular basis (Coco Cola)
4. **Higher price** - A high quality brand image can allow a firm to charge a higher price (Mercedes Benz)

GROWTH

The product becomes known and accepted and sale begin to rise. The company starts to Generate positive cash flow. This Money may be used to expand the product to keep up with demand ensuring good quality

MATURITY

Sales start to level off. The product is generating strong profits and 'copy-cats' product may enter the market. Firms often use special offers to keep customer interest in the product

SATURATION

Sales flatten out. Changes may occur in the marketing mix. Competitive adverting and sales promotion often become common to prevent sale going into decline

DECLINE

Sale fall along with profits. The marketing manager needs to determine whether to stop the product or not or try to rescue the product by redesigning the product mix. For example, Cidona

KEYWORDS

Marketing Concept - This concept Identifies what the customer needs and then develops products to meet these needs making a profit

Marketing - this means identifying the needs of customer and then producing and selling products and services to satisfy those needs

Marketing Strategy - This is setting out how a business will identify and satisfy the customer needs identified by market research

A niche market - This is a specific gap in the market for a new product or service

A target market - This is a precise description of the customers to which a product will be aimed at. The target market is usually decide after conducting market research

Positioning - This means creating an image for a product in the mind of consumers in the target market

The Marketing Mix - This consists of 4 elements used to turn the marketing strategy and product positioning into reality. The elements are 1. Product, 2. Price, 3. Place and 4. Promotion

The Product - This is a good or service produced to meet the needs of a consumer

Function - This does what the customer wants it to do (Merchantable quality - fit for purpose)

Form - This Practical and appealing element of the product. Want attracts the customer to buy the product (Colour, Style)

Branding - This means creating an identity for a product that clearly distinguishes it from the competitors. It consists of a brand name and logo, for example adidas, nike.

Brand name - This is a distinctive name given to a product. for example, Pepsi Max.

Brand logo - This is a distinctive visual image that will help the product stand out from competitors. It can be written or visual. For example, a tick is Nikes logo.

Brand leader - This is the brand with the highest percentage share of a particular market.

Own label brands - These are products sold by retailers under their own name for example, Tesco Finest

Patent - This Provides legal protection of an invention or design of a product to the inventor/designer

Pricing Strategies - This Aims to set a price that will help the firm to achieve its long-term marketing objectives. This price must generate sales to earn a profit for the business

Trademark - These are logos that are legally registered by business to distinguish them and their product from competitors

Price - This is the amount a customer will pay for a product. It is the selling price. It is influenced by the level of sales, image, and positioning of the product

Channels of distribution - This describes the various paths that goods may follow from produce to consumer

FACTORS THAT INFLUENCE THE LIFE OF A PRODUCT

Durability - goods that are reliable will not have to be replace for years (saturation - cars)

Fashion - Highly fashionable items are likely to go into decline very quickly

Technological innovations - play station, x box

Marketing - Redesigning the product mix

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TYPES OF PRICING STRATEGIES

GENERAL PRICING STRATEGIES	HIGH PRICING STRATEGIES	LOW PRICING STRATEGIES
Mark - up - This means adding a standard profit percentage to the direct costs of production (sales) of the item to arrive at the final selling price Mark up + cost = Selling price	Price leadership/premium pricing - This occurs when a firm deliberately charges a higher price than competitors to create an impression of superior quality. This enforces other elements of the marketing mix expensive packaging - Luxury products	Penetration pricing - This is when an initial low price is charged in order to capture as much market share as quickly as possible - sale of mobile phone in Ireland
Psychological Pricing - This means setting a price based on the experience of the customer in the target market €1.99 instead of €2	Price skimming - This is when a firm charges a high price at the launch of a new product trying to recover the high development costs as quickly as possible - Electronic Products	Discriminatory pricing - This means charging different prices to different customers for the same product/service
	Profit-maximizing pricing - This means setting a price that will generate the largest amount of profit as quickly as possible - Concert Tickets	Predatory Pricing - This means setting prices below cost in order to drive a competitor out of the market - Fulfill bars
		Loss Leader - This is a product sold at or below cost price in the hope of generating other more profitable sale - Petrol Stations

FACTORS THAT INFLUENCE PRICE

1. Costs - of production. The company needs to make a profit (looking at the break even point)
2. Level of demand - Higher the demand higher the price
3. Competitors prices and product positioning
4. Product life cycle - different stage of the cycle
5. Government taxes - VAT will increase the price
6. Legal restrictions - freedom to set prices or prevent price fixing

PROMOTION

Promotion - This refers to all the efforts (excluding price) made by the seller to communicate and influence the target market to buy a product
It is used for the following reasons. There are four different types of Promotion techniques. These included

1. Advertising
2. Sales Promotion
3. Direct selling and
4. PR - Public Relations

ADVERTISING

Advertising - This Consists of messages designed to inform persuade or remind people to buy a product/service

Advertising media - This refers to communication channels available to a business for its advertising

Point of sale advertising - This uses promotional displays at the place of purchase. It is eye catching and attractive so the customer will impulse buy

Merchandising - This refers to point of sale promotional displays designed to attract attention to a product and increase sales (Window displays, cardboard boxes)

Choosing an advertising media

The type of advertising used will depend on The target market & Cost -

SALES PROMOTION

Sales Promotion - This refers to specific incentives offered to customers to attract their attention, increase sales and encourage customer loyalty. Techniques used to promote a business product includes the following

1. Special offers
2. Free samples
3. Money-off coupons
4. Loyalty cards

DIRECT SELLING

There are 3 main types of direct selling

Personal selling - This Refers to contacting existing and potential customers in person to generate sales. (Reps - Product knowledge/communication skills)

Telemarketing - This Means communicating with customers by telephone to generate sales and deal with customer enquiries and complaints. It reduces the cost for reps, saves on travel costs and provides instant feedback form customers

Direct mail - This Involves sending promotional messages directly to target customers most commonly by post door-to-door leafing or e-mail. It is also known as junk mail (Spam) and alot of it is thrown away.

PUBLIC RELATIONS

Public Relation - This Means communicating with the media using stories to create good publicity for a firm or its products or to respond to negative publicity. It tries to protect and enhance the reputation of the company. They may use a PRO - Public Relations Officer
PR Methods

1. Sponsorship - A company pay money towards the cost of sporting or charitable cause
2. Contacting the press - To attract media attention
3. Paying Celebrities - endorsements (Lucozade Sport)
4. All contact with the public - creates a good image

PUTTING TOGETHER A PROMOTIONAL

PLAN

1. Plan
 - Identify the target market
 - Set a budget
 - Create a promotion message (USP)
 - Choose an appropriate medium
2. Implement
 - Put the campaign into plan
 - Make sure there is enough stock and staff
 - React quickly to negative feedback
3. Evaluate
 - Compare the actual results with the original figures and identify reason for success or failures

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PLACE

Place is all about how the customer will be able to access the product/service. This is usually done by the channels of distribution

Channels of distribution - This describes the various paths that goods may follow from produce to consumer

CHANNEL A

Producer → Wholesaler → Retailer → Consumer

A Wholesaler is a business that buys in very large quantities from producer and sells in smaller quantities to retailers. This is known as break buying. It is used for distributing goods to small independent retailers who stock a variety of goods

For example - corner shop

Benefits	Drawbacks
Distribution is simplified (Break buying)	End product may be more expensive
Costs are reduced	
Market is very large	

CHANNEL B

Producer → Retailer → Consumer

Retailers are outlets at the end of the chain of distribution that sell the goods and services to the consumer. Large retail stores such as Dunnes, Aldi, Lidl bypass wholesaler and buy directly from manufacturers at a discount. Goods can then be sold more cheaply

For Example - Spar

Benefits	Drawbacks
Distribution is simplified (Break buying)	Producer profit can be reduced due to discounts been given for bulk buying
Costs are reduced	
A mass market can be reached by producers	

CHANNEL C

Producer → Agent → Consumer

Agents are business that are contracted to sell goods on behalf of a producer in a particular area. In return the agents earn a commission. This is not a common channel of distribution

For example, Avon cosmetics

Benefits	Drawbacks
Larger profit margins (no wholesaler/retailer)	Good selling agents can be hard to find
	Difficult to reach a mass market

CHANNEL D

Producer → Consumer

This channel suits perishable goods (Farmer markets or craft jewelry). It is becoming more popular as producer can use the internet to sell their products (Dell)

Example - Ticket Master

Benefits	Drawbacks
Profit is high for the producers	The responsibility of selling the product lies with the producer
Feedback can be obtained from the consumer	

CHOOSING A DISTRIBUTION CHANNEL

Producer want to make as much profit as possible by reaching as many target consumers as possible. They need to consider

1. Target market - Will the channel all the goods reach the target market
2. Product image - will the channel affect the brand image (Chanel - no supermarkets)
3. How easy will it be to transport -
4. Cost - The more stage in the channel the more expensive it will be for the consumer
5. Impact on cash flow - Small retailer may pay cash while large retailer may want 60 days credit
6. Special conditions - agreement before distributing a manufacture good - not been allow to supply good to rivals retailers