

## TOPIC: THE MARKETING FUNCTION

### INTRODUCTION

Marketing is one of the eight business functions.

Marketing involves market research to find out what consumers want.

Marketing should take note of the trends in the market and changes in consumer preferences.

Marketing is responsible for determining the price of the product and marketing the final product to the consumers.

Marketing bridges the gap, connecting the business with the consumer.

### Definition of marketing

Marketing is used to deliver value to the customers and satisfying their needs.

The aim is to link the business products and services<sup>v</sup> with the customer needs and wants.

Marketing also aims to get the right product or service to the right customer at the right place and at the right time.

Businesses also establish a target market or maintain market share of a current product and locate the most appropriate customers through marketing activities.

### Role of the marketing function

Support the overall objectives of a business, which is to maximise profits.

The marketing team needs to work closely with staff members from other business functions.

Gather information about customer needs, preferences and buying behaviour and share information with other departments.

Assist the development of the marketing strategy in collaboration with senior management from other business functions.

Develop a marketing plan using elements of the marketing mix.

Develop sales forecasts and projections and provide this information to other business functions.

Decide which products or services the business is going to sell and how the products will be distributed.

Determine what prices (cash or credit) they are going to sell.

### Basic marketing activities

- **Locating the consumer** – businesses must determine the needs of the consumer through research.
  - **Transport** ensures that products are moved from the producer to the consumer.
  - **Storage** is needed as goods must be stored in warehouses until wholesalers, retailers or final consumers need the goods.
  - When goods are stored they must be **insured** against fire, theft and damage.
- Transportation and storage make it possible for marketers to get the right goods to the right place at the right time and in the right quantities.

- **Grading** is the quality categories that appear on some products, e.g. fresh meat is graded by using different colour stamps on the meat.
- **Standardisation** ensures that all products are the same standard in terms of quantity, quality and packaging, e.g. tinned food.  
Grading and standardisation protects the buyer's interest by making sure that buyers get what they expect.
- **Finance** is concerned with the raising and using of funds.  
All the marketing is based on the financing decisions since costs must be carefully planned and controlled.
- **Risk taking** – All businesses carry risks. A business can never be sure that its products will sell. There is a possibility that the product might be damaged, stolen or can become outdated which will result in financial losses.
- **Buying and selling** – Some businesses need to buy raw materials in order to manufacture the final products, while some businesses buy and sell goods and services.

## THE MARKETING MIX

### PRODUCT POLICY

The product is the main component of the marketing mix.

If there is no product there is no business.

Once the marketing department knows all the features of the product then decisions can be made about the packaging and trademark of the product.

### Steps involved in developing a product

Design and development of product ideas.

Selecting and sifting of product ideas.

Design and testing of the product concept which should happen before a product is developed.

Business analysis will determine whether money should be invested in the product.

Consumer responses must be tested, using a small sample of the product.

### The importance of product design

Product design needs to be designed to suit the needs of the customers.

If the product design does not suit the target market, there will be very little demand for the product.

Business need to develop new products in order to replace older products in stage 4 when the sale declines.

Businesses are able to remain competitive because they are always on a lookout for ways to improve their products.

Products become different from those of the competitors.

### Product life cycle

In the **developments stage** the profits are negative. The product absorbs profits from other products or capital from the business. The hope is that revenue in the growth and maturity stages will more than earn back the initial investment in product development.

The **introduction stage** involves the launching of the product. Promotion of the new product is important at this stage and can be costly.

The **growth stage** of the product is where the sales of the product grow more rapidly.

The **maturity stage** is where the sales of the product peak, but growth in sales slows down. It could be because new competitors enter the market or because the market is saturated.

In the **decline stage** the sales begin to fall. The business needs to decide whether to withdraw the product or use extension strategies to extend the life of the product before it goes into decline. Extension strategies include dropping the price, changing the packaging, adding new features or finding new markets for the product.

### Product classification

Types of products	Explanation	Examples
<b>1. Industrial goods</b>	Goods that are used in the manufacturing process to produce other goods.	spare parts, equipment, machinery
<b>2. Consumer goods.</b> Goods that can satisfy consumer's needs in its final form. There are three types of consumer goods.		
<b>2.1 Convenience goods</b>	It is usually low-priced items purchased by consumers without much thought.	A loaf of bread, a packet of chips, a soft drink, milk
<b>2.2 Shopping goods</b>	Consumers do not buy them regularly and they are prepared to spend a considerable amount of time and effort going to various shops until they are sure that they are getting the best value for their money.	Televisions, vehicles, clothing
<b>2.3 Speciality goods</b>	It is consumer goods that have brand identification.	Jewellery, branded clothing
<b>3. Services –</b> personal help or assistance given to customers. Services are intangible and perishable. Special attention is given to quality, the credibility of the supplier and the continuous availability of the service. There are two types of services.		
<b>3.1 Personal services</b>	It is aimed at the final consumer and often carried out by professionals.	doctor, lawyer, plumber, hairdresser
<b>3.2 Commercial services</b>	These are all the services involved in taking goods and services from producers to consumers and are often carried out by intermediaries	Transport, banking, retailers, wholesalers

### Packaging of the product

Most products require some type of packaging. Packaging can vary from a box to a label. The type of product will determine the kind of packaging needed.

### Requirements for good packaging

Must be attractive.

Must suit the product.

Suitably designed for the target market.

Must be different from its competitors.

Must promote the image of the enterprise.

Suitable for display purpose.

Must be environmentally friendly

Must protect the contents.

Should be easy to distribute/handle/transport and use.

Protect and promote the product.

Link the product to its promotion strategy.

Draw the attention of consumers.

Inform customers on how to use the product.

Prevent spoiling or damage.

Reduce storing costs by minimising breakage.

Easy to handle and display on the shelves in the store.

Indicate the correct mass or volume of the contents of the product.

Indicate the ingredients of the product, if applicable.

Indicate the name and contact details of the manufacturer.

### Different forms of packaging

Forms of packaging	Explanation	Examples
<b>Speciality packaging</b>	The product is given an image of 'must have'.	Perfumes, jewellery
<b>Re-usable packaging</b>	The container can be used for something else once the content is finished.	Coffee tins, mugs filled with sweets, glass bottles
<b>Kaleidoscopic packaging</b>	Where the container or wrapper are continuously changing	Breakfast cereal (games or pictures on the box), soft drinks cans (soccer or rugby news)
<b>Multiple packaging</b>	Various products are packed in one container.	Tie and shirt, soap and face cloth
<b>Packaging for immediate use</b>	It is suitable for products that are used immediately and the packaging is thrown away immediately after use.	Packet of sweets, can of cold drink, packet of chips

## **Trademarks**

A trademark is specifically registered and protected by law, which means that this name cannot be used by any other business or person.

Brand awareness is essential in marketing and advertising and businesses spend a lot of time and effort to ensure that their trademarks and brands achieve a reputation for quality and value.

The long-term success of a brand is based on the consumers who become regular users of the brand.

Consumers become brand loyal when they believe the unique value of the product can satisfy their needs.

### **The importance of trademarks to consumers**

A trademark or brand establishes an identity or reputation for a particular company or product range.

A registered trademark protects businesses against competitors who sell similar products.

Trademarks and branding create a sense of security and consistency for customers.

Promotes loyalty and creates consistency for customers.

Consumers are more likely to accept new products that are marketed under a well-known brand/trademark.

A well-known trademark helps to make a brand instantly recognisable.

Offers a degree of protection because branded products can be traced back to the manufacturer.

It represents a certain standard of quality and price to the consumer.

## DISTRIBUTION POLICY

It involves the process of getting the product from the manufacturer to the consumers.

The marketing function is responsible in finding the most cost efficient and appropriate way to distribute the product/service.

It needs to investigate all the different channels of distributions, suitable intermediaries and possible direct and indirect methods of distribution.

### Differences between direct and indirect distribution

<b>Direct distribution</b>	<b>Indirect distribution</b>
Involves the producer and the consumer.	There are middlemen between the producer and the consumer.
The wholesaler and the retailer are cut from the process.	The wholesalers and retailers act as negotiators between the producer and consumer.
Direct contact with target market for feedback and improvements.	Very little control over customer service.
Better end user price as no intermediary costs.	Products may be expensive as costs are intermediary costs are added.
Carry all the risks.	Risks are shifted to intermediaries during the distribution of the product to end user.

### Different types of distribution channels

#### **Producer → consumer**

This is the shortest channel as the producer sells directly to the consumer.

#### **Producer → retailer → consumer**

The producer sells goods to the consumer using the retailer.

This is a single distribution channel.

#### **Producer → wholesaler → retailer → consumer**

This is the traditional distribution channel where the consumer buys from the shop, which buys from a wholesaler, which in turn gets its stock in bulk from the manufacturer.

Consumer products such as maize meal are sold by the producers to the wholesalers, who again sell to retailers then to the consumers.

#### **Producer → agent → wholesaler → retailer → consumer**

Agents often connect the manufacturer to the wholesaler or retailer.

The more intermediaries there are in a distribution channel the more consumers can be reached.

Especially consumers in the rural areas who will also have access to goods

**Justify the importance of intermediaries in the distribution process.**

Intermediaries are specialists in selling, so the producer may be able to reach a wider audience.

They can achieve greater sales by using intermediaries.

The producer may not have the expertise or resources necessary to sell directly to the public.

The intermediary may be able to provide more efficient distribution logistics, e.g. transporting the product to various points of sale.

Overall distribution costs may be lower using an intermediary than if the business undertook distribution itself, even when the intermediary's commission is taken into account.

**COMMUNICATION POLICY**

Communication policy has to do with the consumers.

It involves how the product/service is communicated to the target market.

The marketing function needs to establish the best possible way to promote the product/service.

It can be done through sales promotions, advertising, publicity and personal selling. Communication policies have changed over the years with the increase in the use of the internet in the marketing function.

**Purpose of sales promotion**

- Create awareness among customers of goods and services that are available.
- Inform customers of the benefits of buying the goods and services.
- Persuade the customer to buy the goods and services.

**Sales promotion****\* Customer loyalty cards**

Many retail outlets have loyalty cards that allow customers to get money back on the points they have earned with their purchases.

**\* Free gifts**

Many cosmetic companies give away free samples when they sell items. Some fast food outlets attract children by providing children's toys in the meal pack for children.

**\* Point of sale**

Some items are placed carefully in strategic places to encourage customers to buy them.

Chocolates are often placed at the checkout till on a display stand.

**\* Special offers**

Many shops make use of special offers.

Washing powder may have a "buy one get one free" promotion.

**\* Discounts**

At certain times of the year many shops have clearance sales of their seasonal items or some shops may sell older stock at reduced prices.

Clothing shops normally sell their winter stock at a discounted rate before the summer starts.

**Advertising**

Advertising is the most popular method for businesses to get their message to their target market and consumers.

The different advertising media available are:

- \* Printed media – daily newspapers, community papers, magazines
- \* Web-based media – websites, search engines, banners, e-mail and sms
- \* Broadcast media – radio and television
- \* Direct mail – brochures, pamphlets, billboards, directories

**Publicity**

It is information about a business published by an independent third party such as a newspapers or television station.

Ensures that the public know about the business, its social programmes, community involvement and fair labour practices.

Publicity can be positive or negative as it is not paid for by the business.

Good publicity is often successful because reports in the media about products and services have a higher degree of credibility than advertisements by businesses.

Publicity can be negative if reports appear in a newspaper or on television of a company dumping waste in rivers.

Internal publicity is the display of goods, the appearance of the shop (neat) and its employees (well-dressed) as well as the staff's behaviour towards customers.

Businesses build customer relations by maintaining good corporate image, service, friendliness and efficiency build client loyalty.

Many companies create brand exposure for the company by running competitions which provide exposure to the company's products.

Endorsements by famous people draw attention to a company's brand and products.

Sports and movie stars are often seen wearing certain brands of clothing which create public awareness for the brand.

Some companies hand out gifts and samples with company branding on them, e.g. at conferences where delegates receive goodie bags.

Some companies offer sponsorship to sporting events or community events.

**Role of public relations in publicity**

Public relations aims to present a favourable image of the business and its products or service.

Many businesses outsource the PR function to an outside agency to take advantage of their specialised knowledge.

The PR department builds good relationships with representatives of the media and press.



They keep the media informed of news about product launches and opening of new factories or shops for the attention of the public.

The PR function supports marketing efforts to establish and build a brand identity.

### **Effectiveness of personal selling**

Personal selling can be made telephonically but are usually face to face and offer the most flexible means of delivering a promotional message.

Done by experienced sales people who develop charisma and become skilled in getting people to pay attention to them.

It is the most successful method of selling a product.

It is very effective especially in the case of expensive industrial goods such as machinery and shopping goods, e. g. stoves, fridges , cell phones.

Involves a very personal touch with specific attention giving to customer's needs and requirements.

Most effective way to build relationships between the sales person and the customer.

It is also a very good way of maintaining good relationships and ensuring on-going business and sales.

## **PRICING POLICY**

It includes all aspects of pricing. The marketing function determines the pricing by using different pricing techniques. It has to consider the factors that influence pricing and make the necessary adjustments.

### **Factors that influence pricing**

**Input costs:** The higher the input costs, the higher the final price. An increase in labour or transportation could increase the final price.

**Demand for the product:** The higher the demand, the higher the production volume the lower the input costs, the lower the final price.

**Target market:** Income level of the target market

**Type of product:** Luxury products can be priced higher.

**Pricing technique used to determine the price:** Promotional pricing could be lower than demand oriented pricing.

**Substitutes and complements:** If there are similar products that could replace a product, a high price may result in loss of sales to the substitute.

**If the price and demand of complement good increases,** the other product may increase at the same rate, e.g. prices of computers and keyboards may increase at the same time.

**The economic climate and availability of goods and services:** When there is a shortage of a certain product, people are prepared to pay more for it.

## Pricing strategies

Pricing strategy	Definition	Example
<b>Cost – plus pricing</b>	Cost-plus pricing involves estimating how many products will be produced, then calculating the total cost of producing this output and finally adding a percentage mark-up for a profit.	A factory calculates that the unit cost will be R120. Management decides to add 25% profit. The product will be sold for R150 (R120 + R30).
<b>Penetration pricing</b>	It is used when trying to enter a new market. The product is sold at a low price and the sales income may be low.	A company launches a new chocolate bar at a price below that of similar chocolate bars already on the market. Consumers will try the new bar and could become regular customers.
<b>Price skimming</b>	A product that is either a new invention or a new version of an old product is sold on the market at a high price. People will pay this high price because of the newness of this product.	A new computer game is invented. It will be sold in the shops at a high price because it is new and has better graphics than the old system. Consumers will be willing to pay the high price. This way the business will earn high profits, which will make the research and development costs worthwhile.
<b>Competitive pricing</b>	It involves putting prices in line with your competitors' prices or just below their prices.	A company wants to sell a brand of deodorant. It needs to sell it at a similar price compared to all the other brands of deodorants or consumers will buy the competitors' brands.
<b>Promotional pricing</b>	It will be used when you want to price the product at a low price for a set period to attract new customers.	At the end of summer a shop might have a lot of clothes left unsold. The shop can have a sale offering buy-one-get-one-free. This will encourage customers to buy one item in order to get the second one free. This will help the business get rid of end-of-season stock.
<b>Differential pricing</b>	When different prices are set for different segments of the market.	Pensioners are offered lower prices for instance by cinemas and airlines.
<b>Prestige pricing</b>	Prices are artificially high to prove prestige or maintain a certain image. The product is a status symbol.	Expensive cars, perfume
<b>Odd pricing</b>	To give the impression that products are cheaper.	Retailers set the price at R999, 90 which seems cheaper than R1000.
<b>Discount pricing</b>	Businesses offer a discount off a price to encourage customers to purchase more of the goods.	It was R399 – now only R199

**TOPIC: FORMAL, INFORMAL and FOREIGN MARKETING****Reasons why the informal sector may prefer the direct distribution**

The seller has control over the product.

Better end user price as no intermediary costs.

Direct contact with customers for feedback and improvements

Well trained sales staff is able to promote products effectively and establish good relationships with customers.

By cutting out the middleman prices are lower.

Sales staff provides customer information for future market research.

**The use of technology in the formal sector**

Technology has become an important aspect of distribution in the last number of years.

The use of technology in the distribution has cut out many intermediaries.

It has allowed customers to search the internet for potential products and compare price.

**A description of e – marketing**

It is the use of electronic media to do the marketing.

E – Marketing has allowed businesses to get a better return on investment.

Businesses need to put less money into the process to see better results.

**The advantages of e – marketing**

Costs are lower and there is a better return on investment.

The business is able to measure and use the data from the target market

There is more interaction with the end-user.

It reduces the costs of intermediaries.

It is a fast and successful way of brand visibility.

**The disadvantages of e – marketing**

Dependable on technology

The global market is very competitive.

The maintenance of technology can be very expensive.

The pricing structures can be less flexible.

**Types of electronic advertising****Email marketing**

It is very popular.

It is often used not only to carry out initial marketing information, but also to follow up on customer satisfaction.

It is a fairly inexpensive way to reach a large number of people at a low cost.

**Websites**

Most companies have a website which provides details about their products and services, pricing, location and contact details.

Most companies use websites as a marketing tool to promote the success of their products by placing testimonials on the website by people who are happy with their product.

**Search engine marketing**

Search engines like Google allow people to search for products/companies and the website will list all the results.

It saves hours of searching and researching in books, telephone directories and asking people.

**Mobile marketing**

The use of cell phones for advertising reaches a large potential market.

The most popular method of advertising is via SMS.

Bulk SMS's have become very popular to send small amount of information to a large number of people.

**Banner advertising**

A website advertising agent places your website banner onto someone else's website.

The agent links similar topics together to get the best effect for the advertisement.

These advertisements are paid for according to the number of people that click on the advert.

**Foreign marketing**

Businesses market their products in more than one country, across national borders.

Local companies can expand their local target market<sup>v</sup> and take advantage of overseas prices and exchange rates.

Businesses are also able to export and import goods<sup>v</sup> and services through e-marketing and advertising.

**Restrictions and regulations that control foreign marketing****Trade agreements**

Certain countries enter into trade agreements in order to promote trade between those two countries.

**Tariffs**

Custom tariffs or import duties are taxes placed on goods<sup>v</sup> brought into South Africa.

The import taxes are imposed on imports in order to control the amount of money leaving the country and to encourage South Africans to buy local goods.

**Export subsidies**

South Africa wants to encourage exports to foreign countries and therefore provides a subsidy on certain goods and services that are exported.

Certain products that are exported may get reduced transport rates to encourage lower prices and therefore increase international sales.

**Protection policies**

The South African government puts laws in place to protect local industries.

Goods that fall under these protection policies will have additional taxes added to them which make them more expensive than local ones.

This is done to ensure that consumers buy local goods and money stays in the country.

**TOPIC: MARKETING FUNCTION (MARKETING ACTIVITIES & PRODUCT)**

1. Define Marketing. (2)
2. Explain the role of the marketing function (6)
3. Identify marketing activities represented by EACH scenario below:
  - 3.1 Nthabi makes sure that the bags she sells are of the same quality and size.
  - 3.2 Flo uses cold storage facilities to keep her yoghurt fresh.
  - 3.3 South African Grape farms use different airlines to deliver supplies to the UK.
  - 3.4 PQ has delivered a pruning machine to a grape farm in return for a fee over a three year period.
  - 3.5 Some farmers in the coast are afraid that they will lose all their livestock due to the drought but they continue with daily operations.
  - 3.6 Musa uses online services to sell her fashionable dresses. (12)
4. Consumer goods can be divided into convenience goods, shopping goods and speciality goods. Discuss each kind of consumer good with an example for each. (12)
5. Name **FOUR** requirements for good packaging. (4)
6. The business is making use of reusable packaging and multiple packaging. Describe these **TWO** types of packaging. (4)
7. Read the scenario below and answer the questions that follow:

**RENDANI GENERAL DEALERS (RGD)**  
 Rendani General Dealers sells different types of sweets. They want to attract their customers by giving some of their sweets a high class image. Customers can also use the sweets containers to store other home supplies. They also sell related types of sweets in one box. Recently some of RGD’s sweet packages changed to keep up with the 2018 world cup theme.

Quote **FOUR** statements from the scenario above and link EACH ONE to a specific type of packaging. (12)  
 Use the table below to answer this question.

QUOTE FROM THE SCENARIO	TYPE OF PACKAGING
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8. Write an essay on the following aspects:

Businesses realise the importance of continuous product design in ensuring that they remain sustainable and profitable. Some businesses ensure that the packaging of their products meets the requirements of good packaging. They also strive to create a unique name and logo for their businesses and products.

- Outline steps involved in developing a product.
- Explain the importance of product design.
- Discuss the importance of a trade mark on businesses.
- Advise businesses on the requirements of a good packaging (40)

**TOPIC: MARKETING – ACTIVITY**

1. Read the scenarios below and write down which type of pricing techniques is being applied.

1.1 Your local grocery store is having a back-to-school special on stationery.

1.2 Pensioners are offered lower prices for instance by cinemas and airlines.

1.3 Retailers set the price at R5 999, 90 which seems cheaper than R6 000.

1.4 It was R2 399 – now only R1 999.

1.5 Sandra's Sweet Shop always adds on 25% profit to all its items. (10)

2. Mention **FIVE** pricing techniques. (5)

3. Essay question

Businesses are mindful of the fact that the price of their products can either attract or scare consumers away. Customers want their products to be delivered on time without any delays. Businesses realise that these can be achieved by using the best channel of distribution to get goods and services to consumers.

You are an expert in pricing and distribution policies. Write an essay based on the following aspects:

- Outline the factors that influence pricing.
- Differentiate between direct and indirect distribution.
- Explain the **FOUR** types of distribution channels.
- Justify the importance of intermediaries in the distribution process. (40)

4. List the **FOUR** components of marketing. (4)

5. Read the following scenario and answer the questions that follow:

**SHOP 'N GO ENTERPRISE**

Shop 'n Go Enterprise offers customers' rewards on the points they receive for purchases made. Tasty Burger offers a toy with any kids' meal bought. Checkpoint strategically put chocolates on the aisle next to the pay points. Ferrini offers a 3 for 2 special on their winter clothing range just before summer.

Quote **FOUR** statements from the scenario above and link EACH ONE to a specific type of sales promotion method.

Use the table below to answer this question.

QUOTE FROM THE SCENARIO	TYPE OF SALES PROMOTION

- (12)
6. Explain the purpose of sales promotion. (6)
7. Elaborate on the meaning of publicity. (8)
8. Explain the role of public relations in publicity. (8)
9. Justify the effectiveness of personal selling. (8)

**MARKETING FUNCTION (FORMAL & INFORMAL & FOREIGN MARKETING)**

1. Study the following pictures and answer the questions that follow:

**PICTURE A**



**PICTURE B**



- 1.1 Name **TWO** sectors that are represented by the types of marketing depicted by pictures A and B. (4)
- 1.2 Mention the distribution channels that are more likely to be used in sectors identified in QUESTION 1.1. (4)

Use the table below to answer question 1.1. and 1.2

PICTURES	SECTORS (1.1)	DISTRIBUTION METHODS (1.2)
Picture A		
Picture B		

2. Justify the reasons why the marketing sector in picture B prefers the distribution channel you have identified in QUESTION 1.2. (6)
3. Outline **FOUR** examples of electronic marketing. (8)
4. Discuss the effectiveness of electronic marketing on businesses. (8)
5. Essay question

Many young entrepreneurs believe that foreign marketing is better than domestic marketing. Some business owners argue that foreign marketing should be discouraged as it reduces the demand for proudly South African products. Some argue that the production function should be produce good quality products that increase the demand for South African products in foreign countries.

Justify the above argument by referring to the following aspects:

- Elaborate on the meaning of foreign marketing
- Discuss **FOUR** restrictions and regulations that control foreign marketing
- Explain how the production function can align its processes in order to meet global demand.
- Suggest ways in which South African businesses can enter into foreign marketing. (40)