Marketing

IB DP Business Management Unit 4 Marketing full package

How Luckin passed Starbucks

> It did not win with better coffee alone.

- Luckin opened in Beijing in 2017; within two years it had more shops in China than Starbucks.
- An app for every order, small pick-up shops, big first-order discounts.
- Product, price, **place** and promotion are all marketing decisions.

Start with the customer, or the product?

Market orientation

Research what customers want, then make it.

The usual approach - tastes change fast.

Product orientation

Make what you are good at, then sell it.

Can work for new technology, but risky.

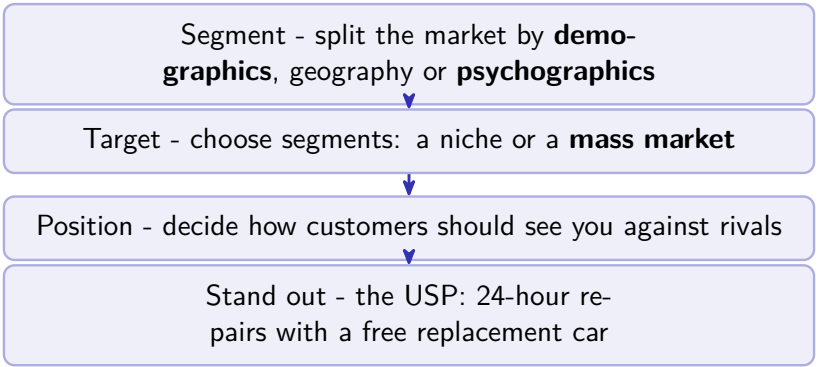
Sales up, market share down

1. **Now** 2,000 of the city's 8,000 repairs: 2,000 / 8,000 x 100 = 25%.
2. **Next year** The market grows to 10,000; the business does 2,400.
3. **Result** Sales up 20%, but share 2,400 / 10,000 = 24%.

Decision

Rivals grew faster - rising sales can hide a falling share.

Segment, target, position



A map of the garages

> The map shows where competition is crowded, and where there is a gap.

- A **position map** places rivals on two features customers care about.
- A gap is not always a chance - there may be no customers there.

The Ansoff matrix

> The further from what you know, the higher the risk.

- Four growth strategies from existing or new products and markets.
- Risk rises from market penetration to diversification.

Moving averages and seasons

1. **First average** (5.7 + 6.3 + 6.0) / 3 = 6.0, placed in Y1 Q2.
2. **Next** (6.3 + 6.0 + 5.4) / 3 = 5.9, placed in Y1 Q3, and so on.
3. **Season** Y2 Q2: 6.9 - 6.6 = +0.3 above **trend**.

Decision

Repairs are above trend in Q2 and below it in Q4.

Primary or secondary research?

Primary research

New data: **surveys**, interviews, **focus groups**, observation, test marketing.

Fits the question and is up to date - but slow and costly.

Secondary research

Existing data: statistics, industry reports, rivals' websites, sales records.

Quick and cheap - but may be old or collected for another purpose.

Five ways to sample

Method	How it works	Weakness
random	everyone has an equal chance	needs a full list
stratified	matches the population's groups	needs data on the groups
quota	a set number from each group	not random - bias
convenience	whoever is easy to reach	often unrepresentative
snowballing	each person suggests others	one social circle

The product life cycle

All seven Ps must fit together.

- Goods have four Ps; services add **people**, **processes** and **physical evidence**.
- Extension strategies delay the decline.

The repair business's portfolio

> The cash cow pays for the star and the question mark.

- The BCG matrix: market growth against relative **market share**.
- Cash from cows turns **question marks** into **stars**.

Pricing methods

Method	How it works
cost-plus	average cost plus a fixed percentage
penetration	low at launch to win share
skimming	high at launch, lowered over time
price discrimination	different prices for different groups
dynamic	prices change with demand in real time

Above or below the line?

Above the line

Paid mass media: TV, newspapers, cinema, billboards, online ads.

Reaches many **people** - costly and hard to target.

Below the line

Sales promotions, sponsorship, direct marketing, personal selling, PR.

Targeted and often cheaper.

Place, people, processes, evidence

P	At the repair business
place	direct to drivers, or through insurers who send customers
people	the mechanic who explains the fault clearly
processes	online booking, waiting times, complaint handling
physical evidence	a clean workshop, uniforms, a clear invoice, reviews

Going abroad

Entry method	**Risk and control**
exporting	lowest risk, least control
licensing and **franchising**	low cost; less control over quality
joint venture	shared risk and local knowledge; possible conflict
direct investment or acquisition	full control; highest cost and risk

Standardise or adapt?

Standardise

The same product and message everywhere.

Saves money; one global brand.

Adapt

Fit local tastes, laws, language and culture.

KFC in China: rice dishes, soy milk and youtiao for breakfast.

Check yourself

Your turn

Without notes,

A. Explain how sales can rise while market share falls.
B. Calculate a three-part moving average and one seasonal variation.
C. Place four products of a firm on the BCG matrix.
D. Choose an entry method for a market abroad, and say why.