



The story continues...

Pepsi Max - What happened next?



After identifying young males as the target market, Pepsi set about positioning their Pepsi Max product as a 'macho' cola for young males. **Product positioning** means putting together a marketing mix that is distinctive from its competitors and appealing to the target market. It refers to all the elements that make a product distinctive from the competition.

However, every firm's marketing mix and positioning has to adapt and change over time to changing circumstances and competition. For instance, Pepsi's marketing mix may have to change as, along with other soft drinks manufacturers, the firm is under pressure to address the issue of waste and litter caused by the use of disposable plastic bottles. There are increasing demands from local councils and others for a tax on such wasteful packaging to encourage firms to return to more sustainable and environmentally sound alternatives such as recyclable glass bottles that can be returned to shops for a refund. This will affect the design of packaging, its appearance and the possible cost to consumers. Advertising and other promotions would also have to be changed to reflect the new packaging.

1. Describe how the marketing image of Pepsi Max differs from that of Diet Coke.
2. If a 50 cent tax were introduced on plastic bottles, what effect would you think this would have on Pepsi's marketing mix?



The story continues...

How does a firm like Finches decide what price to charge?

Before finally choosing a price for its product, a business like Finches needs to look at three key areas: (a) competition, (b) customers and (c) costs.

(a) Competition: What prices are the competition charging? This will give a business a good idea of what customers are prepared to pay. Depending on what prices the competition is charging, a business may adopt price leadership, price skimming or penetration pricing strategies.

(b) Customers: What do customers expect to pay, and what might they be prepared to pay? Businesses like Finches need to be able to predict the likely response to whatever price is charged. If prices are too high, then sales will be low, yet if prices are set too low, then a firm may miss out on potential profit. Psychological pricing means charging a price based on the expectations of consumers in the market.

A common example is where prices are set at €9.99 instead of €10. By sacrificing just 1 cent off the price, firms know this creates an impression in many customers' minds that the product is significantly less expensive than it really is.

Another example of psychological pricing occurs where potential customers interpret a high price as a sign that the product is of high quality product, possibly with an exclusive image. Finches chose this tactic.

(c) Costs: Will the proposed price cover total costs? Most firms will want to set a price that will cover its costs and help make a profit. For Finches, this means ensuring that the price per bottle exceeds the average costs of producing each one.





Recall & Review – Fill in the gaps

_____ is the process used by commercial and non-commercial businesses to identify customer needs and then produce the products and services to satisfy these needs. It involves identifying and researching gaps in the market and then producing the right product or service, at the right price, with the right promotional message and available in the right place(s). When done effectively, marketing means producing the goods that _____ want.

Many people confuse marketing with selling. However, selling can only happen _____ the marketing process has identified and researched an opportunity, developed a product and put together a suitable marketing mix.

A marketing _____ is a plan setting out how a business intends to achieve its marketing objectives. The marketing _____, also known as the '4 Ps', refers to the four key elements used to turn the marketing strategy into reality. It is made up of product, _____, _____ and _____.

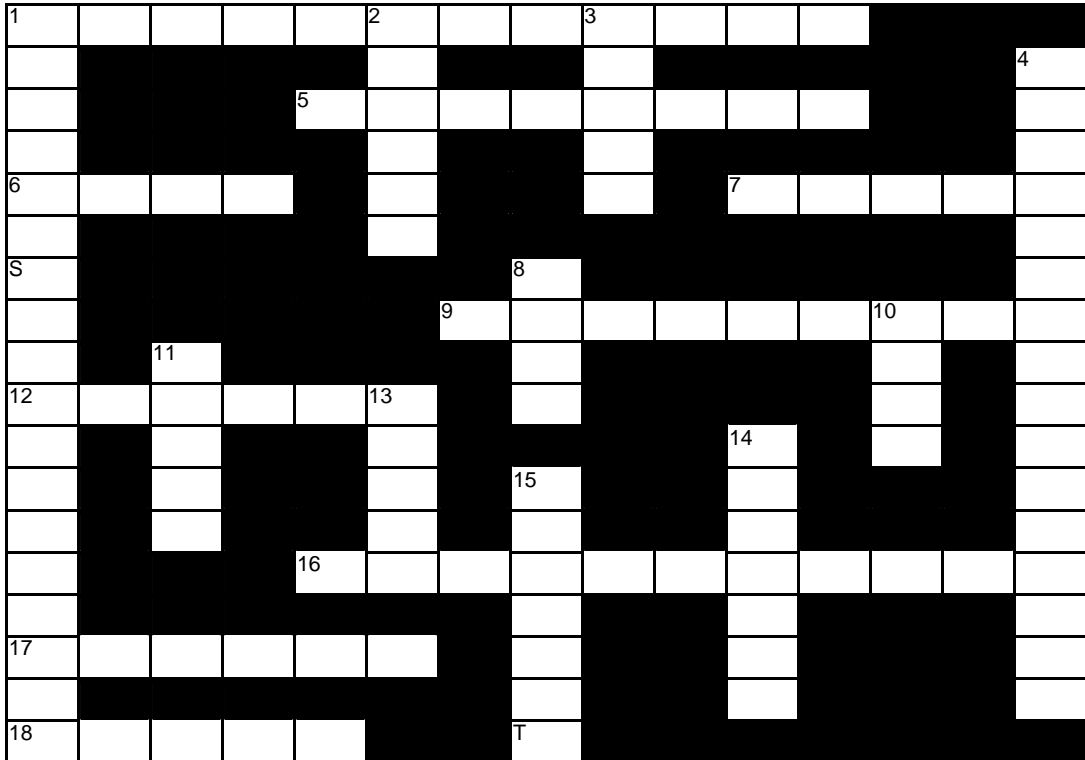
Product design is very important and must satisfy both customer needs and _____ responsibility considerations. If a product is successful, a firm will want to prolong its product life _____ for as long as it is profitable to do so. However, to avoid the risk of being dependent on just one product, most businesses develop a product _____ to spread the risk. An important element in the design of any successful product is to brand it with an identity or image that clearly distinguishes it from the competition. A _____ consists of a clearly identifiable name and _____ and the reputation that the product acquires over time.

Every business will need to use pricing strategies that will help the firm achieve its marketing _____ such as, for example, profit maximisation, business survival, or the expansion of market share. Businesses can use the _____ point for a product to calculate the amount of sales that must be achieved to cover costs and break even.

Score: _____ out of 15



**Crossword 16 - Marketing 1:
Strategy, Product and Price**



CLUES

Across

1. This is used to turn the marketing strategy into reality and has four elements (9, 3)
5. When competing firms retaliate against price cuts with further reductions (5, 3)
6. A break-_____ chart shows if a product will make a profit or loss depending on the quantity of sales achieved (4)
7. Costs that remain the same regardless of the number of products that are sold (5)
9. The product _____ describes the range of products produced by a business (9)
12. A standard profit percentage that is added to the direct costs of production or purchasing (4, 2)
16. _____ segmentation analyses consumers in terms of age, income, etc (11)
17. A product brought in from another country (6)
18. A specific gap in the market for a new product or service (5)

Down

1. The division of consumers into different categories (6, 12)
2. The _____ market is a precise description of the customers at which a product will be aimed (6)
3. These products try to minimise the impact of their design and production on the natural environment (5)
4. This is where extra low prices are set in order to drive a competitor out of the market (9, 7)
8. Where ships unload their cargo (4)
10. A _____ leader is a product sold at or below cost price in the hope of generating other, more profitable sales (4)
11. A distinctive product name with a symbol or design such as Pepsi-Max (5)
13. Having higher levels of these helped Finches convey an image of quality (5)
14. Brand _____ occurs when customers repeat-purchase a particular branded product on a regular basis (5, 7)
15. The good or service produced to meet a consumer need (7)