**Chapter 16 and 17 – Marketing Mix Notes**

**1. Product**

**1. Branding**

Branding is the process of creating a unique name and image for a company/product in the minds of the consumer. This is reinforced through the promotion techniques used by the company including advertising, sponsorship and the use of celebrity endorsements.

1. **Reasons why companies choose branding:**

* Can charge a higher price
* Increases sales volume
* Causes brand loyalty
* Can introduce new products under same brand
* Can be used as bargaining tool when selling to retailers

**2. Packaging**

**1. Importance of packaging:**

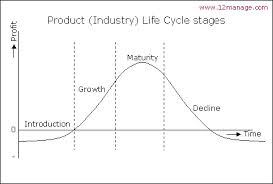
* Reinforces brand image
* Protects the product
* Differentiates from competition
* Makes product into convenient sizes
* Provides product information

**3. The Product Life Cycle –**

This defines the stages of a products life in the market from introduction to withdrawal.

Stages:

1. **Introduction**
2. **Growth**
3. **maturity**
4. **Saturation**
5. **Decline**

**[](http://www.google.ie/url?sa=i&rct=j&q=product+life+cycle&source=images&cd=&cad=rja&docid=BaDYznPkC3Sk_M&tbnid=kLlAJdCNHIcdlM:&ved=0CAUQjRw&url=http%3A%2F%2Fwww.12manage.com%2Fmethods_product_life_cycle.html&ei=49syUvGXIYGUhQfk04FY&bvm=bv.52164340,d.ZGU&psig=AFQjCNEzpt1ybCtvIZAmgXogL8yUz5-STg&ust=1379151135505208)**

**2. Price**

**1. Factors that determine the price:**

1. Cost of Product
2. Competitor's price
3. Consumer’s willingness
4. Legal regulations – below cost selling

**2. Pricing Strategies used by businesses:**

1. **Price Skimming**

* Entry price very high
* Eg Computer’s I Phone etc

1. **Penetration pricing**

* Low entry price to attract market share

1. **Price Discrimination**

* Different customers – different prices

**4. Loss Leader**

* One product below cost attracts sales of other products

**5. Psychological Pricing**

* €199 instead of €200
* High price = quality image

**Breakeven Point:**

* Price Charged = total costs + profits

**Costs:**

**1. Fixed costs**

* Costs that do not change regardless of quantity made and sold. Eg Rent

**2. Variable costs**

* Increases and decreases with the amount of products produced and sold, eg materials

**Break Even Point:**

**B.E.P. Units = Fixed Costs/Contribution p.u.**

(Contribution = Price – Variable Cost p.u.)

**Break Even Point – Euro** = BEP in Units x Price

**Margin of safety:**

Margin of safety shows by how much sales can fall before business starts to make a loss:

= Forecasted unit sales – BEP in Units