**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**

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**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