

# Progetto CLIL

## DIRITTO ED ECONOMIA DELL'AZIENDA

ITC DEGANUTTI Udine - A.S. 2009-2010

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<b>Titolo del modulo</b>	MARKETING
<b>Classi</b>	4°A ERICA
<b>Livello linguistico</b>	Intermediate/ upper-intermediate ( B1+/ B2 )
<b>Punto del programma</b> (eventuali prerequisiti)	Il Modulo sul Marketing chiude il programma scolastico della classe specificata. Non occorrono particolari prerequisiti, infatti il Modulo è abbastanza autonomo all'interno del programma delle classi quarte dell'indirizzo ERICA.
<b>Contenuti disciplinari</b>	Evoluzione storica dell'orientamento delle imprese al marketing. Ricerche di mercato. Segmentazione del mercato. Le strategie di marketing: indifferenziato, differenziato e concentrato. Le "4P" del marketing mix: prodotto, prezzo, distribuzione e promozione. L'analisi del portafoglio prodotti.
<b>Numero di ore</b>	10 -12 ore
<b>Materiale</b>	Dispensa del docente.
<b>Supporti</b>	Utilizzo del proiettore per le presentazioni in Powerpoint.
<b>Compresenza</b>	Sì, in parte

## Chapter 1. What is marketing?

Marketing can be defined as the management process that identifies, anticipates and satisfies customer requirements profitably.

A key marketing task is to develop the right product at the right price, available in the right place and at the right time.

The marketing approach to business became popular in the 1950s. To understand how this approach came about, it is necessary to consider earlier approaches to business.

**The product approach** is based on the idea that there will always be a demand for the best quality products. The assumption of this approach is: **a business that makes the best products will be profitable**.

The product approach to business was successful before the Industrial Revolution. In that period, in fact, it was very difficult for businesses to produce large quantities of goods and there was a wide gap between the rich and poor. For those reasons the small class of rich people could afford the best quality products.

In a modern society, however, the product approach to business is not successful. People do not always buy the best product. Sometimes they choose a lower quality product because it is cheaper.

**The production approach** is based on the idea that there will always be a demand for cheap, mass-produced products. The assumption of this approach is: **a business with the best manufacturing methods will be profitable**.

The production approach to business was successful during the Industrial Revolution. In this period, in fact, it became possible to make standard products that everybody could afford to buy.

One of the pioneers of the production approach was Henry Ford, whose company made the Model T Ford. The Ford factory could only make black cars, because of the

way the production process was organized. Henry Ford joked that a customer could have a Model T Ford in any colour as long as it was black.



**Model T Ford**



Henry Ford 1863–1947



Ford assembly line - 1913

The advantage of the production approach to business is that it makes products available to a very large market. Its disadvantage is that customers cannot have exactly the product they want, but only the product that is actually produced in the factory.

In a modern society, however, people do not always want cheap, mass-produced products.

The **sales approach** to business began to develop in the 1920s when a serious economic depression invested the American economy and the competition among firms became very intense. This approach is based on the idea that demand for a product can be increased through aggressive sales techniques, for example special offers and price discount. The assumption of this approach is: **a business that makes people buy its products will be profitable.**

The three approaches to business described above all have a common characteristic: they focus on what the company does rather than on what the customer wants.

- The product approach focuses on the product that the company makes.
- The production approach focuses on the way that the company manufactures the product.
- The sales approach focuses on how the company sells the product.

The **marketing approach** to business completely changes the point of view: it is not company centered, but customer centered. It is based on the idea that a company should provide **products that satisfy customer needs, wants and demands.**

Needs can be defined as the basic influences on human behavior. Examples of biological need are food and clothing. Examples of psychological needs are security and prestige. Human needs are the same for all people.

Wants can be defined as the desire for specific need-satisfiers (products or services). Wants are not the same for all people.

Demands can be defined as human wants that are supported by the ability and the desire to pay for them.

For example, when hunger (a need) becomes the desire for a specific food, such as a McDonald's hamburger, it has become a want. A hungry person who wants a McDonald's hamburger and has the money to pay for it, has a demand for the product.



Marketing is not simply selling, in fact its aim is to make selling superfluous.

If marketing is successful in identifying customer needs and wants and in providing an appropriated product or service, then the selling task is made much easier.

Marketing involves a whole range of activities, including researching the market, developing new products, packaging and promoting the products, and setting the price. All these activities are aimed at providing goods and services which will satisfy the consumer (so she or he will buy it), and making a profit for the firm.

## Exercises.

Exercise 1. Put the words in the box into their correct columns in the table. Match each need with the appropriate want/demand.



Needs	Wants/Demands

Exercise 2. Answer the following questions.

- When was the product approach to business successful?
- When did the production approach to business begin?
- When did the sales approach to business begin?
- When did the marketing approach to business become popular?
- Why is the marketing approach to business very different to the other approaches?

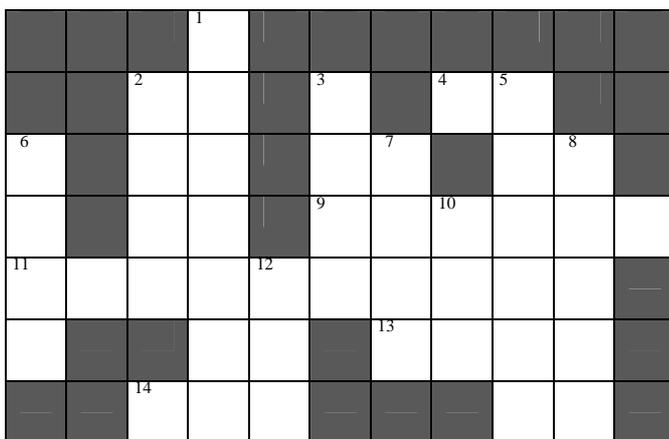
Exercise 3. Complete the sentences with the correct word from the text.

- The ..... approach to business is based on the idea that a business that can make people buy its products will be profitable.
- The ..... approach to business is based on the idea that there will always be a demand for the best quality products.
- The ..... approach to business is based on the idea that a company should provide products that satisfy customer needs and wants.
- The ..... approach to business is based on the idea that there will always be a demand for cheap, mass-produced products.
- Food, clothing and shelter are all examples of human .....
- When a need becomes the desire for a specific product, it is known as .....
- Demands can be defined as human wants that are supported by the ability and the desire to .....

Exercise 4. Match the words in column A with the synonyms in column B.

A	B
1) Cheap	a) factory-made
2) mass-produced	b) discount
3) reduction	c) low price
4) need	d) desire for specific product
5) want	e) basic human requirements

Exercise 5. Complete the cross-word.



**Across:** 2. Abbreviation of near. – 4. In the year of our Lord. – 9. Usual, regular. – 11. The revolution that introduced factory production. – 13. Past participle of DO. – 14. Spanish terrorist organization.

**Down:** 1. The approach to business successful before the production approach. - 2. Basic influence on human behavior. - 3. Desire of a specific need-satisfier. - 5. Human wants supported by the ability and the willingness to pay for a product or service. – 6. Content and Language Integrated Learning. – 7. One of the early pioneers of the production approach. – 8. The approach to business developed in USA in the 1920s as a consequence of the economic depression and the intense competition among firms. – 10. De Janeiro in Brazil. – 12. Salt water that covers most of the earth's surface.

## Chapter 2. Market research, segmentation and marketing strategies.

### Market research.

The aim of market research is to gather information that may be useful to the firm when marketing its products. This could be information about sales, competitors, market size, new developments in the market. By gathering information, the firm should be able to make better decisions about what to do next.

There are many ways of classifying marketing research.

We can distinguish primary and secondary research.

Primary research involves gathering information for the first time. Secondary research uses information already gathered. If you were thinking of launching a new type of shampoo and gave it to a group of people to try first, this would be **primary research**. If you read some information about the shampoo market in a newspaper, this would be **secondary research**.

Primary data can be gathered by observation, by experiment or through surveys. Secondary data can be gathered from newspapers, magazines, government publications or on internet.

Primary and secondary research have advantages and disadvantages and each is appropriate in certain situations. If a business is trying to assess the response of viewers to a new advertisement, primary research will be essential. However, if the firm was interested in population trends or the state of economy, it should be relatively easy to find this information from secondary sources.

	PRIMARY RESEARCH	SECONDARY RESEARCH
<b>Advantages</b>	Up to date	Normally cheaper than primary research
	Specific to the firm's needs	Quicker to gather than primary research
	*****	Available to other firms.
<b>Disadvantages</b>	May be expensive to collect	May be out of date
	Not available immediately	May be very general

Another classification focuses on the nature of the information that is gathered. It makes a distinction between quantitative and qualitative marketing research. **Quantitative research** is based on a relatively large number of consumers and is statistically valid. Its findings can be expressed mathematically (for example, sales of Brand X have increased by 45%). **Qualitative research**, by comparison, is based on the opinions of a small focus group and includes any data that is not expressed mathematically. Qualitative research is often used to get an initial insight into a problem or to help define the type of quantitative research required. For example, film companies often use focus groups to see their reaction to the ending of films; if they react badly the ending often gets changed.

## **Market segmentation.**

A company may have a large number of potential customers, but not all these people will have exactly the same needs. Market segmentation consist of identifying groups of customers with similar needs and characteristic. If firms can identify particular segments, they can target these and adjust their marketing accordingly.

There are many different ways of segmenting markets. A company usually makes use of more than one segmentation base, to obtain detailed information about its customers.

Demographic segmentation is the most popular method of market segmentation. It uses the following criteria:

- **Age**



Many products are targeted at a specific age group in society. The fashion industry, for example, target different products at customers of different ages. Sky Television also offers channels which will appeal to people of certain ages. Children might watch Playhouse Disney, older people may watch SkyTG24, a 24 hour news channel.



#### ▪ Gender



Many products are targeted at men or women. Obvious examples include clothing and special interest magazines.



#### ▪ Income



Many companies target different products at different income groups. For example, products like Rolex and Porsche focus on higher income groups, supermarkets such as Lidl target those with lower income.



▪ **Social class**



This method of segmentation divides people into six social classes according to their occupation or the occupation of the head of the household (such as the mother or the father in a family). The first class includes senior managers and professionals. The last class includes unemployed. Newspapers often target different socio-economic groups. For example, IISole24ORE tends to be read by social groups included in the first classes.



# socio-economic groups

Social grade	Occupations	Examples
<b>A</b>	Higher managerial and professional	Company director
<b>B</b>	Lower managerial	Middle manager
<b>C1</b>	Non-manual	Bank clerk
<b>C2</b>	Skilled manual	Electrician
<b>D</b>	Semi skilled and unskilled manual	Labourer
<b>E</b>	Those without employment income	Unemployed

Other ways of segmenting the market can focus on the location of different groups, the usage rate of a product, the purchase occasions.

More modern methods of segmentation focus on how a consumer evaluates a product (benefit segmentation). For example, a father buying a car for his son will be probably interested in safety. The son may be more interested in the car's design, performance and speed.

Benefit segmentation allows a company to target the same product at different segments, by emphasizing different benefits.

## Marketing strategies.

There are three basic **marketing strategies** that a company can use in relation to market segments:

- mass marketing;
- differentiated marketing;
- concentrated marketing.

**Mass marketing**, which is also called **undifferentiated marketing**, consist of offering the same product to all segments of the market. The advantage of mass marketing is that a company can produce large numbers of standardized products. This means the production process is relatively repetitive and the cost per unit should be low.

Coca-Cola used to be marketed this way, because it was available in only one flavor.



To operate in a mass market, a firm must be able to produce goods in a large scale. This may require heavy investments. The danger of mass marketing is that, if demand falls, the firm may be left with unused resources. Machines may sit idle and there may not be enough work for employees. Before investing in a large-scale resources essential for a mass marketing strategy, a business must be sure that demand will be sustained.

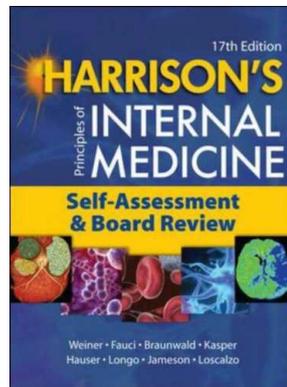
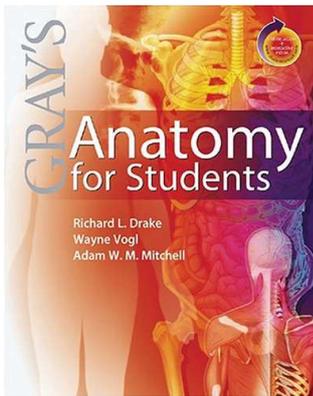
**Differentiated marketing** consist of offering different products to different segments. This happens, for example, in the car industry, where the same manufacturer offers a range of different products to different segments.

In recent years, also Coca-Cola has offered the product in different forms to suit the different needs of its customers.



**Concentrated marketing** is also known as **niche marketing**. This consists of offering a product to just one segment of the market with which the major competitors are not concerned. It is a strategy that many small companies choose to follow because they do not have the resources to serve the whole market.

The marketing of specialist products, such as medical textbooks, is an example of niche marketing. Here, the target market is both small and well defined (doctors and medical students).



There are a number of advantages of operating in a niche market:

- A firm may be able to survive because it is offering a product or service that the larger firms are not interested in supplying;
- The firm may be able to operate on a small scale, in fact many niche markets are relatively small and specialized.

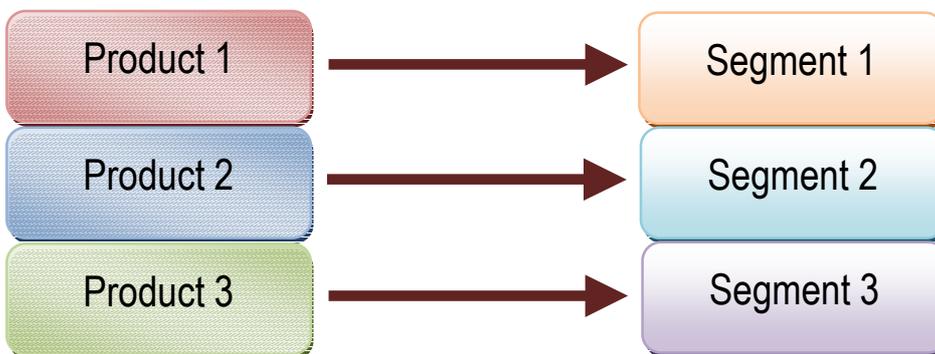
However, firms producing and selling in niche markets also face disadvantages:

- If the business earns high profits, other firms may enter the market, making it more competitive. The niche producer will struggle to survive if larger firms enter the market and sell at lower prices.
- The market may consist of a small number of customers. This may mean that the firm is vulnerable to the loss of one or two customers.

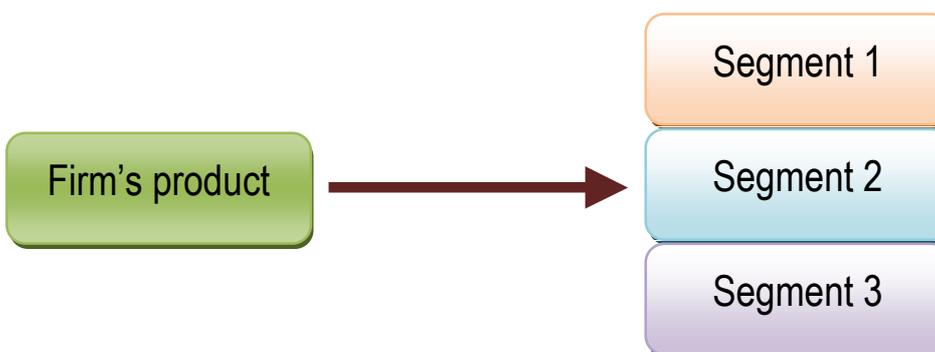
## Mass marketing



## Differentiated marketing



## Concentrated marketing



## Exercises.

Exercise 1. Put the words in the box into their correct columns in the table. Match each product with the most likely segmentation method.



Products	Segmentation method

Exercise 2. Match the marketing strategy in column A with the correct description in column B.

A	B
1) Undifferentiated marketing	a) The product is offered to just one market segment.
2) Differentiated marketing	b) Different products are offered to different market segments.
3) Concentrated marketing	c) The same product is offered to all market segments.

Exercise 3. Answer the following questions.

- What is meant by “marketing research”?
- Explain some advantages and disadvantages of primary market research.
- Explain some advantages and disadvantages of secondary market research.
- What is meant by “market segmentation”?
- What is meant by mass marketing?
- Outline advantages and disadvantages of mass marketing.
- What is meant by niche marketing?
- Outline advantages and disadvantages of niche marketing.
- Explain how the market for chocolate could be segmented (*work in little groups*).

Exercise 4. Complete the sentences with the correct word from the text.

- a) ..... consist of offering the same product to all ..... of the market.
- b) ..... is also known as niche ..... . Instead, ..... is also known as undifferentiated .....
- c) Age, income and gender are some criteria of demographic .....
- d) ..... research consist of gathering information for the first time. .... uses information already gathered.
- e) ..... research is statistically valid. .... includes any data that is not expressed mathematically.
- f) Market ..... consist of identifying groups of customers with similar needs and characteristic.

Exercise 5. A car manufacturer has just designed a new high-performance sport car. The price of the car will be € 136.000,00. Answer the following questions:

Marketing strategy is:

- a) mass marketing
- b) differentiated marketing
- c) niche marketing

The two most important demographic segmentation variables are:

- a) age
- b) gender
- c) income
- d) education level
- e) social class

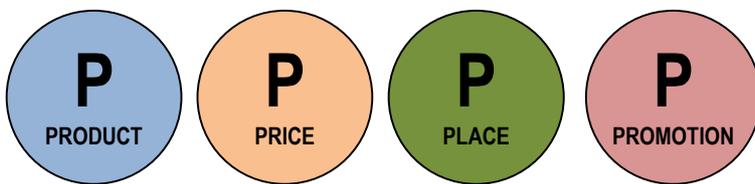
Customers will come from which social grade classification:

- a) higher managerial and professional
- b) lower managerial and supervisory
- c) non-manual
- d) skilled manual
- e) semiskilled manual and unskilled manual
- f) those without employment income

## Chapter 3. Marketing mix.

There are many factors in the business world that are outside the control of an individual company. The most important of these are politics, economics, society and technology.

There are, however, some factors that remain under the control of a company. The most important of these is called **the marketing mix**. The marketing mix consists of the four variables that a firm can change in order to reach its commercial objectives. These four variables are often called the “four Ps” of marketing.



### Product.

Many marketing specialists argue that the product is the most important element of the marketing mix. A successful product will be designed to meet customer requirements. These requirements will have been identified, perhaps through market research. The design of the product will take account of the production process. A well-designed product can save on costs, can be made easily to a consistent quality and meets the needs of customers very precisely.

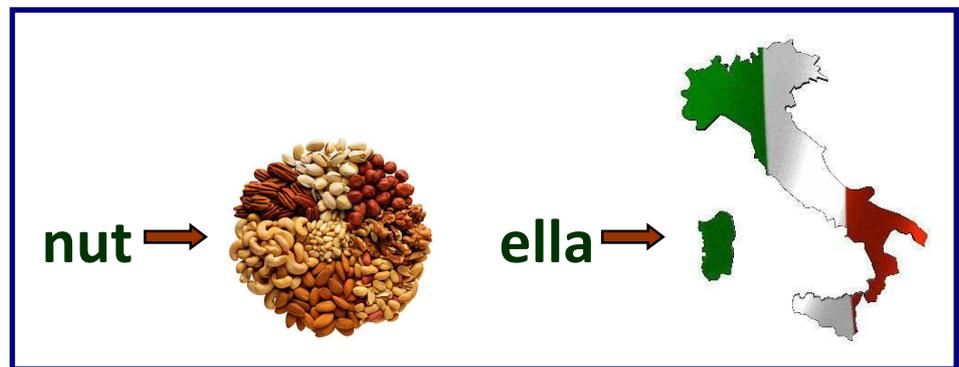
When placing a product within a market many factors and decisions have to be taken into consideration. These include:

- *product quality and design;*
- *product name;*
- *packaging;*
- *branding.*

Different products have different **names**. The name of the product is very important if it is to sell. New products generally have short names which are easy to pronounce and remember. Polo, for example, the mint sweet produced by Nestlé, has two ‘o’s linking it with the hole in the product.



In 1963 Supercrema, a hazelnut-based chocolate spread produced by Ferrero, was renamed “Nutella” with the intention of marketing it across Europe.



**Packaging** is used to deliver products safely to the consumer preventing deterioration. Packaging should also help businesses and consumer store the product. Bottles need flat bottoms for stability, for instance. Packaging gives information to the consumer about the product. On Findus frozen products, another Nestlé brand, cooking times are given as well as how long the packet can safely be kept.



Packaging is also a way of promoting a product. Colours, designs and letters attract the customers' attention. Smarties packets, for instance, are brightly coloured because they are sold mainly to children.



Every business would like its products to be strong brands. A **brand** is a named product which in the eyes customers is seen to be different from other, often similar products.



Branding is not just a process of trying to create distinction and individuality within similar products, in fact brands are now sold as lifestyle, a look, a culture. Each brand tries to represent a different idea, for example NIKE represents “Sport” and BENETTON represents “Multiculturalism”.

A **logo** is a symbol that represents the brand.

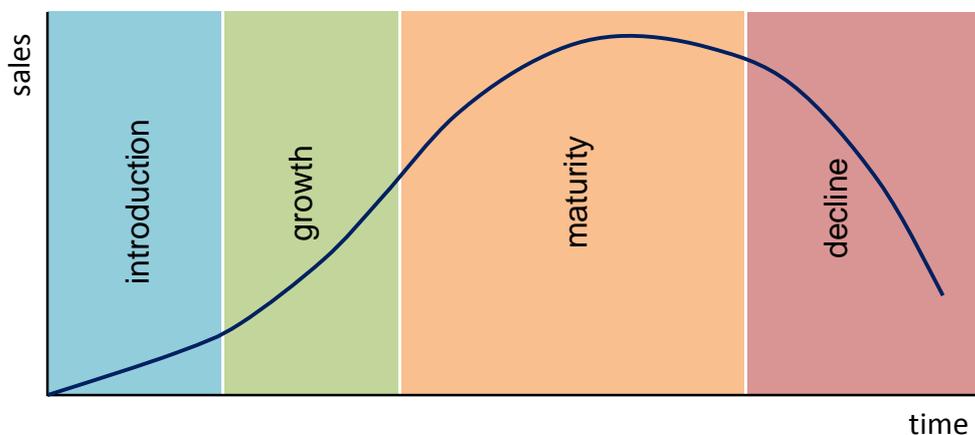


The opposite of a branded product is a generic product. Today many brands are faced with strong competition from own brand. These are products which carry the brand labels of retailer such as Carrefour or Panorama.



### The product life cycle.

The product life cycle traces the sales of a product over its life. This cycle has four phases: Introduction, Growth, Maturity and Decline.



### Introduction.

This is the stage at which a new product is launched onto the market. In the launch phase, distribution and promotion costs are high and sales are low, as a consequence income from sales is unlikely to cover the initial launch costs.

LED TV and iPad is still at the introducing stage in Italy.



### **Growth.**

The new product begins to attract interest from customers. Sales increase, and the company begins to make a profit. The danger in this phase is that competitors introduce a copy of the product, and take away sales from the first company.

Plasma and LCD TVs are in their growth stage at the moment in Italy.



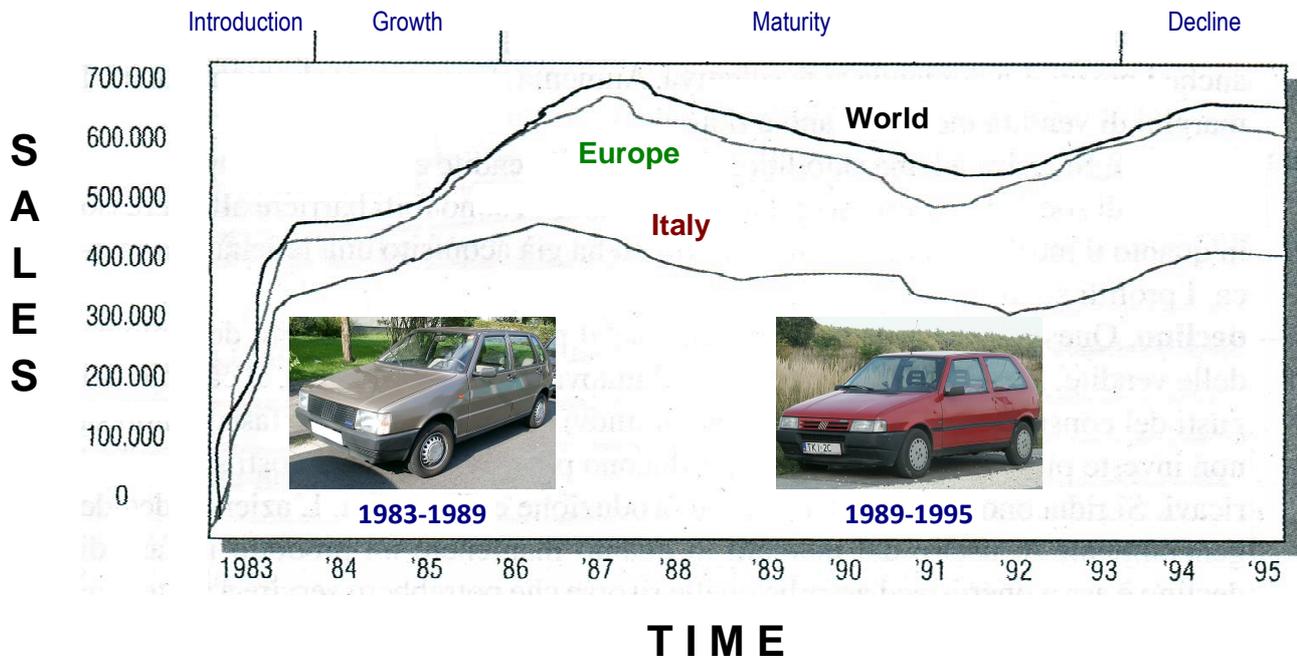
### **Maturity.**

At this point in a product's life, sales increase until they reach their maximum but they tend to slow down. The product is profitable enough to be financing the development of new products.

Manufacturers are likely to try to extend the maturity stage of the product as long as possible. They try to make use of **extension strategies** by changing the product to give it fresh appeal to its target market. Extension strategies also help a product appeal to a new segment of the market.

The FIAT Uno has been constantly changed during its life (1983-1995) and it has had a very long maturity stage.

## FIAT UNO Life cycle



Products such as washing machines are currently in their maturity stage in Italy. Towards the end of the maturity phase, the market becomes saturated.

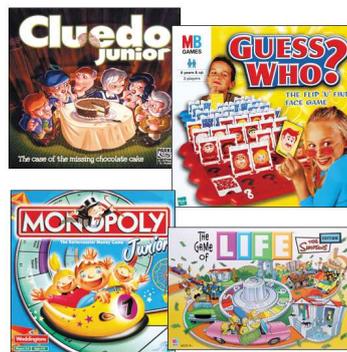


## Decline.

In this stage the sales of the product begin to fall. The firm may find it more difficult to get the product distributed and may be forced to cut the price to maintain sales.

The company has to decide whether to continue making the product, or to withdraw it from the market.

Product such as board games or videotapes are in their decline stage in Italy at the moment.



## Price.

Once a business has researched the market and made a product that will satisfy customer needs, it has to set a price for its product.

A business has different options:

- **penetration pricing** – this strategy uses a low price to enter the market and gain market share. A company that can afford to extend its market share in this way can increase price later. One problem with this strategy is that consumers may refuse to buy at the higher long term price. They might see the initial price as the “fair” price.
- **price skimming (or creaming)** – is the opposite of penetration pricing. This strategy uses a high price to enter the market. Even though the price is high, some people could afford to buy a new product. Once sales from this group of people have been exhausted, the price can be dropped to attract a new segment, and so on. A price skimming strategy is appropriate if the firm has made a revolutionary new product and is able to protect its idea or invention so that competitors cannot enter with a cheaper version.

The first manufacturers of CD players followed this strategy very successfully.



- **Competition pricing** – this strategy consists in setting the price at the same level of competitors. It makes sense if the market is highly competitive and consumers can easily compare the offerings of different firms. This kind of pricing is very common in supermarkets, where there is no real difference in

the product being sold. Competition pricing can be very dangerous for a business, as it can lead to a “price war”.



## Place.

In marketing, “place” means the location of the final exchange between the seller and the buyer.

The term **distribution channel** describes how the ownership of a product passes from the producer to the consumer.

In a **direct channel**, the manufacturer sells its product directly to customers without any intermediaries. For example, banks, the manufacturers of industrial goods, and manufacturers that sell their products through the Internet, all have direct channels.

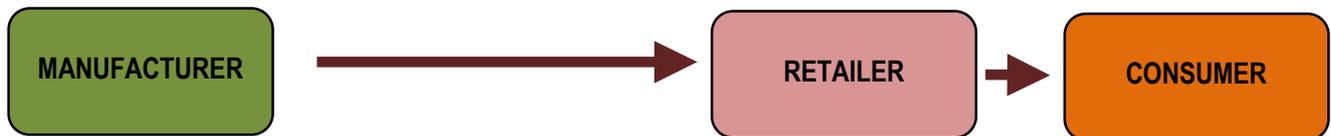


## direct channel (zero level)



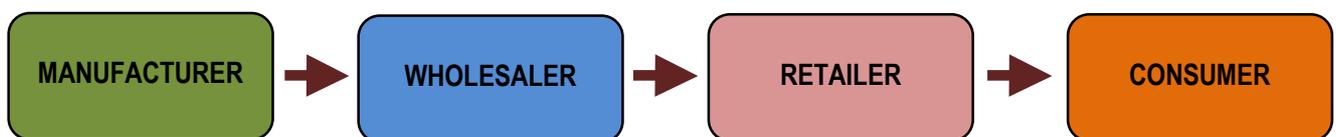
A **one level channel** has one intermediary. For example, a retailer buys the product from the manufacturer and sells it to the consumer.

## one level channel



A **two level channel** has two intermediaries. For example, a wholesaler buys the product from the manufacturer and sells it on to retailers, who sell to the final consumer.

## two level channel



Most manufacturers prefer to use intermediaries to reduce their transport costs, the costs of maintaining stocks and the cost of the sales force.

In the meanwhile intermediaries increase manufacturer's sales, because they are located in positions that make the products accessible to customers and they have a greater knowledge of customer requirements in a particular geographical area.

On the other hand, the more intermediaries a firm uses to sell its products, the less control it has over the way they are sold: intermediaries may decide to promote or price the product as they wish.

Using various intermediaries is also potentially less profitable for the manufacturer, because all of whom take their own profit margin.

The **distribution strategy** will vary considerably from product to product.

In the case of milk, candy, ice-cream, soft drinks, for example, the aim is usually to generate as wide a distribution as possible (**intensive distribution strategy**). These types of goods are called **convenience items** because consumers are not willing to travel far to buy them – they need to be convenient.



Businesses will follow a **selective distribution strategy** if they want their products to be easily available, but they do not allow all retail outlets to sell their products. Examples are computers and televisions.



A company may follow an **exclusive distribution strategy** if it wants to limit the number of outlets that sell its product. The objective is to increase the prestige of the product by making sure that the retailer provides a special kind of service to customers. Luxury cars such as Rolls-Royce and BMW, for example, are distributed in this way.



## Promotion.

The last variable in the marketing mix is promotion. Promotion involves the communication of various messages to existing or potential customers. These messages may be aimed at informing customers or persuading them to want the product. Promotion could be also used to present a positive image of the business.

There is a number of techniques of promotion.

**Advertising** involves paying for the use of media, such as television, radio, newspapers and Internet.



The purpose of advertising is to inform, persuade and remind customers about the business and its products.

**Sales promotion** attempts to give a short term boost to sales using techniques such as promotional offers and price cuts.

Offers can include 20% extra free and buy one to get one for free.



**Personal selling** is based on face-to-face contact with the customer. This may be used in industrial markets and the service sector, where the producer often deals directly with the customer.

Financial services, such as insurance, are often sold in this way.



The advantage of personal selling is that the value of the product can be communicated directly to the customer. On the other hand, many people don't like feeling pressurized into buying a product.

**Public relations** activities involve contact with the media and the groups that the firms deals with (customers, employees, investors, suppliers, etc.). It attempts to promote a positive image about a product or the business itself, usually through non-paid forms of communication.

Public relations is the opposite of advertising. In advertising, a business pays to have its message placed in a newspaper, TV or radio spot. In public relations, the message that features the business is not paid for. The reporter writes about or films the firm as a result of information he or she received and researched.

Public relations may also include support of arts, charitable causes, education, sporting events, etc.



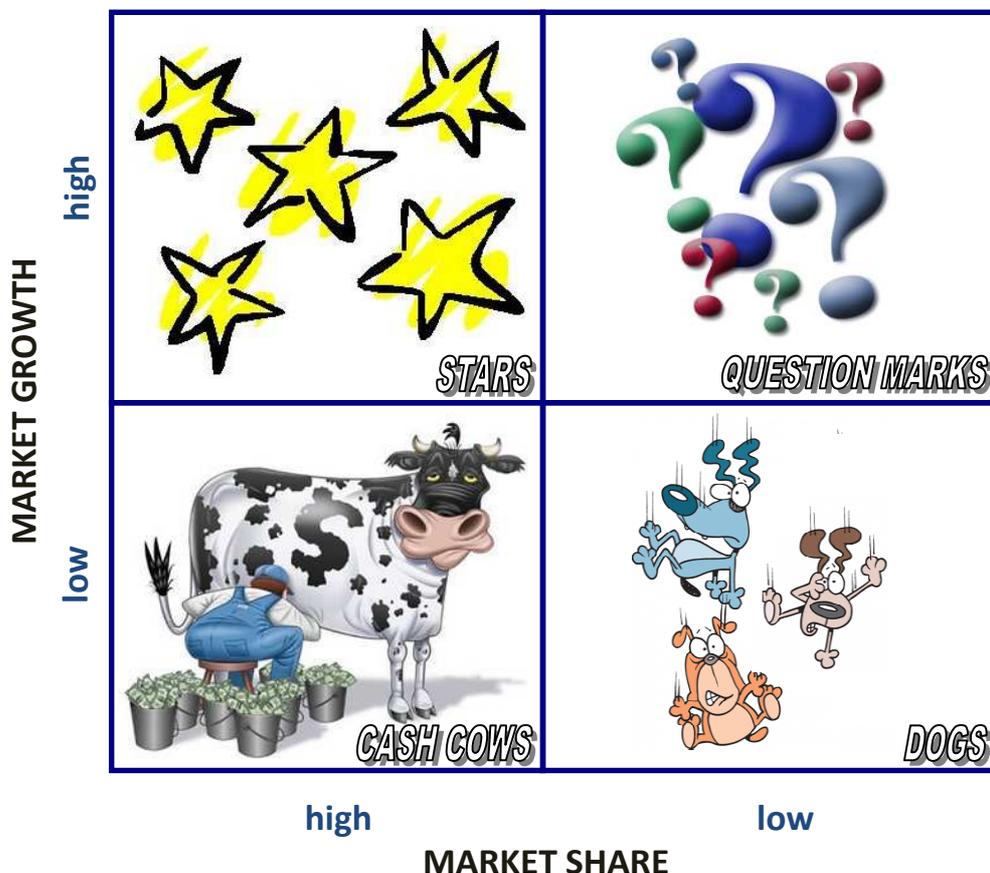
La banca per un mondo che cambia



## Chapter 4. The product portfolio analysis.

Most firms have more than one product. The range of products a firm has is known as its product portfolio. The product portfolio analysis allows a firm to see if it has an appropriate mix of products at a particular moment in time.

One of the most famous models of portfolio analysis was developed by the Boston Consulting Group and is known as the **BCG matrix**. This analyses the position of a firm's products in terms of their market share and the growth of the markets they operate in.



**Cash cows** are products which have a high market share and are sold in a slow-growing market. Although the market may not be growing very fast, this may be because it has already grown quickly in the past leaving little room for a further growth. For example, the market for washing machines is quite big but is not actually growing very fast. By comparison, the market for LED television is small but has potential for very fast growth.



Big market growing slowly



Small market with potential for very fast growth

A cash cow already has a large market share and so much of the promotional work will have been done. The firm is used to producing it in large volumes and, as a result, the cost per unit should be fairly low. This type of product is likely to bring in high levels of cash for the firm.

**Stars** are products which have a large share of a market that is growing rapidly. They are highly successful products for the business; however they are usually expensive to market. Money must be spent to ensure they retain the position in a growing market.

**Dogs** are products which have a low market share and are selling in a slow-growing market. A firm may want to get rid of these products unless they think they can improve their sales.

**Question marks** are products which have a small market share and are sold in a fast-growing market. These products may go on to be successful, but equally they may fail. They are quite vulnerable and their future is uncertain. They need protecting by the firm and they require extensive marketing. Most new products are question marks.

With an appropriate mix of products, the cash cows can be used to finance the development of question marks and turn them into stars; this way the firm uses money from established markets to enter new markets and so protects its future.

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