GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

BUSINESS STUDIES

GRADE 11

TERM TWO

WEEK 3

CHAPTER NINE

BUSINESS OPERATIONS

MARKETING ACTIVITIES AND CONCEPTS

PRODUCT POLICY & COMMUNICATION POLICY

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CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

MARKETING

Learners must be able to:

- Elaborate on the meaning of marketing.
- Explain the role of the marketing function.
- Outline/State/Discuss/Explain the following marketing activities:
  - Standardisation and grading
  - Storage
  - Transport
  - Financing
  - Risk-bearing and
  - Buying & selling

MARKETING MIX

PRODUCT POLICY

- Outline/State/ Explain /Discuss the product policy with specific reference to types of product, product development, trademarks and packaging.
- Outline/Mention/Discuss categories of consumer goods/products.
- Explain/Discuss the importance of product development
- Outline/Mention/Discuss/Explain the steps/stages of product design.
- Mention/Explain/Discuss the purpose of packaging
- Outline/Mention/Discuss/Describe/Classify types/kinds of packaging.
- Elaborate on the meaning of trademarks
- Discuss/Explain/Describe the importance of trademarks to businesses and consumers.
- Outline/Mention/Explain the requirements of a good trademark.

DISTRIBUTION POLICY

- Define/Explain the meaning of distribution.
- Outline/Discuss/Explain the channels of distribution.
- Differentiate/Distinguish between direct and indirect channel of distribution.
- Explain the meaning of intermediaries
- Outline/Mention different types of intermediaries.
- Explain the role of intermediaries in the distribution process.
- Draw the channel of distribution.
- Briefly explain the reasons why manufactures may prefer to make use of direct or indirect distribution methods.

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Terms and definitions

TERM	DEFINITION
Idea generation	The process of creating, developing, and communicating ideas which are abstract, concrete, or visual.
Testing	Finding out how well something works.
Business analysis	A research discipline identifying business needs and determining solutions to business problems.
Brand name	A name given by a producer to a product.
Reputation	Belief or opinions that are generally held about someone or something.
Ingredients	Things that are used to make something.
Preference	A greater liking for one alternative over another or others.
Target market	A particular group of consumers at which a product or service is aimed at.
Wholesalers	They are large-scale traders who operate as intermediaries between manufacturers and retailers.
Retailers	They are smaller-scale traders that operate as intermediaries between wholesalers and consumers.
Intermediary	A person/business that acts as a link between people and businesses to bring about the sale.
Agents	A person who organises transactions between two parties.
A broker	A person who buys and sells goods for others
Direct distribution	Exchange of products/services between the producer and the consumer
Indirect distribution	A distribution channel with at least one intermediary between the producer and consumer

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1.1 Definition of marketing

- Marketing is used to deliver value to the customers and satisfying their needs.
- The aim is to link the business products and services with the customer needs and wants.
- Marketing also aims to get the right product or service to the right customer at the right place and at the right time.
- Businesses also establish a target market or maintain market share of a current product and locate the most appropriate customers through marketing activities

1.2 The role of the marketing function

- Support the overall objectives of a business, which is to maximise profits
- The marketing team needs to work closely with staff members from other business functions.
- Gather information about customer needs, preferences and buying behaviour and share information with other departments.
- Assist the development of the marketing strategy in collaboration with senior management from other business functions.
- Develop a marketing plan using element of the marketing mix.
- Develop sales forecasts and projections and provide this information to other business functions.
- Decide which products or services the business will sell and how the products will be distributed.
- Determine what prices (cash or credit) they are going to sell.

1.3 Marketing activities

1.3.1 Standardisation and grading

- Standardisation is the process of developing a uniform set of criteria to ensure the production of quality goods.
- Standardisation also refers to taking steps to ensure that goods produced meet the required standards.
- Grading is the process of sorting individual units of a product into specified classes or grades of quality.
- Standardisation lays down the standards or grade of quality.
- Grading is the process of classifying agricultural products into categories according to their quality.

1.3.2 Storage

- Refers to the storage of goods after have been produced, until it is consumed or dispatched to intermediaries, wholesalers or retailers.
- The storage facility will be influenced by the type of goods that must be stored.
- Storage is needed as goods must be often in the warehouse until the final consumer need the goods.
- When goods are stores, they must be insured against fire/theft/damage etc.

1.3.3 Transport

- Products must be transported from storage facilities to intermediaries, wholesalers or retailers.
- The method of transport will be influenced by the type of products that must be transported.
- Transport ensures that products are moved from the producer to the consumer.

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1.3.4 Financing

- Capital is used to meet the financial needs of businesses involved in the various marketing activities.
- Finance is required to achieve the marketing objectives e.g. the marketing function must take into account the cost of advertising.
- Financing in the form of cash, credit or loans is needed to bridge the gap from when the product is completed to when the customer pays for it.

1.3.5 Risk-bearing

- The business enterprise carries the risks involved with owning the goods.
- There is a possibility that products can be damaged /stolen/outdated which may result in financial losses.
- The factory or the warehouse can, for example, catch fire, goods can be stolen, or goods can perish.

1.3.6 Buying and selling

- Buying and selling are concerned with the exchange process.
- The buying function deals with searching for customers.
- The selling function deals with promoting the product.
- Some businesses need to buy raw materials in order to manufacture the final products, while some businesses buy and sell goods and services.

2 The components of the marketing mix

- The are four components of the marketing mix namely.
  - Product policy
  - Pricing policy
  - Distribution policy
  - Communication policy

2.1 The product policy

2.1.1 Meaning of the product policy

- The product policy is the first component of the marketing function.
- The product is the main component of the marketing mix e.g. when there is no product, there is no business.
- This policy explains how a business is going to develop a new product, design and package.
- The product policy deals with the features, appearance and the benefits of the product itself.

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2.2 Types of products

Industrial goods

- Industrial goods are used in the manufacturing process to produce other goods e.g. spare parts/equipment/machinery etc.

Consumer goods

- These are goods that satisfy the needs of consumers.

2.2 Categories of consumer goods/products

2.2.1 Convenience goods

- These are low priced goods purchased by consumers without much thought.
- Consumers are not willing to spend much effort on buying convenience goods because they differ very little in terms of price, quality and the satisfaction it provides to consumers.
- Example of convenience goods: bread, milk, soft drink, etc.

2.2.2 Shopping goods

- These goods are more expensive than convenience goods.
- Consumers do not buy them, kvery regularly.
- They are prepared to spend a considerable amount of time and energy going to various shops until they are sure that they are getting the best value for their money.
- Examples of shopping goods; television, motor vehicles, clothing, etc.

2.2.3 Speciality goods

- These goods usually have specific brand names.
- Consumers know exactly what they want and are willing to search until they find exactly what they are looking for.
- Examples of speciality good; jewellery, branded clothing, etc.

2.2.4 Services

- Services are not tangible.
- Services are rendered by service providers to consumers.
- Example of services, garden service, etc.

2.2.4 Unsought goods

- Goods that consumers do not know think of until the need of such products appear.

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2.3 Importance of product development

- Product design needs to be designed to suit the needs of the customers.
- If the product design does not suit the target market, there will be very little demand for the product.
- Business need to develop new products in order to replace older products in stage 4 when the sale declines.
- Businesses are able to remain competitive because they are always on a lookout for ways to improve their products.
- Products become different from those of the competitors.

2.4 Steps/Stages of product design

- Idea generation/ Design and development of product ideas.
- Selecting and sifting of product ideas/ Idea screening.
- Concept development and testing/Design and testing of the product concept which should happen before a product is developed.
- Analysis of the profitability of the product concept/Business analysis.
- Consumer responses must be tested using a small sample of the Product/Market testing.
- Technical implementation/Systems and processes are put in the production planning and control process.
- Commercialisation/The product is launch and marketing/advertsing campaigns implemented.
- New product pricing/The product is priced and forecasts worked out.

2.5 Purpose of packaging

- Packaging is needed to contain the item or product.
- Protects the product from breakage, gems, moisture or spoilage.
- Promotes the product by indicating the brand and trademark of the company and product.
- Prevent tampering or theft of a product.
- Improves convenience in use or storage of a product.
- Contains information about the product, including uses, any harmful warnings or dosage requirements.
- Make product easier to identify
- Differentiates the product from other competing products.
- Attracts attention to show value of the product as a marketing tool
- Links the product to the promotion strategy used to promote the product.
- Reduces storage costs by minimising breakage.

2.6 Types/Kinds of packaging

2.6.1 Packaging for immediate use/Unit packaging

- Packaging needs to be cheap, because once the product is consumed, the packaging is thrown away.
- Example : packet of chips/chocolate bar wrapper

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2.6.2 Packaging for double use

- Packaging can be re-used for purpose other than storing the original contents.
- Consumers will thus be reminded of the particular brand after the original contents have been consumed.
- The container can be used for something else once the content is finished.
- Example; ice cream tub

2.6.3 Packaging for resale

- Retailers buy products in bulk from wholesalers or suppliers.
- Retailers unpack the products to sell them separately in smaller quantities.
- Example; big box containing many boxes of washing powder

2.6.4 Kaleidoscopic/Frequently changing packaging

- Some details of the packaging change to advertise an important sporting event/competition
- The container or wrapper are continually changing.
- Example. the advertise a sporting event

2.6.5 Speciality packaging

- Packaging must suit the product.
- Example. packaging for an expensive phone.

2.6.6 Combination packaging

- Various complementary products are packaged together because such products are usually purchased together.
- Example. Soap and a face cloth/shower gel and sponge/matching perfume and hand cream.

2.7 Meaning of trademarks

- A trademark is the name/logo/symbol used by a manufacturer/business to differentiate its products/business from competitors.
- A trademark is officially registered and protected from unauthorised use by law.
- It is a registered mark that a manufacturer puts on its products to distinguish its products from other manufacturers.
- Once a trademark has been registered, it may only be used by the person/business that registered the trademark.

2.8 Importance of trade of trademarks to businesses and consumers

2.8.1 Importance of trademarks to businesses

- A trade mark establishes an identity/reputation
- A registered trademark protects businesses against competitors who sell similar products.
- A well-known trademark helps to make a brand instantly recognisable
- Offers a degree of protection because branded products can be traced back to the manufacturer
- Businesses can use trademarks to market/advertise their products.

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2.8.2 Importance of trademarks to customers

- Creates a sense of security and consistency for customers.
- Promotes loyalty and creates consistency for customers.
- Consumers are more likely to accept new products that are marketed under a well-known brand/trademark
- It represents a certain standard of quality and price to the consumer.

2.9 The requirements of a good trademark

- Must be attractive.
- Must suit the product.
- Suitably designed for the target market.
- Must be different from its competitors.
- Must promote the image of the enterprise.
- Suitable for display purpose.
- Must be environmentally friendly.
- Must protect the contents.
- Should be easy to distribute/handle/transport and use.
- Protect and promote the product.
- Link the product to its promotion strategy.
- Draw the attention of consumers.
- Inform customers on how to use the product.
- Prevent spoiling or damage.
- Reduce storing costs by minimising breakage.
- Easy to handle and display on the shelves in the store.
- Indicate the correct mass or volume of the contents of the product.
- Indicate the ingredients of the product, if applicable.
- Indicate the name and contact details of the manufacturer.

3 THE DISTRIBUTION POLICY

3.1 The meaning of distribution

- Every business needs to have a distribution policy so that it knows how and where products need to be distributed.
- Distribution is about how the business gets its products to its customers.
- Once products have been developed and priced, they need to be made available to consumers at the right place and at the right time.
- Products need to be distributed from the place where they were manufactured to the market place.

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3.2 The meaning of channel of distribution

2 Distribution channel is the path which the product is moved from the producer to the consumer.

- It is important that the channel is the most effective and cost efficient for the product and reaches the target market.
- A distribution channel is made up of many businesses that help move the product from the producer to the final user/consumer.
- It starts with the producer and ends with the final consumer.
- The main aim of the distribution function is to ensure that the right product is available at the right time.
- There are three kinds of participants in a distribution channel:
  - The service provider
  - Intermediaries
  - Customers

3.3 Meaning of intermediaries

- All the people that fall into the distribution process between the producer and the consumer.
- They are middlemen and act as negotiators and mediators between the producer and the consumer.
- Intermediaries can be wholesalers, retailers, agents and brokers.
- They are responsible for the transportation, storage and delivery of the goods and services.
- The organisations involved in the distribution channel are known as intermediaries.

3.3.1 Different types of intermediaries

- Wholesalers primarily sell goods to retailers.
- Retailers market directly to the final consumer.
- Agents sell products on behalf of manufactures for a commission.
- Brokers is a person who buys and sells goods for others.

3.3.2 The role of intermediaries in the distribution process.

- Finding and locating buyers on behalf of the producer.
- Help in promoting the product.
- Intermediaries are specialists in selling, so the producer may be able to reach a wider audience.
- They can achieve greater sales by using intermediaries.
- The producer may not have the expertise or resources necessary to sell directly to the public.
- The intermediary may be able to provide more efficient distribution logistics, for e.g. transporting the product to various points of sale.
- Overall distribution costs may be lower using an intermediary than if the business undertook distribution itself, even when the intermediary's commission is taken into account.

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3.4 The different types of distribution channels

Manufacturer/Producer-consumer

- This is the shortest channel as the producer sells directly to the consumer.
- It is usually found in the public sector

Manufacturer/Producer→retailer→consumer

- The producer sells goods to the consumer using the retailer.
- This is a single distribution channel and it is aimed at selling to large scale retailers

Manufacturer/Producer→wholesaler→retailer→consumer

- This is called a traditional distribution channel, the consumer buys from the shop, which buys from a wholesaler, which in turn gets its stock in bulk from the manufacturer.
- Consumer products such as maize meal are sold by the producers to the wholesalers, who again sell to retailers then to the consumers.
- This distribution channel is usually used in rural areas.

Manufacturer/Producer→wholesaler→retailer

- This is where the wholesaler buys from the producer and sells directly to retailers.
- The cash and carry wholesaler sells directly to retailers for consumption.

Manufacturer/Producer→agent→wholesaler→ retailer→ consumer

- Agents often connect the manufacturer to the wholesaler or retailer.
- The more intermediaries there are in a distribution channel the more consumers can be reached.
- Especially consumers in the rural areas who will also have access to goods.

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3.5 Differences between direct and indirect channel of distribution

Direct channel of distribution	Indirect channel of distribution
• Carry all the risks.	• Risks are shifted to intermediaries during the distribution of the product to end user
• Involves the producer and the consumer	• There are middlemen between the producer and the consumer
• The wholesaler and the retailer are cut from the process	• The wholesalers and retailers act as negotiators between the producer and consumer.
• Marketing and selling of products to the customers without involving the middleman.	• Specialised agents deal with customers
• Full control over the product and marketing.	• Very little feedback from customers.
• Better end user price as no intermediaries costs	• Transportation and storage is taken care of by intermediaries.
• Provides immediate feedback	• Manufactures make use of middlemen such as wholesalers/agents/brokers/retailers.
• Needs more specialised employees' who are trained.	• The manufacture is not knowledgeable about the distribution of the product
• Better end user price as no intermediary costs.	• Products may be expensive as costs are intermediary costs are added.

3.6 Reasons why manufacturers may prefer to make use of direct or indirect distribution methods.

3.6.1 Reasons why manufacturers may prefer to make use of the direct distribution method

- Manufacturers have control over the product and marketing.
- They achieve better end-user price as there are no intermediary costs.
- The business does not need to share its profit margin with intermediaries.
- Products become very expensive once all the intermediaries have added their own mark-ups.
- There is direct contact with target market for feedback and improvements.
- Sales staff provide customer information for future market research.
- Selling through the internet allows smaller businesses to market their products all over the world.
- Businesses websites can serve as both a distribution method and a promotion method.
- Well trained sales staff are able to promote products effectively and establish good relationships with customers.
- Suitable intermediaries may not be available/Intermediaries may not be willing to sell the particular product on behalf of the manufacturer.

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3.6.2 Reasons why manufacturers may prefer to make use of the indirect distribution method

- Specialised agents deal with customers.
- Transportation and storage is taken care of by intermediaries.
- There is no need to hire specialised staff to do sales complains.
- They do not have to deal with customer complaints.
- They enjoy the benefits of bulk orders from wholesalers.
- Better market coverage is achieved.
- Intermediaries understand how the market operates.
- Consumers are often spread across the country, distribution needs to be widespread as well.
- Direct distribution requires a large investment in advertising
- Intermediaries sometimes provide credit to consumers, which will help attract more consumers.

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