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# Maths Skills

for A Level

## Business Studies

Diane Mansell



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# Essential Maths Skills for AS/A-level Business

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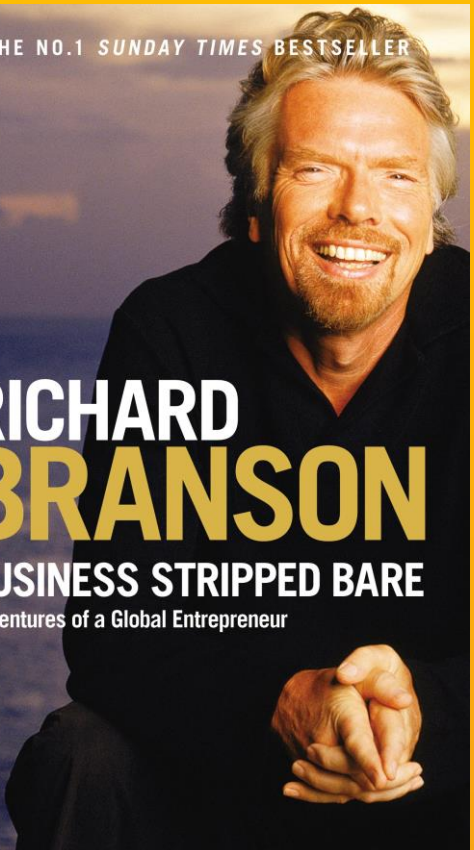


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**BENJAMIN GRAHAM**


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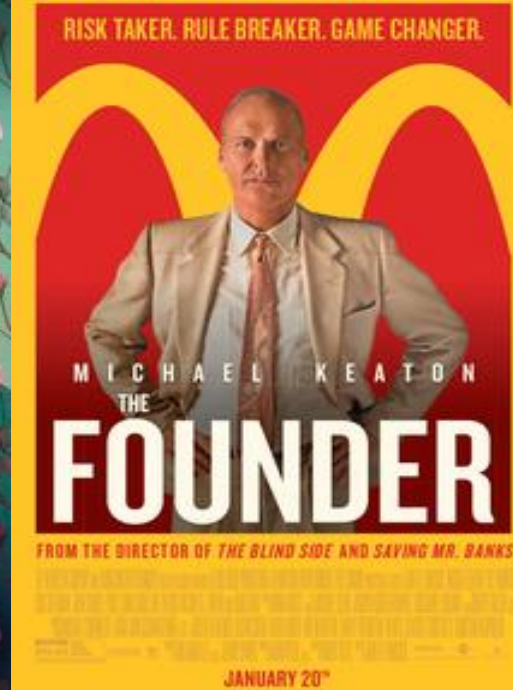
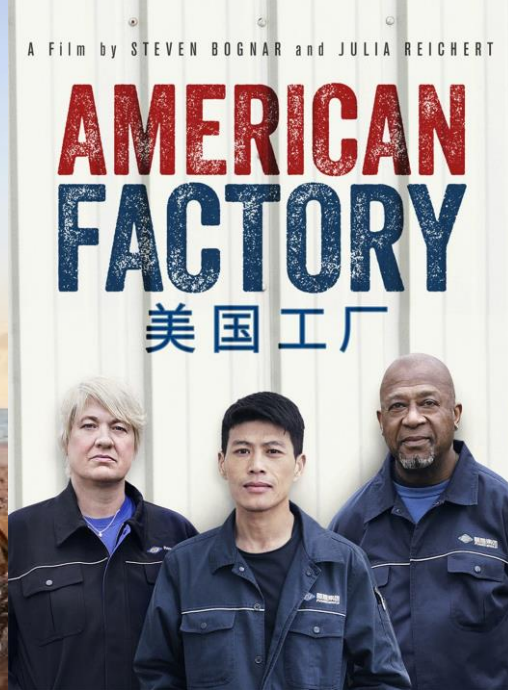
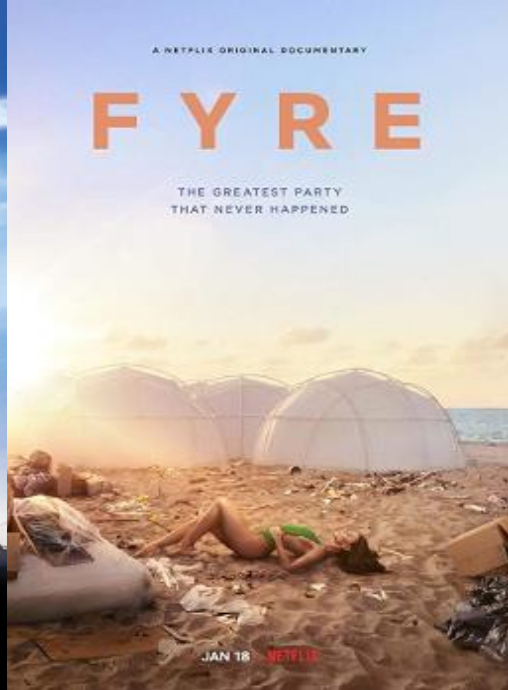
Rachel Bridge

THE SUNDAY TIMES 2nd edition

# HOW I MADE IT

40 SUCCESSFUL ENTREPRENEURS  
REVEAL HOW THEY MADE  
MILLIONS





For the binge watchers out there – we recommend these films and tv shows...



**For the latest business news, our favourite place to keep up to date is the BBC News business section..**

**<https://www.bbc.co.uk/news/business>**



**So what  
should you do  
now?**

We've got two quizzes for you to complete! Read the class notes for the first two chapters (Below) then complete the quizzes when you're ready!

**Good Luck!!**

# Chapters & Quizzes

New Student Enterprise Quiz  
(101)



<https://forms.office.com/Pages/ResponsePage.aspx?id=7Vldf7WoRki02jneKFTas07FG5JD5mFFmVHXwaG0u9hURV E0RTBJNzdJRFo0WU0zMIJjVjNBRTZKNC4u>

New Student Market Structure,  
Types and Segmentation Quiz  
(102)



<https://forms.office.com/Pages/ResponsePage.aspx?id=7Vldf7WoRki02jneKFTas07FG5JD5mFFmVHXwaG0u9hUNURPMEpTUERGtjlxOTdCVE9ZOTBUTTNQRy4u>





**So what  
should you do  
now?**

Once you have done this you'll have a solid understanding of what an entrepreneur is. Research one, and find out how and why they were successful.

Pick one that inspires you... we'll be asking for your findings during your first lessons at college! Here is an example of Kylie Jenner. Have a read!



DAILY COVER | 1,102,344 views | Mar 5, 2019, 05:00am EST

# At 21, Kylie Jenner Becomes The Youngest Self-Made Billionaire Ever

[CLICK HERE TO READ MORE](#)



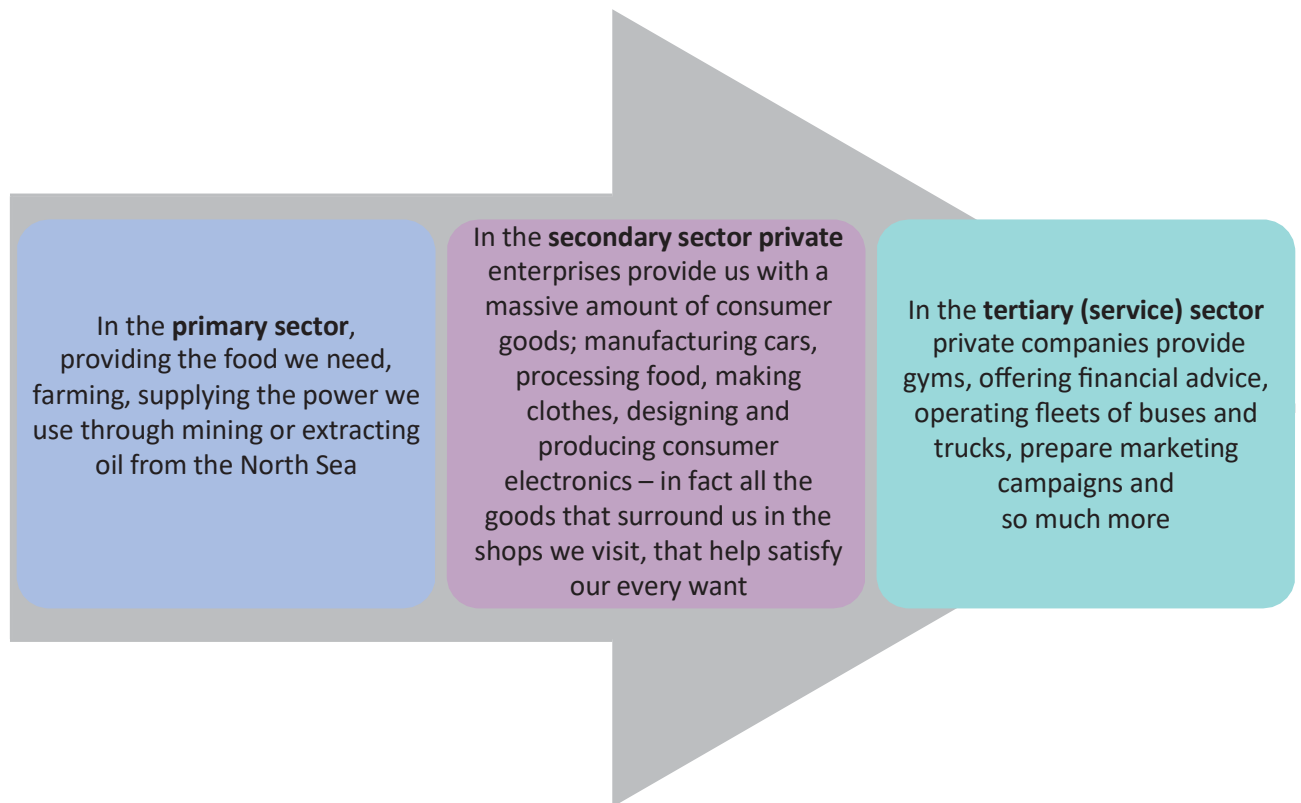
**If you need any more  
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in touch!**

**[admissions@xaverian.ac.uk](mailto:admissions@xaverian.ac.uk)**

## Chapter 1

### Enterprise and business planning

Business activities have a major impact on our lives – both as consumers and employees. Business is in every sector of the economy:



- In the UK there are almost 5 million separate businesses, employing a total of 24 million people.
- Of these businesses, over 3.3 million are sole proprietors.
- There are around 500 000 businesses that are partnerships.
- There are also 1.2 million registered limited companies.
- SMEs (small and medium-sized enterprises) employ around 14.4 million people and have a combined turnover of £1,600 billion.

### Why do people start their own business?

- **To gain a profit** – the motive for profit is generally thought of as the prime reason why people start businesses. For an entrepreneur who is starting a small business for the first time, it is rarely just about money – even so, earning a decent income in the form of profit will be a major focus.
- **To turn a hobby or a pastime into a business** – many new entrepreneurs are able to turn a hobby or a pastime into a business. For example, every surf school in the country is likely to be owned by a surfer and fantasy games shop is likely to be set up by a player. Being fully involved in your hobby and creating an income from it is probably as satisfying a business experience as the small business person is likely to find. Often these entrepreneurs do not try to fully maximise profits, instead they balance work, customer satisfaction, and their own freedom to live a lifestyle that they are content with. This is known as ‘satisficing’ – decision making that aims for a satisfactory result, and not using all energies trying to maximise income.

- **To use redundancy money** – some new business people are forced into setting up a business because of redundancy. Losing a job, with little chance of finding another one in the near future, is often reason enough to start a business. Most people who have been made redundant will receive a redundancy payment and this can be used as capital to start a business.
- **To be their own boss** – often people just want to be their own boss, in control of their own destiny, not being an underappreciated ‘cog’ in a huge corporate machine. These sort of potential entrepreneurs are often searching for an idea that they can turn into a successful business.

The following article is from the Company Bug website (dated 18 December 2013), which refers to figures from the enterprise website Startup Britain:

### Record number of new businesses started in 2013

New business formation data shows that 2013 has been a record-breaking year for start-ups, with over 520 000 new businesses expected to have been formed by the end of the year.

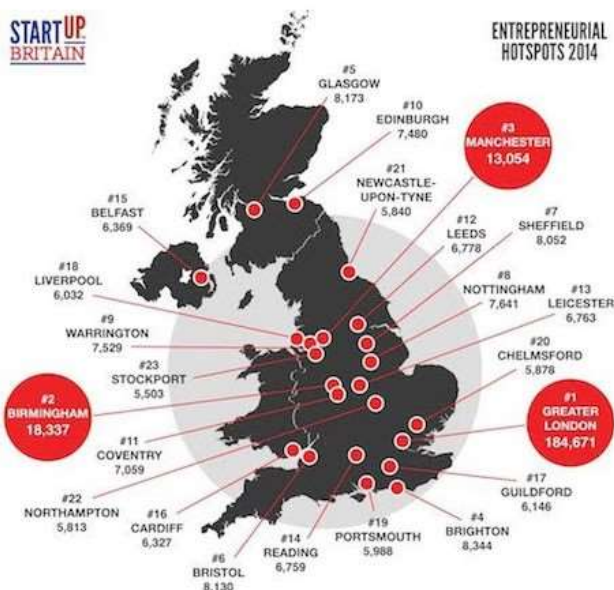
The Startup Britain figures, which are verified and subsequently audited by Companies House, are certainly impressive.

By mid-December 2013, 499 000 businesses had already been formed, so the 500 000 barrier is certain to be broken for the first time by December 31st.

The statistics also show a significant rise in start-up numbers compared to previous years; 440 000 were formed in 2011 and 484 224 last year.

Emma Jones, who co-founded the site, commented; “We’ve been looking at these figures for three years since the campaign began and it’s clear the UK’s start-up community is fit and healthy – and shows no sign of abating.”

Small businesses have often been referred to as the ‘life blood’ of the UK economy, especially by politicians. For good reasons too.



Source: [startupbritain.org](http://startupbritain.org)

According to the Department of BIS [*Business, Innovation and Skills*] data, 99.2% of all UK businesses are defined as 'small' (i.e. they have between 0 and 49 employees).

Interestingly, this 99.2% of businesses is responsible for 47% of all private sector employment in the UK, and around one third of all turnover created by private enterprise.

Surprisingly, the number of people deciding to start up businesses on their own has increased each year since 2000, despite the recession. The Government estimates that the total number of business entities increased from 3.5m to 4.9m between 2000 and 2013.

We can see from the article above that studying business is not just about looking at big businesses like BP, Apple, Sony and hundreds of others who are worldwide (multi-national) enterprises, with billions of £s in assets and profits. It is just as much the study of what makes a successful small business. The article tells us about the importance of small businesses to the economy. A huge number of separate enterprises are helping to innovate and drive economic growth – creating opportunities for employment and satisfying consumers' needs and wants.

Needs and wants are not fixed: they can change quickly as fashions and lifestyles change and also over the longer term as incomes increase and population changes. This means that markets are always changing. The business world does not stay still – new opportunities are constantly arising. An entrepreneur with an idea, commitment, funds and a little luck can succeed even in the most competitive of markets.

### **Needs and wants**

Needs – economists say that needs are what people require to survive – for example, food, warmth, shelter and clothing. We could also include education, healthcare and security – being safe.

Wants – what we desire, what we would like to have. For example, nicer clothes, not just basic functional items, a new phone every year, a massive flat screen TV, a detached house with pool, holidays in the Maldives etc.

## **What is an entrepreneur?**

An entrepreneur is someone who starts and runs a business. Perhaps he or she makes a product and then sells that product, or perhaps they provide a service. They quite possibly employ people and, of course, try to make a profit.

Many countries and governments place great value on entrepreneurs and how they create wealth in an economy. Many entrepreneurs are innovators. They bring new ideas to the market and drive the development of new technologies. James Dyson, of Dyson vacuum cleaner fame is a classic example of an entrepreneur, bringing a range of new products to the market.

The following article is a brief history of the development of the Dyson vacuum cleaner from the Idea Finder website:

### **Dyson vacuum cleaner**

James Dyson was vacuuming his house when he realized his top-of-the-line machine was losing suction and getting clogged. An industrial designer by training, Dyson went to work re-engineering vacuum cleaner technology to fix this problem. But that wasn't his only challenge. Fifteen years and more than 5000 prototypes later, he launched Dyson Limited to produce his design when no other manufacturer would take it on.

|                     |  |
|---------------------|--|
| <b>Invention:</b>   | Dyson vacuum cleaner   |
| <b>Function:</b>    | Cyclone technology uses 150 000 g's of centrifugal force in the cyclones to filter dust and remove dirt from the airflow efficiently. Because there is nothing to obstruct the airflow, the Dyson doesn't clog and doesn't lose suction. |
| <b>Patent:</b>      | 4 377 880 issued 1983 for vacuum cleaning appliances<br>5 090 976 issued 1992 for Dual cyclonic vacuum cleaner   |
| <b>Inventor:</b>    | James Dyson  |
| <b>Birth:</b>       | 1947 in Norfolk, Great Britain   |
| <b>Nationality:</b> | British  |
| <b>Milestones:</b>  |  |
| <b>1974</b>         | Strikes out on his own to develop the Ballbarrow. Designs a water-filled plastic garden roller.  |
| <b>1977</b>         | The Ballbarrow wins the Building Design Innovation Award.  |
| <b>1978</b>         | James invents the Trolleyball – a boat launcher with ball wheels.  |
| <b>1978</b>         | James stumbles across the idea of a bagless cleaner while renovating his country house.  |
| <b>1979</b>         | Spends five years developing the cleaner, and builds 5127 prototypes of the Dual Cyclone™.   |
| <b>1981</b>         | Files U.S. Patent application.   |
| <b>1982</b>         | James Dyson spends two years trawling, looking for someone to license the product.   |
| <b>1983</b>         | Dyson produces his first prototype vacuum cleaner, a pink machine called the G-Force.  |
| <b>1985</b>         | Dyson takes his product to Japan where he begins to work with a company that imports Filofax.  |
| <b>1986</b>         | The Japanese start to sell the G-Force.  |
| <b>1995</b>         | The Dyson DC01 becomes the best-selling vacuum cleaner in the UK.  |
| <b>1995</b>         | The Dyson Dual Cyclone™ DC02 is launched, and becomes the second highest seller.   |
| <b>1996</b>         | Launches DC02 Absolute, the first with both HEPA filtration and a bacteria-killing screen.   |
| <b>1997</b>         | James Dyson's autobiography 'Against the Odds' is published.   |
| <b>2001</b>         | New Root <sup>8</sup> Cyclone technology is the most powerful upright vacuum cleaner on the market.  |
| <b>2002</b>         | Dyson brings Western Europe's top-selling vacuums to the United States.  |
| <b>2005</b>         | The Dyson DC15 (The Ball™) replaces conventional wheels with a ball.   |

## The Story:

You know the feeling when some everyday product lets you down. You wish someone could solve the problem. James Dyson does that. He is a man who likes to make things work better. With his research team he has developed products that have achieved sales of over \$10 billion worldwide.

In 1978, while vacuuming his home, James Dyson realized his bag vacuum cleaner was constantly losing suction power. He noticed how dust quickly clogged the pores of the bag and blocked the airflow, so that suction dropped rapidly. He set to work to solve this problem. Five years and 5127 prototypes later, the world's first cyclonic bagless vacuum cleaner arrived.

James Dyson offered his invention to major manufacturers. One by one they turned him down, apparently not interested in new technology. They seemed determined to continue selling bags, worth \$500 million every year. Later, Hoover's vice president for Europe, Mike Rutter, said on U.K. national TV, "I do regret that Hoover as a company did not take the product technology off Dyson; it would have lain on the shelf and not been used."

## What are the key characteristics of an entrepreneur?

- **Being a risk taker** – entrepreneurs are not always about new products or new ideas. They are often just doing things better than they were done before. However, they are all risk takers – they risk capital and their own time to try to create profits. They may remortgage the house, borrow from friends and family, or give up well-paid jobs to try to make a success out of their business idea.
- **Taking the initiative and being proactive** – successful entrepreneurs are able to take the initiative when required. They do not panic and allow events to overwhelm them – they are proactive and able to change as needed.
- **Being an effective organiser** – an ability to organise effectively is central to running a business effectively. The entrepreneur may need to undertake a wide range of activities; from hiring labour and buying inputs, such as raw materials, to producing the finished product for sale.
- **Having creativity and being innovative** – creativity in business means the ability to come up with innovative concepts and ideas, or developing a better way of doing things. Two American college students working in their college dorm in 2003 had the view that there had to be a more efficient way of gathering data for internet search engines – we now have Google, one of the biggest brands in the world!
- **Being hard working** – successful entrepreneurs are, generally, hard working. It is estimated that entrepreneurs in the UK work for around an average of 52 hours a week, plus another 40 hours thinking or worrying about their business venture. Compare this to the average working week of 38 hours for an employed person.
- **Being determined and having perseverance** – entrepreneurs also need to be determined, as new businesses have low success rates. Entrepreneurs must also have considerable perseverance, and be willing to keep trying if initial ideas fail.





Characteristics of a successful entrepreneur  
<http://bit.ly/1T1eTOM>

## Discussion themes

The website [startups.co.uk](http://startups.co.uk) has a section on young entrepreneurs (link below).

<http://startups.co.uk/being-a-young-entrepreneur/>

Choose two or three of the young business people described and list factors that are consistent in the reasons for their success.

Read the article 'Dylan Jones-Evans on why the backbone to the small firm sector is a 'family affair''. Then use notes and information in the article to answer the following question:

Big business benefits an economy much more than the activities of small businesses. Discuss.

WalesOnline Business

<http://www.walesonline.co.uk/business/business-opinion/dylan-jones-evans-backbone-small-firm-7101903>

'Big businesses make the headlines, so why bother about the growth of small businesses.' Do you think that this statement undervalues the importance of SMEs to the UK economy?

Discuss the following statement: 'All successful entrepreneurs are risk takers.'

To what extent do you agree with the following statement: 'Business success is down to having a good idea.'

## Identifying business opportunities

Potential business opportunities occur when a **market need** exists. This market need is preferably one that has not yet been targeted or not yet been targeted effectively. Therefore, a new entrepreneur wanting to start and run a successful business will need to find a product or service that isn't already available, or one that can be improved on. A starting point might be to find out what is missing in the local area.

Another way of investigating opportunities might be to ask the question: 'What can be offered to other businesses that would help them increase their sales, improve their service, or reduce their costs?' A business can service other businesses. These other businesses have customers who are different businesses. They may supply office equipment, cleaning, marketing services, transport, IT services, financial services etc.

Sometimes identifying a potential business opportunity can occur through word of mouth. Are people complaining about lack of access to a product, or describing a need, or criticising a business? All of these could present an opportunity.

Many new businesses are based on accessing customers through new market places – products or services can be bought here. Moving away from bricks and mortar reduces costs and allows prices to be cut. Obviously the internet is the best example of this – Amazon and Ebay are prime examples of new businesses which are based on price, buying opportunities and convenience. However, it is not only big businesses who can succeed through this method. The example of Foulgers Dairy shows how a small firm targeting a specific market (raw milk) can take advantage of new ways of accessing customers nationwide.

Often new businesses are founded on the idea of how innovative methods could help meet a need. For example, is there a kind of website or app that would improve what is already available or make it a more efficient process? Comparison websites have changed the way people buy insurance, book holidays and hotels, choose electrical goods etc. MoneySavingExpert, which covers the whole range of financial services and shopping, was founded by a sole trader – Martin Lewis. The site is focussed on allowing consumers to access the best deals on everything from buying cars to the weekly shop. Martin Lewis founded MoneySavingExpert.com in 2003 for £100. It's now the UK's biggest money site, with over 14 million monthly users.

Finally, business opportunities can come from an entirely new product developed by the entrepreneur/inventor. Fortunes used to be made by inventors working with limited resources, but times have changed, with most new consumer products now coming from mega corporations. However, exceptions still occur. Worldwide success and the rapid growth of small businesses (or even one-man bands) have come through using marketing platforms such as the iTunes Store and the Android Market to promote and sell apps.

We have seen then that there are a number of ways of identifying where the potential lies when establishing a business. But whatever the business and however the opportunity has arisen, the next stage for the budding entrepreneur is to prepare a business plan.

## Developing a business plan

The business plan makes clear the objectives of the business and how the business intends to achieve these objectives. A business plan is often likened to a map. This road map analogy is important – business plans are not to be written and forgotten, they are ongoing. The objectives that are set – whether financial, sales, marketing or production – are there for future guidance and not to be ignored. Start-up businesses that develop and follow a business plan are more likely to survive than those who do not.

### The overview or executive summary

When preparing a business plan the entrepreneur should first of all clearly describe the business idea. This overview of the business will briefly describe the business opportunity that is to be exploited. It should summarise the strategies that will be employed and how finance will be obtained. This overview is very important in setting out the overall aims and objectives of the business. There is no set pattern for a business plan but there are key elements that need to be included – the plan needs to be flexible and able to adapt to changing market circumstances.

### The marketing plan

This is an important part of any business plan and it should be based on both field and desk research. The market **research** carried out needs to establish if possible the size of the market, the needs of the customers and the level of competition. Once market research findings have been examined then the marketing plan (strategy) can be prepared. If market research has identified weaknesses with the initial idea, this may be the time to adapt the product to more closely meet the needs of the customer or clearly differentiate it from the competition.

## The operations plan

This will include details of where the business will be located, production methods and any equipment needed. In addition, information on the costs of production and where the business will buy supplies may also be included.

## The human resources plan

The number of employees and the skills, experience and qualifications they require will be outlined. Any management team will also be identified.

## The financial plan

A variety of forecasting will be necessary:

- a sales forecast indicating potential revenues;
- a cash flow forecast for the first 12 months;
- a profit and loss and balance forecast for the end of the first year;
- a break even analysis.

In addition, information should be provided on where the finance for starting and running the business will come from. This will indicate the available start-up capital as well as any potential borrowing.

## What are the potential benefits of a business plan?

When complete the business plan presents the business owners with a clear set of instructions on how to run the business. A comprehensive business plan will allow business owners to check progress against objectives, monitor cash flow and take action when objectives are not being achieved. Business owners can clearly see when things are going wrong.

A business plan is also needed for potential investors or when seeking finance from banks. Without a business plan it is highly unlikely that capital could be attracted from people or institutions outside of the business.

## What are the potential drawbacks of a business plan?

Even with all these positive factors for having a business plan, there are downsides. Market research costs time and money, resources which might be better spent elsewhere in the business. For many start-up businesses this will be the hardest part of preparing a business plan. How do you predict what your income will be? Market research should provide an idea, but how reliable is the data? The estimate of sales revenue, money flowing into the business, should be based on accurate market research, but the truth is that most new businesses will at best be making an educated guess on how much money will be generated. The need for this guesswork is a potential weakness of any business plan.

An inaccurate business plan with unachievable objectives can give entrepreneurs false hope, leading to failed investments. Some experienced entrepreneurs have enough market and business knowledge to move from year to year without reference to marketing plans, or financial forecasts, and they do happily survive. However, for such businesses growth is unlikely without forward planning. Identifying and adapting to change in the market may then result in crisis management.

## Discussion themes

Business Wales Guide to Business Plans

<http://business.wales.gov.uk/starting-business/starting-business-0/preparing-business-plan>

Business plan templates and advice

[www.gov.uk/write-business-plan](http://www.gov.uk/write-business-plan)

Why is it important to consider 'the audience' when preparing a business plan?

What financial aspects of the business should always be contained in a business plan?

Discuss the following statement: 'Most business plans are not worth the time spent in preparation.'

To be effective business plans need to be flexible. Explain why.

## Chapter 2

### Market structure, types and segmentation

There are a variety of differing market structures which are separated by the levels of competition that exist within each market and the market conditions in which the businesses operate.

Competition increases as the number of businesses in the market increases:



### Perfect competition

#### Characteristics

- There are a **large number of businesses** competing and no one business is large enough to influence the activities of others.
- There are no market leaders and no price leaders, so each business must accept the going price on the marketplace – they are **price takers**.
- The goods sold are **homogenous** – there is no difference between the goods sold by one business or any other business. This means that there is no branding, no product differentiation, no way of telling goods apart.
- Businesses have **equal access to technology**, meaning that they have equal levels of productivity and each business will benefit in the same way from any economies of scale that are available.
- Consumers in a perfectly competitive market have **full market information**, they know what is being sold and the price the goods are sold at. They can access a wide number of suppliers to the market.
- Businesses are free to leave or enter the market at any time: there are **no barriers to entry or exit**.

**These unrealistic conditions mean that perfect competition is merely a model.**

In reality there is always some sort of branding or differentiation – whether it is the quality of products, price of products or the location of where products are sold. It has some use as the starting point to analyse the behaviour of other market structures in the real world.

### Monopoly

#### Characteristics:

- **A single producer within a market** – one business has 100% of the marketplace. This is known as a pure monopoly.
- They are likely to **erect barriers** to prevent others from entering their market.
- Monopolists are called **price makers** as they have a significant influence on price. Nonetheless, they cannot simply charge what they want as the law of supply and demand still operates.

Pure monopolies were not uncommon in the UK 30 years ago. The average household only had the option of one gas supplier, one home telephone supplier, and one electricity supplier etc. With the introduction of

competition into these markets through deregulation and privatisation, these monopolies have in the main disappeared. Until recently the Royal Mail had a monopoly over the delivery of letters in the UK, but even this is now opening up to competition.

**Pure monopolies with 100% of the market are now very rare.**

The UK and EU competition authorities regard any business with over 25% of the market as having potential monopoly power, and will investigate situations where it believes this power is being abused.

Monopolies can, however, offer advantages to consumers. Being big or very big they can benefit from massive economies of scale, reducing prices and making goods affordable. Also the profits earned can be used for investment into improving products, improving production techniques and developing new products.

## Oligopoly – oligopolistic competition

### Characteristics:

- There are many businesses but **only a few dominate** the market.
- Each business tends to have differentiated products with a **strong brand identity**.
- **Brand loyalty** is encouraged by the use of heavy advertising and promotion.
- Prices can be stable for long periods, although **short price wars** do occur.
- **Some barriers to entry** do exist: for example, high start-up costs in relation to manufacturing.

Many of our largest industries, whether manufacturing, retailing or service industries, are oligopolistic in nature. In retailing, the grocery market is dominated by Tesco, Sainsbury's, Morrisons and Asda. In clothing retailing, each age group have just three or four major chain stores that dominate their marketplace.

When businesses in an oligopolistic market act together (collude), a cartel is formed. Cartels try to keep prices high, whilst the businesses involved share the market between themselves. This type of collusion has occurred in a wide range of industries: for example, the airline industry and the sports clothing industry. This formal collusion is illegal.

However, oligopolies are not without advantages to consumers. Large size leads to economies of scale, high profits means money for innovation and investment, and oligopolies targeting a wide range of market segments provide variety and choice. A very good example of the advantages of the oligopolistic market structure can be found in communications. By communications we mean mobile phones, landlines, the internet and television. A small number of very large businesses have put huge amounts of investment into these industries over the last 30 years, meaning that service and customer choice has improved dramatically.

## Monopolistic competition

### Characteristics:

- A large number of relatively small businesses in competition with each other.
- There are few barriers to entry.
- Products are similar, but differentiated from each other.
- Brand identity is relatively weak.
- Businesses are not price takers; however, they only have a limited degree of control over the prices they charge.

You are likely to be aware of local business in specific markets that are quite similar to each other – for example, hairdressers or take-away restaurants. Within every monopolistic market sector each business tries to offer something different and possess an element of uniqueness, but all are essentially competing for the same customers. Differentiation may take a number of forms in this market structure. For example, businesses could use physical product differentiation. This is where businesses use size, design, colour, shape, performance and features to make their products different from competitor businesses. For example, pizza outlets produce their products with stuffed crusts, thin and thick bases and in all shapes and sizes. They may also attempt differentiation through methods of purchase and distribution such as online purchases and free delivery. Often attached to delivery is a promotional promise such as ‘if we are late you get it for free’.



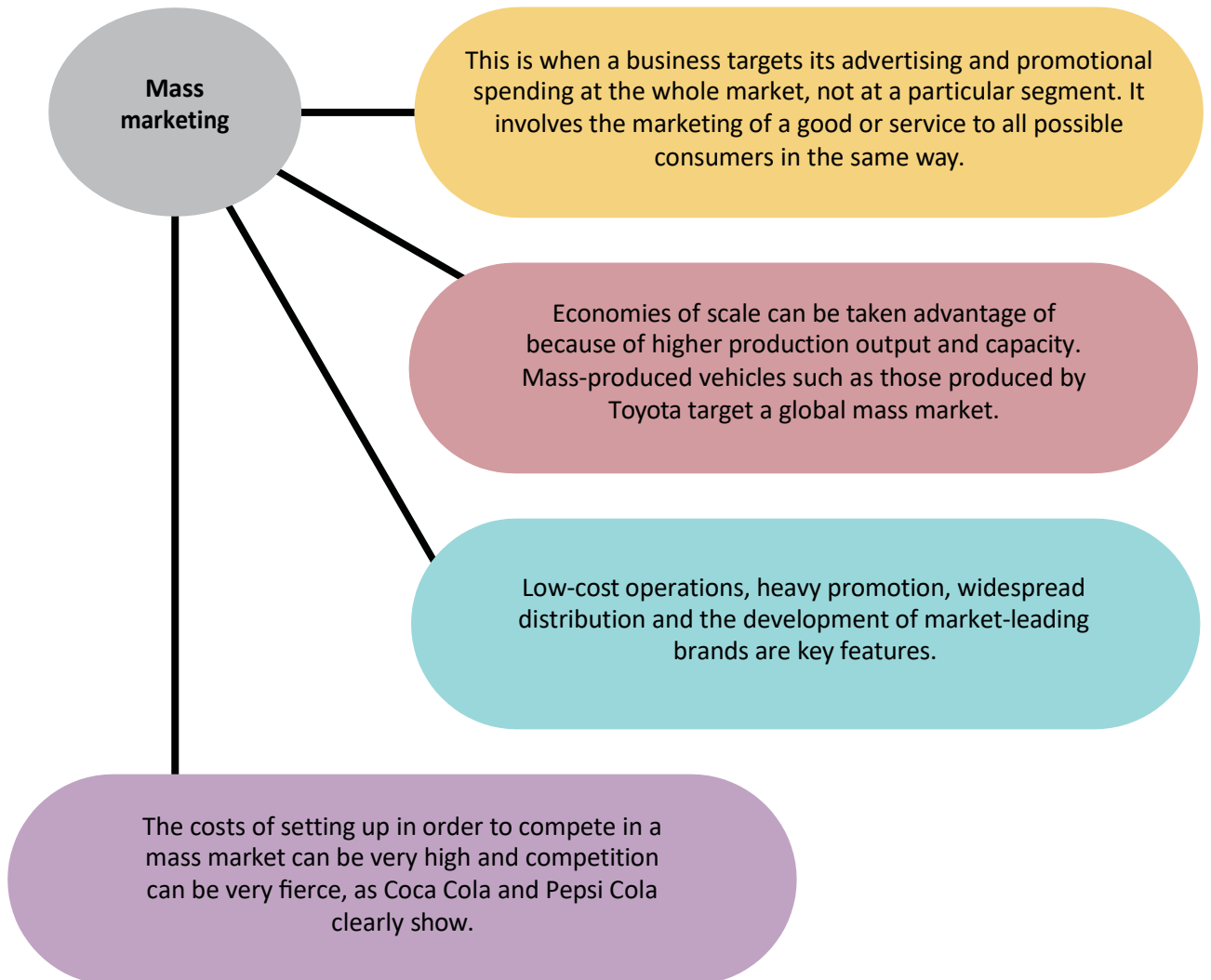
Market structure, types and segmentation

<http://bit.ly/1lqP9xs>

## Businesses and markets

Different businesses can operate in very different markets – some are local, others global. Some businesses are focussed on consumer markets (B2C), others sell to other businesses (B2B). For many businesses there will be large seasonal variations in their sales; others may find much more constant sales throughout the year. Although mass market businesses may seem to dominate the retail world there is still plenty of space for niche market businesses. Each business will still use the marketing mix, but how they adapt their strategy depends largely upon the target market. In most markets there is one dominant (mass) segment and several smaller (niche) segments.

## Mass marketing



## Niche marketing

Niche marketing is where a business targets a smaller segment of a larger market, where customers have specific needs and wants.

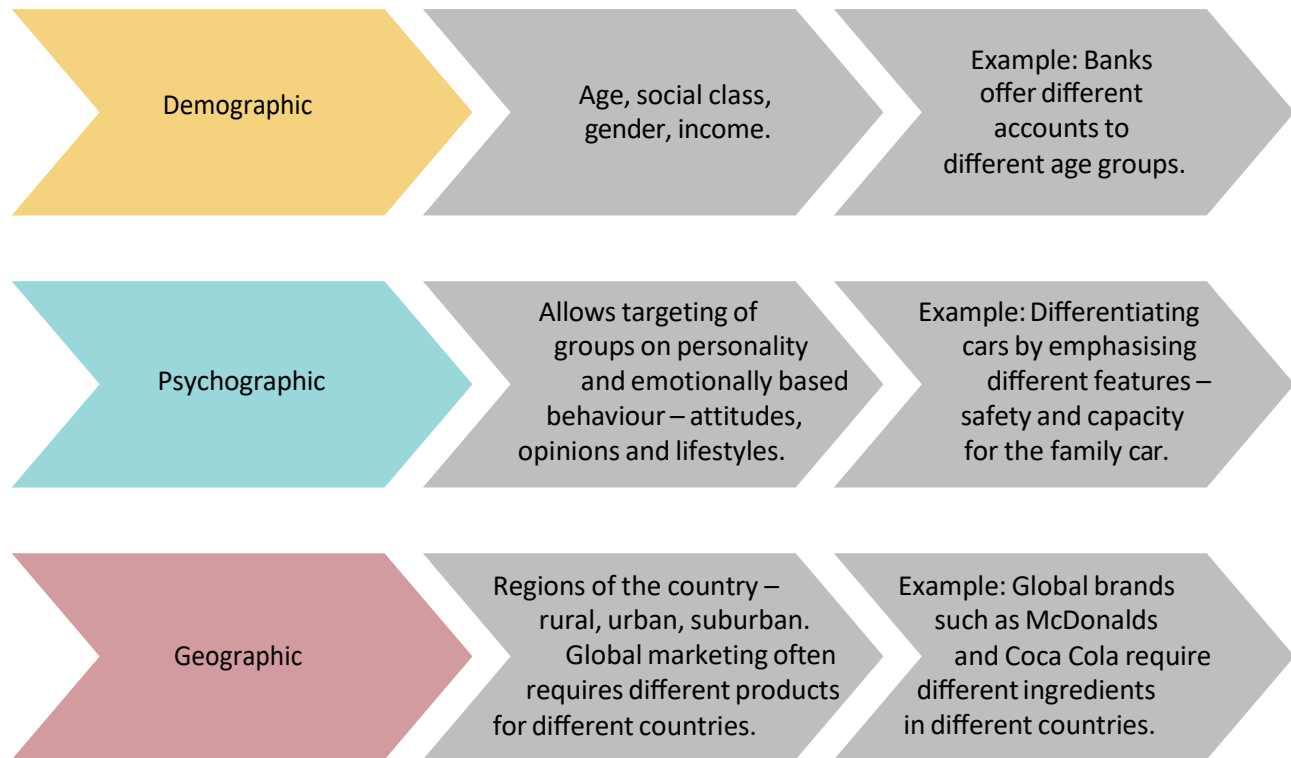
- One or more **specific segments** of the market are targeted with niche marketing.
- A **higher price** can often be charged – customers are prepared to pay for expertise and tend to be loyal.
- There must be a **full understanding** of the desires and needs of the niche. This understanding can be gained through market research, but is often initially based on more of a ‘gut feeling’ and an understanding that comes through personal experience.
- Niche marketing businesses are able to **concentrate on their strengths**, developing products from what the business is good at. As niche businesses can gain expert knowledge of the targeted part of the market, their products or services directly meet the needs of customers, giving the niche marketing business a real advantage over potential competitors.
- **Lower start-up costs** help niche market businesses in their early stages. The business may have the market to themselves (at least for a while), because competition may ignore the niche, either because of lack of awareness or because it is too small for large businesses to focus on.
- However, market niches **can disappear** as a result of changes in economic conditions, fashion or taste.
- Alternatively, **mass market businesses can target the niche** if it grows in value or size and existing small businesses may find this competition impossible to deal with.



## Market segmentation

A market segment is any sub-group of a larger market. Mass market businesses divide their target markets into segments (sub-groups) that have common features, or are made up of individuals that make purchasing decisions based on common factors. When this is done businesses produce and market products aimed at each of these segments.

### Types of segmentation



### What rules must apply to market segmentation?

- Firstly, segments must be **recognisable**. They must be different enough from other segments to make producing for that segment worthwhile. For example, housing is built for different groups of people: flats for single people, two bedroom houses and starter homes for young couples, three or four bedroom houses for families, bungalows for retired people.
- Also segments must have **critical mass**. This means that they must be big enough or produce enough sales value to make the production of products or services targeted at the segment worthwhile. The market for two-seater sports cars has grown rapidly in recent years making the segment attractive: not only to niche market businesses such as Lotus, but also to mass market businesses like Toyota, Honda and Nissan.
- Segments have to be **targetable**. Having their own identity means that they can be promoted to, and have marketing directed towards them. On daytime TV, there are many adverts for retirement plans, or funeral expenses plans, often sold in a reassuring but concerned manner. They are targeted at a segment which is aware of the potential problems of costly funeral expenses, or leaving a loved one without financial support.

Once segments have been identified, then businesses can use a **segment-orientated marketing approach**. This approach offers a number of advantages for both businesses and customers. Targeted marketing allows the business to stress those product features that are most relevant for each particular segment (e.g. price vs. quality vs. brand identity). This targeting will occur even if the product being sold to different segments is almost identical.

Finally, customers change their preferences and patterns of behaviour over time (the customer life cycle). **Sustainable customer relationships** in all phases of the customer life cycle can come from segmenting markets. Businesses that serve different segments along a customer's life cycle can lead their customers from stage to stage by always offering them a special solution for their particular needs. For example, most car manufacturers offer a product range that caters for the needs of all phases of a customer life cycle: a first car for students/young workers, a fun car for young professionals, a family car for young families, SUV for growing families etc. Skincare cosmetics brands often offer a branded series of products for babies, teens, young adults, mums, and more mature skin.



Market segmentation  
<http://bit.ly/1WqJSU2>

## Global markets

Global marketing is all about selling goods or services to overseas markets. With global marketing different marketing strategies are implemented, based on the region or country the company is marketing to. This may mean different packaging, pricing and promotional strategies.

When businesses are considering moving into overseas markets there are several possible advantages.

- **Higher earnings** – firstly there are likely to be higher earnings, especially if margins in overseas markets may exceed those found at home.
- **Spread risks** – by moving into new markets risks are now spread. Decline in one market may be smoothed out by increased demand in an overseas market.
- **Saturation of the home market** – often businesses are encouraged to make their first moves into a global market because of saturation of the home market – the business may have the finance to expand, but be unable to do so because of competition.
- **Economies of scale** – this move into global markets is likely to lead to increased economies of scale.
- **Survival** – some businesses need to be global to survive, for example automobile businesses. The biggest of these companies (Ford, GM, Toyota, and VW) will not have the sales volumes in domestic markets to fully support their operations. The trick for these businesses is to design products that will, with perhaps a few adjustments, meet the needs of a number of consumers in a number of individual markets.

## Trade markets (B2B)

Trade marketing is the marketing role that focuses on selling and supplying to distributors, retailers, wholesalers, and other supply chain businesses instead of the consumer. So for the producer the objective of trade marketing is to increase demand for products/services supplied within the supply chain. Through effective trade marketing there is an increased likelihood that the product will end up in front of the final consumer. Trade marketing is not an alternative to brand and consumer marketing, but rather acts as a support to traditional consumer-focussed marketing strategies and helps ensure effective establishment of place in the marketing mix. Trade marketing will include price discounts, promotional support, special offers (two for one), point of sale display provision and even competitions.

## Seasonal markets

Many markets have large seasonal variations. Classic examples are ice cream (during the pre-summer period), fireworks and diet plans (in January). Seasonal marketing will have a huge influence on the activities of businesses involved in these industries as each will have a critical sales period, which can make or break a business. Few businesses are totally immune to seasonality of sales. Lines of stock are adapted and changed – the big supermarkets have titled seasonal aisles. All of these seasonal changes have to be thought about and planned several months in advance to ensure that all aspects of the marketing mix are in place when required.



Market types

<http://bit.ly/1RR4kyK>

### Discussion themes

List three features of each market structure described above.

Explain why price stickiness may occur in an oligopoly.

What is a cartel, and what advantages do cartels bring to members?

Give three reasons why perfect competition is unlikely to exist in any consumer market.

Explain how market structure can influence marketing strategies used by businesses.

Explain why both mass and niche market businesses attempt to identify market segments.

Why is success in trade markets important to achieving success in consumer markets?

Read the article and explain four reasons for adapting the niche marketing approach.

Entrepreneur.com

Explain how niche marketing businesses can survive and thrive in the long run.

LinkedIn Article

<https://www.linkedin.com/>