

COMPONENT 3 LEARNING AIM A

START

1 **State** three promotional techniques used by a business.

2 **Explain** the purpose of sales promotions for Billy's business.

3 **Identify** three types of sales promotion.

4 **Explain** how advertising could influence a businesses sales.

14 Recently a new competitor has won a licence to operate on the same beach as Billy. **Outline** two difficulties Billy now might face.

13 **Explain** one factor which Billy may consider, before making a choice on the promotional method he might use.

12 **Evaluate** whether Billy should consider investing in a national £60,000 TV campaign.

11 **Assess** how Billy could use segmentation techniques to aid his promotions.

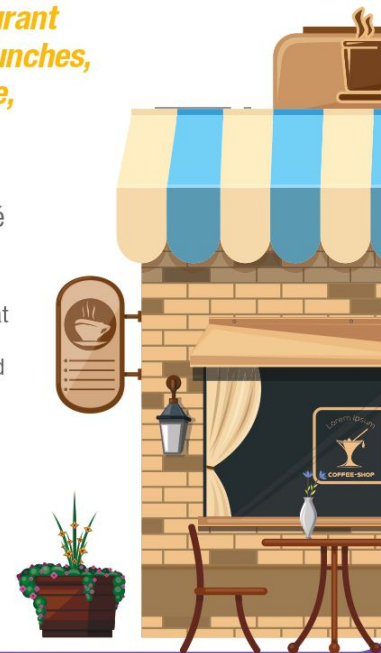
BUSINESS PROFILE

Billy has opened a new café as a pop up restaurant on the local beach. The café sells breakfasts, lunches, drinks along with the occasional dinner service, usually in the form of a 'BBQ on the beach'.

Two years ago, Billy opened a new café/restaurant on his local beach. Billy, the owner, got the original idea for the café from a friend who had enjoyed a picnic on the beach.

Billy now hosts a whole menu service and thanks to the help of a recent celebrity visiting the area, appeared on a programme showcasing his great food and location to a national audience. Whilst the programme was a one off and two minutes of exposure, Billy wants to keep up this momentum and is looking for marketing expertise to promote the business further.

Financially, Billy declared a net profit of just over £20,000 last year, based on sales of £150,000, with sales peaking in August, the main tourist time of the year. Sales were at their lowest in January, as the business posted a loss of £500 per month between November to February. Billy has calculated that 60% of his business is tourist driven.



10 **Explain** why Billy may experience a loss in certain months of the year, but make a profit overall.

9 **Outline** three ways that Billy could use to improve his sales.

5 **Assess** the potential drawbacks of advertising to businesses.

6 **Explain** what is meant by segmentation.

7 **Outline** two ways a business can segment its market.

8 Billy is considering offering a 10% discount to residents who live in the local area. **Assess** how this decision would have impacted the net profit figure for last year.

COMPONENT 3 LEARNING AIM A SUGGESTED ANSWERS

1 State three promotional techniques used by a business.

Any from: advertising, sales promotion, personal selling, public relations, direct marketing.

2 Explain the purpose of sales promotions for Billy's business.

Providing incentives to existing and new customers, to maximise sales, encourage new customers.

3 Identify three types of sales promotion.

Coupons, competitions, money off, loyalty incentives, buy one get one free, discounts.

4 Explain how advertising could influence a businesses sales.

Advertising could increase awareness of the business. It could also persuade and inform customers into buying the products of the business.

14 Recently a new competitor has won a licence to operate on the same beach as Billy. Outline two difficulties Billy now might face.

Billy may now receive less sales, make a loss on his business, lose customers due to a better product/service offered. Billy could consider: promoting his business further, creating more customer loyalty i.e. through loyalty cards, think of differentiation strategies/USPs of his business to make it stand out from the rival.

13 Explain one factor which Billy may consider, before making a choice on the promotional method he might use.

Billy needs to consider the size of his enterprise, his budgetary constraints, appropriateness of his products and his target market before making a choice on a suitable promotional technique.

12 Evaluate whether Billy should consider investing in a national £60,000 TV campaign.

Clearly the previous TV coverage was beneficial to the business, but this was free, thanks to a national TV programme. If Billy considered investing £60,000, this could wipe out his entire profit figure for the year and lead him into a loss. However, the advertising could bring in more sales, therefore boosting sales and potentially profits, however, given the business is seasonal, perhaps a local campaign may be money better well spent.

TIME TO REVIEW YOUR LEARNING...
List three content points that you are confident with and three that require some attention.

Confident with

1

2

3

Requires attention

1

2

3

11 Assess how Billy could use segmentation techniques to aid his promotions.

Billy could focus on a specific segment to target his promotions at. This would save his advertising costs and mean the efficiency of his promotions would improve. Billy could also see alternative segments as a new source of income to bring more customers into the business.

10 Explain why Billy may experience a loss in certain months of the year, but make a profit overall.

The business sales appear to be seasonal based on the tourist trade in the area. Therefore, Billy still has his fixed costs to cover in the winter, leading to sales not covering the total costs of the business during these months. During the summer months, the business is able to increase sales to a point which covers the total costs, which leads to a much bigger surplus, hence profit by the end of the year.

5 Assess the potential drawbacks of advertising to businesses.

Drawbacks: cost of advertising, not targeting the correct audience, unable to communicate message clearly, unable to persuade people, brand affected by poor, misleading or damaging advertising.

6 Explain what is meant by segmentation.

Dividing up the market of potential consumers into groups, or segments, based on differing characteristics.

7 Outline two ways a business can segment its market.

Methods of segmentation: demographics, geographic, psychographic, behavioural.

8 Billy is considering offering a 10% discount to residents who live in the local area. Assess how this decision would have impacted the net profit figure for last year.

Sales = £150,000. 40% = £60,000, minus 10% discount = £6,000. Net profit = £14,000 (£6000 reduction)

9 Outline three ways that Billy could use to improve his sales.

Target a different segment, advertise more, create more brand loyalty, develop new menu or events.