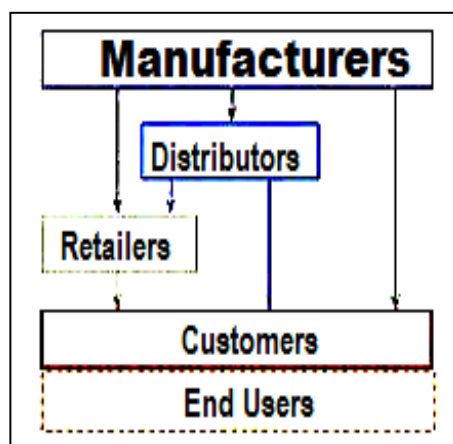


GRADE 10

BUSINESS STUDIES

UNIT 3

MARKETING AND DISTRIBUTION



COURSE BOOK 3

Name: _____

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FLEXIBLE, OPEN AND DISTANCE EDUCATION
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GRADE 10

BUSINESS STUDIES

UNIT 3

MARKETING AND DISTRIBUTION

COURSE BOOK 3

TOPIC 1: ELEMENTS OF MARKETING

TOPIC 2: ADVERTISING AND PROMOTION

TOPIC 3: DISTRIBUTION

TOPIC 4: COSTING AND PRICING

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**DEMAS TONGOGO
PRINCIPAL**

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SECRETARY'S MESSAGE

Achieving a better future by individual students and their families, communities or the nation as a whole, depends on the kind of curriculum and the way it is delivered.

This course is part and parcel of the new reformed curriculum. Its learning outcomes are student – centred with demonstrations and activities that can be assessed

It maintains the rationale, goals, aims and principles of the national outcome based curriculum and identifies the knowledge, skills, attitudes and values that students should achieve.

This is a provision by Flexible, Open and Distance Education as an alternative pathway of formal education.

The course promotes Papua New Guinea values and beliefs which are found in our Constitution and Government Policies. It is developed in line with the National Education Plans and addresses an increase in the number of school leavers as a result of lack of access to secondary and higher educational institutions.

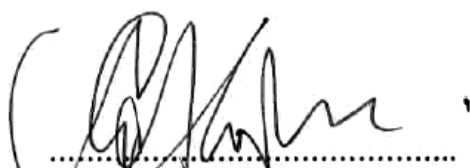
Flexible, Open and Distance Education curriculum is guided by the Department of Education's Mission which is fivefold:

- to facilitate and promote the integral development of every individual
- to develop and encourage an education system which satisfies the requirements of Papua New Guinea and its people
- to establish, preserve and improve standards of education throughout Papua New Guinea
- to make the benefits of such education available as widely as possible to all of the people
- to make the education accessible to the poor and physically, mentally and socially handicapped as well as to those who are educationally disadvantaged.

The college is enhanced to provide alternative and comparable pathways for students and adults to complete their education through a one system, many pathways and same outcomes.

It is our vision that Papua New Guinean's' harness all appropriate and affordable technologies to pursue this program.

I commend all the teachers, curriculum writers and instructional designers who have contributed towards the development of this course.



.....
DR. UILE KOMBRA, PhD
Acting Secretary for Education

UNIT 3 INTRODUCTION



Welcome to the third unit in your Grade 10 Business Studies Course.

This unit emphasises the strand economic and business environment. It will teach you about the concept of marketing as an important aspect of any business organisation. It will also teach you about the different stages of manufacturing, marketing, distribution processes and pricing of goods and services.

Marketing and Distribution incorporates the following topics:

Topic 1: Elements of Marketing

In this topic, you will learn about elements of marketing, the marketing environment and marketing of products. You will also learn about brands, branding, packaging, labelling and market research.

Topic 2: Advertising and Promotion

In this topic, you will learn about advertising and promotion. You will also learn about advertising agencies and how these agencies should take responsibility in advertising and promotion.

Topic 3: Distribution

In this topic, you will learn about distribution, direct selling and transportation in distribution.

Topic 4: Costing and Pricing

In this topic, you will learn about how to do costing and pricing of different products. You will also learn about how to apply discounts in pricing.

Study Schedule

Here is a study schedule. It will guide you to complete your Unit 3: Marketing and Distribution Course Book and its assessment.

WEEKS	SUBSTRAND / LESSON NUMBER	ASSESSMENT	COMMENTS
1-2	Topic 1 Lessons 1-6 Lesson Activities and Practice Exercises	Topic 1 Test 15 marks	
3-4	Topic 2 Lessons 7-10 Lesson Activities and Practice Exercises	Topic 2 Test 15 marks	
5-6	Topic 3 Lessons 11-13 Lesson Activities and Practice Exercises	Topic 3 Test 15 marks	
7-8	Topic 4 Lessons 14-17 Lesson Activities and Practice Exercises	Topic 4 Test 15 marks	
9		Unit Examination 40 marks	
10	Submit your Assessment Book 3 to your Provincial Centre for marking.		

Remember

As you complete each lesson, tick the box in the contents' page. This shows what you have done and what you still have to do in each topic.

All the best and enjoy your studies with FODE – Business Studies

TOPIC 1

ELEMENTS OF MARKETING

IN THIS TOPIC YOU WILL LEARN ABOUT:

- **ELEMENTS OF MARKETING**
- **THE MARKETING ENVIRONMENT**
- **MARKETING OF PRODUCTS**
- **BRANDS AND BRANDING**
- **PACKAGING AND LABELLING**
- **MARKET RESEARCH**

TOPIC 1 INTRODUCTION



Welcome to Topic 1, Elements of Marketing. In this topic, you will learn about elements of marketing, the marketing environment and marketing of products. You will also learn about brands, branding, packaging, labeling and market research

Topic 1 has six (6) lessons. They are:

Lesson 1: Introduction to Elements of Marketing

This lesson discusses marketing elements and the difference between marketing and selling. It also identifies the features of responsible marketing.

Lesson 2: The Marketing Environment

This lesson defines marketing environment and discusses the elements of a marketing environment.

Lesson 3: Marketing of Products

This lesson identifies the elements of marketing mix and discusses its functions.

Lesson 4: Brands and Branding

This lesson discusses brand and branding and its importance. The lesson also outlines the different brands for different types of products and explains the impacts of consumer demand on different brands of goods. Finally, it discusses the advantages and disadvantages of branding to businesses.

Lesson 5: Packaging and Labelling

This lesson discusses packaging and labelling and the benefits they have on businesses. The lesson also discusses the disadvantages of packaging.

Lesson 6: Market Research

This lesson discusses marketing research and the importance of marketing research in marketing. The lesson also identifies market research instruments and how to construct a market research instrument.

Lesson 1: Introduction to Elements of Marketing



Introduction:

Welcome to Lesson 1 of Unit 3: Marketing and Distribution. In this lesson, you will learn about *marketing* and its elements. You will also learn the difference between the terms *marketing* and *selling*.



Your Aims:

- Define marketing and identify the elements of marketing
 - Differentiate between marketing and selling
-

What is Marketing?

In business, you need to produce products that satisfy the customers' needs and wants. You need to also persuade customers to buy your products. Before you produce your product you need to decide the different aspects involved in marketing. The questions below give an outline of the different aspects of marketing. They are:

- What product should be produced?
- What price the product should be sold at?
- Where the product should be sold?
- How you should make the customers become aware of your product?

Therefore, **marketing** is defined as; the process of identifying, anticipating and satisfying customers' needs at a profit.



Can you explain the terms; **identifying**, **anticipating** and **satisfying customers' needs** to me?

Identifying is defined as, finding opportunities for new products and new markets by doing a market research. When we say, market research, it refers to the process of gathering information on goods and services to determine whether the product or service will satisfy customer needs, and to make marketing decisions. You will learn more about market research later in Lesson 6.

Anticipating is defined as, predicting future market trends. That is to say what is going to happen in the future regarding the movement and directions of marketing.



How can managers predict future market trends?

In business, managers can predict future market trends by analysing or assessing the data collected from a *market research*. Data refers to information in the form of facts and figures collected through a *market research survey*. From this data,

managers predict what might happen in the market and how their products can adapt to the changes.

Satisfying customer needs is explained as, making individuals and organisations happy with what they are buying and making sure that they return to buy more in the future. That will be obvious when there are no complaints from the customers regarding the purchase and the use of the product.

What are some activities included in marketing?

- Doing a market research to find out the demand for the product in the proposed area of sale
- Pricing the product so that it will attract customers.
- Promoting the product by using tools such as advertising so that people will know about it.
- Making the product available to the customers.
- Storing the products for future sale

What is a Market?

A Market is a place or situation where buyers and sellers interact to buy and sell goods. It could be at a town market such as Goroka Market, Kokopo Market, Lae Market, or online market which is called e-marketing or e-commerce which is conducted on the internet.

Markets are **dynamic**. It is pronounced as “dai-na-mic” which means always changing. In business, dynamics means that conditions at the markets of different products and services are always changing. These changes include things like shifts in market price of certain goods due to economic conditions and evolving customer requirements caused by new fashions and technology. A business must be aware of market trends and plan how to meet customers’ need in these changes.



Activity 1.1

1. What is marketing?

2. How would you find out the customers’ needs before launching a new product?

3. What is a market?

4. Markets are dynamic. What does this mean?

Marketing and Selling

Most people mistakenly think that **selling** and **marketing** is the same thing. However, you will learn that the meanings of these two words are not the same.

Marketing involves many activities. Selling is just one activity in the overall marketing process which involves helping customers to buy the products that you offer at a price. **Selling** is the exchange of a product for an agreed sum of money.

Differences between Marketing and Selling

The table below will outline the difference between **marketing** and **selling**.

Marketing		Selling	
1	Marketing starts with the customer and focuses constantly on the customers' needs and wants	1	Selling starts with the seller and is preoccupied with the seller's needs
2	Marketing seeks to convert „customers' needs into „products“	2	Selling seeks to convert „products“ into „cash“
3	Marketing views business as a customer satisfying process	3	Selling views business as a goods producing process
4	Marketing effort leads to products that customers actually want and will buy.	4	The company makes the product first and then figures out how to sell it and make a profit.
5	Marketing communication is seen as a tool for communicating the benefits/satisfaction provided by the product.	5	The seller's motives dominate Marketing communication (promotions)
6	Marketing views the customer as the very purpose of the business. It sees the business from the point of view of the customer.	6	Selling views the customer as the last link in the business.
7	„Customer satisfaction“ is the primary motive.	7	„Sales“ is the primary motive.
8	Marketing begins long before Production with identifying customers' needs. It continues even after the sales to ensure customer satisfaction throughout and after sales.	8	Selling comes after production and ends with the delivery of the product and collection of payment
9	Marketing has a wider connotation and includes many activities such as marketing research, product planning and development, pricing, promotion, distribution and selling.	9	Selling is part of marketing.
10	Marketing assumes: „Let the buyer beware“.	10	Selling assumes: „let the seller beware“

**Activity 1.2**

1. Is selling and marketing the same? Explain your answer.

2. Activities in marketing mainly focus on satisfying customers' needs. What about selling?

3. What are the primary motives of selling and marketing respectively?

Summary

You have come to the end of Lesson 1. In this lesson you learnt that:

- Marketing is defined as the process of identifying, anticipating and satisfying customers' needs.
- The term '*identifying*' means finding opportunities for new products and new markets by doing a market research.
- The term „anticipating“ means, predicting future market trends or to say what is going to happen in the future regarding the movement and directions of marketing.
- Satisfying customer needs means making individuals and organisations happy with what they are buying and making sure that they return to buy in the future.
- Market is a place or situation where buyers and sellers interact to buy and sell goods.
- Markets being dynamic mean, markets are always changing due to customers' changing requirements such as new fashions or changing economic conditions.
- Selling is not the same as marketing. It is one of the activities in marketing.
- Selling is the act of exchanging a product at an agreed price.
- Marketing focuses mainly on satisfying customers' needs whilst selling focuses on sales.

NOW DO PRACTICE EXERCISE 1 ON THE NEXT PAGE



Practice Exercise 1

1. Explain the difference between marketing and selling.

2. List at least three (3) different activities in marketing that you learnt in this lesson.

(a) _____

(b) _____

(c) _____

3. Imagine yourself planning to set up a poultry business in your village. What would be the first marketing activity you would do before implementing your plan? Explain your answer.

4. Mala 57 Ltd in Wabag is a customer to Bintangor Trading in Mt. Hagen. Mala 57 Ltd puts in an order for 100 bags of 5kg Trukai Rice. What would be the last process in marketing the product (Trukai Rice)?

CHECK YOUR WORK. ANSWERS AT THE END OF TOPIC 1

Lesson 2: The Marketing Environment



Introduction

Welcome to Lesson 2. In Lesson 1 you learnt about marketing and its elements. You also learnt the difference between marketing and selling. In this lesson, you will learn what marketing environment is and different aspects of the marketing environment.

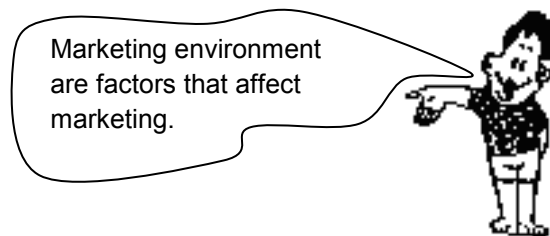


Your Aims:

- Define marketing environment
- Identify the different aspects of a marketing environment

Marketing Environment

In all societies, markets do exist. Many factors in society have a significant impact on marketing. These factors are called the marketing environments.



These factors include cultural practices, competition, economic conditions government policies and technology. Business owners must understand how the environment is changing and how that change influences their market. Then, they can create marketing plans to meet the needs of these customers.



Activity 2.1

1. Define marketing environment.

2. Name five (5) factors that affect marketing.

- (a) _____
- (b) _____
- (c) _____
- (d) _____

Factors Affecting Marketing

1. Cultural Practices

Culture consists of the inherited ideas, beliefs, values and knowledge that make up the basis for social behaviour. In a society, people's behaviour is greatly influenced by their cultural practices. From the marketing point of view, the things customers buy will be determined by their values, beliefs and the perceptions they have.

Consider the following examples:

- (a) In Papua New Guinea, people are generally unwilling to consider issues of family planning or birth control in public. Planning to market any product to do with family planning or birth control may not be successful due to cultural reasons.
- (b) In a village that is dominated by Seventh Day Adventists, it is not a good idea to market pork related products due to their belief.
- (c) If you want to market meat products to Muslims, then, the product must be prepared according to Islamic Law.
- (d) In Hindu society, beef is unacceptable and therefore you cannot market beef products to Hindus.

Therefore, understanding the cultural practice of the target market is very important prior to marketing a product.

2. Competition

Competitors are producers offering competing goods in the same market. Competing goods may be similar goods or substitutes. Substitute means to take the place of another.

- (a) Products offering substitutes

For example, you are selling National No.1 Tea and another supplier offers Milo. Milo is a substitute for National No.1 Tea. Therefore the introduction and sale of Milo will have a direct impact on the sale of National No.1 Tea. Producers who supply substitutes like this also create competition.

- (b) Producers offering similar products

Some products offered for sale on the market are similar but have different producers. For example, most soft drinks are produced by Coca Cola. Pepsi is also a soft drink but produced by the Pepsi Company. Pepsi is a similar product. It creates direct competition for Coca Cola.

There is no competition when only one supplier is in the market. A market becomes competitive as a result of new suppliers entering the market offering similar products or substitutes.

A business needs to have good knowledge of the competitors, their products, product features, prices and market share. This is important in order to counter competition through marketing. The level of competition is also a factor to consider when planning how much to spend on marketing.

Depending on the level of competition, businesses have to develop marketing strategies. Take note that marketing strategies are different in a very competitive market than in a less competitive market. The strategies will not be the same.

Market leadership can be achieved by serving a larger percentage of customers and retaining them. A market leadership is determined by the relative market share it has gained. A market share is the company's sales as a percentage of total market sales. If a total market sales per year is K600 million and your company has made K150 million sales during the year, your market share is 25%.



Activity 2.2

1. Explain cultural belief or practice in Papua New Guinea that would affect the marketing of certain products (name also the good/service).

2. Define competition.

3. Assume that the total sales revenue for Papua New Guinea communication industry is K200 million. If Digicel Papua New Guinea makes K50 million in sales revenue, what would be the market shares?

3. Economic Conditions

Major economic activities in Papua New Guinea include mining, cash crops farming, logging and fishing. Through these economic activities, there is an increase in trade within and outside of the country. It leads to an increase in the movement of capital among individuals, businesses and overseas markets and suppliers. When economic activities are profitable, businesses achieve their business goals. However, when there is a fall in market prices, the supply decreases and the demand also decreases. Businesses need to be aware of such economic challenges that have strong forces to affect their business plans.

Another good example in Papua New Guinea is that, when there is a low supply of foreign currencies in the currencies exchange market for a long period of time, this affects businesses that import from overseas. It will lead to having debts to pay over long periods of time which may affect the goodwill of a business with its overseas supplier. Again, such economic problems, affect their business plans.

Take note that economic conditions can have either a negative or a positive impact on marketing.

4. Government policies

The government as a regulator of business imposes new taxes, charges tax rates, controls interest rates, basic product prices and town planning rules. For example, if the government reduced customs duty on sugar, it would be possible to import sugar from overseas at a lower cost and compete with Ramu Sugar. This policy change would have an impact on the marketing plan of Ramu Sugar. Therefore, businesses must be watchful and alert. They should understand that government decisions can affect their business marketing strategies.

5. Use of Technology

In this century, technology is changing rapidly in all sectors. Improved technology has an impact on marketing. Technology has completely changed the landscape of production, distribution, advertising, selling and communication. In short, technology has helped marketing in a big way.

For example:

- (a) Fax machines contribute to quick transmission of marketing communication
- (b) Email contributes to fast-tracking marketing communication
- (c) The internet enables online marketing
- (d) Computers improve the efficiency of market research
- (e) The telephone is used for telemarketing
- (f) Software packages and design technology are used to design and develop new products effectively.
- (g) Digital printing technology helps businesses to create attractive posters, billboards and hoardings.



Activity 2.3

1. Give at least two (2) examples of government policies in Papua New Guinea affecting businesses.

- (a) _____
- (b) _____

2. Provide at least three (3) ways in which technology has enhanced efficiency in marketing.

- (a) _____
- (b) _____
- (c) _____

Summary:



You have come to the end of Lesson 2. In this lesson you learnt that:

- Marketing environment are factors that have an impact on marketing, both directly and indirectly.
- The factors that affect marketing are cultural practices, competition, economic conditions, government policies and technology.
- The success of marketing in certain areas depends on the level of influence the culture has.
- Businesses also need to have good knowledge of the competitors, when marketing their product.
- Business owners must be vigilant and should understand government decisions and their impact on their business' marketing strategy.
- Improved technology may either have a negative or a positive impact on marketing.

NOW DO PRACTICE EXERCISE 2 ON THE NEXT PAGE
--



Practice Exercise 2

1. Explain how each of the components of the marketing environment affects marketing in a business and give an example in each case.

(a) Cultural practices

(b) Competition

(c) Government Policies

(d) Technology

2. Identify competitors of the following businesses and the name of the product or the service offered by completing the table below.

Name of Company	Competitors	Good or Service
1.Zenag		
2.Ela Motors		
3.PNG Air		
4.G4S		
5. Pepsi		

3. Identify the nearest substitutes of the following products.

(a) Sweet potato at the market

(b) Bread

(c) Baby oil

(d) Chicken

CHECK YOUR WORK. ANSWERS AT THE END OF TOPIC 1

Lesson 3: Marketing of Products



Introduction

Welcome to Lesson 3. In your previous lesson you learnt about what a marketing environment is and the aspects of the marketing environment. In this lesson, you will learn about product marketing.

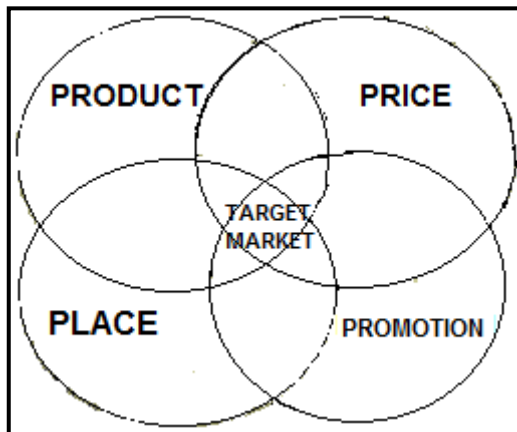


Your Aims:

- Define marketing mix
- Identify the functions of marketing mix

The Marketing Mix

To effectively market a product or service, there are four elements you need to know. They are ;**Product, Price, Place, and Promotion.**



These four elements are known as the marketing mix or the 4Ps. Marketing mix or the 4Ps help create carefully designed plans that will help satisfy both the seller and the consumer.

The four elements should be viewed as one unit and organised to support each other; otherwise, a firm's marketing plan will be confusing and uncoordinated.

Figure 3.1: The Marketing Mix (4PS)
Source: Adapted from Netmba.com

We will now look at each of the component of marketing mix. They are referred to as the four (4) Ps.

The 4Ps

1. Product

The physical good or service that you offer to the customer is called the product. You will decide what to sell or offer, how it should appear, what customer support service will come with and any warranty or additional aspects that will be included. You will have to make decisions regarding the following.

- **Functionality.** What is the use or function of the product to the consumer? This question is answered by indicating the list of features of the product on the package, container or label.
- **Appearance.** The appearance of the product and even its packaging is important to appeal to the potential customer.
- **Quality.** Your product quality should at least meet and hopefully exceed what you promised your customers in your marketing messages.

- **Packaging.** The package should communicate the same level of quality and functionality you promised in your marketing message. Be sure to reference the features of the product on the package for consumers to see.
 - **Brand.** You should make the brand clear to the customers. The message should be clear for the customer whether it is a new brand or an existing one.
 - **Warranty.** You need to consider the warranty and its message that is delivered to your customers. The warranty is a promise you make to fix or replace the product within a certain time period after its purchase. A short warranty might communicate low quality to the buyer.
 - **Service/Support.** You need to consider the level of after-sales support for your customers. The level of service or support you offer could determine customer satisfaction levels.
-



Activity 3.1

1. Name the four (4) elements of the marketing mix.
(a) _____ (b) _____
(c) _____ (d) _____
2. Give at least two (2) examples of goods and services that we pay for.
(a) Goods
i. _____
ii. _____
(b) Services
i. _____
ii. _____
3. Define the following terms in your own words
(a) Marketing mix

(b) Product

2. Price

Pricing is the act of setting or determining a monetary value for a product. Pricing is an important activity of marketing because it will determine whether selling will be successful or not.

The important factors to consider when pricing are:

- **Costs**

Cost refers to the amount of money that has been spent to produce or purchase a product. Cost includes the price of the product bought and other expenses associated with the purchase or production of the product. These expenses may include transportation, advertising and packaging.

- **Competition**

The prices charged for a product will also depend on the level of competition. Competition refers to other rival firms providing similar products. If the competition level is high, the price charged for the product is most likely to be lower. Firms in a monopoly situation expect to charge high prices. A *monopoly* refers to a market situation that has only one supplier and many buyers. Some firms sell goods at reduced prices or zero profit just to attract customers, and this is called *loss leader pricing*.

- **Supply and Demand**

Supply refers to the amount of a product available for sale. *Demand* refers to the amount or quantity of the product that the people are able and willing to buy.

Let us see how price relates to supply and demand.

- A decrease in the price of a product leads to a decrease in supply
- An increase in the price of a product leads to an increase in supply
- A decrease in the price of a product leads to an increase in demand
- An increase in the price of a product leads to a decrease in demand

- **Government regulation**

Certain consumable products in Papua New Guinea are subject to price control. The government controls the prices by controlling mark-ups permitted on certain products. The Independent Consumer and Competition Commission (ICCC) of Papua New Guinea is the body that is responsible for setting prices of certain products.

3. Promotion

After you have determined the price for the product, you now have to make your product known to the public and convince them to buy it. *Promotion* is the way in which you persuade or convince people to buy the product. It includes advertising and other activities intended to increase the sales of the product. There are various ways in which a product can be promoted in the market.

- (a) Displaying products in well-known and eye-catching spot. Display of promotional material is called *point of sales advertising*.
- (b) Offering special cash discounts
- (c) Free gifts or give away items
- (d) Offering prizes to be won in competitions
- (e) Providing sponsorship
- (f) Advertising the product (You will learn more about advertising in Lesson 7)

Marketing mix is a term used in marketing which refers to the 4 Ps that influence consumers to buy goods and services.



Activity 3.2

1. Define the following terms in your own words.

(a) Pricing _____

(b) Cost _____

(c) Monopoly _____

(d) Loss leader pricing _____

(e) Demand _____

(f) Supply _____

2. Name the factors that affect pricing.

- (a) _____
- (b) _____
- (c) _____
- (d) _____

3. What does the initial ICCC stand for, and what is its role in the economy of Papua New Guinea?

4. Place

Place involves where and how a product moves from the producer to the consumer. We can also say it involves the different point of sales from the producer of the product to the consumer. The product needs to be distributed or transported to where they are finally consumed. **Distribution** means movement of goods to places where the goods can be sold. It starts from the producer to the consumer. This process is called the **chain of distribution**. Refer to the diagram below. (You will learn more



about this in Lesson 11).

Figure 3.1: The Chain of Distribution.

Source: Miria.U. (2014)

**Activity 3.3**

1. Explain what the term „*place*’ means in marketing.

2. What is the chain of distribution for goods?

3. Explain the role of each stage in the chain of distribution in one sentence
 - (a) Producer

 - (b) Manufacturer

 - (c) Wholesaler

 - (d) Retailer

 - (e) Consumer

Summary:
_____

You have come to the end of Lesson 3. In this lesson you learnt that:

The marketing mix is a combination of factors that influence sales and can be controlled by a business firm.

- The marketing mix is also referred to as the 4Ps. They are; product, price, promotion and place.
- A product in marketing refers to a good or a service provided by a firm to be sold
- When setting the price for the product, always consider the factors that affect the price.
- Promotion is a way of persuading people to buy the product, and advertising is one way a product can be promoted on the market.
- Place is the point of sales for the product, starting from the primary producer to the consumer.

NOW DO PRACTICE EXERCISE 3 ON THE NEXT PAGE
--



Practice Exercise 3

1. What is the importance of pricing in a business?

 2. How would you know the demand for a new product that you want to offer for sale?

 3. Is price and cost the same? Explain your answer.

 4. What is the difference between advertising and promotion?

 5. Complete the statements below regarding the market forces of supply and demand.
 - (a) When the price of a product decreases, the supply _____
 - (b) When the price of a product increases, the supply _____
 - (c) When the price of a product decreases, the demand _____
 - (d) When the price of a product increases, the demand _____
-

CHECK YOUR WORK. ANSWERS AT THE END OF TOPIC 1

Lesson 4: Brands and Branding



Introduction:

Welcome to Lesson 4 of Unit 3. In the last lesson, you learned about the marketing mix (4Ps). In this lesson, you will learn about brands and branding.



Your Aims:

- Define brand and state its importance in marketing
- Identify different brands for different types of products
- Discuss the impacts of consumer demand on different brands of goods
- Describe the benefits of branding to business
- Discuss the disadvantages of branding.

Brand

A brand is a name, logo or sign which is given to a product that differentiates one product from another. Brands are like people. They have personalities, image, position, values and attributes. For example, different signs and symbols are given below. Some of these brands show their name and some of them do not but they can still be easily recognised.



Figure 4.1 Symbol for Trukai Rice
Source: Google images



Figure 4.2 Symbol for Big Rooster
Source: Google images

Branding

Branding is the means of making a product appear different from the same type of product made by other producers. For example, Sudso, Omo and Cold Power are different brand names for washing powder. Alcatel, Blackberry, and Nokia are brand names for mobile phones.



Figure 4.3 Soft drinks with different brand names
Source: Google images

The task of building and maintaining a brand name is critical for marketing managers. They need to consider various aspects to make the brand successful. A strong brand name is the tool to dominate the market and to remain competitive.

The Importance of Branding

Consumers can easily pick out strong brands from other similar products. Through regular use of a product, and advertising, consumers often become loyal to a particular brand of product.

Packaging of goods has allowed branding to be carried out more easily and on a wide scale. The brand name appears on the product. By looking at the logos of these products, customers can distinguish them from other products because these products have lived in the minds of the customers for a long period of time. Therefore, these names are synonymous with the products. People look for „Besta“ rather than just tinned fish. Similarly, people look for Coca Cola or Pepsi rather than soft drinks. In other words, brands can attract customers.

Some retailers use “own label” brands where they use their name on the product rather than the manufacturers, for example, Coca cola, Mc Donalds, International Business Machines (IBM) and Maggi. These products are sold everywhere in the world.

Take note that developing a product brand, design and logo are very important. A logo is a symbol or picture that represents the business. Below are samples logos of Coca cola, Mc Donalds, International Business Machines (IBM) and Maggi.

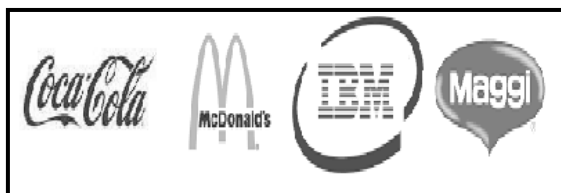


Figure 4.4 Samples of Logos
Source: Google images



Activity 4.1

1. Define brand in your own words.

2. Why is branding important in marketing?

Advantages of Branding

Branding is very important to companies to distinguish their products and services from the others. Branding is not only important to the owner but also important to the consumers and the retailers.

To consumers:

- Consumers can easily identify the product.
- It gives some feelings to the consumers when they shop branded products. For example, if someone buys a blackberry mobile phone, he or she feels very important.

- It reduces the risk of purchasing because a consumer knows the quality, features and other benefits of the product without using it.
- Helps to make quick buying decision because the brands attract consumers.

To the retailers:

- Producers can charge a higher price when their brand becomes popular in the market
- It helps the owner to create consumer loyalty as it gives value to the consumers for what they pay.
- It gives the opportunity to the company for product line extension.

Disadvantages of Branding

- High advertising and related promotion costs.
- There is the risk that poor customer service by wholesaler and retailer in the distribution channel might reflect poorly on the brand itself.
- The process of creating a brand will usually take a long period of time.
- Negative image. That is, if a product or service experiences a negative event that will become attached to the brand.



Activity 4.2

1. State three advantages of branding and explain.

- (a) _____
- (b) _____
- (c) _____

2. State three (3) disadvantages of branding and explain.

- (a) _____
- (b) _____
- (c) _____

Summary



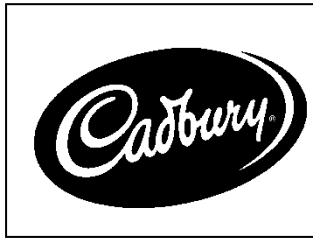
You have come to the end of Lesson 4. In this lesson you learnt that:

- Brand is the name given to a product with a unique logo and design
- The brand makes a product appear different from similar products made by other producers.
- Branding is an important element in marketing because it makes the company's product to be easily recognised by potential and existing customers.
- The major advantage of branding is the establishment of customer loyalty leading to repeated sales
- The main disadvantage of branding is excessive costs involved.

NOW DO PRACTICE EXERCISE 4 ON THE NEXT PAGE
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**Practice Exercise 4**

1. Identify at least three brand names of the following products.
 - (a) Rice : _____
 - (b) Motor Vehicle: _____
 - (c) Tinned fish: _____
 - (d) Computer: _____
2. Identify the product associated with the following brands.



- a) _____ b) _____ c) _____

Source: Google Images

CHECK YOUR WORK. ANSWERS AT THE END OF TOPIC 1

Lesson 5: Packaging and Labelling



Introduction

Welcome to Lesson 5. In the previous lesson, you learnt about Brands and their importance in marketing. In this lesson, you are going to learn about packaging and labelling.



Your Aims:

- Define packaging and labelling and state their importance in marketing
- Describe the benefits of marketing through packaging and labelling.
- Describe the benefits to business through packaging and labelling
- Discuss disadvantages of packaging.

What is packaging?

It is the way in which a product is put together in a container made of cardboard, plastic or foil and presented to the consumer. The product is designed in a way to build up a favourable image.

Packaging can also be described as the outside covering that contains a product and keeps it safe for consumption.

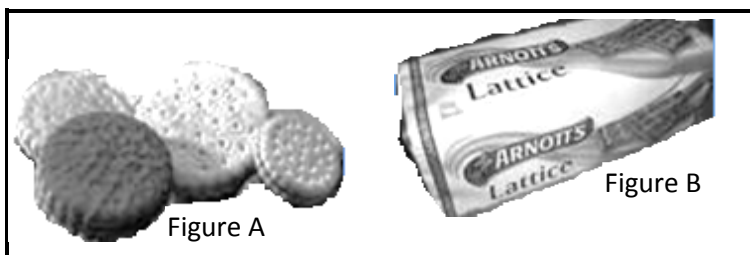


Figure A shows sweet cream biscuits lying in singles, not placed in a packet. Figure B shows a packet containing the same sweet biscuits.

Figure 5.1 Comparison of Unpacked and Packed Sweet Biscuits
Source: Google images

Imagine what it would be like to buy or sell biscuits as you see in figure (A) above. It will pose a health risk for consumers. Figure (B) is what you see in shops.

Let us also consider the meaning of *‘pre-packaging’* and *‘packet’* because these terms relate to the discussion of packaging.

- *Pre-package* means that goods are put into packets in advance by producers.
- A *package* is a wrapper or a container in which a product is sealed.



How is the packaging information presented?

Packaging Information

Packaging information is provided in two ways:

- Printed on the package
- Printed on a label fixed to the product



Activity 5.1

1. Explain the term “pre-packaging”.

2. Explain the term “package”

3. Consider the following examples and answer the questions that follow.

- When bread is packed in a plastic bag, it is protected from germs.
- When ice cream is packed in plastic boxes, it is easy to sell in different quantities
- When TV sets are packed in boxes with adapters, cables and instruction manuals, they are easy to handle and possibility of breakage is minimised.
- When refrigerators are packaged in boxes, they are convenient to transport.
- When oil is bottled, it is easy to sell in different quantities.

(a) What would happen if bread was not put in plastic bags?

(b) What would happen if TV sets were not placed in boxes?

(c) What is packaging?

What is Labelling?

Labelling is what you find printed on the package or on the product itself. With some products, the label is enclosed or pasted in the package.

The table shows the type of labels that you may find on products.

Types of Labels	Examples
1. Product information	<ul style="list-style-type: none"> • Product name • Brand name • Trademark • Model number • Ingredients • Nutrition Information • Weight, volume or units included • Expiry date • Manufacturing date • Manufacturer's name and contact details • Directions for use


2. Health warnings	<ul style="list-style-type: none"> • Smoking causes lung cancer • Not to be used by children under 2 years of age • Do not use if seal is open or broken
3. Usage and preparation Instructions	<ul style="list-style-type: none"> • Shake well before use • Mix in boiled water
4. Safety instructions	<ul style="list-style-type: none"> • Switch off power prior to opening the casing • Do not touch without gloves • Keep out of reach of children
5. Disposal information	<ul style="list-style-type: none"> • Recyclable
6. Nature of packaging material used	<ul style="list-style-type: none"> • Biodegradable • Used recycled materials
7. Storage information	<ul style="list-style-type: none"> • Refrigerate after opening • Store below 25oc • Store in a cool dry place away from direct sunlight
8. Price	<ul style="list-style-type: none"> • K2, K5, K10,
9. Lot number and batch number	BN 121313 EXP 1AUG13
10. Barcode	

Table 5.1: Types of Labels
Source: Panditha.B.(2012)

What are the meanings of these terms; **trade mark**, **lot number and batch number** and **barcode**?



You can read the meanings of the three terms below



'Trademark' is a distinctive name or symbol used on the products of a particular company or association

'Lot number and batch number' is a combination of letters and or numbers that identify product units manufactured together at the same time

'Barcode' is a code in the form of a pattern of stripes printed on to identify a product. It is used for scanning at the point of sale.

While discussing the terms involved in labelling, you should also take note that there are certain government rules and regulations that protect labelling in Papua New Guinea. For example:

- Food Sanitation Act requires the producers of food to label them in the manner prescribed
- Tobacco Products (Health Control) Act requires manufacturers of tobacco to print health warnings on the label or packet.

Importance of Packaging

Packaging is very important because;

- Goods are put together to be easily transported
- Goods are better protected from damage or dirt
- Retailers do not have to weigh or wrap goods when selling them
- Goods can easily be displayed in shops if they are in packets
- Producers of goods can advertise their name on the packets of goods

Importance of Labelling

Labelling is very important because it gives all necessary information needed for customers to know about a product. You can refer to the table on the types of labelling given earlier, to see the kind of information put on the package of a product.

Benefits of Packaging and Labelling

1. Protect products

Product packaging ensures that products are safe when they are transported to customers as well as when they sit on the store shelves. It is important for marketers to receive their products in undamaged containers. Customers can experience the care and consideration companies put into planning the packaging they use and ship products. Poorly packaged goods can paint a bad image about the company.

2. Attract customers

The visual presentation of product packaging helps attract customers and persuade them to pick up a product, learn what it is used for and determine if the product will add value to their lives.

3. Provide information

Businesses rely on product packaging to communicate information. Packaging provides ingredient information, instructions for use, features and benefits. Customer service information also appears on packaging. This enables consumers a way to contact companies and provide feedback or ask questions.

4. Reinforce branding and logo

Product packaging features the branding elements such as logos, product characters and tag lines for the companies. Branding elements help consumers to instantly recognize products on the shelves. Whether on shelves or in commercials, the branding that appears on product packaging plays a big part in product marketing.



Activity 5.2

1. Name the important reasons for packaging in marketing.

- (a) _____
- (b) _____
- (c) _____
- (d) _____

2. What is labelling?

3. Name at least three (3) types of labels you would find on a product packet.

- (a) _____
- (b) _____
- (c) _____

Disadvantages of packaging

There are some disadvantages in pre-packaging:

- Customers have to pay extra for packaging. Sometimes this can add up to a large part of the total cost of the goods
- It may be difficult to know exactly how big something is if it is in a packet
- It may also be difficult to know how good something is if it is in a packet. The description or picture on the packet may make the product appear better than it is. The packaging is often used as a form of persuasive advertising.
- Empty packets cause environmental pollution when disposed after use.



Activity 5.3

1. Name three (3) advantages of packaging.

- (a) _____
- (b) _____
- (c) _____

2. Name three (3) disadvantages of packaging.

- (a) _____
- (b) _____
- (c) _____

Summary



You have come to the end of Lesson 5. In this lesson you learnt that:

- Pre-packaging means that goods are put into packets in advance by producers
- Packaging refers to the way goods are presented to customers. It involves designing and producing the packet for the product.
- Packaging plays an important role in marketing by:
 - Protecting products from being damaged
 - Attracting customers
 - Providing information about the product
 - Reinforcing brand and logo of the product and the company.
- Labelling refers to information printed on the package.
- There are different types of labels on a package. These includes,
Product information, health warning, usage and preparation instruction, safety instructions, disposal information, nature of packaging material used, storage instruction, price, lot number and batch number, and barcodes
- *Trademark* is a distinctive name or symbol used on the products of a particular company or association
- *Lot number and batch number* is a combination of letters and or numbers that identify product units manufactured together at the same time
- *Barcode* is a code in the form of a pattern of stripes printed on the product to identify it.

NOW DO PRACTICE EXERCISE 5 ON THE NEXT PAGE

**Practice Exercise 5**

-
1. Explain the best possible reasons for packaging the following products
 - (a) Egg

 - (b) Ice cream

 - (c) Computer Set

 2. Why do you think manufacturers of tobacco and cigarettes print health warnings on the labels?

 3. What do you think is the major disadvantage of packaging in marketing?

 4. What is the purpose of a bar code label on a product?

-

CHECK YOUR WORK. ANSWERS AT THE END OF TOPIC 1

Lesson 6: Market Research



Introduction

Welcome to Lesson 6. In the previous lesson, you learnt about packaging and labelling and how they contribute to marketing. In this lesson, you will learn about market research and its importance in marketing. You will also learn about the market research instruments.



Your Aims

- Define market research.
 - Describe the importance of market research in marketing.
 - Identify market research instruments.
 - Construct a market research instrument.
-

Market Research

When deciding to go into business, you cannot just go ahead to sell a product or service without knowing the level of demand from your intended customers. It is important that you must sell something that your customers need or want.

You must first find out who your customers are and what they want. In Papua New Guinea, the market is made up of a very wide range of people with very different lifestyles. These people include; village people who have a very traditional and simple way of life, educated wealthy people living in urban areas, skilled labourers engaged in various economic activities, and the expatriate from many different countries living in our country.

It is very important that you must first of all know your customers before deciding on what to offer for sale. To know your customers, you must find the right answers to question such as:

- Who am I going to sell the product to?

Are you trying to sell to everyone, or to a certain portion of the population? For example, rich or poor people, young or old, men or women? You may also be selling certain goods to specific organisation, such as foods or vegetables to schools or hospitals. You may also be selling goods to another business. For example, certain food to a hotel.

- Where are my customers?

Are your customers located in the capital city, in the provinces, in smaller towns or throughout the whole country? If you are planning to sell nationwide, then it is wise to advertise them on TV or in the Newspapers?

- When do my customers buy?

Do they buy all year round or at certain times during the year? In the highlands, for example many people buy more goods during the coffee season, when they have money in their pockets. In the mining towns, many people both old and young buy all year round. Others sell more at seasonal events such as national games, arts festivals and provincial shows that occur at certain times of the year.

- What kind of products do my customers want?
What kind of design, colour, and size and so on do they like?

Finding the answers to such questions in the previous page and as well as above is called market research.

Definition of Market Research

Market research is defined as the process of gathering information on goods and services to determine whether the product or service will satisfy customer needs, and to make marketing decisions.

You may find out more information about what your customers want from:

- Your own order book
- Your sales representatives
- Wholesalers you buy from
- Retailers you sell to
- The goods that your competitors are selling
- Customers who use your goods

Importance of Market Research in Marketing

Market research is important for the following reasons:

- It helps a company to know what type of products or services would be profitable to introduce in the market.
- It enables a business to know if the current products have been able to satisfy consumer needs.
- It helps the business to know if any changes are necessary in the packaging, delivery or the product itself.
- It helps the business to understand the competitors' marketing strategies and effectiveness.



Activity 6.1

1. List four (4) questions that you would ask before offering the product for sale?
 - (a) _____
 - (b) _____
 - (c) _____
 - (d) _____

2. Define market research.

3. Name at least (3) three sources of information about the demand for the product.

- (a) _____
(b) _____
(c) _____

4. List three (3) reasons why a market research is used.

- (a) _____
(b) _____
(c) _____

Types of Market Research

There are two (2) types of market research and they are; primary research and secondary research.

1. Primary Research

Primary Research is also known as **field research**. It brings new information. The common primary research methods are as follows:

(a) Questionnaire Method

A questionnaire or survey is a research instrument consisting of a series of questions for the purpose of gathering information from respondents. There are two approaches to getting answers from members of the sample selected for the questionnaire.

- Distribute questionnaires either by post or in person and ask the respondents to complete and return them. Sometimes the researcher collects them at a later date.
- Interview the person, especially those who cannot read and write, and have the researcher complete the questionnaire from the person's answers

On the next page is Table 6.1. It shows an example of a questionnaire form. It is prepared by Ms Rose who wants to sell roasted chicken as a new product in her Kai Bar business.

A MARKET RESEARCH FOR ROASTED CHICKEN

QUESTIONNAIRE	
1.	How many times in a week do you eat chicken? (Tick one). <input type="checkbox"/> Once <input type="checkbox"/> Twice <input type="checkbox"/> More than Twice
2.	Do you also buy chicken from the Kai Bars\restaurants in town? Yes or No (Circle one)
3.	If yes, how is it normally cooked? Select from the list below. <input type="checkbox"/> Boiled <input type="checkbox"/> Fried <input type="checkbox"/> Roasted <input type="checkbox"/> Others. Indicate _____
4.	Approximately how many restaurants sell cooked chicken? <input type="checkbox"/> One <input type="checkbox"/> Two <input type="checkbox"/> Three <input type="checkbox"/> More than Three
5.	For how much do the restaurants sell one quarter chicken? <input type="checkbox"/> K5.00 <input type="checkbox"/> K6.00 <input type="checkbox"/> K7.00 <input type="checkbox"/> More than K7.00
6.	Would you prefer a quarter roasted chicken if it was sold at a lower price? (Yes or No) Explain why. _____

Table 6.1: Market Survey for Roasted Chicken
Source: Waikali.D. (2013)

The questionnaire should help Ms Rose find out if many customers are interested in buying roasted chicken, and also provide her with better information about whether or not she could offer the roasted chicken for sale.

(b) Interview Method

Under this method, the researcher meets a selected group of people and conducts interviews to get answers to a series of questions. This interview may be either face to face or by a telephone. Under this method, you as the researcher must always be constructive and proactive at all times because sometimes respondents cannot provide you the full information.

Being friendly is important to collecting information about your product in an interview.



(c) Online Surveys

This is an increasingly popular method of obtaining primary data and much less costly than the interview method. Under this method, the internet or email is used to get answers from the respondents to a series of questions.

(d) Observation

Under this method, researchers visit shops, market places and similar locations and observe the type of products customers buy, the promotional techniques used, the inquiries and complaints raised with the shop owners and so on. This provides information about customer behaviour in the market.

(e) **Consumer Panels**

A selected group of people meet together with a facilitator who asks the panel to examine a product and then answer in-depth questions. This method is often used when a business is planning to introduce a new product or brand name.

Primary research provides an up-to-date original information that is specific for a purpose but it is expensive to conduct.

2. **Secondary Research**

Collecting data (information) from already published reports is described as secondary research, and the data collected using this way is called **secondary data**. Under this method, researchers use data that was originally gathered for another purpose. This is also known as desk research. It uses existing information from a variety of sources. The sources that can be used in this process include:

- Internal business records
- Competitors reports
- Government agencies
- Media reports
- Research reports



Activity 6.2

1. Name and explain the two (2) types of market research.

- (a) _____

- (b) _____

2. Name the five (5) methods of primary research.

- (a) _____
(b) _____
(c) _____
(d) _____
(e) _____

3. Name five (5) sources that can be used to obtain secondary data.

- (a) _____
(b) _____
(c) _____
(d) _____
(e) _____

Constructing market research instruments

Market research follows sequential steps. These steps involve;

1. Collecting Data
2. Analysing Data
3. Presenting Data
4. Interpreting Data

Presenting and interpreting of data is the most important part of the Market Research because this is where it enables the researcher to make appropriate decisions.

The common methods of presenting research data include:

- tables
- bar charts
- pie charts
- graphs

Presenting data graphically makes it very easy to understand. Let us study a given example on the next page.

Example

A business has conducted a survey of a hundred (100) people to find out about the people's expenditure on soft drink preferences. After analysing the responses the research team has provided the following data.

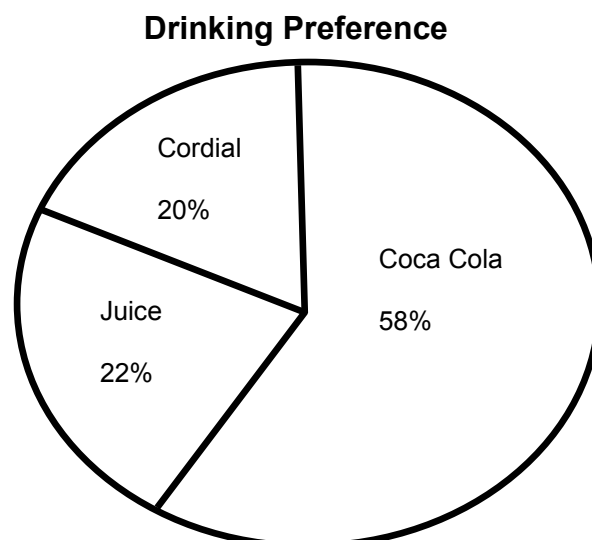
1. Drinking Preferences

Coca cola	58
juice	22
cordial	20

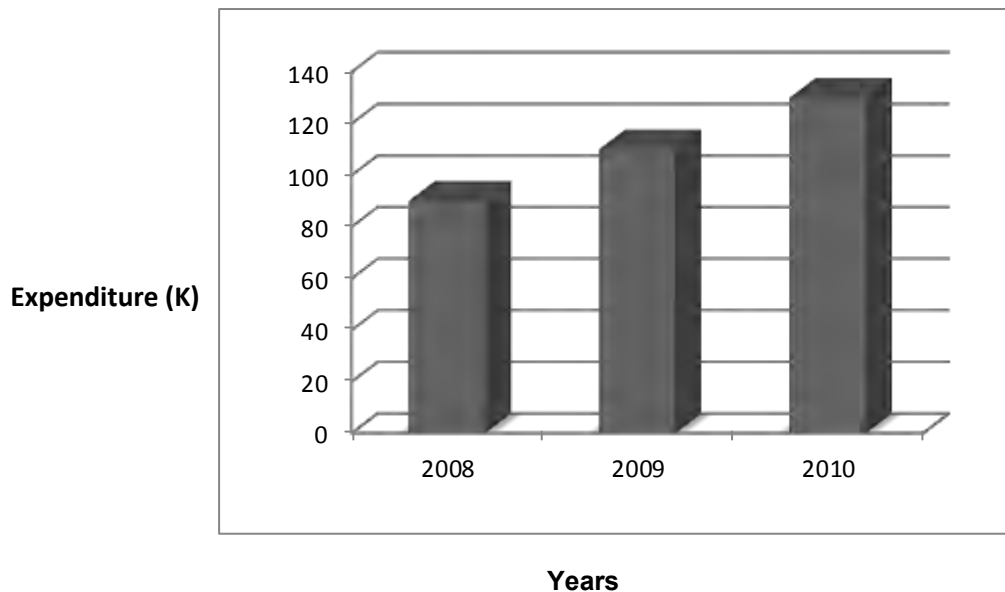
2. Average consumer expenditure for drinks per year.

2008	K90
2009	K110
2010	K130

Let us see how this data is presented in graphical form.



Average Consumer Expenditure for Drinks per Year



Interpretations of the graphs

- Most people like coca-cola
- Average expenditure on drinks is increasing each year

Summary



You have come to the end of Lesson 6. In this lesson you learnt that:

- Market research is an activity undertaken to find out the demand for a particular product.
- There are two (2) methods of carrying out a market research. These are Primary and Secondary Research Methods.
- Primary research mainly focuses on questionnaires and interviews.
- A questionnaire is the basic research tool or instrument that is used to collect information through a set of questionnaires.
- Secondary research is about the collection of data from already published reports or sources.
- The common methods of presenting research data include:
 - tables
 - bar charts
 - pie charts
 - graphs
- Presenting data graphically makes it easy to understand the market data.

NOW DO PRACTICE EXERCISE 6 ON THE NEXT PAGE
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**Practice Exercise 6**

1. State the reason for carrying out a market research.

2. Explain how you would derive information from an illiterate population?

3. Refer to Ms Rose questionnaire to answer the following questions.

(a) What is the specific objective of the questionnaire?

(b) Who are/is her target market?

(c) Specifically describe the product she wants to offer for sale.

4. You are thinking of introducing an herbal medicine that cures breast cancer, on the market. Name the sample population you would do the market research on.

CHECK YOUR WORK. ANSWERS AT THE END OF TOPIC 1

ANSWERS TO

TOPIC 1

PRACTICE EXERCISES 1-6

ANSWERS TO PRACTICE EXERCISE 1 -6

Practice Exercise 1

1. Explain the difference between marketing and selling.

Marketing is all those processes involved in making a product known to the public and delivering them to the customer whilst selling is just one part of the entire marketing process that involves the exchanging of the product or service at an agreed price.

2. List at least three (3) different activities in marketing you have learnt in this lesson.

- *Doing a market research,*
- *Pricing the product*
- *Promoting the product*
- *Making the product available*
- *Storing the product for future sale*

3. Imagine yourself planning to set up a poultry business in your village. What would be the first marketing activity you would do before implementing your plan?

Explain your answer.

First of all, find out the level of demand for the product (chicken) in the village by doing a market research. The market research can also help identify your potential competitors (existing businesses of the same type) and customers.

4. Mala 57 Ltd in Wabag is a customer to Bintangor Trading in Mt. Hagen. Mala 57 Ltd puts in an order for 100 bags of 5kg Trukai Rice. What would be the last process in marketing the product (Trukai Rice)?

Delivering the goods from Mt. Hagen to Mala 57 Ltd in Wabag

Practice Exercise 2

1. Explain how each of the components of the marketing environment affects marketing in a business and give an example in each case.

- (a) *Cultural practices- the target customers may not be convinced to buy the product or service due to some ideas or beliefs they may have in their society with regards to your product on the market. Eg. Seventh Day Adventists will not buy a tinned tulip made of pork.*
- (b) *Competition-customers may be influenced if there is another business also offering the same product or a substitute of your product you may be offering for sale. Eg. In 2007, most of the B-mobile users switched to Digicel phones at cheaper prices.*
- (c) *Government Policies- businesses are not entirely operating on their own, but are regulated by the government. Therefore, government policies regulating businesses do have an impact on marketing. Eg. The increase in interest rates discourages businesses from borrowing from banks.*

- (d) *Technology- New technologies has completely changed the way of production, distribution, advertising, selling and communication. In short, technology has enhanced efficiency in marketing. Eg. Digicel SMS are being used to market product promotion by companies in Papua New Guinea such as Daltron, Courts and Stop and Shops which reach many people in urban and rural areas.*
2. Identify the rival company of the following businesses and the name of the product or the service offered by completing the table below.

Company\Firm	Rival Firm	Product\Service
1.Zenag	Tablebirds	Chicken
2.Ela Motors	Boroko Motors	Motor Vehicles
3.PNG Air	Air Niugini	Air transport services
4.G4S	Millenium	Security Services
5. Pepsi	Coca Cola	Soft drinks

3. Identify the nearest substitutes of the following products.

(a) Sweet potato at the market <i>Banana\taro\yam</i>	(b) Baby oil <i>Baby Lotion</i>
(c) Bread <i>Scone</i>	(d) Chicken <i>Lamb flaps</i>

Practice Exercise 3

1. What is the importance of pricing in a business?

Pricing is important because it is the tool that determines whether the business makes a profit or a loss.

2. How would you know the demand for a new product that you want to offer for sale?

By carrying out a market research

3. Is price and cost the same? Explain your answer.

No. Price is the amount at which a good or service is sold to a customer.. Cost is the amount spent in buying the good or service and other expenses incurred in bringing the product to the place and preparing it for sale. Therefore, the cost of the product must be known before setting the price. The price is higher than the cost in order to make a profit.

4. What is the difference between advertising and promotion?

Promotion is the way in which people are persuaded to buy a product whilst advertising is one way of making a product known to potential customers.

5. Complete the statements below regarding the market forces of supply and demand.
- (a) When the price of a product decreases, the supply decreases
 - (b) When the price of a product increases, the supply increases
 - (c) When the price of a product decreases, the demand increases
 - (d) When the price of a product increases, the demand decreases
-

Practice Exercise 4

1. Name at least three brand names of the following products.

- | | |
|-------------------|--|
| (a) Rice | <i>Trukai roots rice, Jasmine rice, Trukai Jasmine</i> |
| (b) Motor Vehicle | <i>Isuzu, Hyundai, Mazda, Toyota, Volvo, Subaru</i> |
| (c) Tinned fish | <i>Diana Tuna, Besta, 777 Mackerel, Ocean Blue</i> |
| (d) Computer | <i>Dell, Hp, Toshiba, Acer, IBM, Lenova, Toshiba</i> |

2. Identify a product associated with the following brands.



- a) *chocolate* b) *computer* c) *milo, coffee, & milk*
-

Practice Exercise 5

1. Explain the most possible importance of packaging the following products.

- (a) Egg: *prevent from cracking.*
- (b) Ice cream: *avoid melting and spilling off.*
- (c) Computer Set: *convenient for transporting and prevents breakage.*

2. Why do you think manufacturers of tobacco and cigarette print health warnings on the labels?

They print health warnings on the labels because they are required by the government law to do so.

3. What do you think is the major disadvantage of packaging in marketing?

It is very costly or expensive to do packaging.

4. What is the purpose of a bar code label on a product?

The purpose is to identify the product when scanning at the point of sale.

Practice Exercise 6

1. State the reason for carrying out a market research.

To identify the level of demand for a particular product so that it can make a profitable sale.

2. Explain how you would derive information from an illiterate population?

Interview the people and complete the questionnaire from the people's answers.

3. Refer to Ms Rose questionnaire to answer the following questions.

- (a) What is the specific objective of the questionnaire?

To find out whether there is a demand for roasted chicken in the town.

- (b) What is her target market?

The people who come to town every day except on Sunday when Rose's Kai Bar is closed

- (c) Specifically describe the product she wants to offer for sale.

One quarter ($1\frac{1}{4}$) roasted chicken.

4. You are thinking of introducing a herbal medicine that cures breast cancer, on the market. Name the sample population you would do the market research on.

Women and young girls

END OF ANSWERS TO PRACTICE EXERCISES 1-6.
--

TOPIC 2

ADVERTISING AND PROMOTION

IN THIS TOPIC, YOU WILL LEARN ABOUT:

- **ADVERTISING**
- **PROMOTION**
- **ADVERTISING AGENCIES**
- **RESPONSIBLE ADVERTISING AND PROMOTION**

TOPIC 2 INTRODUCTION



Welcome to Topic 2 of Unit 3. This topic will teach you about advertising and promotion. It will also discuss advertising agencies and how these agencies should take responsibility in advertising and promotion.

Topic 2 has four (4) lessons: They are:

Lesson 7: What is Advertising?

This lesson is about advertising and its importance to business. It identifies the types, methods and the modes of advertising. It also discusses the advantages and disadvantages of advertising. Furthermore, it discusses impacts of advertising and target advertising.

Lesson 8: Promotion

This lesson illustrates promotion and its benefits. It discusses types of promotions and the impacts of promotion.

Lesson 9: Advertising Agencies

This lesson discusses advertising agencies and their speciality roles. It also explains the roles of advertising agencies within a business organisation.

Lesson 10: Responsible Advertising and Promotion

This lesson discusses responsible advertising and promotion and its importance. It also discusses aspects of business ethics in advertising. Lastly, the lesson discusses government regulations on advertising and its importance.

Lesson 7: What is Advertising?



Introduction

Welcome to lesson 7 of Unit 3. In the previous lesson you learnt about the Market Research and its instruments. You also learnt about how data is presented. In this lesson you will learn about advertising.



Your Aims

- Define advertising and state its importance to businesses.
- Identify the types, methods, and the means and modes of advertising
- Identify the advantages and disadvantages of advertising
- Identify the impacts of advertising
- Explain target advertising

What is Advertising?

Advertising is to make known a product to potential consumers. It is a form of marketing communication used to encourage, persuade and convince people into buying a product. In this case, it is influencing people through advertisements".

Importance of Advertising

The importance of advertising is to:

- Inform potential customers about the availability of the product
- convince customers that a company's services or products are the best
- enhance the image of the company
- point out and create a need for products or services
- demonstrate new uses for established products
- announce new products and programs
- reinforce the salespersons individual messages
- draw customers to the business, and to
- maintain existing customers.

GOROKA COFFEE
GET THE TASTE OF PARADISE



Figure 7.1: Goroka Coffee Advertisement
Source: Adapted from: Google images

Advantages of Advertising in Business

Let us study the advantages for using advertising for both manufacturers and customers

1. For Manufacturers

- Advertising promotes sales

Information such as the name of the product, its features, qualities, and distributors can be transmitted to potential customers through advertising. This creates demand for the product and thereby increases sales. It triggers interest and the desire to purchase.

- Advertising introduces new products

When a company develops a new product, advertising allows the company to let potential customers know about it.

- Advertising promotes image and reputation

Continuous advertising of a product may promote the image and reputation of the company. Companies such as Coca Cola and Digicel have been registered in the minds of customers as a result of aggressive advertising campaigns.

- Advertising eases retailers' and salespersons' jobs

The job of a company's salesperson is to sell products to retailers and the retailers' job is to sell products to customers. Advertising provides simplified information to both retailers and customers. By the time a product reaches the retailers through the salesperson, the retailer is already well aware of the product. This eases the job of the salesperson. Similarly, by the time a product reaches the customer through the retailer, no additional effort is necessary to describe the product to the customer because they are already aware of it.

- Advertising helps create competition

Successful advertising helps businesses to gain advantages over their competitors. This enables the company to produce large volumes of products, which lowers the cost per unit. When the cost of production is lower, the producer can offer the product at a lower price on the market.

2. For Customers

- Advertising creates awareness

Awareness of a product enables customers to compare it with competing products and make a wise decision to purchase.

- Advertising conveys knowledge about new products

Customers come to know about new products through advertising. This enables them to purchase new products that did not exist in the market. For example, customers had never heard of mobile phones in the past they were introduced for the first time. They came to know about this product through advertising.

- Advertising creates competition

When one organisation advertises its products, others also start to advertise. This type of competition finally ends up with quality products being offered at low prices.

- Advertising improves living standards

The standard of living is improved when people consume quality goods and services. They can buy these when they have information. Advertising helps to provide information and thereby promotes quality products that improve living standards.

Disadvantages of Advertising

- Adds to costs

A business has to spend a large amount of money on advertising. It increases the cost of the products. To meet this expenditure, the price of the product is raised. No manufacturer pays for the advertising expenses out of his pocket. The cost of advertising is passed onto the consumer in the form of higher prices.

- Undermines social values

Advertising takes the people away from reality into the realm of artificiality. Through its medium, people get information about new products and dream about owning them. However, some people cannot purchase these products because of unavailable resources. As a result some people feel upset with their current status.

- Misleads the buyers

Some advertisements convince people that certain products are better than they really are. Thus people lose confidence in advertising because of misleading information.

- Encourage sales of inferior products

Every manufacturer projects his or her product as superior in the advertisement. Therefore, the buyer is unable to decide as to which product is better. Consequently, it is difficult to get a good quality product even after paying a good amount for it.

- Some advertisements give bad taste

Many times foul languages and objectionable pictures are used in advertisements in order to attract a particular class. They may be insulting to another class. It causes decay to social values.



Activity 7.1

1. Define Advertising.

2. Name at least three (3) important purposes of advertising.

- (a) _____
- (b) _____
- (c) _____

3. Identify five (5) advantages of advertising

- (a) _____
- (b) _____
- (c) _____
- (d) _____
- (e) _____

4. Identify five (5) disadvantages of advertising

- (a) _____
- (b) _____
- (c) _____
- (d) _____
- (e) _____

Advertising Media

Advertising uses different media. **Media** in advertising are the means like the TV and the newspaper to tell people about products.

Refer to the following diagram for the different types of media.

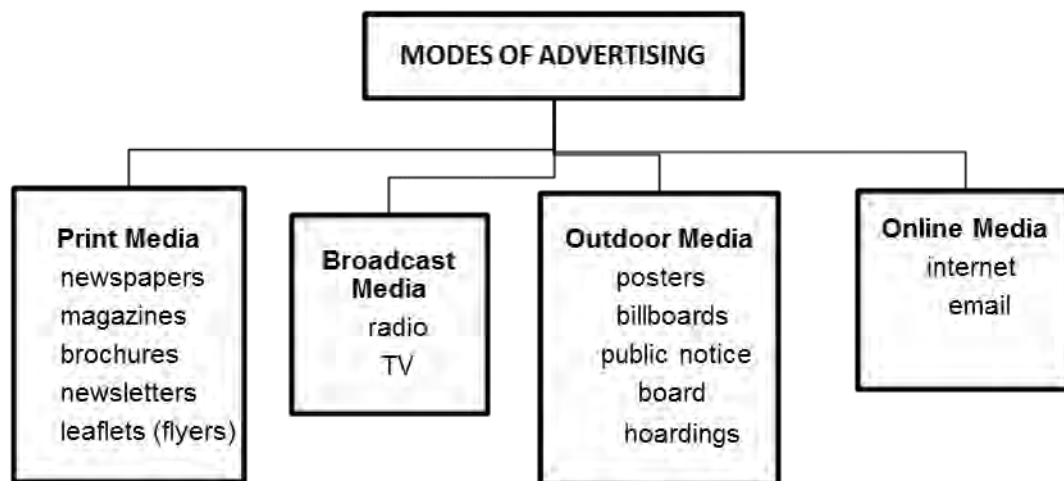


Figure 7.2: Different Advertising Media
Source: Miria. U, (2014)

When alternative advertising media is available to choose from, the business organisation should select the most appropriate media. Some of the possibilities are shown in Figure 7.2, above. A business should consider the following factors in selecting the media.

1. **Cost of advertising:** The business must choose the most appropriate cost-effective media to gain the maximum benefits from its advertising budget.
2. **Consumers targeted:** High income earners, babies, students, medical doctors and diabetic patients are a few examples of target markets.
3. **Coverage:** This means whether the advertising is to provide sales at the local level or the national level.
4. **Media used by competitors:** It is important to know whether to use the same media or a superior media.
5. **Nature of product:** Manufacturers produce different products from consumer goods and services to industrial products, air travel, insurance, sports equipment, household appliances and medicine.

**Activity 7.2**

1. What is media in advertising?

2. Name the four (4) advertising media and provide two (2) examples of each.

- (a) _____
(b) _____
(c) _____
(d) _____

3. Provide the reason why you would consider the same media used by your competitor?

Types of Advertising

Advertising plays a vital role in providing information to consumers. The two (2) types of advertising are:

1. Persuasive Advertising

It is specially designed to persuade the public to buy a particular product. All sorts of clever tricks are used in the designing of advertisements. Specially designed terms for advertising are known as jargons. This includes examples such as „Bigger Better Network“, Always there, and Never Say Die.

2. Informative Advertising

It is aimed at increasing customer awareness of a product. It tells the public about what is available. For example, in the newspapers, there will be advertisements for vacant positions, houses and other things for sale, and notices about events taking place. Posters advertising sporting events and other events are examples of informative advertising.

Methods of Advertising

Advertisements, whether they are persuasive or informative, use different methods.

- Oral advertisement – It refers to advertisement through word of mouth.
- Written advertisement – It refers to advertisement through written words
- Visual advertisement– It is sometimes called „graphics“ which uses particularly pictures and images to advertise.



Activity 7.3

1. Name and explain the two (2) different types of advertisements.

- (a) _____
- (b) _____

2. Identify whether the following are informative or persuasive advertisements.

(a)



Figure 7.3 Star Printers
Source: Adapted from Google Images

(b)

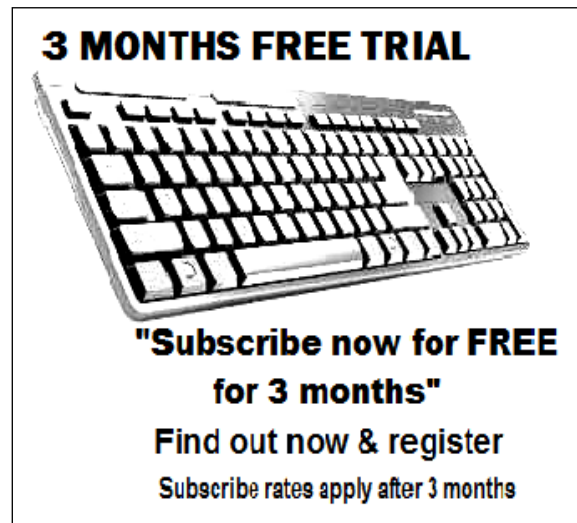


Figure 7.4 Computer Sales
Source: Adapted from Google Images

(c)



Figure 7.5 Church Banner
Source: Diana Waikali (2014).

(d)

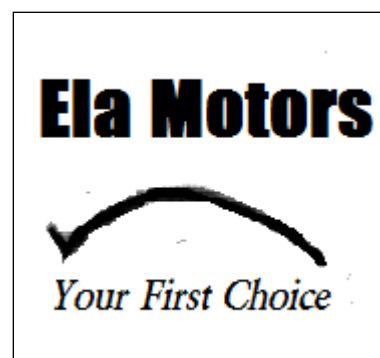


Figure 7.6 Ela Motors Advertisement
Source: Adapted from Google images

- (a) _____
- (b) _____

- (c) _____
- (d) _____

3. What information does the following visual advertisement represent? (Turn to the next page)



Figure 7.8 (a) (b) and (c) are Visual Signs and Symbols
Source: Adapted from Google images

(a) _____ (b) _____ (c) _____

4. State whether the above advertisements in question 3 are informative or persuasive.

(a) _____ (b) _____ (c) _____

Impacts of Advertising

Advertising has an important effect on a country's economy, society, culture and political system.

Let us study the impact of advertising on each of them.

Advertising Impact on Economy

Advertising has a positive impact on the economy because it encourages demand for the product. It also strengthens the economy by promoting the sales of goods and services. Manufacturers know that advertising can help sell a new product quickly. When this happens, manufacturers are able to recoup the cost of developing new products and it also leads to an increase in competition. The Increase in competition leads to lower prices which benefit the consumers and the economy as a whole.

Advertising enables manufacturers and others to sell their products in larger quantities. The increased volume of sales enables companies to produce individual units at lower costs and therefore, sell them at a lower prices. In this way, advertising benefits consumers by enabling lower prices for them.

Advertising Impact on Society

Advertising promotes a materialistic way of life by leading people to believe that happiness is achieved by purchasing products. It leads people to change their lifestyles from traditional to modern. That is, they change in terms of fashion, food, music, machinery and even the use of language.

Advertising Impact on Politics

Advertising is now a major component of political campaigns and therefore has a big influence on the democratic process itself. Political advertising enables candidates to convey their positions on important issues and to acquaint voters with their accomplishments and personalities. Television advertising is especially effective for candidates running for national positions because it can reach so many people at once. Candidates can also use advertising to respond effectively to the changes of their opponents.

Advertising Impact on Cultural Values

Advertising can affect cultural values. For example, messages that encourage aggressive individualism with the traditional culture of a country where the collective or group is emphasized, or modesty is preferred to aggressiveness.

Target Advertising

Target advertising is about making known a particular product to a specific targeted group of consumers. For example, an advertisement of a sports shoe would target sport men and women, or an advertisement of an organic hair cream would target the young female in terms of fashion.

Summary



You have come to the end of Lesson 7. In this lesson you learnt that:

- Advertisement is a form of marketing communication used to encourage, persuade and convince people into buying a product or service.
- Media is the different channels or means used to advertise a product or service.
- Persuasive and informative advertisements are mainly used by companies.
- Persuasive advertisement uses persuasive words and images to attract customers into buying the product.
- Informative advertisement generally makes the customers aware of a product or event.
- Methods used in both informative and persuasive advertisement are oral, written and visual.
- Advantages of advertising for manufacturers are; sales are being promoted, new products are introduced, promote image and reputation, enhances retailers' and salespeople's jobs and helps create competition
- Advantages of advertising for consumers are; create awareness, convey knowledge about new products, creates competition and improves living standards.
- Advertising has an important effect on a country's economy, society, culture and political system.

NOW DO PRACTICE EXERCISE 7 ON THE NEXT PAGE



Practice Exercise 7

1. State the persuasive words used in the advertisements of the following products.

- (a) Besta Tinned Fish _____
- (b) Digicel PNG _____
- (c) Trukai Rice _____
- (d) Telikom PNG _____

2. What type of people would you target if you want to advertise the following products?

- (a) A new soap brand that prevents nappy rashes.

- (b) iPod.

- (c) Sharp washing machine on special at Courts shopping centre – Gordons.

3. State the media to be used for the following products or services.

- (a) The school principal, Mr. Kenehe wants to inform the teachers about the first staff meeting of the year.

- (b) PNG Power has an urgent need to inform the public of power disruptions.

CHECK YOUR WORK. ANSWERS AT THE END OF TOPIC 2

Lesson 8: Promotion



Introduction

Welcome to Lesson 8. In the previous lesson you learnt about advertising and its importance to businesses. You also learnt about the different methods, means and modes of advertising. Furthermore, you learnt about the effects of advertising and its advantages and disadvantages, too. In this lesson, you are going to learn about Promotion.



Your Aims

- Define promotion and state its benefits
- Identify the types of promotions
- Identify the impacts of promotion

To begin our lesson, let us recap the elements of marketing plan- the (4 Ps).

You learned in the first lesson that the basic elements of a marketing plan are referred to as the marketing mix or the (4 Ps); product, price, place, and promotion. This means that in order to satisfy customer needs, the business must produce the right **products** or services, at the right **price**, sell them in the right **place**, and let consumers know about them by using the right **promotion methods**. Thus promotion is an important aspect of marketing.

What is Promotion?

Promotion is the process of persuading and motivating potential customers to buy the product. The purpose of promotion is to gain new customers and to retain existing ones.

It involves advertising, personal selling, publicity and sales promotion.

Different Strategies of Promotion

Take note that in our definition above, it is already mentioned that promotion involves; advertising, personal selling, publicity and sales promotion. The diagram illustrates the definition.

STRATEGIES OF PROMOTION



Figure 8.1: The different strategies of promotion

Source: Panditha B.(2012)

Let us look at the definition of advertising and see how it promotes sales.

Advertising involves non-personal promotions that are mostly paid advertisement, often using mass media outlets to deliver the company's message. It is the most significant kind of promotional method and is increasingly popular with producers. It is a means of letting customers know about the existence of a product and what it offers.

Sales Promotion involves the use of special short-term techniques, often in the form of incentives, to encourage customers to respond or undertake some activity, in order to boost sales. Sales promotion is not really designed to build long-term loyalty.

Methods of Sales Promotion

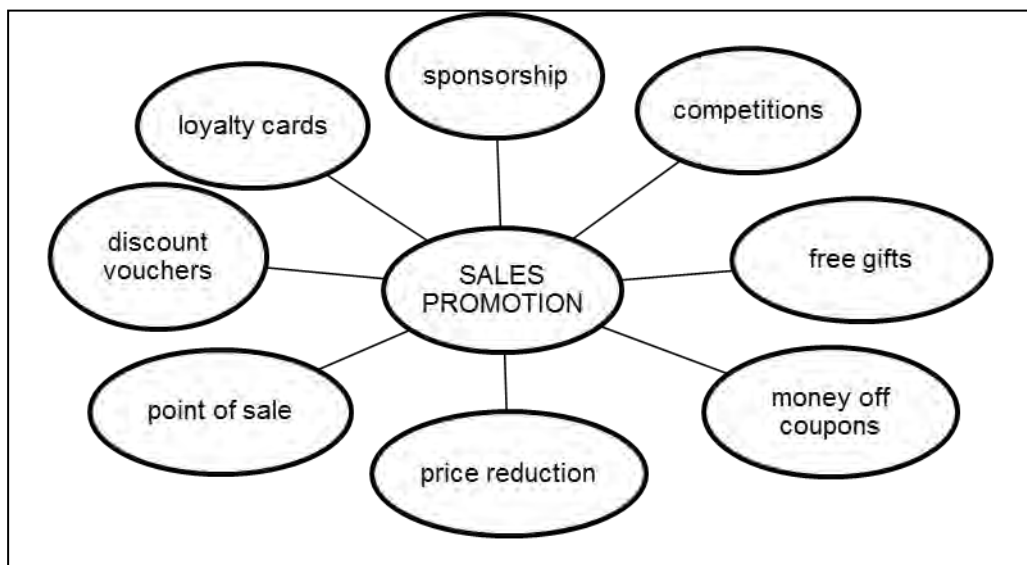


Figure 8.2: Methods of sales promotion
Source: Panditha B. (2012)

- **Money off coupons:** Customers receive coupons or cut coupons out of newspapers or a product packaging that enables them to buy the product next time at a reduced price.
- **Competitions:** Buying the product will allow a customer to take part in a chance to win a prize.
- **Discount vouchers:** It is similar to money.
- **Free gifts:** A free product is given when you buy a certain quantity of a product.
- **Point of sale materials:** It is ways of presenting the product in its best way or show the customer that the product is there e.g. posters, display stands.
- **Loyalty cards:** This is where customers earn points for buying certain goods or shopping at certain retailers. That can later be exchanged for money, goods or other offers. E.g. Real Reward Cards from „Stop n Shop“.
- **Sponsorship:** If a business sponsors a team or an event, it agrees to pay the expenses for the period of time. In return, it gets a chance to advertise its products during the competition
- **Price reduction:** For example, “10% off for mother’s day”.

Public Relations are also referred to as publicity. This type of promotion uses third party sources, particularly the news media to offer a favourable mention of the company or product without direct payment to the publisher of the information.

Personal Selling - as the name implies, this form of promotion involves personal contact between company representatives and those who have a role in the purchase decision. This often occurs face to face or via telephone, though newer technologies allow this to occur online via video conferencing or text chat.

The two major types of promotion commonly used by businesses are **advertising** and **sales promotion**.



Activity 8.1

1. State the difference between promotion and advertising.

2. State the major difference between sales promotion and advertising.

3. Name the four (4) types of promotion.

- (a) _____
- (b) _____
- (c) _____
- (d) _____

4. Study the following sales promotions and identify the method used.



Figure 8.3: Shop n Shop Reward Card
Source: Miria.U. (2016)



Figure 8.4: Jackie.k's Sales Promotion
Source: Adapted from The National. (2016)



Figure 8.5: Tablebirds Sales Promotion
Source: Adapted from Post Courier. (2016).

(a) _____

(b) _____

(c) _____

Benefits of Promotion

- **Attract Customers:** Sales Promotions are commonly used by new companies or established businesses launching new products or aggressively trying to grow their customers" base. The idea with this objective is to give up short-term profits to draw in targeted customers who become loyal and spend more money overtime.
- **Generate future revenue:** While your revenue per item is lowered with a sales promotion, total revenue is normally higher, based on increased volume of sales.
- **Quick turn over of inventory:** Sales promotions help you keep inventory (stock) moving.
- **Up sell and word of mouth:** Sales promotions are also used to make bigger sales to a customer. For example,electronics retailers commonly offer customers reduced prices on printers, software and accessories when they buy a large piece of hardware such as a personal computer or laptop.



Activity 8.2

1. Who commonly uses sales promotions?

2. What is the objective behind an established company that is aggressively trying to grow its customers" base?

3. How does sales promotion help inventory?

Impacts of Promotion

When we say, "impact of promotion", it refers to how promotion affects the lives of customers.

In business, the impacts of promotion would be clearly seen positively in the following ways;

- There is an increase in the sales of goods and services being promoted
- The targeted customers would be captured and maintained over time
- There will be high profits for businesses
- The use of that particular product will contribute in one way or another to improve living standard of the user or consumer
- Customers are informed and that adds to their knowledge resulting in personal development

Impacts of promotions can also be seen negatively in some ways such as:

- Promotions on latest clothing fashions can be offensive to those who value old traditions and beliefs of dressing.
- Language used in promotions can be adapted by young people and be used inappropriately, where other people may not accept. This is quite common between the youth and older people living in one setting or community.



Activity 8.3

1. Explain „ impacts of promotion“

2. Give one (1) example of a positive impact of promotion and one (1) example of a negative impact of promotion

Summary



You have come to the end of Lesson 8. In this lesson you learnt that:

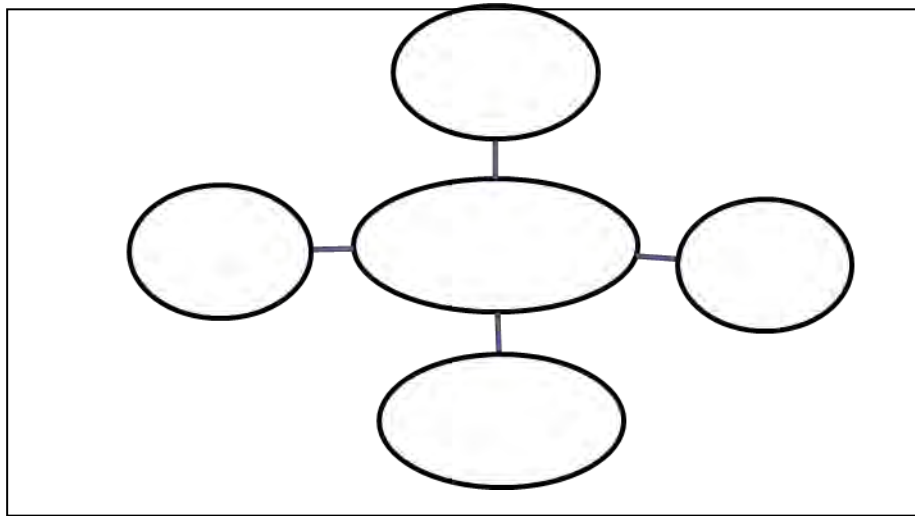
- Promotion is the process of persuading and motivating potential customers to buy the product.
- The purpose of promotion is to gain new customers or retain existing ones.
- The different strategies of promotion are; advertising, personal selling, publicity and sales promotion.
- Advertising involves non-personal promotion methods that are mostly paid advertisement using mass media outlets to deliver the marketers message.
- Sales Promotion involves the use of special short-term techniques, often in the form of incentives, to encourage customers to respond or undertake some activity, in order to boost sales.
- The methods of sales promotion are; money off coupons, competitions, discount vouchers, free gifts, point of sale materials, loyalty cards, sponsorship and price reduction
- Personal selling – is a promotion that involves personal contact between company representatives and those who have a role in the purchase decision.
- The two major types of promotion commonly used by businesses are *advertising* and *sales promotion*.
- The benefits of promotion are to attract customers to generate revenue, cash, turn over inventory, up sell and word of mouth

NOW DO PRACTICE EXERCISE 8 ON THE NEXT PAGE
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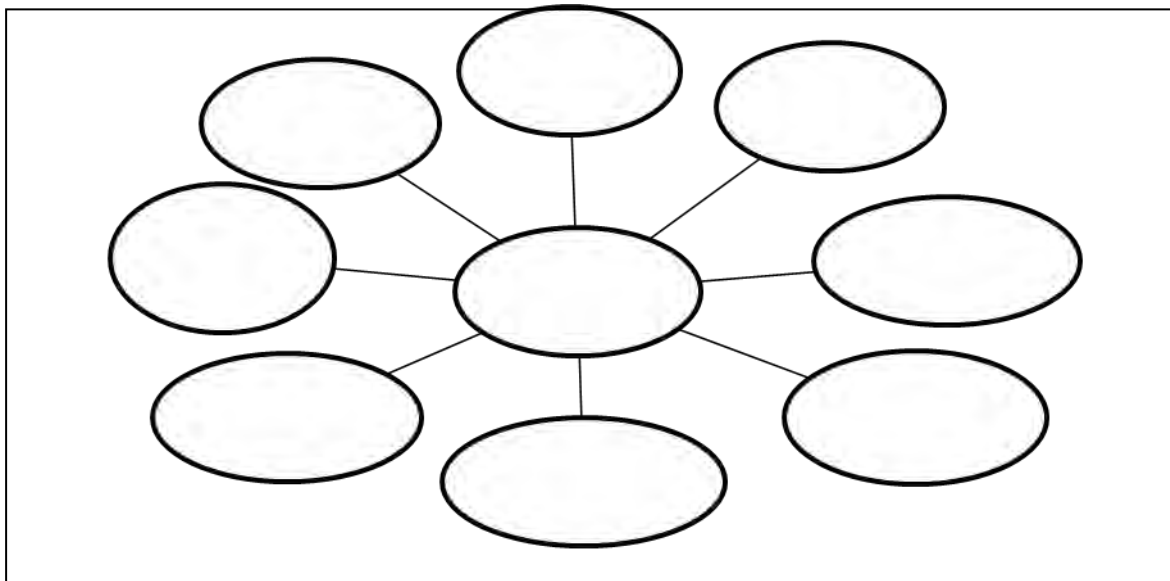
**Practice Exercise 8**

1. What is promotion and state its purpose?

2. Complete the diagram by illustrating the different strategies of promotion.



3. Complete the diagram by illustrating the different methods used in sales or promotion.



CHECK YOUR WORK. ANSWERS AT THE END OF TOPIC 2

Lesson 9: Advertising Agencies



Introduction

Welcome to Lesson 9. In the previous lesson, you learnt about promotions. You specifically learnt the difference between advertising and promotion, and the different methods used in promotion. You also learnt that advertising and sales promotion are the major ways of promoting a product on the market. In this lesson, you will learn about organisations that advertise products or services for businesses.



Your Aims

- Define advertising agency
- Identify specialist advertising agencies and discuss their roles
- Explain the role of advertising departments within business organisations.

Advertising Agencies

Some companies have an in-house advertising department. The word „*In-house*“ means within, therefore, companies have advertising agencies within the company which are made up of advertising personnel. Companies that cannot afford to maintain an in-house advertising department obtain the services of *advertising agencies*. *Advertising agencies* are service organisations that are involved in producing advertising materials for their clients. These agencies are equipped with computers and other modern equipment and employ specialists in the field.

Examples of advertising agencies in Papua New Guinea are found in the telephone directory (yellow pages). Listed below are a few of the advertising agencies taken from page 19 of the 2014 telephone directory.

- Creative Touch LTD
- PASIFIKA PNG
- Media Partners Limited
- Active Signs
- Digital BillBoard



Activity 9.1

1. How do companies without an advertising department advertise their products?

2. Explain „advertising agencies“

3. Turn to the telephone directory – yellow pages and list at least three names of advertising agencies

Roles of Advertising Agencies

Generally, advertising agencies do the following;

- Employ specialists such as copywriters, artists, designers and researchers to do advertisements
- Liaise with clients in regard to the preparation of the advertisement which includes deciding how and to whom the product or service will be presented
- Create advertisements
- Pay for cost of placing the advertisement in a newspaper, magazine, television or radio
- Make money from their clients by charging them the cost of producing the advertisement and also earn through commissions

Within an advertising agency, there are separate departments with specific roles. Once one department has completed its work, it hands over the completed assignment to the next department in the advertisement process until the advertisement is completed.

Research, media buying, creative work and production are specific functions of departments operating in the advertising agencies



Let us look at the specific functions in the order as they happen or operate:

• Research

Advertising agencies run research for both strategic and evaluation purposes. Strategic research enables the agency to better understand how consumers use a product or service and how they rate the product or service. Strategic research also determines the types of people most likely to buy the product. That group of people is called the target market.

Evaluative research is an approach used after the advertising has gone and seeks to determine how well consumers remember the advertising message and how persuasive it was.

• Media buying

Once the target market is identified through research, the agencies' media department determines the most effective way of delivering the message to that target group. The media planner is the person who decides which media will be used.

The media planner must consider three factors. These are:

- (1) The number of people to be exposed to the message, known as the Reach,

- (2) The number of times each person needs to be exposed to the message in order to remember it, known as the Frequency, and
- (3) The Costs.

- **Creative work**

Once the types of media to use have been determined, the agency's creative department develops the presentation of the advertisements. The main figures in the creative department are the copywriter and the art director. The copywriter is the person who writes the advertisement message. The art director is the person who oversees the design of the advertisement. The copywriter and the art director work together to find creative ways to deliver the message that research found would have the greatest appeal to the target audience.

- **Production**

The production department makes the advertisement. The advertisement can be printed or be broadcasted on Television. If it is print then, the print production manager hires photographers or illustrators to make the print advertisement while the production manager supervises the work.

Once the photograph has been taken or the illustration completed, the image is scanned into a computer and placed in the proper position. The art director then selects typefaces for the headlines and body copy and correctly positions them using the computer.

Once all the elements are in place, the computer file is sent to the newspaper or magazine in which the advertisement will run. The publication division then prints the advertisement directly from the computer file.



Activity 9.2

1. Explain the „role of advertising agencies“

2. List at least three (3) general roles of advertising agencies

3. Why do advertising agencies run researches?

4. Why do advertising agencies run evaluative research?

5. List the three factors a media planner must consider?

How advertisement is done on Television

Let us look at the advertisement that will be showing on television. What would the production department do?

After a client approves a television storyboard, the creative team work with the broadcast producer to hire a director for the commercial. In consultation with the agency and the client, the director selects the actors who will appear in the commercial.

The director also hires the crew, including the camera and sound people who will film and record the commercial. After the commercial has been filmed, the creative team works with an editor to put the commercial's various scenes together.

When that task is completed, the copywriter and art director supervise the addition of music and sound effects. Once the advertisement is completed, numerous videotape copies called dubs are made. A dub is then sent to each television station that will air the commercial.



Activity 9.3

1. Explain the term „commercial“

2. Explain the importance of „music and sound effect“ in a commercial advertisement.

3. What is a „dub“?

Summary



You have come to the end of Lesson 9. In this lesson you learnt that:

- Advertising agencies are service organisations involved in producing advertising materials for their clients.
- Advertising agencies in Papua New Guinea can be found in the telephone directory (yellow pages).
- Roles of Advertising Agencies are both general as well as specific
- Within an advertising agency, there are separate departments with specific roles.
- Strategic research enables the agency to better understand how consumers use a product or service and how they rate the product or service.
- Strategic research also determines the types of people most likely to buy the product. That group of people is called the target market.
- Evaluative research is used after the advertising has gone through and seeks to determine how well consumers remember the advertising message and how persuasive it was.
- In media buying, the media planner must consider three factors: (1) the number of people to be exposed to the message, known as the reach, (2) the number of times each person needs to be exposed to the message in order to remember it, known as the frequency, and (3) the costs.
- The copywriter is the person who writes the advertisement message. The art director is the person who oversees the design of the advertisement.
- The production department makes the advertisement.

NOW DO PRACTICE EXERCISE 9 ON THE NEXT PAGE
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Practice Exercise 9

1. Explain Advertising Agencies

2. List the specific roles of departments within an advertising agency.

3. Explain the functions of the following;

(a) Copywriter

(b) Art director

(c) Media planner

(d) Designer

(e) Researchers

CHECK YOUR WORK. ANSWERS AT THE END OF TOPIC 2

Lesson 10: Responsible Advertising and Promotion



Introduction

Welcome to Lesson 10. In the previous lesson you learnt about the advertising agencies. You specifically learnt that these are organisations that advertise products and services for the companies. You also learnt about the different departments within the advertising agency and their roles.

In this lesson, you will learn about responsible advertising and promotion and the rules and regulation involved to control the advertising agencies.



Your Aims

- Explain responsible advertising and promotion and state their importance
- Identify aspects of business ethics in advertising
- Discuss government regulation on advertising and its importance.

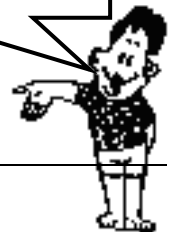
Responsible Advertising

People generally think that the contents of advertisements are true and accurate. They do not realise that the message comes through a reliable media source. To maintain this bond or trust, businesses have a responsibility to advertise truthfully and honestly using correct information. Businesses should not design advertisements to mislead, cheat or trick customers.

Here are examples of advertising slogans which are misleading:

- "World's best hotel"
- "Best computer in the world"
- "Relieves all sicknesses"

Responsible advertising is about businesses being responsible to advertise truthfully and honestly using correct information.



Activity 10.1

1. Explain in your own words, what the following slogans would mean to customers.

(a) "World's best hotel"

(b) "Best computer in the world"

(c) "Relieves all sicknesses"

Ethics in Advertising

Irrespective of the provisions in the laws relating to advertising, a business has the moral and ethical obligation to customers not to mislead them for the business's short-term benefit. The basic ethical principles in advertising are summarised below.

Advertising Code of Ethics

It is a set of rules to guide advertising agencies to conduct themselves professionally in their tasks. Listed below are examples of rules set for advertising agencies to follow

- All advertisements must obey the laws of the country
- No advertisement should weaken public confidence in advertising
- No advertisement should be misleading or deceptive or likely to mislead or deceive the consumer
- All advertisements should be prepared with a due sense of social responsibility to consumers and to society
- All advertisements should respect the principles of free and fair competition generally accepted in business.

It is also important to attend to the following when designing an advertisement:

- An advertisement must be presented so people will recognise it as an advertisement, not part of a news item
- An advertisement should not be designed to exploit customers
- An advertisement should not contain anything that lends support to unacceptable violent behaviour
- An advertisement should contain decent language and visuals acceptable to the community



Activity 10.2

1. Use a dictionary to define the word ethics.

2. What is „advertising code of ethics“?

Advertising Laws

Businesses cannot just advertise any way they want. They should comply with the laws concerning advertising. The three (3) parliamentary Acts that control advertising are:

Figure 10.1 Health warning on cigarette packet
Source: Google images



1. **Commercial Advertisement (Protection of the Public) Act 1976.** The act prohibits businesses publishing untrue, inaccurate or misleading advertisements.
 2. **Food Sanitation Act 1991.** This act prohibits the false, misleading or deceptive information about the character, nature, value, quality, composition, or safety of food. This also includes other ingredients that go together with food, apparatus (equipment) and package.
 3. **Tobacco products (Health Control) Act 1987.** This act prohibits advertising tobacco products on television and other media too. It also forces cigarette manufacturers to place health warnings on cigarette packets.
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Activity 10.3.

Which government law would you apply in the following situations regarding advertisements of certain products\services?

- (a) A biscuit advertised as five (5) biscuits in the packet but in reality there are four (4) biscuits in the pack.

- (b) You saw a new cigarette being advertised on EMTV.

- (c) A rental room is advertised as fully furnished but there is water leaking from the roof.

- (d) A gas burner was advertised as safe to use but the whole house was burnt by a tiny leakage from a tube.

Summary



You have come to the end of Lesson 10. In this lesson you learnt that:

- Responsible advertising is about businesses being responsible for advertising truthfully and honestly using correct information.
- A business has the moral and ethical obligation to customers not to mislead them for the business's short-term benefit.
- Businesses cannot just advertise any way they want. They should comply with the laws concerning advertising. The three (3) Parliamentary Acts that control advertising are: Commercial Advertising Act 1976, Food Sanitation Act 1991 and Tobacco Products Act 1987.

NOW DO PRACTICE EXERCISE 10 ON THE NEXT PAGE



Practice Exercise 10

1. Explain „responsible advertising”

2. List the rules that guide the advertising agencies to do their task professionally.

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3. List the factors to be considered when designing an advertisement

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4. Name the laws that protect businesses in advertising?

- (a)

- (b)

- (c)

CHECK YOUR WORK. ANSWERS AT THE END OF TOPIC 2
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ANSWERS TO

TOPIC 2

PRACTICE EXERCISES 7-10

ANSWERS TO PRACTICE EXERCISE 7 - 10

Practice Exercise 7

1. State the persuasive words used in the advertisements of the following products and services.

- | | | |
|-----|-------------------|---|
| (a) | Besta Tinned Fish | <i>"It's Better, It's Besta"</i> |
| (b) | Digicel PNG | <i>"Bigger Better Network"</i> |
| (c) | Trukai Rice | <i>"Give Me Strength, Give me Power"</i> |
| (d) | Telikom PNG | <i>"Always there".Now we are really talking</i> |

2. What type of people would you target if you wanted to advertise the following products or services?

(a) A new soap brand that eases nappy rashes. Answer: *Mothers with babies*

(b) iPod. Answer: *Educated people, students and people with money*

(c) Sharp washing machine on special at Courts shopping centre – Gordons.

Answer: *Mothers living in urban centres – especially Port Moresby*

3. State the most possible media to be used for the following products or services.

- (a) The School Principal, Mr Kenehe wants to inform the teachers about the first staff meeting of the year.

Print Media – internal memo, email

- (b) PNG Power has an urgent need to inform the public of power disruption.

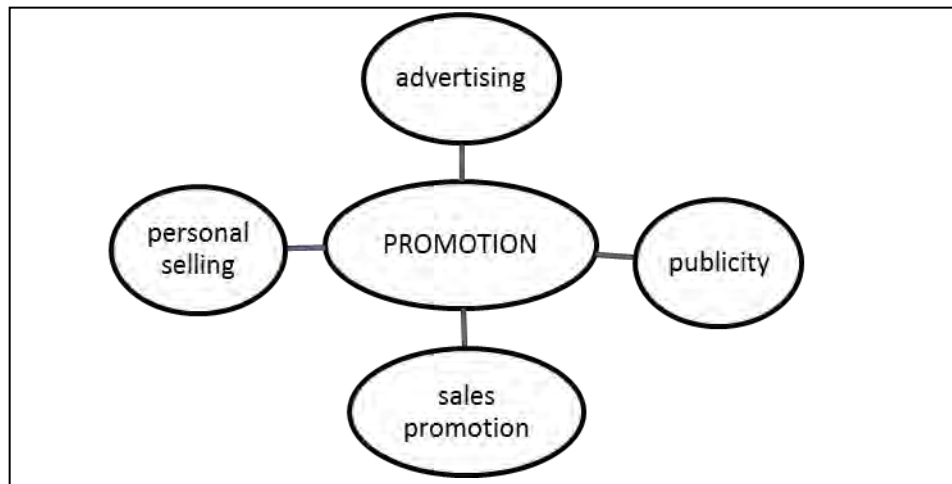
Broadcast Media and Print Media (Television, Radio and Newspaper).

Practice Exercises 8

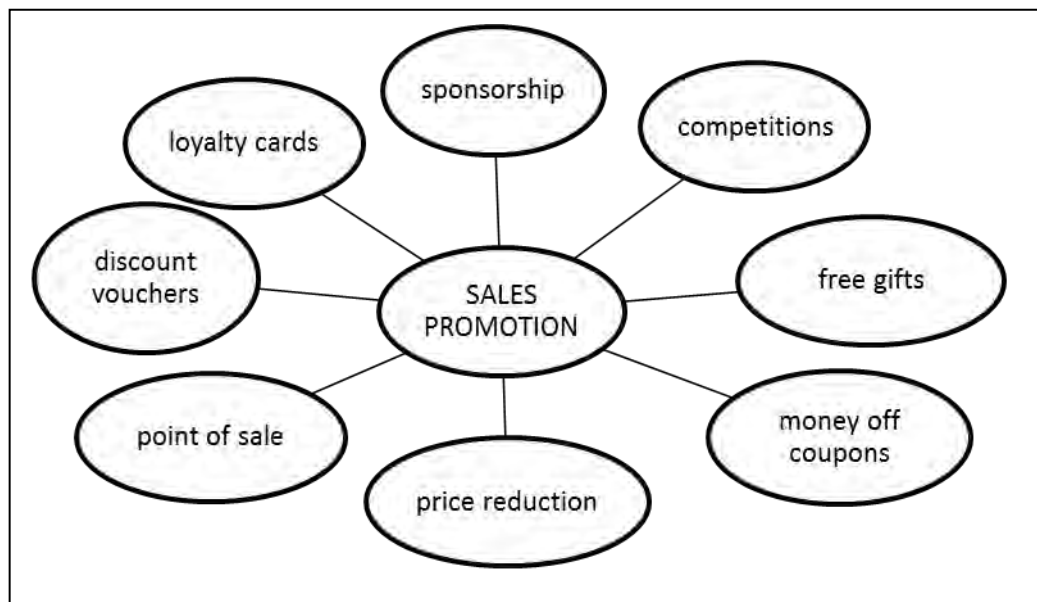
1. What is promotion? State its purpose.

It is the process of persuading and motivating potential customers to buy the product. The purpose of promotion is to gain new customers or retain existing ones.

2. Complete the diagram by illustrating the different strategies of promotion.



3. Complete the diagram by illustrating the different methods used in sales or promotion.



Practice Exercise 9

1. Explain advertising Agencies

They are service organisations involved in producing advertising materials for their clients.

2. List the specific roles of departments within an advertising agency.

Research, media buying, creative work and production

3. Explain the functions of the following;

(a) Copywriter

The person who writes the advertisement message.

(b) Art director

The person who oversees the design of the advertisement

(c) Media planner

The person who decides which media will be used.

(d) Designer

The person who creates a detailed plan of the advertisement and how it should be laid out

(e) Researchers

They investigate into the market to find out what the customers want and need in regard to the products and the services being advertised.

Practice Exercise 10

1. Explain „responsible advertising”

It is about businesses being responsible to advertise truthfully and honestly using correct information.

2. List the rules that guide the advertising agencies to do their task professionally.

- *All advertisements must obey the laws of the country*
- *No advertisement should weaken public confidence in advertising*
- *No advertisement should be misleading or deceptive or likely to mislead or deceive the consumer*
- *All advertisements should be prepared with a due sense of social responsibility to consumers and to the society*
- *All advertisements should respect the principles of free and fair competition generally accepted in business.*

3. List the things to be considered when designing an advertisement

- *It must be presented so people will recognise it as an advertisement, not part of a news item*
- *It should not be designed to exploit customers*
- *It should not contain anything that lends support to unacceptable violent behaviour*
- *It should contain decent language and visuals acceptable to the community*

4. Name the laws that protect businesses in advertising?

- (a) *Commercial Advertisement (Protection of the Public) Act 1976.*
- (b) *Food Sanitation Act 1991.*
- (c) *Tobacco products (Health Control) Act 1987.*

END OF ANSWERS TO PRACTICE EXERCISES 7-10
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TOPIC 3

DISTRIBUTION

IN THIS TOPIC YOU WILL LEARN ABOUT:

- **DISTRIBUTION**
- **DIRECT BUYING**
- **TRANSPORTATION IN DISTRIBUTION**

TOPIC 3 INTRODUCTION



Welcome to Topic 3 of Unit 3. In this topic, you will learn about distribution, direct selling and transportation in distribution.

Topic 3 has three (3) lessons: They are:

Lesson 11: What is Distribution?

This lesson discusses distribution and its importance. It identifies the main distributors and their roles. The lesson further discusses the steps in distribution and the advantages and disadvantages faced by the distributors.

Lesson 12: Direct Selling

This lesson illustrates direct selling and identifies its features. It also features the organisations that are involved in direct buying. Lastly, the lesson highlights the advantages and disadvantages of direct selling.

Lesson 13: Transportation in Distribution

This lesson discusses transportation and states its importance in distribution. It portrays and discusses different types of transportation used in the distribution process and the reasons for using a particular transport method for distributing certain types of goods. The lesson also explains the importance of insuring goods during distribution and the advantages and disadvantages of each method of transport used in distribution.

Lesson 11: What is Distribution?



Introduction

Welcome to Lesson 11. In the previous lesson you learnt about responsible advertising and promotion and the rules and regulations involved in controlling the advertising agencies. In this lesson, you will learn about „distribution“ which is an important part of marketing.



Your Aims

- Define distribution and states its importance in marketing
- Identify the main distributors and their roles
- Discuss the steps in distribution
- Identify the advantages and the disadvantages of the distributors

What is distribution?

Distribution is the act of getting the goods and services from the producer to the place where the consumer is so that they can be consumed.

Importance of Distribution

The task of distributing goods and services is very important in businesses as it helps to get their products to consumers. Hence, businesses earn money from the sales of their products while meeting the consumers' needs and wants.



Activity 11.1

1. Explain in your own words, how the soft drink- „Coca Cola“ reaches a consumer in Wabag Town from the producer in Lae?

2. What do you think is the main aim of a producer?

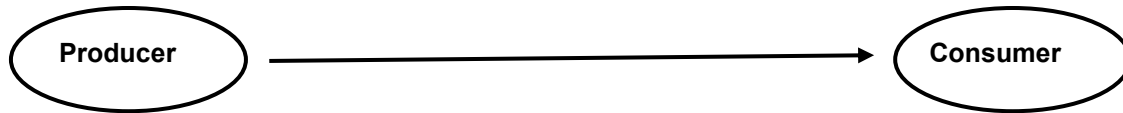
Distribution Channels

They refer to the means by which products are passed from the place where they are produced to the customers or the consumers. The channels can be either direct or indirect. Direct channels enable the products to move from the producers to the consumer. Indirect channels enable the products to move from producers to the consumers through intermediaries or the middlemen.

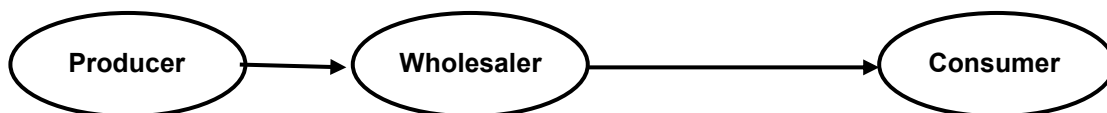
In the distribution channels, there are Intermediaries. The word „intermediaries“ is a term that is known as middlemen.

Let us discuss the different types of distribution channels. We will discuss them as *Channel A*, *Channel B*, *Channel C* and *Channel D*.

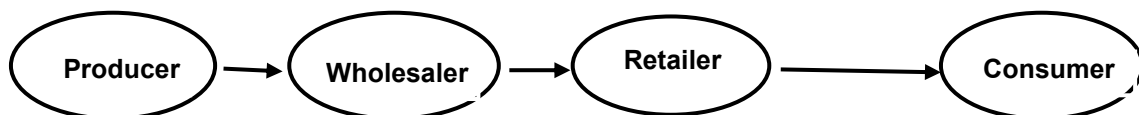
Channel A: The producer distributes products to the consumer directly without the services of intermediaries. For example, manufacturers selling aeroplanes to airlines. In this example, no intermediary or middleman is used. Therefore, this channel is sometimes referred to as a zero level channel of distribution.



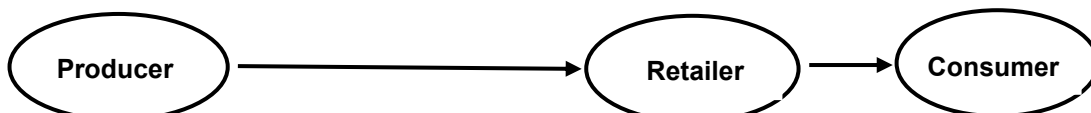
Channel B: The producer sells goods to the consumer through a wholesaler. In this case only one intermediary or middleman is used. For example, general food stuff from the producers is distributed to wholesalers in bulk and wholesalers sell directly to the consumers in single items. This channel is also known as one level channel of distribution.



Channel C: The producer sells goods in bulk to a wholesaler, who then resells in smaller quantities to retailers. These retailers then sell single items to consumers. This is the traditional and common way of distributing products to consumers. In this channel, two intermediaries or middlemen are used. Therefore, this channel is known as a two-level channel of distribution.



Channel D: The producer sells goods to large retailers like supermarkets and retailers, who then sell directly to consumers. Here, only one intermediary or middleman is used just like channel B. Therefore, this channel is known as a one-level channel of distribution.



**Activity 11.2**

Define the following words;

(a) Producer

(b) Wholesaler

(c) Retailer

Distributors and their Roles

From the channels of distribution we can clearly identify the distributors. These include the wholesalers and the retailers. Let us study these two distributors in more detail.

Wholesale Trade

It means buying large quantities of goods from various producers and selling them to retailers in small quantities. A wholesaler is a middleman between the producer and the consumer (in channel B) and between the producer and the retailer (in channel C). The wholesaler purchases goods from both local manufacturers and overseas producers. Wholesalers have spacious warehouses and a number of vehicles to deliver goods directly to consumers (in channel B) and retailers (in channel C).

Types of wholesalers

- General Wholesalers

They stock a wide range of products ranging from food to non-food items. Their main role is to serve retailers either within a region or country wide. They employ sales representatives to visit retailers on a regular basis and take orders from them and then arrange deliveries. Wholesalers usually offer credit to trusted retailers. Credit is an arrangement by which a buyer can take possession of something now and pay for it later or over a certain time period.

- Specialist Wholesalers

They serve only a particular industry or product type. For example, it could include clothing wholesale or vegetable wholesale and school supply wholesale.

- **Cash and Carry Wholesalers**

They serve smaller retailers with a limited range of products. They sell products at affordable prices. However, they do not supply products on credit. They also do not employ sales representatives or deliver products to retailers. Instead, retailers are required to visit the wholesale store and pick up the goods of their choice, put them into a trolley, then pay for them at the checkout and carry them away. This is the strategy that enables prices to be kept lower for consumers.

The Main functions of Wholesalers

- **Breaking of Bulks**

Wholesalers purchase goods in bulk from local manufacturers and overseas suppliers. Wholesalers break the bulks into reasonable sized packs and repackage these in small quantities to meet the demands of individual consumers.

- **Distribution to Retailers**

They distribute goods to retailers. However, you will also see that some wholesalers sell goods to consumers in their own retail outlets.

- **Provide Market Information**

They pass useful information to manufacturers concerning their products. This information is mostly collected from retailers who do direct sales with consumers.

- **Bearing of Risk**

Wholesale businesses face some risks, too. They invest large sum of money in buying in bulk. Then, they store the stock in warehouses for a length of time. During this period, changes in the market, natural disasters, civil unrest, labour disputes and other problems may seriously affect the wholesale business. Sometimes, retailers' delay of payments can affect wholesale business.

- **Grading of Products**

They grade products for purchase. For example, when they purchase agricultural products, such as potatoes, or cabbages, it is necessary to grade them according to size and quality. Superior quality products are sold at higher prices and low quality products are sold at lower prices.

Retail Trade

It involves selling goods directly to the consumers. Retailers purchase goods from the wholesalers in small quantities and sell them to consumers in smaller or single items. The retailer is the middleman between the wholesaler and the consumer. Retailers interact with the consumers regularly by providing the consumer's daily needs and wants.

Types of Retailers

1. Itinerant Vendors

These are sellers who move with their products from place to place in search for customers. They do not have any fixed place to operate their business. Their capital investment is very small and they mainly deal in low-priced commodities of everyday use.

Examples are hawkers, street traders and market traders. Let us read about them.

- **Hawkers**
They go from house to house and street to street with goods for sale. Usually, hawkers carry their goods in a basket or wheeled carriage. Hawkers are seen in cities and even small towns carrying products such as cane baskets, mats, masks, carvings, peanuts, bananas, vegetables and crabs
- **Street traders**
They are usually found in busy locations in towns and cities. They offer a wide range of articles of common use.
- **Market traders**
They sell their goods at the markets. Sometimes, they move from market to market on a rotational basis because some markets are open only on certain days.

2. Fixed Shop Traders

These traders establish permanently in one place to sell their goods. They deal with all kinds of goods. The capital investment of such dealers is relatively large depending on whether they operate on a small or large scale.

Examples are street stall holders, second-hand shops, general stores and specialty shops.

- **Street stall holders**
These are located at busy points, like street crossings or tunnel crossings in the main street itself. Such stall is a temporary and simple structure. You will see a table or a temporary platform used to display the goods for sale. Cheap goods are sold for the average person to buy while walking past. They sell such things as ballpoint pens, sunglasses, purses, digicel flex cards, top cards, mobiles and many others items that are portable.
- **Second hand shops**
These shops deal with second hand or used goods. The owners of such shops have their own networks to collect second hand products from private or public auctions from large overseas companies. Second hand clothing shops are common in the cities of Papua New Guinea. They are places where people buy clothes and other items such as books, furniture, shoes, and kitchenware.

- **General stores**
These shops are set up mainly in residential areas. They are stocked with all kinds of products needed by local residents on a daily basis. These shops are organised on a small scale and are owned and managed by individuals or families. For example, canteens and tuckershops.
- **Specialty shops**
These shops are engaged in selling only a particular product or range of products. Shops selling only children's garments or men's or women's wear are specialty shops.

3. Large-Scale Fixed Retailers

These are fixed retailing shops. Examples of such are department stores, multiple shops, mail order business, hire purchase stores and supermarkets.

- **Department stores**
They sell different kinds of goods under one roof, all managed and controlled by one management. The shop floor is divided into departments to store different types of goods. Goods such as textiles, electrical goods, kitchenware, stationery, furniture, pharmaceuticals, and many others are sold in respective departments.
- **Multiple shops or chain stores**
They are groups of shops in the same business of retail trade. All these shops are under the control of the same management and are widely spread throughout the country.
- **Mail order business**
Customers go through a catalogue and select the goods they want, then complete a mail order form and post it, along with the payment, to the mail order company. The company then sends the goods by post.

With the development of Internet Technology, many mail order businesses have converted to online trading. This is faster than the regular mailing –and-paying system.

- **Hire purchase stores**
They deal with hire-purchase trade only. Hire purchase is a system where customers purchase goods on credit. The customer immediately possesses the goods and starts using it. An initial deposit is made at the time of the transaction and then the rest of the purchase price is paid in instalments periodically as agreed. Once all payment had been made, the customer becomes the sole owner of the goods.
- **Supermarkets**
They are large-scale retail organisations on the same pattern as big department stores. The only difference is in the goods they deals with. Supermarkets mostly deal with a vast variety of foodstuffs, groceries, confectionery, beverages, meat, fish, poultry, vegetables, fruits, bakery products, dairy products and stationery. Supermarkets are popular with customers as most of the items needed for daily life can be purchased under one roof. Goods are displayed on shelves with price

labels. They are packed in different quantities such as small, medium and large to suit different individuals' needs.



Activity 11.3

1. List the different types of wholesalers.

2. List the main functions of wholesalers

3. List the different types of retailers

4. List the main functions of a retailer

The Main Functions of Retailers

- Supply of goods to satisfy customer needs
Retailers know customer needs. Accordingly, they order goods from wholesalers that will meet those needs. They also know when certain goods are needed. For example, when there is a festival they know certain goods are in demand and stock such goods in advance.
- Provision of technical advice
Consumers are provided technical advice regarding the operation of certain items.
- Keeping of stock ready
Retailers maintain a constant supply of stock of goods. Consumers can therefore get all their requirements at their convenience.
- Provision of a wide choice for customers
Retailers stock and display a wide variety of products to choose from, for example, the different types of noodles to choose from. It is up to the customers to buy goods according to their preferences.

Summary:



You have come to the end of Lesson 11. In this lesson you learnt that:

- Distribution is the action of getting the goods and services, produced by the producer to the place where the consumer is located so that the goods and services can be bought and used or consumed.
- A distribution channel refers to the means by which a product moves from the place where it is produced to the customer or consumer.
- The word „intermediaries“ is also known as middlemen. They come in between producers and consumers.
- Wholesale trade means buying goods in bulk from various producers and selling them to retailers in small quantities.
- The wholesaler is the middleman between the manufacturer and the retailer.
- Retail trade involves selling goods directly to consumers. Retailers purchase goods from wholesalers in small quantities and sell them to consumers in even smaller quantities or as single items.
- The retailer is the middleman between the wholesaler and the consumer.
- The different types of wholesalers are; 1. general wholesalers, 2. specialist wholesalers, 3. cash and carry wholesalers
- The main functions of the wholesaler are; breaking of bulk, distribution to the retailer, supply of market information to the producer, bearing of risk and grading
- Types of retailers are; 1. Itinerant vendors, 2. Fixed shop traders, and 3. Large-scale fixed retail traders
- The main functions of a retailer are; supply of goods to satisfy customer needs, supply of goods on credit, provision of technical advice, keeping of ready stock and provision of a wide choice for customers

NOW DO PRACTICE EXERCISE 11 ON THE NEXT PAGE



Practice Exercise 11

1. Explain „distribution“

2. Explain „distribution channel“

3. Study the different channels of distribution (channel A, B, C, D) and explain the number of intermediates involved in each

(a)Channel A

(b)Channel B

(c)Channel C

(d)Channel D

4. Provide suitable examples for:

(a) Itinerant vendors

(b) Fixed Shop Traders

(c) Large-scale fixed retail traders

CHECK YOUR ANSWERS AT THE END OF TOPIC 3

Lesson 12: Direct Selling



Introduction

Welcome to Lesson 12. In the previous lesson you learnt about distribution and its importance. You also identified the main distributors and their roles. Furthermore, you discussed steps in distribution and their advantages. In this lesson, you will learn about „direct selling“



Your Aims

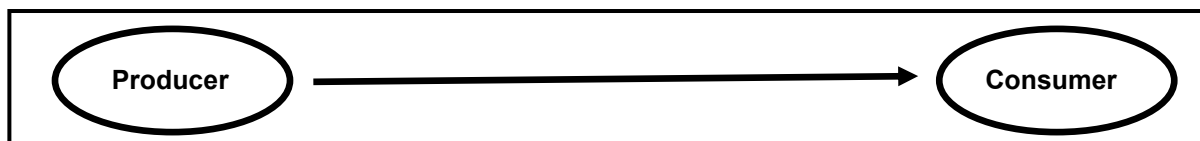
- Define direct selling and states its features
- Identify the direct selling organisations
- Identify the advantages and disadvantages of direct selling

What is direct selling?

It is about the sale of products directly from the producer to the consumer. This is illustrated by the channel of distribution in Lesson 11.

Let us recap:

You learnt that in channel A, there is no intermediary or middleman. The producer directly distributes products to the consumer.



Direct selling involves the producer of the product and the consumer. It can take place in several ways.

1. Buying at the factory door.

This method is common where factories are conveniently located and where the products are reasonably portable so that the customers can take them away. For example, cartons of eggs and chicks for raising can be bought directly at the farms such as Zenag, Highlands Kakaruk and Niugini Table Birds by those consumers who have access to these chicken farms by road.

2. Buying through the Internet.

Internet technology enables many consumers to order products directly from the producers online. They make their payments through direct electronic banking systems that are in place through the use of the internet. The producers send their products to consumers using the address given.

3. Person to Person

Individuals sell products directly to another person at any time and at any convenient location. For example, the buying and selling can be at the local market between

local farmers of fresh vegetables and urban resident consumers. Another example would be a newspaper man selling his papers at the traffic to passengers on buses and vehicles as they slow down waiting for the traffic lights to indicate the green light to pass through.



Activity 12.1

3. Give one example that you know of where direct buying takes place. It could be in your province or somewhere else.

4. Why do you think some factories sell directly to customers while others sell indirectly through wholesalers?

Features or Characteristics of a Successful Direct Seller

1. Product Passion

The seller is always passionate about his or her product and he or she is willing to use that passion as a source of motivation. The seller naturally reflects that motivation when he or she sells the product he or she believes in.

2. Having a Natural Ability of Networking

The seller has a natural ability to meet with individuals and groups to talk about the product he or she is selling. In doing so, the seller easily establishes networking to build a customer base.

3. Time Management

The seller is committed and manages his or her time effectively so that he or she is able to sell more within a time period as according to his or her business plan. For example, in the business plan one of the aims or objectives would be to sell a certain amount of product within a day, week, and month. This type of plan enables the seller to manage his or her time to sell successfully.

Direct Selling Organisations

There are so many direct selling organisations. They range from very simple ones to big networking companies.

(a) Organisations at the National Level

We have Individuals or smaller organisations that sell directly to consumers such as;

- A secondary school chicken project that sells chicken directly to local customers

- A tailor sews Papua New Guinea fashion clothing for women and sells directly to female customers in cities like Port Moresby

We also have Agricultural Project businesses that sell directly to customers such as;

- Goroka Honey Bee Producers selling honey from the farm
- Zenag Chicken Company selling directly from the factory
- Piggery Projects selling directly to customers on the farm

Furthermore, in developing countries, there are manufacturing companies that also sell directly to consumers

(b) Organisations at the International Level

Companies at the international level also sell directly to consumers through the use of the internet and the electronic banking system. Some examples of these companies are;

- All Health product companies that sell directly to their customers throughout the world such as Proma, Bi-Hip, Factor 4Life and many others.
- Car dealers that sell vehicles directly to customers throughout the world
- Many companies have websites (Internet) that allows individuals to connect to them and purchase directly on line.

What is E-commerce?

E-commerce is short way to say, electronic commerce. It involves the exchange of goods and services via or through internet. Buyers and sellers come together to exchange goods and services but it is not done in the normal way like in a trade store or a wholesale building. Instead, buying and selling is done over networked computers and the payments are done through direct electronic banking systems.

What is Electronic Banking?

It uses computers to carry out transfers of money. For example, automated teller machines (ATMs) enable bank customers to withdraw money from their cheque or saving accounts by inserting an ATM card and a private electronic code (pin number) into an ATM.

The ATMs enable bank customers to access their money 24 hours a day and seven days a week anywhere in Papua New Guinea or even overseas.

Banks also offer debit cards that directly withdraw funds from a customer's account for the amount of a purchase, much like writing a cheque. Banks also use electronic transfers to deposit payroll cheques directly into a customer's account and to automatically pay a customer's bills when they are due. Many banks also use the Internet to enable customers to pay bills, move money between accounts, and perform other banking functions.

**Activity 12.2**

Explain the following words:

(d) E- commerce

(e) Electronic Banking

Advantages and Disadvantages of Direct Selling**Advantages**

- It is saves a lot of time and money because the customer purchases directly from the producer
- Simple transactions are completed by the sales person at the factory door
- The producer gives direct detailed explanation to customers regarding a product
- There is room for negotiation over products, prices and payments
- A close interaction between the producer and the customer

Disadvantages

- It is possible that the delivery of the product may be delayed due to other changes in market factors especially those who purchase through e-commerce
- It is possible that errors in personal details can cause problems in purchasing through e-commerce
- Lack of knowledge in technology can be a problem for many to purchase using e-commerce
- After sales service may be a problem due to the distance between the seller and the buyer especially online buying.

**Activity 12.3**

1. Have you ever tried direct buying? Yes/No.
2. If you did, then, say how you carried out that direct buying?

Summary:



You have come to the end of Lesson 12. In this lesson you learnt that:

- Direct selling is when a product is sold directly by the producer to the consumer. It leaves out the middlemen or intermediaries.
 - Features and characteristics of a successful direct seller are product passion, natural ability of networking and time management
 - Organisations involved in direct selling can come under national level organisations or international level organisations.
 - Direct selling has its advantages as well as disadvantages
-

NOW DO PRACTICE EXERCISE 12 ON THE NEXT PAGE



Practice Exercise

1. Explain „direct buying“

2. List the features or characteristics of a successful direct seller.

5. Name the three (3) levels of organisations that are involved in direct buying.

6. List two (2) advantages and two (2) disadvantages of direct buying

CHECK YOUR ANSWERS AT THE END OF TOPIC 3

Lesson 13: Transportation in Distribution



Introduction

Welcome to Lesson 13. In the previous lesson you learnt about direct selling and its features or characteristics. You also identified organisations that carry out direct selling. Furthermore, you discussed the advantages and disadvantages of direct selling.

In this lesson, you will learn about „Transportation in Distribution“



Your Aims

- Define transportation and state its importance in the distribution process
- Identify different types/methods of transportation used in the distribution process
- Identify the reasons for using a particular transport method for distributing certain types of goods
- Explain the importance of insuring goods during distribution
- Identify advantages and disadvantages of each method of transportation used in distribution

Transportation and its importance in distribution

Transportation is the activity of moving people and products from one place to another. It is an important activity because it supports trade and industries. Transportation enables the raw materials to be brought into the factories for production. It also enables the distribution of the finished products to the consumers.

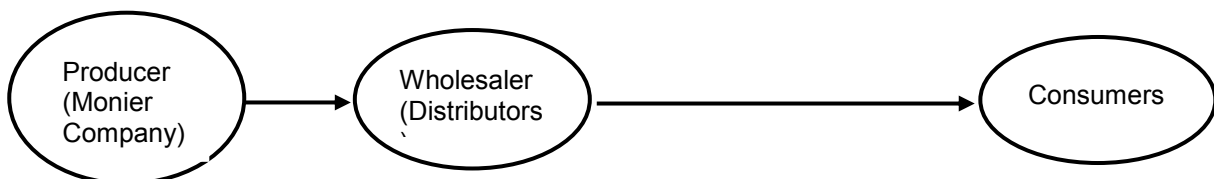
We learnt about channel A, B, C and D in Lesson 11. All those four types of distribution require transportation to move products from one distributor to another and finally to the consumers. We can also say the arrows displayed in the channels indicate the movement of transportation. It may take one or two types of transportation depending on the producer's location, to the distributor's location and finally to the consumers' location.



Activity 13.1

Refer to the information below to answer the given situation.

Monier Company is the producer of „Tuffa Tanks“ in Port Moresby. It sells “TuffaTanks” to its Distributors (wholesalers) in Lae and Mt. Hagen.



State the kind of transportation that would be used in the distribution process.

Methods of Transportation used in the Distribution Process

The main transport methods are:

1. Land transport
2. Water transport
3. Air transport
4. Pipeline transport

We will look into the specific types of transport under each of them. This is illustrated by the diagram below.

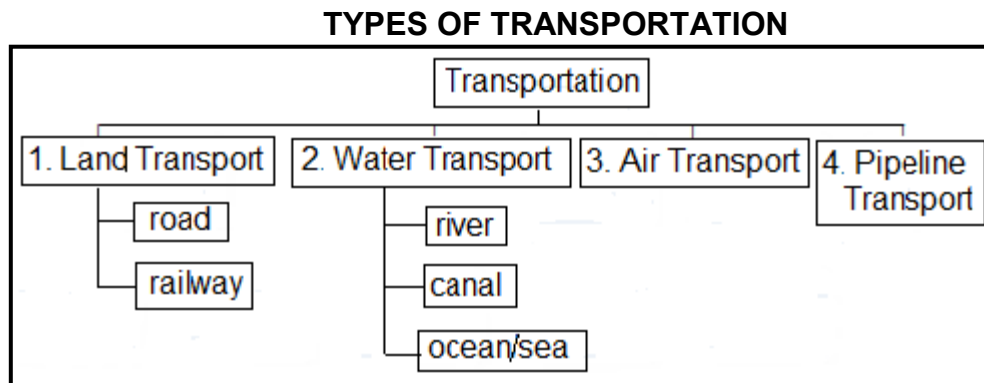


Figure 13.1 Types of Transportation
Source: U.Miria. (2016).

1. Land Transport

Under land transport, we will look at road and rail transport.

(a) Road Transport

In Papua New Guinea, road transport plays a very important role in the transportation of goods. It involves buses, trucks, cars, taxis and container vehicles. They transport goods as well as passengers.

If you live in the Highlands region or if you have passed through the highlands highway, you would have seen the container trucks that carry large quantities of goods from Lae wharf to Mt.Hagen, Goroka, Pogera, and Mendi every day.

(b) Rail Transport

In Papua New Guinea, rail transport is not available. It is a transport system where trains are used to transport passengers and goods. You may have seen pictures of trains in the television or magazines and perhaps you or one of your family members who has gone overseas has travelled on one.

In regard to distribution, trains are used to carry large number of carriages from city to city, state to state and even country to country in developed countries.

2. Water Transport

Under water transport, we will look at inland water and ocean or sea transport.

(a) Inland Water Transport

Inland water transport refers to the use of rivers and canals. Boats, launches, barges and pontoons are used for inland water transport. Pontoons are large floating.

platforms that carry goods and people from one ship to another ship or to the wharf. In Papua New Guinea this type of transport is limited to certain areas only, for example, the Sepik river ferry service.

(b) Ocean or Sea Transport

This type of transport involves the ships or ocean liners. They help to carry goods and passengers. In Papua New Guinea, the sea transport is very important to trade within the country. Vegetables grown in the Highlands are transported by road to Lae wharf and then by sea transport to Port Moresby markets. Similarly, industrial products in Port Moresby are shipped to Lae wharf. From Lae wharf, they are transported by container vehicles to the Highlands wholesalers and retailers.

Boats are used to transport goods between the mainland and islands like in Milne Bay, Manus, New Ireland, the Autonomous Region of Bougainville and many other parts of Papua New Guinea.

3. Air transport

Air transport is used to transport passengers and small quantities of urgent and valuable products. There are also cargo planes which are meant to carry cargo only. In developed countries, some companies such as DHL and TNT own small aircrafts to transport their goods and mail. The initials, DHL comes from the last names of the three founders of the company. The three founders are; Adrian Dalsey, Larry Hillblom and Roberth Lynn while the initials TNT stands for Trinidad and Tobago.

There are areas in Papua New Guinea such as Garaina in the Morobe Province where there are no road links to Lae city. People living in such areas depend entirely on air transport.

4. Pipeline transport

Pipeline transport refers to transport of products through pipelines. It is very important to businesses involved in the production of liquefied natural gas (LNG) over a long distance.

In Papua New Guinea, pipeline transport is used to transport gas from the Hela Province (Moro) to Central Province (Napanapa wharf). The transporting of gas from the Hela Province to the Central Province depends heavily on pipelines.

Pipeline transport is the most economical mode of transport for these products. The initial cost of laying pipelines is high but day-to-day operational costs are low.

**Activity 13.2**

Explain the following:

(f) Land transport

(g) Water transport

(h) Air transport

(i) Pipeline transport

Reasons for Selecting a Particular Transport Method

There are many reasons for choosing a type of transport. Listed below are some of them.

1. **Cost:** If the type of transport is going to meet the business" delivery need and at a cheaper rate then, that method should be selected and used.
2. **Speed:** If that method is going to deliver goods quicker to meet the deadlines of the business" delivery schedules, then, that method should be selected and used.
3. **Availability and reliability:** If a transport method is available and reliable then, the business should select that method to use.
4. **Nature of goods:** A business needs to choose the most appropriate method of transport after considering whether its products are perishable or non-perishable, liquid or solid, of high value or low value, lightweight or heavyweight.
5. **Appropriateness:** A business should choose a transport method which is suitable for both the sender and the receiver.

Safety: To transport certain goods, the type of transport used should be of standard to provide safety for the kind of good being transported. For example, to transport gold from Wau to Port Moresby, a special hire aircraft should be arranged and vehicles used on the ground should be from a security service such as G4S where the movement of the vehicle is highly secured and monitored by computerised systems in place.



Activity 13.3

Complete the table below on the use of appropriate transport method.

The first column of the table lists different goods to be transported to various destinations. State the most appropriate transportation method to use for each of the situations in column two (2) and justify your answer in column three (3). The first one is done as an example for you to follow.

Description	Transport Method	Reasons
1. Transportation of fish from Lae to Goroka	Eg: Land transport - Refrigerator Container Vehicle	Nature of goods, because it is fish it must be preserved and Lae to Goroka is connected by land.
2. Transportation of coconut from Madang to Mt. Hagen
3. Transportation of gold bars from Lihir to Port Moresby
4. Transportation of guns and ammunition from Port Moresby to Vanimo
5. Transportation of logs from Vanimo to Lae
6. Transportation of store items from Port Moresby to Daru
7. Transportation of bottled water from one suburban to another suburban in Port Moresby.

Importance of insuring goods during distribution

Businesses face the risk of losing their goods through accidents, natural disasters and robbery. If they do not take up insurance cover against such dangers, they will bear the entire loss themselves. This can affect the business funds.

Therefore, if they insure their goods, the risk of having to pay business funds to replace these goods can be reduced. This is the advantage of having insurance cover. It helps businesses to continue business with minimal interruption.

The benefits of transportation

For Society	For Business	For Customer
<ul style="list-style-type: none"> • Transportation: • Helps to improve living standards by transporting goods and services to people • Enables people to acquire social welfare services such as education and health facilities located elsewhere • Travels increases people's education and awareness of the outside world. It also provides business contacts and opportunities 	<ul style="list-style-type: none"> • Transportation: • Links customers and traders • Brings raw materials and other resources on time • Supplies goods to markets • Enables employees to travel and be present for work on time • Helps avoid losses due to delays in obtaining raw materials or getting goods to markets 	<ul style="list-style-type: none"> • Transportation: • Gets products to them on time • Enables them to undertake shopping • Enables them to reach the market conveniently • Travelling gives them opportunities to shop outside of their places • Enables them to get cheaper goods outside

Disadvantages of Methods of Transportation Used in Distribution

Let us look at some of the disadvantages presented in this table.

Land Transport	Water Transport	Air Transport	Pipeline Transport
<ul style="list-style-type: none"> - Can be risky due to crimes - Can be slow at times - Can be expensive, too 	<ul style="list-style-type: none"> - Can be very slow - Risk of accidents due to weather conditions 	<ul style="list-style-type: none"> - Very expensive - Can be risky due to weather conditions 	<ul style="list-style-type: none"> - Requires skilled workers only to keep it maintained

Summary



You have come to the end of Lesson 13. In this lesson you learnt that:

- Transportation is the activity of carrying goods and services from one place to another.
- Transportation is an important activity because it gives support to trade and business in general.
- Transportation enables the raw materials to be brought into the factories
- Transportation enables the distribution of the finished products to reach the consumers.
- The main transport methods are: Land transport, Water transport and Air transport
- Pipeline transport is only used in the mines.
- Reasons for selecting a transport method are cost, speed, availability and reliability, nature of goods, convenience and safety
- Having insurance cover secures the businesses from using business funds to replace cargo being damaged during transportation.
- There are benefits of transport for the society, the businesses and the customers
- There are advantages and disadvantages involved in the use of each type of transport.

NOW DO PRACTICE EXERCISE 13 ON THE NEXT PAGE



Practice Exercise 13

2. Define „transportation and state its importance in distribution.

3. List the methods of transportation used in the distribution process.

4. List reasons for using a particular transport method.

5. Explain the importance of insuring goods during distribution.

CHECK YOUR ANSWERS AT THE END OF TOPIC 3

ANSWERS TO

TOPIC 3

PRACTICE EXERCISES 11-13

ANSWERS TO PRACTICE EXERCISE 11-13

Practice Exercise 11

1. Explain „distribution“

It is the action of getting the goods and services, produced by the producer to the place where the consumer is located so that the goods and services can be bought and used

2. Explain „distribution channel“

It is the means by which a product is moved from the producer to the consumer.

3. Study the different channels of distribution (Channel A, B, C, D) and explain the number of intermediates involved in each

(e)Channel A

The producer distributes products to the consumer directly without the services of the intermediates. This channel is referred to as a zero level channel of distribution.

(f) Channel B

The producer sells goods to the consumer through a wholesaler. In this case only one intermediate or middleman is used.

(g)Channel C

The producer sells goods in bulk to a wholesaler, who then resells in smaller quantities to the retailers. These retailers then sell single items to the consumers. This channel is known as a two-level channel of distribution.

(h)Channel D

The producer sells goods to large retailers like supermarkets and retailers then sell them to consumers. Here, only one intermediary or middleman is used. This channel is known as a one-level channel of distribution.

4. List the different examples of:

(a) Itinerant vendors - *Examples are hawkers, street traders and market traders*

(b) Fixed Shop Traders- *Examples are street stall holders, second-hand shops, general stores and specialty shops*

(c) Large-scale fixed retail traders- *Examples of such are department stores, multiple shops, mail order businesses, hire purchase stores and supermarkets.*

Practice Exercise 12

1. Explain „direct buying“

It is about the purchase of products directly from the producer by the consumer.

6. List the features or characteristics of a successful direct seller.
 - Product Passion
 - Having a Natural Ability of Networking
 - Time Management
2. Name the three (3) levels of organisations that are involved in direct buying.
 - *We have individuals or smaller organisations*
 - *We have agricultural project businesses*
 - *Manufacturing companies*
 - *Companies at the international level*
3. List two (2) advantages and two (2) disadvantages of direct buying

Advantages

- *It is saves a lot of time because the customer purchases directly from the producer*
- *Simple transactions are completed by the sales person at the factory door*
- *The producer gives direct detail explanation to customers regarding a product*
- *There is room for negotiation over products, prices and payments*
- *A close interaction between producer and customers*

Disadvantages

- *It is possible that the delivery of the product may be delayed due to other changes in market factors especially those who purchase through e-commerce*
- *It is possible that errors in personal details can cause problems in purchasing through e-commerce*
- *Lack of knowledge in technology can be a problem for many to purchase using e-commerce*
- *After sales service may be a problem due to the distance between the seller and the buyer especially online buying.*

Practice Exercise 13

1. Explain „transportation and state its importance in distribution.

It is the activity of moving people and products from one place to another. Transportation is an important activity because it gives support to trade and business in general. Transportation enables the raw materials to be brought into the factories. It also enables the distribution of the finished products to reach the consumers.

2. List the methods of transportation used in the distribution process.

The main transport methods are: Land transport, Water transport and Air transport. Pipeline transport is only used in the mines and the Liquefied Natural Gas (LNG) projects.

3. List reasons for using a particular transport method.

Reasons for selecting a transport method are cost, speed, availability and reliability, nature of goods, convenience and safety.

4. Explain the importance of insuring goods during distribution.

Having insurance cover against the danger of losing goods secures businesses from using business funds to replace the cost of the goods when something goes wrong.

END OF ANSWERS TO PRACTICE EXERCISES 11-13

ANSWERS TO LESSON ACTIVITIES

Answers to Lesson 1 -7 Activities

Answers to Lesson 1 Activities

Activity 1.1

1. What is marketing?

It is defined as the process of identifying, anticipating and satisfying customers' needs at a profit.

2. How would you find out what the customers' needs are before launching a new product?

By carrying out a market research

3. What is a market?

It is any place where buyers and sellers meet to trade products - it could be a street shop or on internet.

4. Markets are dynamic. What does this mean?

This means that conditions at the markets of different products and services are always changing. These changes include things like the shifts in the market price of certain goods due to economic conditions and evolving customer requirements caused by new fashions.

Activity 1.2

1. Is selling and marketing the same? Explain your answer.

No, Selling is not the same as marketing. Marketing involves many activities including selling. Selling is just one part of the marketing process.

2. Activities in marketing mainly focus on satisfying customers' needs and wants. What about selling?

Selling starts with the seller and is preoccupied with the seller's needs.

3. What are the primary motives of selling and marketing respectively?

"Customer satisfaction" is the primary motive in marketing and "Sales" is the primary motive in selling

Lesson 2 Activities

Activity 2.1

1. Define marketing environment.

The marketing environment includes all the elements or factors that have an impact on marketing.

2. Name the five (5) factors that affect marketing.

- (a) *Cultural practices*
- (b) *Competition*
- (c) *Economic conditions*
- (d) *Government policies*
- (e) *Technology*

Activity 2.2

1. Explain cultural belief or practice in your area that would affect the marketing of certain commodities (name also the good\service).

Answers will vary.

For example: Marketing of jeans or trousers for girls in the remote parts of Morobe Province would not be easily accepted and that would affect marketing of the product.

2. Define competition.

It is a term used to explain the state in which two rival firms\suppliers offering the same type of goods or services to one target market.

3. Assume that the total sales revenue for the Papua New Guinea communication industry is K200 million. If Digicel Papua New Guinea makes K50 million in sales revenue, what would be the market share?

$$\frac{50}{200} \times \frac{100}{1} = 25\%$$

Activity 2.3

1. Give at least two (2) examples of government policies in Papua New Guinea affecting businesses.

(Any of these listed below.)

- (a) *tax rates*
- (b) *Interest rates*
- (c) *Prices of goods\services*
- (d) *Town planning rules\zones*

2. Provide at least three (3) ways in which technology has enhanced efficiency in marketing.

Any of these as listed.

- (a) *Fax machines contribute to quick transmission of marketing communication*
- (b) *Email contributes to fast-tracking marketing communication*
- (c) *The internet enables online marketing*
- (d) *Computers improve the efficiency of market research*
- (e) *The telephone is usF for telemarketing*
- (f) *Software packages and design technology are used to design and develop new products effectively.*
- (g) *Digital printing technology helps businesses to create attractive posters, billboards and hoardings.*

Lesson 3 Activities

Activity 3.1

1. Name the four (4) marketing mix.

- | | |
|---------------|-----------|
| (a) Product | (c) price |
| (b) promotion | (d) place |

2. Give at least two (2) examples each of the goods and the services that we pay for.

- | | | |
|----------|-----|---|
| Goods | (a) | <i>Food stuff, clothes, toiletries</i> |
| | (b) | <i>Mobiles, computers, cameras, vehicles,</i> |
| Services | (a) | <i>transport fares, medical fees</i> |
| | (b) | <i>Power bills , communication fees,</i> |

3. Define the following terms in your own words

- (a) Marketing mix
It is a combination of factors that influence sales which can be controlled by a business.
- (b) Product
In marketing sense, it refers to a good or service provided by a firm to be sold

Activity 3.2

1. Define the following terms in your own words.

- (a) Pricing
It refers to the act of setting or fixing an amount of money at which a product can be bought or sold.
- (b) Cost
It refers to the amount of money that has been used up or spent to produce or purchase something.
- (c) Monopoly
It refers to a market situation that has only one supplier and many buyers.
- (d) Loss leader pricing
This is the event where some firms sell goods at reduced prices or zero profit just to attract customers.

(e) Demand

It refers to the amount or quantity of a product that the people are able and willing to buy.

(f) Supply

It refers to the amount of a product available for sale or which the supplier or the seller is able and will to sell.

2. Name the factors that affect pricing.

(a) Cost

(b) Competition

(c) Supply and demand

(d) Government regulations

3. What does the initial ICCC stands for, and what is its role in the economy of Papua New Guinea?

It stands for the Independent Consumer and Competition Commission. This statutory body is responsible for ensuring that prices of certain products are controlled.

Activity 3.3

1. Explain what the term „place’ means in marketing.

It is the different point of sales from the producer of the product to the consumer.

2. What is the chain of distribution for goods?

Producer to Manufacturer to Wholesaler to Retailer to Consumer

3. Explain the role of each process in the chain of distribution in one sentence

(a) Producer

The producer of the raw materials sells raw materials to a manufacturer.

(b) Manufacturer

Converts or changes a raw material into a finished product and sells to the consumers through a wholesaler

(c) Wholesaler

Buys in bulk from the manufacturer and sells to the retailers.

Can also buy in bulk directly from producers and sells to consumers directly

(d) Retailer

Buys in bulk from the wholesaler and sells in singles to the consumers

(e) Consumer

Uses the product

Lesson 4 Activities

Activity 4.1

1. Define brand in your own words.

It is a name, logo or sign which is given to the product that differentiates one product from another. Brands are like people. They have personalities, image, position, values, and attributes

2. Why is branding essential in marketing?

It enables consumers to easily pick out those products from other similar products which lead consumers to continue to buy these products (a continuous repeat of sales for the business)

Activity 4.2

1. State three advantages of branding and explain.

- (a) *Consumers can easily identify the product as they are distinctive.*
- (b) *It gives some feeling to the consumers when they shop branded products. For example, if someone buys a blackberry mobile phone, he or she feels prestigious.*
- (c) *It helps the owner to create a consumer loyalty as it gives value to the consumers for what they pay.*

2. State three (3) disadvantages of branding and explain.

- (a) *High advertising and related public relations costs*
- (b) *There is the risk that poor customer service by the wholesaler and the retailer in the distribution channel might reflect poorly on the brand itself*
- (c) *The process of creating a brand will usually take a long period of time.*

Lesson 5 Activities

Activity 5.1

1. Explain the term "pre-packaging".

It means that goods are put into packets in advance by producers.

2. Explain the term "package"

It is a wrapper or a container in which a product is sealed

3. Consider the following examples and answer the questions that follow.

- *When bread is packed in a plastic bag, it is protected from germs.*
- *When ice cream is packed in plastic boxes, it is easy to sell in different quantities*

- *When TV sets are packed in boxes with adapters, cables and instruction manuals, they are easy to handle and the likelihood of breakage is minimised.*
- *When refrigerators are packaged in boxes, they are convenient to transport*
- *When oil is bottled, it is easy to sell in different quantities*

(a) What would happen if bread was not put in plastic bags?

Dirt and germ would enter it and when consumed the customers would fall sick.

(b) What would happen if TV sets were not placed in boxes?

Parts would fall loose when handling them and may get lost, too.

(c) What is packaging?

It is the way in which a product is put together in a container made of cardboard, plastic or foil and presented to the public. The product is designed in a way to build up a favourable image.

Packaging can also be described as the outside covering that contains a product and keeps it safe for consumption.

Activity 5.2

1. Name the four basic or important reasons for packaging in marketing.

- (a) *Protect products*
- (b) *Attract customers*
- (c) *Provide information*
- (d) *Reinforce branding and logo*

2. What is labelling?

It refers to information printed on the package.

3. Name at least three (3) types of labels you would find on a package.

(Any of these)

- (a) *Product information*
- (b) *Health warnings*
- (c) *Usage and preparation*
- (d) *Safety instructions*
- (e) *Disposal information*
- (f) *Nature of packaging material used*

Activity 5.3

1. Name three (3) advantages of packaging.

Any of these.

- *It helps to be easily transported*
- *Goods are better protected from damage or dirt*

- *Retailers don't have to weigh or wrap goods when selling them*
- *Goods can easily be displayed in shops if they are in packets*
- *Producers of goods can advertise their name on packets of goods*

2. Name three (3) disadvantages of packaging.

(Any of these)

- *Customers have to pay extra for packaging. Sometimes this can add up to a large part of the total cost of the goods*
- *It may be difficult to know exactly how big something is if it is in a packet*
- *It may also be difficult to know how good something is if it is in a packet. The description or picture on the packet may make the product appear better than it really is. The packaging is often used as a form of persuasive advertising.*
- *Empty packets cause environmental pollution when disposed of after use.*

Lesson 6 Activities

Activity 6.1

1. List four (4) questions that you would ask before offering the product for sale?

- (a) *Who am I going to sell the product to?*
- (b) *Where are customers?*
- (c) *When do customers buy?*
- (d) *What kind of products do my customers want?*

2. Define market research.

It is defined as the process of gathering information on goods and services to determine whether the product or service will satisfy customer needs, and to make marketing decisions.

3. Name at least (3) three sources of information about the demand for the product.

(Any of these)

- (a) *Your own order books*
- (b) *Your sales representatives*
- (c) *Wholesalers you buy from*
- (d) *Retailers you sell to*
- (e) *The goods that your competitors are selling*
- (f) *Customers who use your goods*

4. List three (3) reasons why a market research is used.

Any of these

- (a) *It helps a company to know what type of products or services would be profitable to introduce in the market*
- (b) *It enables a business to know if the current products have been able to satisfy consumer needs*
- (c) *It helps the business to know if any changes are necessary in the packaging, delivery or the product itself*
- (d) *It helps the business to understand the competitors' marketing strategies and effectiveness.*

Activity 6.2

1. Name and explain the two (2) types of market research.

- (a) *Primary research is also known as **field research**. It brings new information. The common methods used in primary research are the questionnaire and the interview.*
- (b) *Secondary research is a research where data is collected from already published reports. Under this method, researchers use data originally gathered for another purpose. This is also known as desk research.*

2. Name the five (5) methods of primary research.

- (a) *Questionnaire*
- (b) *Interview*
- (c) *Online surveys.*
- (d) *Observation.*
- (e) *Consumer panels.*

3. Name five (5) sources that can be used to obtain secondary data.

- (a) *Internal business records.*
- (b) *Competitors reports*
- (c) *Government agencies*
- (d) *Media reports*
- (e) *Research reports*

Lesson 7 Activities**Activity 7.1**

1. Define Advertising.

It is a form of marketing communication used to encourage, persuade and manipulate people into buying a product or service.

2. Name at least three (3) important purposes of advertising.

(Any of these below)

- (a) *convince customers that a company's services or products are the best*
- (b) *enhance the image of the company*
- (c) *point out and create a need for products or services*
- (d) *demonstrate new uses for established products*
- (e) *announce new products and programs*
- (f) *reinforce the salespersons individual messages*
- (g) *draw customers to the business, and to*
- (h) *hold existing customers.*

3. Identify five (5) advantages of advertising. (Any five from the list below).

- (a) *Advertising promotes sales*
- (b) *Advertising introduces new products*

- (c) Advertising promotes image and reputation
- (d) Advertising eases retailers' and salespersons' jobs
- (e) Advertising helps create competition
- (f) Advertising creates awareness
- (g) Advertising conveys knowledge about a new product
- (h) Advertising creates competition
- (i) Advertising improves living standards

4. Identify five (5) disadvantages of advertising.

- (a) Adds to costs
- (b) Undermines social values
- (c) Misleads the buyers
- (d) Encourage sales of inferior products
- (e) Some advertisement is in bad taste.

Activity 7.2

1. What is a media in advertising?

Means used in advertising like the radio, the newspaper, and the television.

2. Name the four advertising media and provide two (2) examples each.

- (a) Print media e.g. newspaper, magazines
- (b) Broadcast media e.g. radio, TV
- (c) Outdoor media e.g. posters, billboards
- (d) Online media e.g. internet, email

3. Provide the reason why you would consider the same media used by your competitor?

Make known your product too, along with theirs so customers can choose.

Activity 7.3

1. Name and explain the two (2) different types of advertisements.

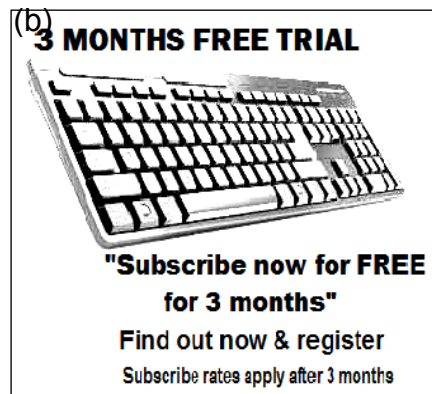
- (a) Persuasive advertising. Convinces people into buying a product
- (b) Informative advertising. Makes people aware of a product, event and so on.

2. Identify whether the following are informative or persuasive advertisements.

(a)



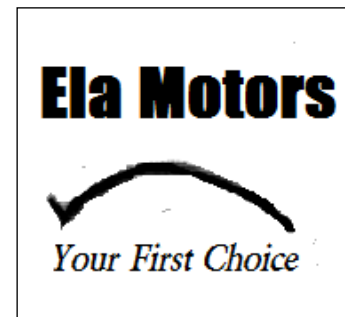
(b)



(c)



(d)



- (a) Informative
(b) Persuasive

- (c) Informative
(d) Persuasive

3. What information does the following visual advertisement below represent?



(a) No Smoking

(b) Female Toilet

(c) Warning

4. State whether the above advertisements in question (3) are informative or persuasive?

(a) Informative

(b) informative

(c) informative

Lesson 8 Activities

Activity 8.1

1. State the difference between promotion and advertising.

Promotion is the process of persuading and motivating potential customers to buy the product whereas advertising is a form of the marketing communication used to encourage, persuade and manipulate people into buying a product or service.

2. State the major difference between sales promotion and advertising.
Sales Promotion involves the use of special short-term techniques, often in the form of incentives, to encourage customers to respond or undertake some activity, in order to boost sales. Advertising involves non-personal promotions

that are mostly paid, often using mass media outlets to deliver the marketers' message.

3. Name the four (4) types of promotion.

- (a) advertising,
- (b) personal selling
- (c) publicity
- (d) sales promotion.

4. Study the following sales promotions and identify the method used.



(a) Loyalty Card



(b) Price Deduction



(c) Free Gift

Activity 8.2

1. Who commonly uses sales promotions?

- (a) New companies
- (b) Established businesses launching new products
- (c) Established businesses aggressively trying to grow their customers' base.

2. What is the objective behind an established company who is aggressively trying to grow its customers' base?

To give up short term profits to draw in targeted customers who become loyal and spend more money overtime.

3. How does sales promotion help inventory?

It helps speed up inventory (stock) turnover which means there is quick movement of stock coming in and getting sold out.

Activity 8.3

1. Explain „ impacts of promotion“

“Impact of promotion”, is about how promotion affects the lives of customers.

2. Give one (1) example of a positive impact of promotion and one (1) example of a negative impact of promotion

Positive impacts of promotion (any of these)

- *There is an increase in sales of goods and services being promoted*
- *There is an increase in demand for goods and services being promoted*
- *The targeted customers would be captured and maintained over time*
- *There will be high profits for businesses*
- *The use of that particular product will contribute in one way or another to improve living standards of the user or consumer*
- *Customers are informed and that adds to their knowledge resulting in personal development*

Negative impacts of promotion (any of these)

- *Promotions on latest clothing fashions can be offensive to those who value old traditions and beliefs of dressing.*
- *Language used in Promotion may be adapted by students and used inappropriately in settings not accepted*

Lesson 9 Activities

Activity 9.1

1. How do companies without the advertising department advertise their products?

They advertise with the help of the advertising agencies.

2. Explain „advertising agencies“

They are service organisations involved in producing advertising materials for their clients. These agencies are equipped with computers and other modern equipment and employ specialists in the field.

3. Turn to the telephone directory – yellow pages and list at least three names of advertising agencies

For example, Theodist, Trade Print, AD Effects Limited, Chauka Signs & Advertising Limited, PVM advertising,

Activity 9.2

1. Explain the „role of the advertising agencies“

Their role is to simply talk about what the advertising agencies do or what functions they carry out.

2. List at least three (3) general roles of advertising agencies

(Any three of these)

- *Employ specialists such as copywriters, artists, designers, researchers, marketers, etc to do advertisements*
- *Liaise with clients in regard to the preparation of the advertisement which includes deciding how and to whom the product or service will be presented*
- *Create advertisements*
- *Pay for the cost of placing the advertisement in a newspaper, magazine, television or radio*
- *Make money from their clients by charging them the cost of producing the advertisement and also earn through the commissions*

3. Why do advertising agencies run researches?

They run researches for both strategic and evaluation purposes.

4. Why do advertising agencies run evaluative research?

To determine how well consumers remember the advertising message and how persuasive it was

5. List the three factors a media planner must consider?

(1) the number of people to be exposed to the message, known as the reach, (2) the number of times each person needs to be exposed to the message in order to remember it, known as the frequency, and (3) the costs.

Activity 9.3

1. Explain the term „commercial“

It is the advertisement done in the TV

2. Explain the importance of „music and sound effect“ in a commercial advertisement.

They add the emotional feelings towards the product.

3. What is a „dub“?

Videotape copy of the commercial advertisement.

Lesson 10 Activities

Activity 10.1

1. Explain in your own words, what it would mean to customers for these three slogans

(a) “World’s best hotel”

It gives the customers the meaning that this hotel is better than the other hotels in the world. There are no problems with this hotel compared to others in the world. Other

hotels may encounter some problems but for this particular hotel, it does not have problems in its services that it offers. For example, big spacious rooms and conference rooms, with good food and at an affordable price.

(b) "Best computer in the world"

It gives the customers the meaning that this computer is better than all the other computers in the world. There are no problems with this computer compared to the others in the world. Other computers may encounter problems or not have the latest programs but for this particular computer, it has everything a computer requires. It can do anything required of a computer. For example, speed and updated programs offered as part of the package.

(c) "Relieves all sicknesses"

It gives the customers the meaning that this medicine is the answer to all sicknesses. Medically, this medicine may be forbidden by doctors to be taken by certain people according to their age or according to their diagnosis for treatment.

Activity 10.2

1. Use a dictionary to define the word ethics.

From the Encarta Dictionary, it means the study of moral standards and how they affect conduct

2. What is „advertising code of ethics“?

It is a set of rules to guide advertising agencies to conduct themselves professionally in their tasks.

Activity 10.3

Which government law would you apply in the following situations regarding advertisements of certain products or services?

- (a) A biscuit advertised as five (5) in the packet but in reality four (4) biscuits are in the packet.

Food Sanitation Act 1991

- (b) You saw a new cigarette being advertised on EMTV.

Tobacco Products (Health Control) Act 1987

- (c) A rental room is advertised as fully furnished but there is water leaking from the roof.

Commercial Advertisement (Protection of the Public) Act 1976

- (d) A gas burner was advertised as safe to use but the whole house was burnt by a tiny leakage from a tube.

Food Sanitation Act 1991\ Commercial Advertisement Act 1976

Lesson 11 Activities**Activity 11.1**

1. Explain in your own words, how the soft drink- „Coca Cola“ reaches a consumer in Wabag Town from the producer in Lae?

The product is bought in bulk by Wholesalers, shifted by containers on vehicles to Wabag. In Wabag, the wholesaler, sells in cartons to retailers. The retailers sell in single cans to consumers.

2. In business, what is really the aim of a producer of a product? What do you think?

A producer wants to get his or her product quickly to the consumer in exchange for money. It is about selling to consumer to make profit.

Activity 11.2

Define the following words:

1. *Producer – a person, company or country that produces goods or services.*
2. *Wholesaler – the middleman or business that buys goods in large quantities and sells them especially to retailers.*
3. *Retailer – is the middleman or business whose functions in business is buying from the wholesalers and selling goods directly to customers.*

Activity 11.3

1. List the different types of wholesalers

The Types of wholesalers are;

- (a) *General Wholesalers,*
- (b) *Specialist Wholesalers,*
- (c) *Cash and Carry Wholesalers*

2. List the main functions of wholesalers

The main functions of the wholesalers are;

- (a) *Breaking of Bulk*
- (b) *Distribution to retailer*
- (c) *Supply of market information to the producer*
- (d) *Bearing of Risk*
- (e) *Grading*

3. List the different types of retailers

The types of retailers are;

- (a) *Itinerant vendors,*
- (b) *Fixed Shop Traders,*
- (c) *Large-scale fixed retail traders*

4. List the main functions of a retailer

The main functions of a retailer are;

- (a) *Supply of goods to satisfy customer needs*
- (b) *Supply of goods on credit*
- (c) *Provision of technical advice*
- (d) *Keeping of ready stock*
- (e) *Provision of a wide choice for customers*

Lesson 12 Activities

Activity 12.1

1. Give one (1) example that you know of where direct buying takes place. It could be in your province or somewhere else.

Sample Answer:

- *Example of a direct buying in many rural areas is when school poultry project sells eggs and chicken directly to consumers who are living around the school community.*
- *In Goroka, honey bees are farmed for the production of honey. Therefore, an example of a direct buying would be selling honey in bottles directly to the consumers living around Goroka Town.*

2. Why do you think some factories sell directly to customers while other sells indirectly through the wholesalers?

Sample Answer: There may be several reasons some manufacturers sell directly through wholesalers. It could be:

- *To reach many customers*
- *They operate on a large scale of production and hence, must distribute widely on a constant bases*

Activity 12.2

Explain the following words;

(a) E- commerce

Electronic commerce or e-commerce is the exchanging of goods and services by means of the internet or through the computer networks

(b) Electronic Banking

Electronic banking uses computers to carry out transfer of money. Here are some examples;

- 1. Automated teller machines (ATMs) enable customers to withdraw money from their saving accounts by inserting a bank card and a private electronic code into an ATM. The ATMs enable bank customers to access their money 24 hours a day and seven days a week wherever ATMs are located, including in other countries through visas and debt cards.*
 - 2. Banks also offer debit cards that directly withdraw funds from a customer's account for the amount of purchase. It is like writing a cheque.*
 - 3. Banks also use electronic transfers to deposit payroll cheques directly into a customer's account and to automatically pay a customer's bills when they are due. Many banks also use the Internet to enable customers to pay bills, move money between accounts, and perform other banking functions.*
-

Activity 12.3

1. Have you ever tried direct buying? Yes/No.

Sample Answer: Yes

2. If you did, then, say how you carried out that direct buying?

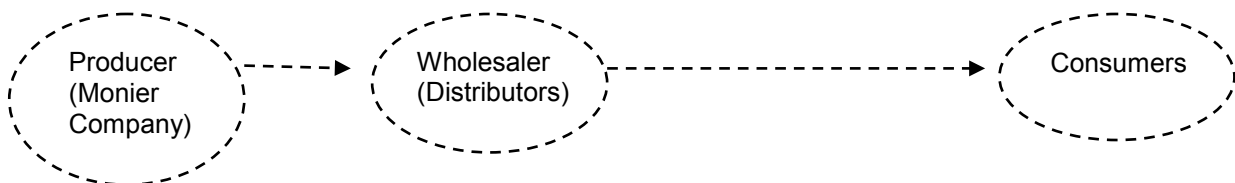
Sample Answer: I went to the farm and bought the item.

I purchased it through e-commerce.

Lesson 13 Activities

Activity 13.1 Refer to the information below to answer the given situation.

Monier Company is the producer of „Tuffa Tanks“ in Port Moresby. It sells “TuffaTanks” to its Distributors (wholesalers) in Lae and Mt. Hagen.



Answer: Vehicles from the company location to Port Moresby Port, then, by ship to Lae Port and in big vehicles from the Lae port to the locations of Lae distributors and Mt. Hagen distributors. Finally, the big vehicles will move the tanks to the consumers' location.

Activity 13.2

Explain the following;

1. Land transport

It is the use of buses, cars, vehicles, container trucks, to carry goods from one location to another on land.

2. Water transport

It is the use of ships, boats, launches, barges and pontoons to carry goods from one location to another using the sea or rivers.

3. Air transport

It is the use of aircrafts to carry goods from one location to another in the air.

4. Pipeline transport

It is the use of pipelines to carry gas and oil from the production plants (extraction sites) to the wharf to be loaded onto the ships.

Activity 13.3

The first column of the following table lists different goods to be transported to various destinations. State the most appropriate transportation method to use for each of the situations in column two and justify your answer in column three. The first one is done as an example for you to follow.

Description	Transport Method	Justification
1. Transportation of fish from Lae to Goroka	Eg: Land transport - Refrigerator Container Vehicle	<i>Nature of goods, because it is fish it must be preserved and Lae to Goroka is connected by land.</i>
2. Transportation of coconut from Madang to Mt. Hagen	Sample answer: Land transport	<u>Sample answer:</u> <i>Madang to Hagen is connected by land, it is readily available and reliable and not costly. Non perishable goods</i>
3. Transportation of gold bars from Lihir to Port Moresby	Sample answer: Air transport & land transport with high security measures	<u>Sample answer:</u> <i>Nature of goods and safety. Expensive goods</i>
4. Transportation of guns and ammunition from Port Moresby to Vanimo	Sample answer: Air transport (army planes)	<u>Sample answer:</u> <i>Nature of goods and safety. Sensitive goods</i>
5. Transportation of logs from Vanimo to Lae	Sample answer: Sea transport (ship)	<u>Sample answer:</u> <i>Nature of goods, very heavy</i>

6. Transportation of store items from Port Moresby to Daru	Sample answer: Sea transport (ship)	<u>Sample answer:</u> <i>Nature of goods, heavy, need to be in containers</i>
7. Transportation of bottled water from one sub-urban to another sub-urban in Port Moresby.	Sample answer: Land transport	<u>Sample answer:</u> <i>Conveniences, speed and cost less</i>

Lesson 14 Activities

Activity 14.1 Using your previous knowledge on costing Grade 9 answer these questions. You can also ask any reliable person(s) to help you answer these questions

1. Explain “the cost of goods sold”

This refers to the total sum of money a retailer has to pay for store goods. This includes payment for goods, transport costs, or freight costs and cost of insuring goods.

2. List examples of other costs in a business.

Examples of other costs in business are; wages, rent, electricity and water charges, interest on loan, lease payments, repair and maintenance cost, depreciation, administration costs and shrinkage and pilferage of stock.

3. What is a mark-up?

Mark-up is the extra amount that the retailer adds to the cost price of goods in order to determine the selling price.

Activity 14.2

1. Explain the difference between the Fixed cost and the Variable cost

The Fixed cost is a cost that does not change as output changes while the variable cost is a cost that changes as output changes.

2. Explain the difference between direct cost and indirect cost.

Direct cost is a cost that is directly linked to a particular production line while the indirect cost- a cost that does not directly relate to a particular product.

Activity 14.3

1. A tailoring business employs 4 ladies to sew uniforms. It also employs two security guards. Each of the ladies are paid K 350 per fortnight and the two security guards are paid K200 per fortnight.

(a) Calculate the fortnightly wage bill.

Answer: (a) $4 \text{ ladies} \times K350 = K1400$
 (b) $2 \text{ security guards} \times K200 = K400$
Total fortnightly wage bill = K1800

(b) Calculate the yearly wage bill.

Answer: (a) $K1400 \times 26 = K36\,400$
 (b) $K400 \times 26 = K10\,400$
Total Yearly Wage Bill = K46\,800

2. Let us assume that the job will be done within 40 weeks in one year and 40 hours per week.

(a) Calculate the total number of hours worked during the year:

Answer: 40 weeks \times 40 hours \times 4 workers = 6400 hours

(b) Calculate the hourly labour cost.

$\frac{\text{Total yearly wage bill}}{\text{Total number of hours worked in the year}} = \frac{K36\,400}{6400} = K5.678 = K5.69 \text{ per hour}$

3. Estimate the time normally taken to make 1 uniform by each lady. If it takes 5 hours to complete 1 uniform by 1 lady.

Labour time \times number of workers

5 hours \times 4 sewers = 20 hours (it takes 20 hours to produce a total of 4 uniforms)

4. Calculate the direct labour costs of making one uniform.

Total number of hours \times hourly wage rate
5 hours \times K5.69 = K28.45 (Direct labour cost)

Take Note: Security guards are not involved in the production of uniforms. Therefore, they are not included in the calculation of the labour cost.

Answer to Lesson 15 Activities

Activity 15.1

Let us assume that the cost of wood and timber for making 1 bed is K150 and other materials such as nails, glue, and sandpaper, is K50 and it take 3 workers to complete 1 bed in 2.6 hours. Hourly labour cost is K2.97 and indirect cost per hour is K4.56.

Calculate the cost of making 1 bed.

Answer:

Direct costs*Material costs:**Cost of wood and timber**K150**Cost of nails, glue, sandpaper**K 50**K200**Labour costs:**3 workers x 2.6 hours x K2.98 -hourly labour cost**K23.24**Total direct costs**K223.24***Indirect Costs** (overhead + capital cost)*7.8 hours- (3workers x 2.6hrs) x K4.43(indirect cost per hour)**K34.55**Total cost of making 1 bed**K247.79***Activity 15.2**

1. (a) Calculate the likely cost of making one desk if the firm made 920 desks.

Total costs per desk should now be:

- | | | | |
|---------------------|---|--------------------|--|
| 1. Direct costs | : | (a) Material costs | |
| | | (b) Labour costs | |
| 2. Indirect costs | : | (a) Overhead costs | |
| | | (b) Capital costs | |
| Total cost per desk | : | | |

K69.02

K26.73

K17.69

+ K8.70

K122.14

$$\frac{K63\,500}{920} = K69.02$$

$$\frac{K8000}{920} = K8.70$$

- (b) Say whether the cost of per desk have increased or decreased and explain why this has happened.

Costs per desk have increased as a result of making fewer desks.

- (c) If the number of desks produced increased to 2400, calculate the likely cost per desk

Total costs per desk should now be

- | | | | |
|---------------------|---|--------------------|----------------|
| 1. Direct costs | : | (c) Material costs | K31.75 |
| | | (d) Labour costs | K26.73 |
| 2. Indirect costs | : | (d) Overhead costs | K14.74 |
| | | (e) Capital costs | + K 3.33 |
| Total cost per desk | : | | <u>K 76.64</u> |

Lesson 16 Activities

Activity 16.1

1. Give an example of a manufacturer and list two (2) to three (3) examples of its direct and indirect costs

Sample Answer:

A Coffee manufacturer

<u>Direct Costs:</u>	
<u>Material costs:</u> Raw dry coffee beans, packaging	<u>Labour costs:</u> Wages for workers directly operating the equipment and machines for grinding the coffee beans.

<u>Indirect costs:</u>	
<u>Overhead:</u> Water, electricity, telephones, and office expenses, maintenance and equipment, packing bags, meals for workers, accommodation, transportation for workers,	<u>Capital Cost:</u> the use of buildings, containers for storage, machines and equipment

2. Give an example of a Trader and list at least two (2) to three (3) examples of direct and indirect costs.

Sample Answer:

Trader such as a Big Rooster

<u>Direct Costs:</u>	
<u>Material costs:</u> The frozen chips, chicken, beans, corn, bread,	<u>Labour costs:</u> Wages,
<u>Indirect Costs:</u>	
<u>Overhead</u> – Water, electricity, telephones, and office expenses, maintenance and equipment, ice, packing packages, tissues, hand cleaning detergents, meals for workers, transportation for workers, accommodation	<u>Capital Costs-</u> Rent for buildings, machines and equipment

Activity 16.2

1. What happens to the prices if,
 - (a) the supply decreases, Answer: the prices are expected to rise
 - (b) the demand increases, Answer: the prices are expected to rise
 - (c) the supply increases, Answer: the prices are expected to fall
 - (d) the demand decreases, Answer: the prices are expected to fall

Activity 16.3

1. List four (4) factors that affect how prices are set.

(Any four (4) of these)

- *Gross-margin pricing*
- *Going Rate Pricing*
- *Suggested Pricing*
- *Repricing*
- *Loss leaders*

2. List three (3) reasons why a retailer may change the price of the goods.

(Any of these)

- *So that the retailer remains in competition with the other retailers*
- *So that the retailer covers its costs and makes a reasonable profit as well*
- *So that the retailer creates an increase in the demand of a particular good to attract customers to his or her shop*
- *So that it may help to increase the sales of other goods*

3. Explain the following;

(a) Gross margin pricing

It is a calculation of the mark-up of 50% or 100% on a particular good to cover the overhead expenses of a business as well as give the business a reasonable profit.

(b) Going rate pricing

It is about charging a similar rate price that the other competitors are charging in the same area.

(c) Suggested pricing

It is the approach of accepting the recommended prices set by the manufacturers or wholesalers. It ensures that the retailers have a good trade margin and allows them to cover their costs and make a reasonable profit.

Lesson 17 Activities

Activity 17.1

A carpenter purchases building materials from a Hard-ware wholesale at a trade discount of 20%. Listed below are the materials he purchased. Find the total amount payable by the builder after the discount.

Item	Quantity	List price
Timbers	6 long pieces	K48.60 each
Nails	2 packets of 6 inches	K18.50 each
Hand saw	1	K52.50
Plywood	10 pieces	K110.50 each

Answer:

Timbers	6 x K48.60	K291.60
Nails	2 x K18.50	K37.00
Handsaw	1 x K52.50	K52.50
Plywood	10 x K110.50	<u>K1105.00</u>
Total:		K1486.10
	Less 20% trade discount	<u>K297.22</u>
	Amount payable is	K1188.88

Activity 17.2

1. Explain discount on sales and why it is given

Discount on sales is when marked prices are reduced during a short period of time. The purpose is to promote sales, to clear old stock or old models or to clear slow-moving items lying on the shelves.

2. List the examples of sales discounts given.

The discount sales are given under different names such as, "Specials, Clearance Sale, Christmas Sale, Special New Year Sale, Easter Sale, Independence Sale, and Mothers' Day Sale,

Activity 17.3

1. An invoice of K2500 dated 1 February has terms 3/7 EOM. The customer paid on the 5th of February.
 - (a) What is the discount? K75.00
 - (b) What is net amount payable? K2425.00
2. An invoice of K1000 dated November 23rd has terms 2/15 net ROG. The customer paid on the 10th day.
 - (a) What is the discount? K20
 - (b) What is the net amount payable? K980

END OF ANSWERS TO LESSON ACTIVITIES 1-17
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