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# **Business coursework M&M A02**

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## ***M&M's products***

M&M's main product is high quality pizza which is the sort of pizza which takes time and money to produce. Normally a popular pizza parlour sells high quality pizza depending on how much market share they own, profit, sales and costs. They may have gotten the idea of selling high quality pizza when they visited the USA and experienced high quality pizza which is similar to their own pizza. As they sell high quality pizza means that they have competitors which are pizza hut, pizza go go and domino's pizza. However gaining market share for any pizzeria is not easy as currently the economy is in a recession so their customers would purchase their goods and services fewer times as customers have less disposable income. M&M provides a service to the customers which are a take away service and an eat-in restaurant. The advantage of both services is that customers have a choice where to eat however that will mean that the cost of these services will rise but they need to keep a budget. M&M satisfies the customers need and wants as food is a basic need but pizza is considered to be a luxury food which in other words it is a want product. M&M also sells complementary goods (i.e. garlic bread) which in order for the company to make a profit, market share and increase reputation. This also satisfies the customer and this makes the customer buy the complementary goods when they purchase pizza.

## ***Target market***

Target market is when the marketing department has to find out the business' s current market, for example if there is a business which makes washing up liquid and there is another business makes washing up liquid. There is a sale of automatic dishwashers, this would be important on the business. They also find out the consumers' needs and wants by carrying out market research activities. The marketing department's objectives can be fulfilled when business is always trying to make sure the business is selling the right product, at the right price, in the right place and promoting it in the right way at the right time. The marketing department research and investigates consumers by market segmenting which it is looking by customers' age, gender, socio-economic group and geography. They use this so that they could figure out what they want from those four classifications.

## ***M&M's target market***

**Gender** - M&M targets both of genders which are male and female, the reason why they target both genders is because males and females prefer having to purchase and eat pizza.

**Age** - M&M is aware that the age group of people who eat pizza from pizza shops are 5-50+, however M&M targets people who are in the age group as they have products in their menu which satisfies a small age group in the main age group. M&M provides a meal for a certain age group for example kiddie's meal. This also can be known as price discrimination as they charge depending on someone's age.

**Socio-economic** - M&M targets people who are in the B, C1 and C2 as they can afford high quality pizza. Some people cannot afford high quality pizza but they can

do it by impulsive purchase. As the higher, means the higher the quality, the higher the price.

**Culture-** As United Kingdom today, has mostly a wide range of population of multi-cultural people who are mainly from Asia. If M&M foc used on people who have different cultures this will lead them to having a greater range of market segmentation. This shows that they possibly could sell halal meat just as kfc and subway had started.

**Lifestyle-** People who go to M&M has busy life styles that don't have the time to cook their own meals who are mainly students or busy workers (young people who have a fast pace life). The people who have family lifestyles only come occasionally for at least once a week depending on their socio-economic.

**Location -** The outlets' location should be near to the customers and it should be high possibility for people to get their delivery in a good quality (hot and fresh) and in time. This will satisfy the customer and possibly increase the market share. The franchisee may wants to open his store where there are expensive houses (B, C1 and C2) for the people who can afford it.

## ***Product life cycle***

### **Stage one- Development**

This is the first stage of the product life cycle, so this means the business use their money to invest on research which is done by the marketing department. They also test the product by using the four P's. In this stage they are making a loss and they are spending money, which is a risk and could possibly reach up to a point where the company has to have a cash flow problem. The most costs the make means that they are delaying the part where they have to make a profit.

### **Stage two – Introduction**

The product is released in the market right after the testing of the product. At this point of the stage, the business may want to do a promotion (above the line) for the public to get a notification of the product. Although it may be not wise to increase their costs for doing a promotion as this part of the stage they are still making losses. Also sales are still are low and that means that they are delaying the breakeven point.

### **Stage three – Growth**

The product becomes familiar in the market as sales should begin to increase so that will mean eventually profit will start to come to the business. Advertising is usually is used by the business but not often as it is used in the introduction stage. The profit will start to come in this stage as if they keep their sales high and low costs.

### **Stage four – Maturity**

The product is well established in the market and the promotion is there to remind the consumer about the product. This is when the business has the highest sales and the highest profit, and if they wish to expand they can use an extension strategy.

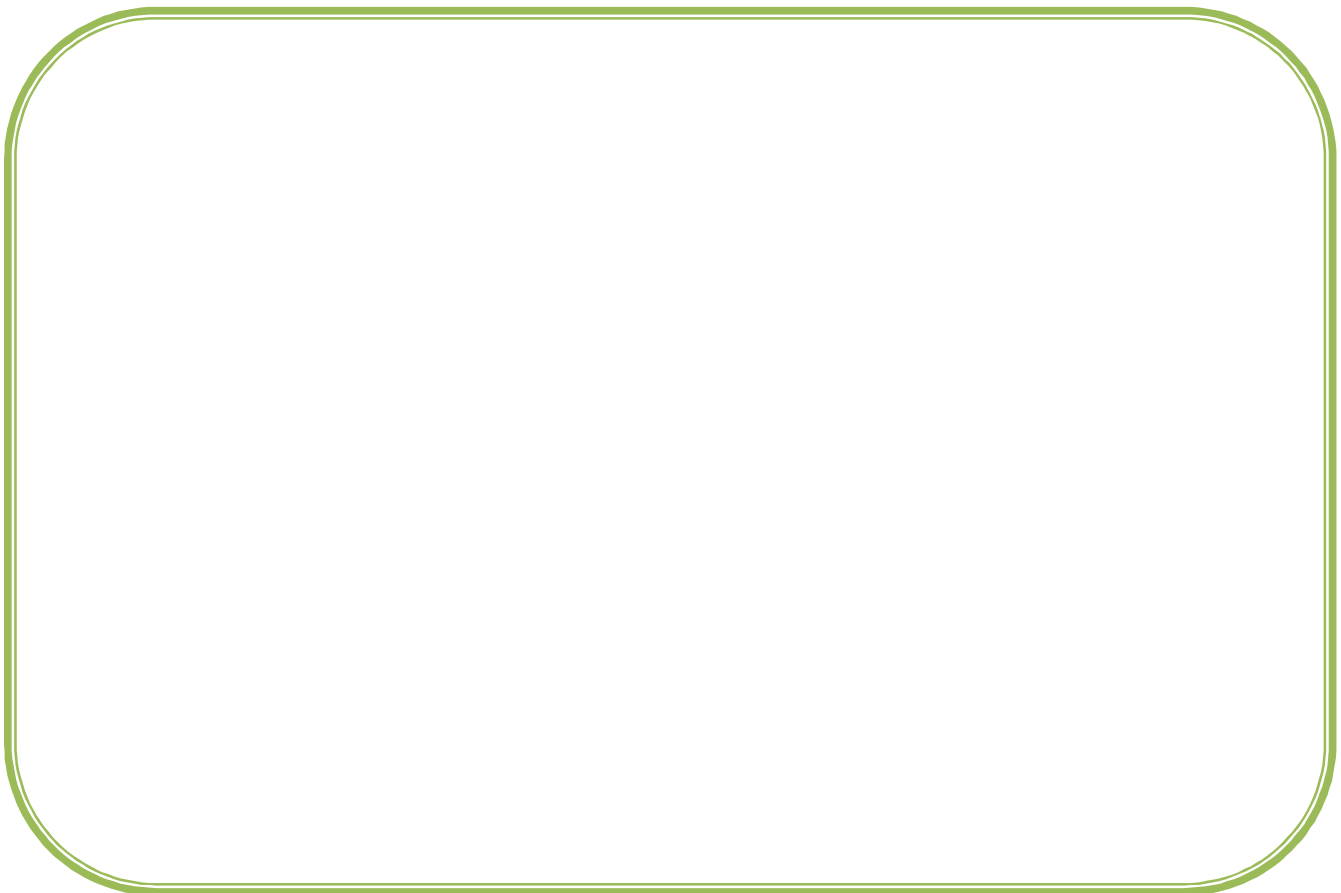
### **Stage five – Saturation**

The market for the product becomes saturated and the way to increase sales at this stage is to take them from competitors. Promotion strategies are used at this point and in this stage the business may also use an extension strategy to delay the product's decline.

### **Stage six – Decline**

The product starts to lose its competitive edge and more rival products are introduced in the market as they use their diversified product range. The product has become out of date, sales begin to fall and profits begin to fall. The product is no longer wanted and it is obsolete.

### ***Product life cycle diagram***



### ***M&M's product life cycle***

M&M is in a stage where they are in a point of using extension strategies, as M&M has existed since 1985. They are in a saturation stage, where competition is intense as its competitors fight for market share as lot businesses in this stage are figuring out

strategies for extensions. They need to have a product life cycle for order to keep a prediction on sales and profits. They have also to use the M&M's product life cycle for to understand the market and understand what implies to be in the saturated stage; also order to keep the most of the market share would delay the time of decline. This is probably necessary for to keep track on the product life cycle in the marketing department as well as they keep track on cash flow data, balance sheet and etc. This a good advantage to have a product life cycle so that they could predict what sort of actions that has to take place for example in stage six the business would have to an extension for order to keep the product life extended. Currently, M&M is deciding on what extension strategy is better as they have to use to keep the product life cycle running. It is also important for M&M to keep track on their competitors' product life cycle as M&M could study on how their product and its progression, so that they can gain market share and they can beat their competitors.

### ***Why M&M is in specific a stage?***

As I have mentioned that M&M is in the saturation stage this point reason is because in this stage they are earning profits, as their sales continue to increase so they do it in a slow rate. As in this point of this stage the product will be known to their target audience so their costs will decline adequately. Competition may outcomes as a decreased market share and /either prices. In this point M&M's products will be similar to its competition which is very difficult to attract the consumers to their business. As this is difficulty of differentiating the product as the business should be careful of not diversifying the product or slightly changing the product as the target market will eventually lose interest. Also the business may use their effort into encouraging competitors' customers to switch and become M&M's regular customer; they could do that by comparing their prices as well as their competitor's price. Sales promotion maybe offered to encourage retailers to give the product more shelf space over competing products. In this stage the goal is to maintain market share and extend the life cycle to prevent the decline stage.

### ***What are M&M's competitors doing for order to them to survive?***

M&M's competitions are doing certain activities to order for the business to have an extended product life cycle or to even survive. Pizza hut recently had to diversify their product range which shows that they were in the saturation stage too, they had introduced pasta to their menu due to the fact they assumed that we will bring in more customers or a new range of a target audience. Pizza hut also tries to advertise to people from different perspectives from movies so that people will grow an attention to their product. Pizza hut is also providing below the line promotions (providing offers and deals), pizza hut is probably doing this because of the recession of the late 2000s. Domino's pizza is doing similarly same but the business has recently put an ethnic food on the menu for to bring in a new target audience which is to increase sales and profits. Although pizza hut may be earning most of the market share due to the several of reasons such as having domino's pizza as a take away business only which decreases the chances of them to gain market share higher than pizza hut. Pizza go go is the business which has the least market share as it sells lower quality pizza which is mainly targeting for people who are under C1 or C2. Overall I presume that all the businesses have to try harder to fulfil the business objectives and extend the product life cycle as people have less disposable income and the recession occurrence.

## ***Extension strategies***

Businesses use an extension strategy whenever they believe that it will delay the time of the product declining this sort of strategy is mainly used in the saturation stage.

▲ An example of an extension strategy is diversifying the product range this for instance when pizza hut started sell pasta due to the fact that it will attract more customers.

**Product development** - this is when the business decides on whether to improve or make any changes to the current product this point being is because for the product to be more appealing to the customers. This can be improved by the product's packaging, better quality and more. For example of this, is the Sony's Play station 3 console just launched and slimmer and perfected version of the model. This could be a disadvantage as people prefer the original product over the perfected product or people wouldn't like to spend their money on the perfected product when they already have the original product as it already has have the similar qualities.

**Market development** - this is when the business uses an existing product for a different, like as when the product can be used for a different purpose. For example lucozade is mainly drank by people who are ill but now it also has a different use which is for people who are athletes when they are doing sports. The disadvantage for having two different purposes or market is that people would mostly forget the reason why it was launched in the market in the first place and eventually that market would not exist.

**Widening the product range** - this when the business decides to diversify the product range which is when business producing more varieties of the same product. For instance many businesses like Nestlé's kit Kat bar recently launched a caramel flavour or having a strawberry flavour Milky Way.

## ***Is an extension strategy beneficial to M&M?***

Extension strategies should be used at this point of time as the business is in the saturation stage and it is wise to delay the time of the decline stage. ▲ As the delaying time of the decline stage, the business can also increase its sales and that will lead to increasing profits. ▲ As having to improve or have another product can increase the business's market share. Businesses may have to use an extension strategy as it will extend the length of time and delay the time of the product becomes obsolete.

## ***Consequences***

If M&M didn't have to use extension strategy, they will have a decline stage quicker and their product will eventually become obsolete. ▲ Also their profit and sales will drop as well as the product's life cycle will finish and eventually they might have a cash flow problem. The business may have to struggle a little more due to the late 2000's recession. If the product life cycle is not extended, the business will lose market share and the business will lose their target audience. ▲ Also the competitors might use pricing strategies as when M&M lose their assets, this will take place in the decline stage and M&M's competition may use destroyer pricing and competition - based pricing.

## *M&M's restaurant*

### **What is a restaurant?**

▲ restaurant is a location that serves ready food and beverages to be consumed on the premises. ▲ Also restaurants are known as a place where people get together who are family or friends and socialize. People often visit a restaurant sometimes on special occasion's i.e. birthdays but it's depending on what sort of restaurant it is. Furthermore, it depends on what market is the business targeting from market segmentation which depends on their socio-economic group, geography, life style, age and gender. For example nandos is a business where a family often visit; also nandos targets people who are in a socio-economic group in (B, C1, and C2).

### **Advantages and disadvantages**

The advantage of M&M having a restaurant also offers a take-away service, is that the business can earn more profit and increasing sales. ▲s when customers can have their goods and services by a take away service and by visiting the restaurant, this will increase the market share as well due to the fact that more customers will buy their products maybe nearly twice the times as before. ▲ Also the customers can be able to purchase complementary goods as that will increase sales and this will also increase their market share as they could have more than dominos as it is only has a take away service.

▲ Another advantage would be that the business would have an impact to a new segment which specifically is the location segmentation. It would be logical for M&M to have their outlet closer to the target audience which should be nearer to the homes which can be afforded for people who are in a socio-economic group in (B, C1, and C2). If they had done it so, that would mean that the customers would often visit the local restaurant and there is a limited radius that the take away service should be able to deliver their target audience they live in the area can receive their goods.

The disadvantage is that having permission from the council of having premises on the restaurant can be declined and therefore it will be impossible for them to launch a restaurant. ▲s they will decline many costs that they set up and spent will be at waste for example they had ordered cooking tools for to make products for M&M. There will be a possibility that they will might be a higher demand in the market and so they will need more supply after they have got a decline from the council which they have less assets therefore it will difficult for them to get supplies. ▲s well as them losing on market share, increasing sales and profits that they had expected.

▲s currently there is a recession it will more likely that there will be less demand as people would have less disposable income which is unlikely that they will visit the restaurant as often they did before the recession. M& M has now less assets and it will be difficult for them to launch a restaurant including that customers are demanding for more. ▲ Also it is a disadvantage for them to spend on their expenses; such as adverts, delivery person, cooking supplies and more. For order for M&M to do both they must have a lot of sales and profit from before.

### **Healthy eating options**

The market is now demanding for a healthy food as they are concerned about their own welfare, this means more demand and supplies for the business. Healthy food can be introduced in the menu, many restaurants offers a 5 a day campaign, which offers a balanced diet. This helps the customer to have a healthy lifestyle and then this will make the customer to come regularly as it will attract them. The businesses' intention is to introduce a new market as people would demand for healthier foods which they are concerned about their own lifestyle. This will eventually help gain for the business to have increasing market share, profit and sales. For example they are different types of healthy eating options such as kid's meal, kosher meal, salad meal and meals for pregnant women. For instance MacDonal'd's offers a happy meal (kiddie's meal which contains nutritious foods).

▲An advantage of having a healthy eating option is that it will give a specific target market the supply what they demanded. ▲As this will means that the sales will gradually increase and therefore the profit too, this point being is because as people nowadays are concerned about their own health and they wish to keep a balanced diet. ▲As eventually the market will demand to put healthy eating options in the menu, it will depend on how much assets does M&M have. If they have enough to supply their target market their extension strategy will become successful as it helps M&M to increase their market share as well. For instance if M&M had to put healthy eating option first in the menu before its competitor then that will mean that they will earn a lot of market share as the target market will go to M&M as they can supply the healthy eating options.

▲Another advantage of having a healthy eating option is that if M&M had put healthy options in their menu, as an extension strategy then that would mean that their product life cycle will be extended and the decline stage will have a delayed time. It will be wise for M&M to use this as extension strategy as M&M is in the saturation stage and businesses should be thinking of ideas of extending the product life cycle for example diversifying product range, for instance extra (gum) has diversified its product range as it sells different flavour. ▲As higher demand, the higher supply and then eventually the profits will increase and in the future they can use another extension strategy if this goes successful.

The disadvantage of having a healthy eating option in the menu is that due to the late 2000s recession many people have less disposable income. Then people wouldn't have that much money to spend on many luxuries such as M&M products. Therefore M&M would earn minimum sales and profit, so it would be difficult for them to do an extension strategy which is doing a healthy eating option. If it would be difficult for them to introduce the healthy eating option then its product life cycle would be declined quicker if they haven't used extension strategy. This will also lead to of not having a greater part of the market share. Their sales and profit will decline even more when the specific target market demands for having a healthy eating options as it will impossible for M&M to supply.

### ***Loyalty card***

▲loyalty card is when where a business offers a card issued to customers by the business for allowing them to receive for rewards or discounts if they continue to purchase goods and services there. For example Tesco's gives a customer a Tesco club if they wish and each time the customer buys goods, automatically the points will add to the club card then eventually they will be able to purchase goods which



are giving the customer a chance to purchase a random product which is a below the line promotion. For example there are some loyalty cards that are different from club cards, which is something similar to what Costa coffee uses which is when a customer buys a coffee and they will stamps on their card and eventually they will get a free coffee from the number of stamps