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**TERMS OF REFERENCE**

~~As a result, write a short report on the following:~~

- (a) What marketing methods would you use to support the position of the new product in the market place and how?
  - (b) In what ways could the internet have an impact on the marketing of an established product such as a bicycle?
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## 1.0 Marketing Methods

The marketing method to be used to support the position of the new product in the market place is by implementing the 4 Ps (Product, Price, Promotion and Place).

## 2.0 Product

By putting emphasis on the new gearing system, instead of the complete bicycle, may encourage new users to the market.

The new gearing system, which has been made with ten gears, is compatible with most bicycles, including the ATB and BMX. It is discrete, has an enclosed hub that makes it easier to maintain. It has the advantage of being a technological innovation, which therefore will lead the market in this type of gearing system. It is suitable for both male and female bicycles, and also for children's bicycles.

### 2.1 Benefits

#### 2.1.1 Tangible Benefits

- ◆ Shape
- ◆ Colour
- ◆ Design
- ◆ Apppearance

#### 2.1.2 Intangible Benefits

- ◆ After-Sales Service
- ◆ Customer Care Policy
- ◆ Guarantees
- ◆ Availability of Spare Parts

## 3.0 Price

A clear pricing policy must be implemented. After weighing the cost of manufacture, the percentage profit of market price of competitor brands and the price the customer is prepared to pay.

Therefore, the three most common All Terrain Bicycles (ATB) will be the main focus of our pricing strategy, depending on brand, size and extras:

- ◆ ATB            £139.00 upwards.
- ◆ Chopper      £190.00 upwards.
- ◆ BMX            £140.00 upwards.

## 4.0 Promotion

In order to promote the bicycle with the new gearing system, we must develop the desire towards our target audience. Developed desire stimulates demand for the new product, therefore, leading to an increased supply of the bicycle with the new gearing system. There are various ways of promotion depending upon the budget the company has set aside for this purpose:

- 4.1 **Television** This reaches a larger audience than any other forms of media, but is generally very expensive, depending on what time of day and how long the advertisement is to run for. It is also more difficult to target specific demographics.
- 4.2 **Radio** The radio offers a more targeted audience, and is usually less expensive than television, but may reach a smaller audience and the format does not allow the transmission of visual images.
- 4.3 **Magazines.** These are generally kept for longer within households than daily newspapers and can be read over and over, therefore, more opportunity for the reader to see the advertisement. In addition, there are magazines dedicated to bicycles, for example, The National Cycling Magazine.
- 4.4 **Newspapers.** These range from general circulation papers to the niche papers, that reach highly segmented audiences, for example, students and families.
- 4.5 **Public Transport Advertising.** Advertisements can be placed on the outside of buses, which can be read by people all over the areas served by the public transport sector. It is also useful in promoting multi-modal transportation for bicycle commuters such as bike on rail, and bike on bus opportunities.
- 4.6 **Billboards.** These have the potential to be seen by thousands of people every day. Bicycle commuting advertisements placed on billboards, next to gridlocked roadways can provide effective moments to trapped motorists, therefore encouraging them to buy a bicycle, and be able to ride through the gridlock instead of being trapped in it.
- 4.7 **Mail Shots/Mailing Lists.** These are sent to targeted audiences who have purchased or shown an interest in purchasing bikes in the past and could prove to be very effective.

## 5.0 Place

Distribution can involve a number of different methods, ie Wholesaler and retailer:

5.1 **Wholesaler.** They will buy the products in bulk and re-sell in smaller quantities to retailers.

5.2 **Retailer.** These are smallholdings in comparison to the wholesalers. Retailers will only sell a small quantity of bicycles because of their increased prices.

5.3 **Warehouses.** Cash and Carry warehouses is where the buyer pays cash for the bicycles and takes them home with them. It allows card holding buyers to top up retail stocks.

## 6.0 E-Commerce

The Internet can be a very useful tool in the marketing of an established product such as the bicycle. Unlike mailshots, which are sent unsolicited to customers, with a website customers come to you. An e-commerce website offers enormous potential benefits to businesses, whatever their size. These benefits are:

- ◆ Access to Global Market – the Internet allows businesses access to a huge market of potential customers worldwide.
- ◆ Cutting out the Middleman – businesses can sell direct to end-users
- ◆ Level Playing Field – a small business can show itself to be as professional and credible as its larger competitors.
- ◆ 24-hour Business – with a website that accepts payments online you are always open for business to customers even if your office is closed.
- ◆ Greater Customer Satisfaction – an e-commerce website can be a powerful tool for building customer loyalty. A well designed website puts the customer in charge of the relationship – they can buy, browse, ask for help or track the progress of their order when they want.
- ◆ Reduced Marketing Costs – word of mouth can be incredibly powerful on the Web through e-mail recommendations and search engine ratings. You can achieve a great deal through organic growth by treating customers well, keeping them informed about your activities and benchmarking yourself against competitors.

- ◆ Better Customer Information – giving online customers passwords to your site saves them having to re-enter their details every time they shop. But it also gives you information about buying habits to refine your marketing, pricing and purchasing strategies.
- ◆ Streamlined Business Processes – increasingly companies are integrating their business processes. Orders come in to their website, card details are processed, goods dispatched and stock re-ordered seamlessly, dramatically reducing the cost of each sale.

6.1 **Promoting The Site.** There are three main ways that people arrive at websites:

6.1.1 Direct Traffic – this is where people type in the web address. It is accounted for around 10% of web visits.

- ◆ The best way of generating web traffic is also the cheapest to implement – simply make sure you include your web address on all printed material: business cards, flyers, letters, etc.
- ◆ If you have chosen a simple URL, it will also make it easier for people to remember from television and radio adverts or personal recommendations.
- ◆ If you operate exclusively in the UK, choose a co.uk address. If you trade abroad, you might want to consider a .com address as well. To make it easy for someone to find your website, avoid hyphens or other punctuation in your web address.

6.1.2 Web Referrals. These are links and banner adverts. Over a fifth of web visits come from web referrals. There are a number of ways you can generate these:

- ◆ Include your web address as a standard part of all e-mail footers.
- ◆ E-mail marketing targeted electronic newsletters and offers to customers can be very effective. If the offer is interesting, it is also very easy for people to pass the e-mail on to colleagues.
- ◆ Online advertising – the use of banner and pop-up adverts on other websites to drive people to yours is a contentious issue. Response rates tend to be very low, however, the amount of money spent on them continues to increase. If you are considering paying for online advertising, it is essential to have a clear idea of your objects and to take advice from an agency on the best way to reach your audience.

- ◆ Reciprocal Marketing – This involves finding sites with complementary content and agreeing to have links or banners to each other’s sites.

6.1.3 Search Engines. Like Google and Yahoo!, which accounts for 14% of web visits. While search engines are far outstripped by direct referrals, they can still prove useful for attracting customers if you are in a very price sensitive market, like bicycles, where competitiveness is high. Different search engines rank websites in different ways – some by a site’s popularity, some by relevance and some by quality. Many also offer the option of paying for a place on the first page, because only 10% of web users look beyond the second page of results.

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