# Chapter 14 Marketing Mix and Consumer Behaviour in Food and Drink

## **Multiple Choice Questions**

1. Which of the following is not in the ‘product life cycle’?
2. Growth
3. Product extension
4. Peak
5. Decline
6. What type of pricing strategy is where an organisation sets a lower price to increase sales and market share?
7. Penetration pricing
8. Bundle pricing
9. Competition pricing
10. Skimming price
11. When customers buy products in bulk what do they expect?
12. Premium price
13. Better quality
14. Discounted price
15. Improved aftercare service
16. Which of the following is not an intermediary?
17. Agent
18. Wholesaler
19. Distributors
20. Consumers
21. What is it called when a consumer sends a product to a producer?
22. Dual distribution
23. Reverse channels
24. Indirect
25. Direct
26. Which of the following does this statement describe? ‘A very specific grouping of current consumers, former consumers, and potential new consumers’.
27. Influencers
28. Channel members
29. Actual audience
30. Other companies

**Revision questions**

1. You are in charge of the pricing strategy for a new product released by a fast-food chain. What strategies would you use, and why?
2. You are a promotions manager working for a business who operates in the food and drink industry. The business you work for sells fresh goods and therefore aims to sell products quickly to maintain high standards and to minimise waste. What promotion strategies would you choose to use in order to help the business achieve high sales?
3. A small business within the food and drinks industry plans to up-scale their operations and supply drinks to a wider customer base. The business is currently using a direct distribution channel; do you think they should change this? If yes, which do you think would be the most suitable distribution channel and why?

**Answers**

### Multiple choice questions

1. C
2. A
3. C
4. D
5. B
6. C

### Revision questions

1. *You are in charge of the pricing strategy for a new product released by a fast-food chain. What strategies would you use, and why?*

The three pricing strategies that I would use are: penetration pricing, psychological pricing and also bundle pricing. The reason that I would use penetration pricing is because, it is a new product, thus meaning the organisation will want to build up a customer base. Customers are more likely to purchase the product when it is at a cheaper price, when the organisation feels they have developed a customer base we can then start to raise the price and therefore increase profits, whilst trying to maintain the customers who bought the product at the initial cheaper price.

Moving onto psychological pricing, the reason that I would use this strategy is because customers are more likely to make purchases at £1.99 rather £2. This is because the customers normally respond in an emotional manner rather than a rational manner. Although it is only 1p cheaper, customers see that £1 is cheaper than £2 and may see this as a better deal.

Finally, moving onto bundle pricing. The reason I would implement bundle pricing into the fast-food chains pricing strategy is because the new product can be used within a ‘meal deal’, this would mean that we can sell more stock at a slightly reduced price. By having a reduced rate for buying a bundle, customers are more likely to spend more on their trip into the chain, for example instead of spending £2.99 on a burger they may spend £4.49 on a burger, chips and a drink. The additional £1.50 per meal will bring in greater revenue for the organisation.

1. *You are a promotions manager working for a business who operates in the food and drink industry. The business you work for sells fresh goods and therefore aims to sell products quickly to maintain high standards and to minimise waste. What promotion strategies would you choose to use in order to help the business achieve high sales?*

I would choose to implement advertising as my main strategy. Advertising is the simplest yet the most effective way to make customers aware of your product. Some platforms for advertising that I believe the business should use is television and social media. Considering that most people buy food depending on what it looks like, it is important that the business should only focus on types of advertising that promote the visuals of a product. For example, using radio to promote food and drink products would not be as effective, as there will be no visuals of the product. Using television and social media effectively, will allow widespread publicity of our products and this will in turn increase sales and brand recognition. In the long term this will allow the business to sell products quicker and therefore achieves the aims of the business.

Another strategy which should be used is sales promotions. This encourages a short-term boost in sales, but can be also used a strategy to entice new customers to try out the businesses products and this could encourage them to buy products from the business in the future. Examples of sales promotions could be buy one get one free (BOGOF) and discounts on products. This could be a useful strategy for a business who has fresh goods as this would allow the business to boost sales in the short run, therefore making more profit and minimising waste. In addition to this, the business can choose when to implement a sales promotions strategy depending on how much produce they have at any one time. For example, a lot of produce may lead to BOGOF offers, and if there is some which may go out of date soon then discounts may be offered.

1. *A small business within the food and drinks industry plans to up-scale their operations and supply drinks to a wider customer base. The business is currently using a direct distribution channel, do you think they should change this? If yes, which do you think would be the most suitable distribution channel and why?*

Yes, the business should make a change to their operations. A direct distribution channel is not would not be a sufficient or economically efficient means of supplying the product to consumers.

Implementing an indirect channel of distribution would be the most suitable choice for successfully up-scaling and expanding their scope of customers. In contrast to a direct channel, indirect channels utilise intermediaries such as wholesalers and retailers. Taking advantage of these ‘middle-men’ can be very beneficial to the company in reducing the cost of transporting their drinks to a large customer base.

If the business was to continue to use a direct distribution channel whilst selling to a large market, their expenses would soar. For example, fuel would cost a huge amount as the business would have to use many vehicles to sustain a consistent product supply. Furthermore, the wage expenses would also rise as extra drivers would need to be employed by the business.

An indirect distribution channel helps to reduce these costs. Wholesalers can store large quantities of products and then distribute the products to retailers to sell to the end user. These intermediaries earn a share of the profits; however, this is a significantly lower figure than what it would cost the business to distribute the drinks to their consumers themselves.