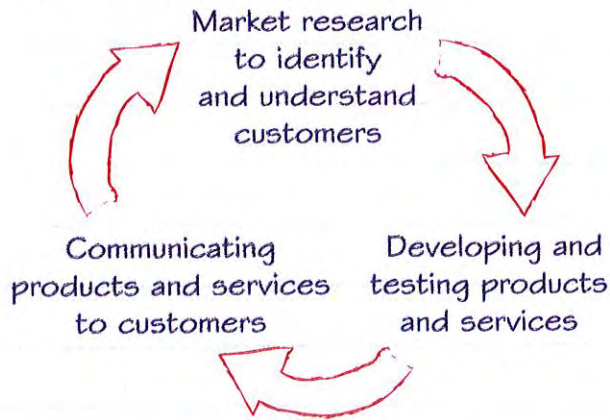


# Marketing

Marketing involves identifying and understanding customer needs and wants. Businesses can then provide products and services that meet these needs PROFITABLY. Remember that marketing is about UNDERSTANDING customers, not just selling.

## The marketing process



## Why bother?

Businesses need to think about marketing in order to:

- ✓ reduce risk of product failure
- ✓ understand their customers
- ✓ communicate products effectively to encourage customers to buy them
- ✓ keep up to date with market trends so products can continue to meet customer needs.

## Market segmentation

A market segment is a group of customers in a market that have similar characteristics and needs. You can segment the car market by the type of car a person drives, such as sports, executive, people carrier etc. Sports car drivers are likely to have different needs to people carrier drivers.

## Benefits

Market segmentation helps businesses:

- ✓ carry out market research
- ✓ tailor products to customer needs
- ✓ target promotions at specific groups.

## Worked example

Explain **one** way in which effective marketing can help improve the products of a business. (3 marks)

If a business understands their customers' needs their products and services can be developed to meet these needs. This means that the products will be more attractive and desirable, leading to a greater number of sales.



Make sure that you:

- identify **one** way (for example, product development)
- explain how it will improve the business's products.

## Now try this

- 1 Which **one** of the following would most likely be considered an example of marketing a product? (1 mark)
  - A  Employing a new marketing executive
  - B  Repairing a machine
  - C  Making improvements to a service
  - D  Surveying customers
- 2 What is meant by the term 'marketing'? (2 marks)

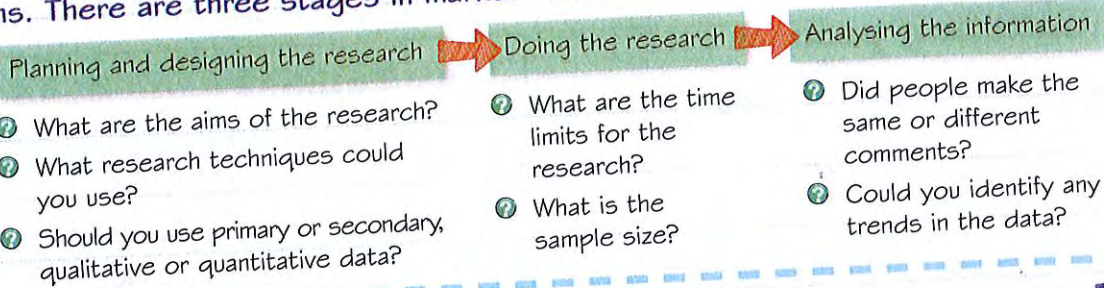


Do not equate marketing with advertising. Advertising is one way of making customers aware of a product or service but it is not the definition of marketing.



# Market research

Market research is gathering information about customers, competitors and market trends by collecting primary and secondary data. This information is used to help a business make decisions. There are three stages in market research.



## Making decisions

After analysing the information from market research, a business might ask questions like these:

- Is the marketing mix appropriate?
- Does a product or service need to be changed to make it more appropriate for customers' needs?
- Should a product or service be left unchanged?
- Is it time to withdraw or replace a product or service?

## Real life market research

When reading about market research in a case study, ask yourself the following questions:

- Was the right type of research used?
- How accurate is the research likely to be?
- Is the research representative of the target market?
- Is there any important information that the market research does not tell us?

This will help you discuss the likely success of a product or an idea.

## Worked example

Apple produces home electronics, including strong brands like the iPod and iPhone, for the mass market. Product design is an important part of its success.

- (a) Identify one method of collecting qualitative market research. (1 mark)

*Focus groups*

- (b) Explain how qualitative market research might allow Apple to improve its marketing mix. (3 marks)

*Qualitative research will give Apple information about whether consumers find their computers, iPads and iPhones attractive. This will enable Apple to change their product design so that consumers will pay more.*

Some other methods of collecting qualitative market research are interviews, consumer panels or questionnaires/surveys.

## EXAM ALERT!

Only one in twenty students got all three marks for part (b). Make sure you relate your answer to the case study, examining the effects on the business.

This was a real exam question that a lot of students struggled with – be prepared!

ResultsPlus

## Now try this

- 1 What is meant by the term 'market research'? (2 marks)
- 2 Identify one way in which a business might collect quantitative market research data. (1 mark)

- 3 Explain one way in which market research data might benefit a business. (3 marks)





# Product trial and repeat purchase

A **PRODUCT TRIAL** is when consumers buy a product for the first time to assess whether or not they want to buy it again. If this is successful, it could lead to **REPEAT PURCHASES** and **CUSTOMER LOYALTY**, where customers will buy a product more than once and keep coming back.

In this topic you should know:

- ✓ the range of methods a business could use to trial a product
- ✓ the range of methods to build customer loyalty and encourage repeat purchase
- ✓ how businesses might change their marketing activity over time.

## Case studies

Different marketing techniques are suitable for different products. Product trial and repeat purchase marketing will be very different if a business is selling a chocolate bar or a car. Try to think of realistic and practical examples and apply them to the business in the case study.

## Product trial

A business must get customers through the door so that they try the product for the first time. Methods used to do this might include:



## Repeat purchase and customer loyalty

Businesses aim to keep customers loyal, so that they make repeat purchases. This will generate sales and revenue. Methods that might be used to do this include:

- ✓ special promotions
- ✓ reminder adverts
- ✓ product innovations
- ✓ customer loyalty schemes (loyalty cards).

The cost of retaining existing customers can be less than that of attracting new ones.

## Worked example

Subway is a well known sandwich retailer. It has become successful by offering consumers a choice and providing a healthier fast food option.

Other possible answers might be:

- advertising
- publicity
- special offers
- viral marketing
- low trial prices.

You do not need to spend time writing long answers for 'identify' questions.



Identify **two** different methods of 'product trial' that Subway could use. (2 marks)

- 1 Press release      2 Free samples



## Now try this

In 2008, Pepsi launched its first major product since 1993. Pepsi Raw is a cola drink that is made from entirely natural ingredients and contains no artificial flavouring or sweeteners. The drink was launched in 2009 after a year of market research which saw a product trial take place in seven UK cities. Pepsi hope the new drink would allow it to catch up with its main rival, Coca-Cola, which was the market leader in the UK soft drinks market.

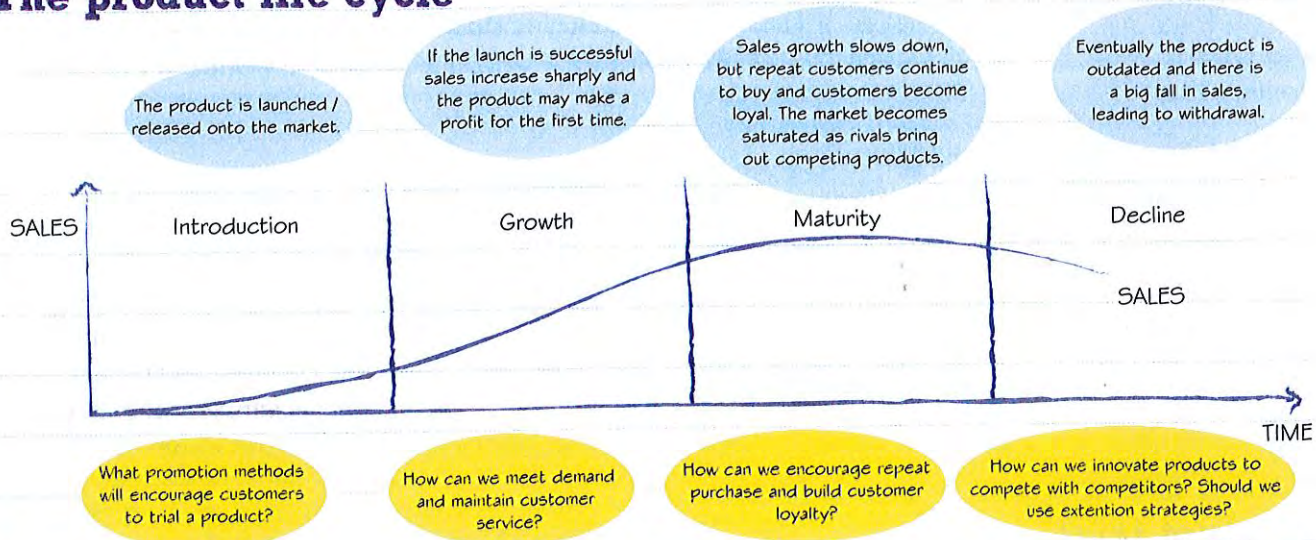
- 1 What is meant by the term 'product trial'? (2 marks)
- 2 Explain **one** reason why Pepsi might want to create customer loyalty toward Pepsi Raw. (3 marks)





# Product life cycle 1

## The product life cycle



### Extension strategies

Businesses can increase the life of a product using extension strategies. This involves slightly changing the product so that it has a fresh appeal to the target market or appeals to a new market segment.

Think about how the product life cycle links all aspects of marketing together.

### Worked example

(a) Identify two possible extension strategies that a chocolate manufacturer might use. (2 marks)

- 1 Create new packaging.
- 2 Add new ingredients or flavours.

(b) Explain how one of the strategies you identified would extend the product life cycle of the new chocolate bar. (3 marks)

Developing a new packaging for the chocolate bar could make it more eye-catching and therefore attract customer attention. As chocolate bars are often bought on impulse, this could help boost sales and revive the product.

### EXAM ALERT!

Only one in twenty students got all three marks for the second part of the question. Make sure that you identify **one** way (for example, product development) and explain how it will improve the business's products. Remember to refer to **chocolate bars** in this answer.

This was a real exam question that a lot of students struggled with – **be prepared!**

ResultsPlus

### Now try this

- 1 Identify the phase of the product life cycle sales where sales are likely to be rising most rapidly. Select **one** answer. (1 mark)  
A  Decline C  Maturity  
B  Growth D  Development
- 2 Explain **one** reason why a business might use an extension strategy in the maturity phase of the product life cycle. (3 marks)



# Product life cycle 2

## Product portfolio analysis

Businesses sell a range of products. This is the **PRODUCT MIX** or **PRODUCT PORTFOLIO**. New products are constantly launched onto the market. Product portfolio analysis helps a business to make decisions about:

- what products to launch and when
- when to withdraw a product
- what products are doing well or badly now and in future
- how to increase sales.

## The product life cycle and cash flow

Cash flow is the movement of money into and out of a business. Cash flow changes over the life of a product.

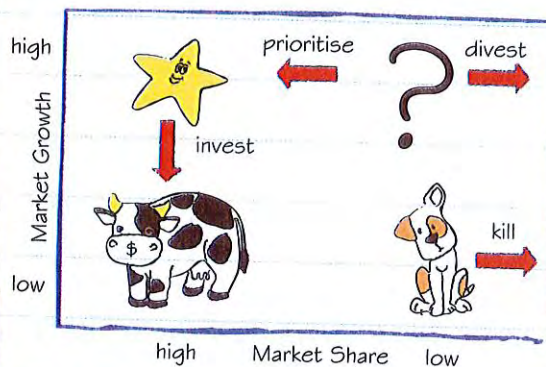
- **INTRODUCTION** phase – net cash flow is negative (more money goes out than comes in).
- **GROWTH** phase – net cash flow is positive but small (a little more comes in than goes out).
- **MATURITY** and **DECLINE** phases – at maturity, cash flow is likely to be positive; in decline, a business will start to experience cash-flow issues.

## The Boston Matrix

The Boston Matrix is a product portfolio analysis tool used to plan the development of products. It can be closely linked to the product life cycle.

**Star:** very successful product, but growth has to be funded to keep up with demand and cash flow may be a problem.

**Cash cow:** little growth, but an established and profitable product that can support others.



**Question:** presents a problem – should the business invest to increase sales?

**Dog:** few prospects, but should the business continue to sell it if it is profitable and it funds other products?

## Worked example

Describe how the Boston Matrix can benefit a business.

(3 marks)

The Boston Matrix puts products into categories according to the growth rate and share of the market they have. It tells the business whether it has too many similar products or not and can help it to identify when it needs to withdraw products or introduce new ones.

## EXAM ALERT!

Fewer than one in ten students got full marks for this question. You need to make three points about the benefits of the Boston Matrix to the business and you might include a definition or example.

This was a real exam question that a lot of students struggled with – be prepared!

ResultsPlus

## Now try this

- 1 What is meant by the term 'product portfolio analysis'? (2 marks)
- 2 Explain one way in which managing a product portfolio can benefit a business. (3 marks)



# Branding and differentiation

A BRAND is a named product which consumers see as being different from other products and which they can associate and identify with.

## Branded products

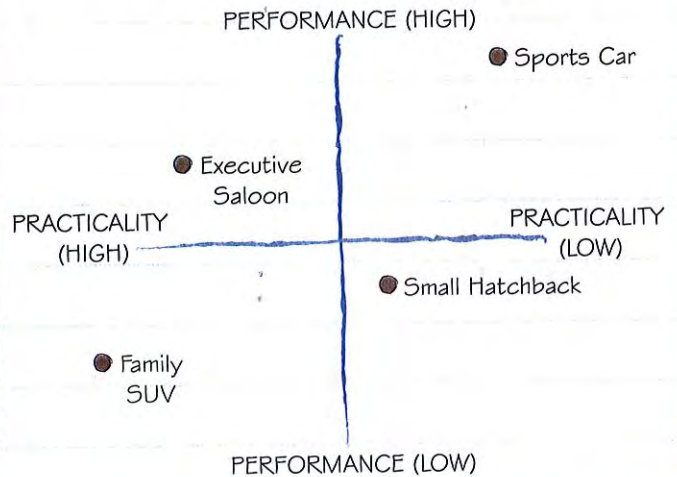
- Consumers are more willing to trial products in the brand range.
- Brands encourage consumer loyalty.
- Consumers trust brands, leading to repeat purchases.
- Brands can often charge premium prices.
- Consumers have greater awareness of brands.
- Brands can lead to increased sales and market share.

## Generic / non-branded products

- Very little difference between the product of one business compared to another. There is nothing to differentiate product by.

## Market mapping

A MARKET MAP can show the difference between strongly branded products. This map shows the positions of cars in relation to their performance and practicality.



PRODUCT DIFFERENTIATION is about making a product different from others in some way. It helps businesses:

- to position their products and target different market segments
- to gain an advantage over rivals when faced with competition.

It allows consumers to see clearly that their needs are being met more effectively by one product than by another.

## Differentiating a product

- Unique and catchy product name.
- Quality.
- Design, formulation or function.
- Packaging.
- Customer service.
- Differentiation across the value chain.

## Worked example

target  
E-D

Describe **one** reason why it is important for Subway to differentiate its product. (3 marks)

As the fast-food market is very competitive it is important for Subway to stand out. Providing a healthier food option means that they can target a specific market segment and meet the needs of these customers better.

This answer includes a reason and there are two further relevant points of description. The question is based on a real business and the student has referred to the fast-food market in order to apply their answer.

## Now try this

target  
D-C

- 1 Identify **one** possible method a business could use to differentiate its brand. (1 mark)
- 2 Explain **one** reason why a strong brand might benefit a business. (3 marks)



# Successful marketing mix 1

The **MARKETING MIX** is a combination of factors which help a business to take into account customer needs when selling a product.

The marketing mix is often referred to as the '4 Ps'.




It is important that all aspects of the marketing mix complement each other and work together well. Just like baking a cake, it is important to get the right balance of ingredients.

**1** The **PRODUCT** must meet the needs of the customer, and a business must consider the following when **DIFFERENTIATING** their product from others:

- Who is our product targeted at?
- What will be our product range (variety)?
- What will be our unique selling point (USP)?
- What will our brand be about / brand name be?
- What will be our formula (ingredients or materials)?
- What will our packaging be?

**2** **PRICE** is important because:

- The price of a product gives customers an indication of quality.
- In competitive markets, changes in price can have a significant influence on demand.
- Branded products generally have a higher price than non-branded products because they are more expensive to produce and promote.

 Luxury brands can charge a **PREMIUM PRICE** for their products.

The average price for a pair of trainers is £45. Some businesses will base their price on that of competitors.



A low price might be used by **GENERIC / NON-BRANDED PRODUCTS** or to encourage **PRODUCT TRIAL** when a product is first launched.

## Worked example

target  
B-A

In 2009 Marks and Spencer faced falling sales. It wanted to maintain its profits and looked at either cutting prices or increasing advertising.

Which of these two methods do you think would be more effective in allowing Marks and Spencer to maintain its profits and why? **(6 marks)**

...Overall, rather than cut prices M&S should do more advertising to boost customer visits. This will increase sales and therefore profits, although it might depend on the design and quality of the advertising, as it is not guaranteed to boost sales.

## EXAM ALERT!

One in four students scored five or six marks for this question. You need to make sure that you relate your answer to Marks and Spencer and give a balanced view in your answer.

This was a real exam question that a lot of students struggled with – be prepared!

ResultsPlus

When answering this question you should give a judgement about both methods, with a clear reason why one is good and the other is not appropriate. Or you could make two points about the same issue.

This is an extract from a student answer.



# Successful marketing mix 2

**3** PROMOTION is the way in which a business makes consumers aware that a product is for sale. Reasons for promoting a business or product include:

- Creating awareness.
- Communicating product benefits and features to customers.
- Building a strong brand image.
- Boosting sales.

## Methods of promotion



Advertising (including TV, magazines, radio, internet and billboards) is one method of promotion. Other methods include public relations (positive publicity) and sales promotions (special offers).

**4** PLACE is about having a product available to customers when they want it and where they want it. There are a number of ways in which a business might do this.

- DIRECT – some businesses sell direct to customers. This process has been made more accessible with the growth of internet sales. A business may also employ a sales force to sell directly to customers.
- RETAIL – distributing products through retailers helps sell the product by improving the buying experience of customers and improving customer service.
- WHOLESALE – a wholesaler breaks down bulk supply of a product and distributes it to retailers. Wholesale is a suitable method for businesses that produce large quantities of a product.

## Worked example

Explain **one** reason why place is an important aspect of the marketing mix. (3 marks)

If a business gets 'place' right they will make their products more accessible to customers. As a result it is likely that there will be greater customer awareness, which could lead to increased sales over time.

This answer includes a reason with two logical chains of development to score all three marks. As a specific business is not mentioned in the question, the answer does not need to refer to a specific context.

## Now try this

**1** Amazon is an online retailer. Which **one** of the following elements of the marketing mix does the online element represent? Select **one** answer. (1 mark)

- A  Price      C  Promotion  
 B  Product      D  Place

**2** What is meant by the term 'premium price'? (2 marks)

**3** Explain **one** reason why a business might charge a premium price for its product. (3 marks)

**4** Describe how a business might benefit from carrying out effective promotion. (4 marks)

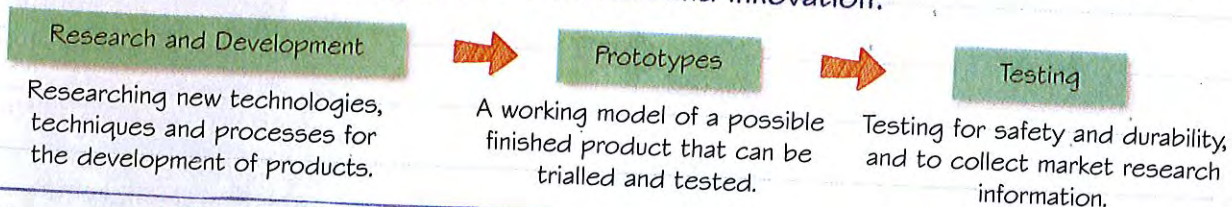


# Design and research development

The variables that contribute to a successful design are function, cost and appearance. In order for a business to successfully achieve this DESIGN MIX, it may carry out scientific research and development.

## The scientific research process

Scientific research involves using scientific methods to develop new technologies, processes and materials for product invention and innovation.



The design mix a product has can DIFFERENTIATE it from other products. For a laptop, the design mix may include the following:

- **Function.** This is about how well a product does what it is meant to. For a laptop this would include processing speed, memory and performance of the software.
- **Cost.** The cost is closely linked to price. Businesses will try to keep costs low, but improved functionality and appearance will increase cost. The better the technology and screen size, the more expensive the laptop will cost to produce.
- **Appearance.** Style and elegance are important for many products. Modern laptops can be found in multiple colours and continue to be designed thinner and lighter.

## Worked example

target  
D-C

Marks and Spencer carries out research and development. One product that resulted from their research was a machine-washable wool suit that did not need to be dry cleaned.

Explain **one** benefit of research and development such as this to Marks and Spencer. (3 marks)

Research and development will help a business like Marks and Spencer differentiate its products from competitors. Through R&D, Marks and Spencer was able to develop a new technology that other suit retailers do not have and therefore its products have a USP that cannot easily be copied.

## EXAM ALERT!

One in six students got all three marks for this question. This student has given a reason ('differentiate its products') and then given two linked points of development. The answer is in the context of the case study: Marks and Spencer's machine-washable wool suits.

This was a real exam question that a lot of students struggled with – **be prepared!**

ResultsPlus

## Now try this

Using the case study in the worked example above, answer the following question.

- 1 In developing a machine-washable wool suit, Marks and Spencer had to consider both cost and function as part of their design mix. Which of these **two** elements do you believe is more important in helping Marks and Spencer produce a successful product? (6 marks)

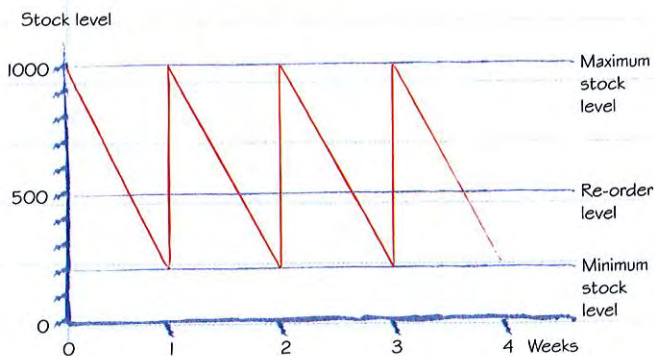
target  
A-A\*



# Managing stock 1

Managing STOCK is about managing the materials that a business holds in the most efficient and effective way. Stock can include materials waiting to be used in the production process, work in progress, and some can be finished stock waiting to be delivered to customers.

## Bar gate stock



The **MAXIMUM STOCK LEVEL** the business is able to hold.  
 The **RE-ORDER LEVEL** is the point at which new stock will be ordered by the business.  
 The difference between this level and the point at which stock increases is the time it takes for the stock to arrive.  
 Also known as **BUFFER STOCK**, the **MINIMUM STOCK LEVEL** is the lowest amount of stock the business will hold. It is a safety net in case there is a surge in demand.

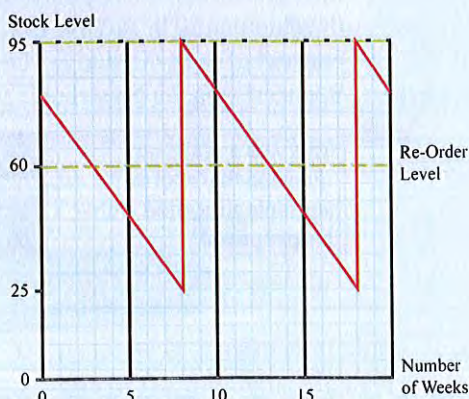
## Just In Time stock control

**JUST IN TIME (JIT)** stock control is a stock management system where stock is delivered only when it is needed by the production system, and so no stock is kept by a business. For JIT to work a business must have good relationships with suppliers, a well-organised production system, and regular demand for their products.

January						
Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
2	3	4	5	6	7	8
9 Order placed	10 Stock arrives	11 Product made	12	13	14 Product distributed to customer	15
16	17	18	19	20	21	22

## Worked example

The diagram illustrates the bar gate stock graph for Go-Go Hamsters at the Saltash Toy Box.



Use the diagram to calculate how many weeks it will take for stock of Go-Go Hamsters to arrive at the Saltash Toy Box after re-ordering. **(2 marks)**

Stock is ordered in week 3 and arrives in week 8. Therefore  $8 - 3 = 5$  weeks.

## EXAM ALERT!

Fewer than four in ten students got this question wrong. Always show your calculations. If you make an error you can still pick up one mark if your calculations show that you understand how to calculate the answer.

This was a real exam question that a lot of students struggled with – be prepared!

ResultsPlus

## Now try this

- Using the diagram in the worked example, identify the number of Go-Go Hamsters the Saltash Toy Box holds as a buffer stock. **(1 mark)**
- What is meant by the term 'just in time stock control'? **(2 marks)**



## Managing stock 2

A business can choose between using a 'JUST IN CASE' stock control system or a 'JUST IN TIME' stock control system. Just In Time is usually more appropriate for large manufacturers, although it will depend on demand and the nature of the product and production methods. Just In Case involves having a backup of stock at all times.



Benefits of holding stock:

- ✓ Businesses can meet unpredicted surges in demand.
- ✓ Businesses can replace damaged goods.
- ✓ A business can receive discounts for bulk buying.
- ✓ Limited problems.



Benefits of holding little or no stock:

- ✓ Cost saving in not having to store stock.
- ✓ Less chance of damaged or stolen stock.
- ✓ Employees can focus on tasks other than managing stock.
- ✓ Can reduce costs of production, which makes product pricing more competitive.

### Worked example



As a result of the decision to close its store, the Saltash Toy Box changed the way it held stock. It now uses a just-in-time (JIT) method of stock control.

State **one** advantage and **one** disadvantage to the Saltash Toy Box of adopting a just-in-time (JIT) method of stock control. For each, explain **one** likely effect on the business. (8 marks)

**Advantage:** Lower cost

**Explanation:** If Saltash Toy Box uses JIT it saves money on storage costs. This money could then go towards promoting its Go-Go Hamsters and this could lead to an increased number of sales.

**Disadvantage:**

**Explanation:**

### EXAM ALERT!

Only one in twelve students got seven or eight marks for this question. This type of question is split into two 'identify' and two 'explain' questions. Make sure you explain the advantage **and** disadvantage you have identified and relate your answer to Saltash Toy Box.

This was a real exam question that a lot of students struggled with – be prepared!

ResultsPlus

This is an extract from a student answer.

### Now try this

- 1 What is meant by the term 'stock'? (2 marks)
- 2 Explain **one** possible disadvantage to Saltash Toy Box of holding a large stock of toys. (3 marks)





# Managing quality

Two ways of achieving good quality in business is through QUALITY CONTROL and QUALITY ASSURANCE.

- QUALITY CONTROL is seen as one part of the chain of production. A quality controller will examine and / or test for quality once a product has been made.
- QUALITY ASSURANCE involves focusing on quality at every stage of the production process. Everyone is involved and is responsible for contributing towards the achievement of a quality standard. As a result, there should be zero defects.

## The benefits of good quality

- ✓ Good quality allows for a premium price to be charged.
- ✓ Good quality builds a strong brand image.
- ✓ Good quality is closely linked to meeting customer needs.
- ✓ Quality is a way of differentiating a product.



Another benefit of quality is less waste as there are fewer faulty products.

## Quality assurance checklist

For a business to have a quality assurance system it must:

- ✓ have quality as the focus of every process
- ✓ involve customers and suppliers at the design stage
- ✓ aim for zero defects
- ✓ have quality as the responsibility of every employee
- ✓ have managers who ensure there are systems in place to assure quality
- ✓ meet a QUALITY STANDARD, such as ISO 9000
- ✓ make good quality part of the culture, something everyone aims for and is involved in.

## Worked example



Having a quality control system or a quality culture are two ways a business might try to improve quality.

Which of these two do you think would be more successful in improving quality in a business such as Go-Go Hamsters, and why? (6 marks)

...Overall, a quality culture is the best approach because quality is guaranteed at every stage of the production process. The success of this approach may depend on how well employees are trained in delivering quality standards in their work.

In this part of the answer the student is writing about quality culture and finishes with a conclusion. The answer shows balance by following the 'it depends' rule.

Remember that there is no right or wrong answer about which approach is more successful but you need to **justify** your choice.

This is an extract from a student answer.

## Now try this

1 Explain one benefit for a business of producing high-quality products.

(3 marks)





# Cost-effective operations and competitiveness

## Increasing productivity

PRODUCTIVITY is output per worker. It measures how much each worker produces over a period of time. It can be calculated using the formula:

$$\text{total output} \div \text{number of workers}$$

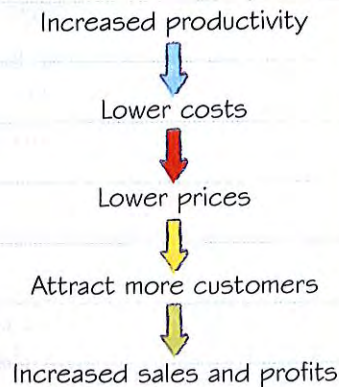
Increasing productivity leads to greater competitiveness in a market. Productivity can be improved by increasing output or by lowering the costs of production (inputs) while maintaining output.

## Methods of increasing output

- ✓ Train employees better.
- ✓ Invest in better equipment.
- ✓ Introduce more effective work practices.
- ✓ Work overtime.
- ✓ Motivate employees.

## Competitive prices

Cost-effective operations can help businesses to lower prices and be competitive against rivals.



## Methods of reducing costs

- ✓ Improved purchasing (cheaper suppliers).
- ✓ Better design of products.
- ✓ Cheaper labour costs.
- ✓ Cutting overhead costs.
- ✓ Streamline the production process.
- ✓ Relocation.

## Worked example

target  
C-B

- 1 What is meant by the term 'competitiveness'? (2 marks)

Competitiveness is where a firm has some kind of advantage over a rival firm, such as higher productivity, that will allow it to gain customers from rivals.

- 2 Explain one benefit to Sony of improving its productivity. (3 marks)

By increasing productivity Sony can make more products per hour, such as Sony PlayStations. This will reduce the costs of making each product. Reducing costs could allow Sony to lower its prices and gain sales from rivals.

This answer has gained a mark for highlighting an advantage and another for giving an example.

This student has achieved all three marks by giving a benefit and then giving two points of development. The answer is in the context of the case study, as it refers to Sony.

## Now try this

- 1 Identify two methods a business can use to reduce costs. (2 marks)

- 2 Improving the quality of a product and improving productivity are two ways in which a business such as McDonald's might become more competitive. Which of these two methods do you think would be most effective in improving the competitiveness of a business such as McDonald's and why? (6 marks)

target  
G-F

target  
A-A\*



# Effective customer service

## Effective customer service checklist



- ✓ Meet and exceed needs of customers.
- ✓ Provide high-quality products and services.
- ✓ Innovation (keep moving forward).
- ✓ Spot problems and potential problems.
- ✓ Listen to customers.
- ✓ Deal effectively and quickly with complaints.
- ✓ Be on time.
- ✓ Train staff in customer service.

## The drawbacks of poor customer service



- ✗ Poor customer satisfaction.
- ✗ Poor brand image.
- ✗ Inability to differentiate a product and gain a competitive advantage.
- ✗ Inability to charge a premium price.
- ✗ Fall in sales and profits. Sales changing to rival products.
- ✗ Fall in repeat purchase and customer loyalty.

## Worked example



Jason and Balvir will seek to increase their competitive advantage when they open their restaurant. Assess how improved customer service could help them achieve this. (8 marks)

Improved customer service will help Jason and Balvir deliver a better dining experience for their customers. Experience and service is an important aspect of eating out and this could lead to customer loyalty and repeat purchase. Considering that there are almost 7000 restaurants in London it may also help them differentiate their business. Alternatively, delivering high levels of customer service requires training and employing the best employees. This could be expensive for a new business...

This part of the student's answer makes reference to two effects of delivering improved customer service. The student has not presumed that introducing improved customer service will automatically or inevitably lead to competitive advantage and has discussed both the advantages and disadvantages of the option. Make sure you also:

- Include a justified conclusion based on your analysis.
- Use the 'it depends' rule to show balance.
- Answer in the **context** of Jason and Balvir's new restaurant business.

This is an extract from a student answer.

## Now try this



- 1 What is meant by the term 'effective customer service'? (2 marks)
- 2 (a) Identify two drawbacks to a business of poor customer service. (2 marks)
- (b) For one method you have identified in (a), explain how this may affect the business. (3 marks)





# Consumer protection laws

## The Sale of Goods Act

This relates to the products and services being sold by businesses.

All products must:

- ✓ be of merchantable quality
- ✓ match their description
- ✓ be fit for purpose.

## The Trade Descriptions Act

This relates to how businesses deal with and sell to customers.

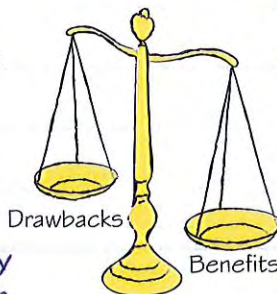
All businesses must not:

- ✗ give false information
- ✗ fail to give (withhold) important information
- ✗ act aggressively (force the sale).

## Impact of consumer protection laws

### Drawbacks

- Businesses must know the law and keep up to date.
- Laws can restrict businesses from operating as they would wish.
- Businesses have to comply with laws by changing their products and practices and this can be costly.
- Bad publicity if not followed.



### Benefits

- A business that follows the law is less likely to receive fines or be sued by customers.
- Meeting consumer protection laws can improve a business's image.
- Improved relationship with stakeholders.
- Good publicity is followed.

The topic of consumer protection law is closely linked to ethics in business. A business that closely adheres to the law is also acting ethically and may benefit from this.

## Worked example

target  
A-A\*

Using your knowledge of consumer protection laws, is Pepsi right to use the words 'raw' and 'natural' in relation to its new product? **(10 marks)**

...Ultimately it depends on how honest Pepsi are about their advertising of new products and whether customers feel that they are acting ethically. This type of language is used all the time by drinks manufacturers and most consumers will understand that a soft drink is never going to be as healthy as water. Therefore, Pepsi is not really doing anything wrong by using these phrases because the consumers are not being misled and no consumer protection laws are being breached.

Make sure you:

- develop both sides of the argument
- use your understanding of consumer protection law
- make a judgement with clear justification.

The last part of this answer has made good use of the 'it depends' rule to show balance in the conclusion.

This is an extract from a student answer.

## Now try this

- 1 Identify one consumer protection law that a business will have to adhere to. **(1 mark)**
- 2 (a) Identify one disadvantage to a business of the government introducing new consumer protection legislation. **(1 mark)**  
(b) Explain how this could affect the business. **(3 marks)**

target  
C-B

target  
E-D