

2. From the manufacturer, via the wholesaler, to the consumer - furniture
3. From the manufacturer via the wholesaler and the [retailer](#) [end seller of goods to customers], to the consumer - trainers
4. From the manufacturer, via the retailer, to the consumer - supermarket goods

Methods of production

The types of goods and size of potential orders will affect the method of production used. There are three methods of production you need to be familiar with:

Job production

An individually designed house is an example of job production

This method is used when a customer makes an order for something to be made to his or her own specifications, for example a made-to-measure wedding dress, a personally designed house, a motorway or a passenger cruiser.

- [labour intensive](#)
- requires specialist, skilled labour
- very expensive

Batch production

This method is used when the size of the market for a product is not clear, and where there is a range within a [product line](#). A certain number of the same goods will be produced to make up a batch or run, for example clothes (where a batch of size 12 clothes in blue might be made, then a batch of size 10 in red), or carpets. This method involves using estimates.

- production is **monitored**
- output is **adjusted** accordingly

Mass or flow production

Chocolate bars are mass produced

Large-scale production benefits from economies of scale, such as division of labour and specialisation. This method is used when there is a mass market for a large number of identical products, for example, cars, computers, chocolate bars or toasters. The product passes from one stage of production to another along a [production line](#).

- [capital intensive](#)
- low cost per unit

Technological changes

Production methods are constantly evolving in the attempt to cut costs and raise profits. Here are three ways in which efficiency can be achieved:

Automation

[Automation](#) has been used for many years in production to perform specific tasks in mass production. The draw back with this method is that computer-controlled machinery replaces workers leading to large-scale redundancies. This has happened in the motor industry.

This sort of machinery is very expensive, so a company will be taking a risk as a product may not be successful. On the other hand, production levels and quality improve, which leads to less wastage and therefore lower costs.

Computer-Aided Design (CAD)

CAD allows designers, engineers and architects to manipulate a 3D image. An image can be altered on-screen so the effects of any changes are seen instantly. This represents a huge saving in time and costs as a prototype need not be built at each stage. Customers can even design their own products and email them to the business. The products can then go straight into production.

Computer-Aided Manufacture (CAM)

No matter how good the product is, it is unlikely to succeed unless the price is right. This does not just mean being cheaper than competitors. Most people associate a higher price with quality, so you would expect to pay more for a Rolls Royce than for a Lada. On the other hand, is one cola worth more than another, and if so, how much?

As a rule, a producer of luxury or medical products will use [skim pricing or premium pricing](#) [high price to maximize profit] initially, in order to maximize its profits. This is useful, as it helps them to recover expensive research and development costs quickly.

For fast moving consumable goods (**fmcg's**) like colas, [penetration pricing](#) [lower price to increase market share] is usually used. The firm will want a large share of the market, so will settle for a small profit on each item. In the long term, they hope that the turnover, and therefore their profits, will be high.

The simplest method of all is [cost plus pricing](#), where a firm adds a profit [mark-up](#) [profit added to the cost by resellers] to the unit cost.

Promotion

The main aims of promotion are to persuade, inform and make people more aware of a brand, as well as improving sales figures. **Advertising** is the most widely used form of promotion, and can be through the media of TV, radio, journals, cinema or outdoors (billboards, posters). The specific sections of society (**market segments**) being targeted will affect the types of media chosen, as will the cost. If you were a toy manufacturer, you might want an advertising spot during children's TV. If you ran a local restaurant, you might choose a local paper or radio.

A small or local business would not usually advertise on TV, because it is very expensive. **Sales promotion** is designed to encourage new and [repeat sales](#). Loyalty cards, free gifts, competitions and voucher schemes are the most popular.

Companies use **sponsorship** and **public relations** to improve their image, notably through financing sports, the arts and public information services.

Place

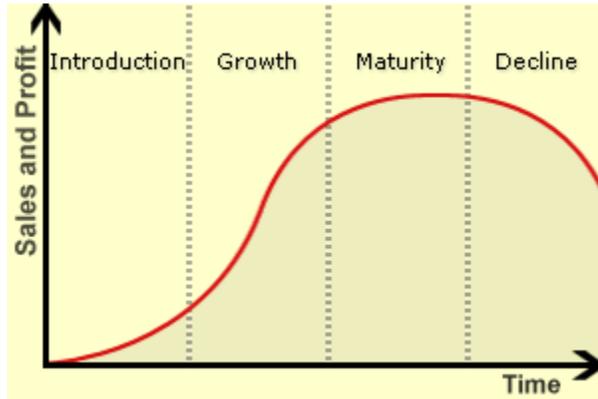
Distribution channels are the key to this area. A firm has to find the most cost-effective way to get the product to the consumer. [Direct marketing](#) through catalogues, via a TV shopping channel and through the Internet have become popular, because the consumer can shop from home.

For the firm, they can cut out the middleman in the process, and can therefore make more profit. Going through wholesalers and high-street retailers, however, is the most popular form of distribution, as that is still where most people shop.

The marketing process

A firm will gather information about the marketplace (eg whether house prices are rising or falling), and then research consumers' needs. From this, it will identify who its **market** is, and then put together a **marketing plan** based on the findings. The marketing mix will be central to this, and finding the right balance in each of the 4Ps is very important. The firm can then review and adapt their plan when they need to. You should remember the following points:

- Although marketing is consumer-orientated, the main aim is still to be **profitable**.
- A good marketing manager will try to **differentiate** their product (ie make their product stand out against similar competitive brands).
- Whatever pricing decision is made, the most important factor is to [break even](#).
- Making it as easy as possible for the customer to buy the product will help sales to increase.



The product life-cycle

Introduction

The product is tested and developed before it is launched. Initial sales will be low until the consumer starts buying. At this point, production costs are much higher than the revenue from sales.

Growth

As sales increase production becomes more profitable. The early development costs can be recovered. The success of the product can lead to [brand loyalty](#) and [repeat sales](#).

Maturity

The product reaches its peak of sale and is at its most profitable point for the company. Competitors have now entered the market which may reach [saturation point](#) [when market is full of products it becomes difficult for a product to make additional profit].

Decline

As new models and designs come out or fashions change, a product may become [obsolete](#) [outdated]. Sales fall, as does revenue. It is no longer profitable to produce it.

Applying the product life cycle to the marketing mix

Marketing teams watch for changes in the business environment and react to them. They respond to consumer needs, the actions of competitors or government and use the following strategies during each stage of the product life cycle.

Introduction

To make the target market aware of the new product it is important to heavily [promote](#) it. A special [introductory price](#) [firstly less then rise] may help push the product.

Growth

As sales and profitability increase, the selling price may be reduced to make the product more attractive. Continued advertising around the brand name will help to sustain sales. The marketing team may consider expanding its distribution, to reach more consumers.

Maturity

Competitors will usually have entered the market at this stage. If their products are as good but cheaper the company may lose some of its market share. The pricing strategy must be reviewed. Marketers may also put [added value](#) onto their product, by offering accessories or insurance, for example.

Decline

Marketing cannot save a product at this stage, but targeting a different and smaller segment can prolong its life.