**F7BX 34 Marketing: An Introduction**

**Assessment Task 1 part 1**

This is an open book assessment. Your task is to prepare an extended response to questions. In preparing your response, you should read the case study which gives background information about an organisation. You should then answer the following questions relating your responses, where appropriate to the case study.

1. Identify the key characteristics of the marketing concept
2. Explain Heavenly Treat’s micro and macro environment
3. Explain why market research and the information gathered are important to an organisation like Heavenly Treats
4. Explain how Heavenly Treats might collect and use market research information. Include one quantitative and one qualitative research technique in your response.
5. Explain the process of market segmentation and targeting, and the benefits of segmentation and targeting to Heavenly Treats

**Case Study**

Heavenly Treats began life in Glasgow’s Buchanan Street in 2001. The company was founded by Eleanor Lucas who named her luxury perfume creations “Scents from Heaven”. Eleanor established the company in the heart of Glasgow’s premier shopping area making the perfumes by hand using only natural and premium quality ingredients. Customers were able to select their own scents which were then gift wrapped. She also offered a range of pre-packaged perfumes in a variety of sizes from small sample packs to large stylish gift boxes. Scents from Heaven concept was a resounding success with locals and tourists and soon she had opened two more shops in Scotland.

Eleanor continued to produce and sell her perfumes until 2010 when the company was bought by Sally Munro. Sally recognised that there was a growing beauty industry in the UK and saw the opportunity to exploit this in order to expand the business.

Under the guidance of Sally, the company expanded by developing the original shops into beauty salons offering a range of beauty treatments and products. The products are made from natural ingredients sourced from all around the world. As well as their own products, the beauty salons offer a range of other products in order to appeal to wider market.

Sally saw the move into beauty salons not just as an additional way to increase company turnover but also as a means to increase the salon customers by promoting the original products. While the prices for the original perfumes reflected the high quality of the product, she always priced the beauty procedures at a level with was competitive with other salons. That, together with a free perfume sample with every treatment was one of her promotional tools.

Since 2010, the beauty treatments have gradually overtaken the sales of the perfumes and now account for 60% of the company’s income. However, the perfume sales account for 75% of the company profits. Sales of perfume fluctuate significantly throughout the year, peaking at times such as Christmas, Mother’s Day etc.

Beauty treatments are less volatile although they do rise in the summer during the warmer weather. Evenings are always the busiest. The majority of the customers are women in the 25 – 50 age group, whereas purchases of the perfumes are split fairly evenly between men and women. However, research indicates that older women are increasingly using beauty salons, as are men.

There are now 7 shops in Scotland and last year the factory moved to larger premises. Sally is aware that she will have to increase sales of perfume in order to utilise production capacity at the new factory. The perfumes are priced to reflect their uniqueness and high quality natural ingredients.

More than 75% of the beauty salon customers use the products made by the organisation. However many of these customers only purchase the products at the time of treatment. Sally’s aim is to increase the perfume and product sales as these have a much higher profit margin than the treatments.

Sally has been worried that recent price rises in the raw ingredients will start to affect sales. Sally has considered introducing a lower priced/medium quality brand. The company does not advertise widely – they depend on product quality, shop location and word of mouth for their business. To date, all perfume sales have been made from the organisation’s salons but recently Sally received an enquiry from a hotel chain who would like to use the products in their spas.