

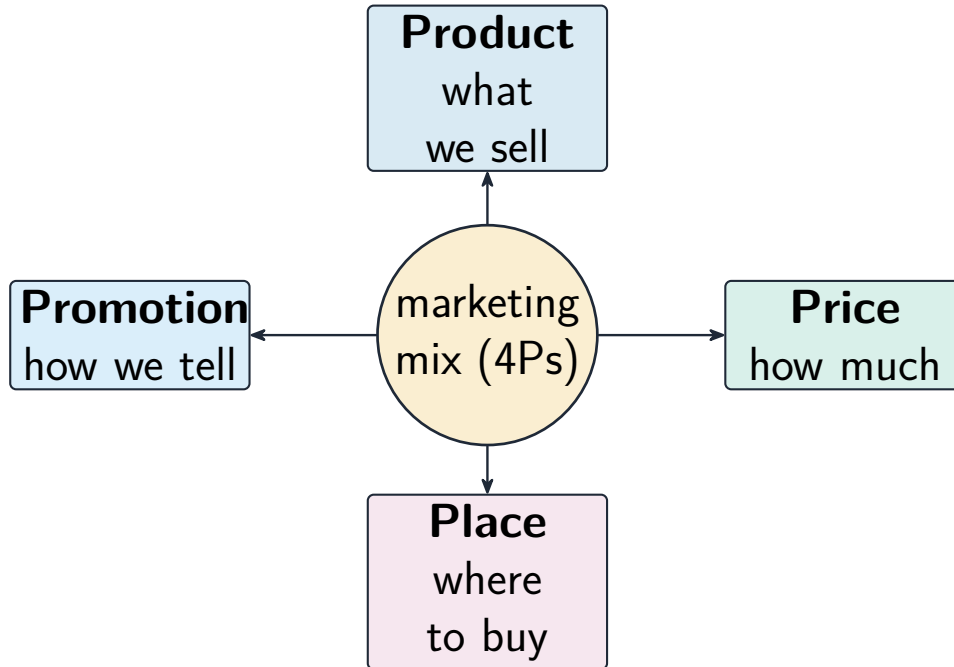
Exercise walk-through

3.1

The nature of marketing

A-Level Business

The marketing mix – the 4Ps



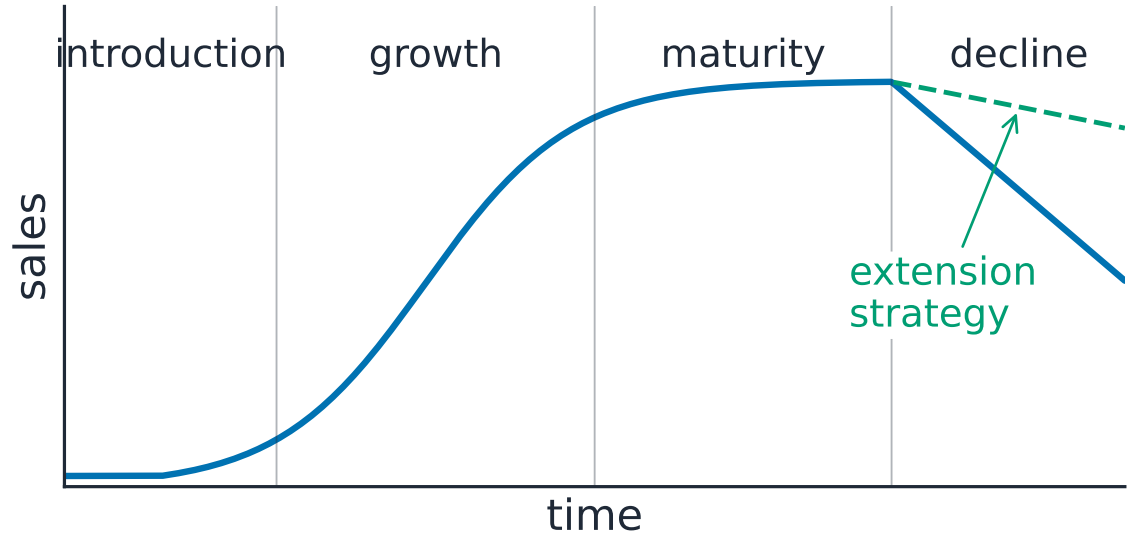
- **product** – what we sell
- **price** – how much
- **place** – where to buy
- **promotion** – how we tell

The four must **work together**.

Product life cycle

Product life cycle : introduction → **growth** → **maturity**
→ **decline** . **Extension strategies** hold sales up in maturity.

Product life cycle, in detail



introduction → growth → maturity → decline (sales over time)

Sales of a product over its four life-cycle stages, with an extension strategy in maturity

The Boston Matrix and branding

	high market share	low market share
high growth	stars (invest)	question marks (risky)
low growth	cash cows (steady profit)	dogs (usually dropped)

The **Boston Matrix**

sorts products by share & growth:

stars , **cash cows** ,

question marks ,

dogs . **Branding**

builds **loyalty** and lets a

firm charge more.

Reading a product portfolio

Product portfolio

A **product portfolio** is the whole set of products a firm sells – read together, not one at a time.

Balance

Cash cows fund question marks; stars become cash cows; dogs are dropped. A portfolio of stars has no cash.

Product development

Product development is a new product for the existing market – one of Ansoff's four boxes, and the second-riskiest.

Integration

Growth by **integration** buys a portfolio instead of building one – faster, and it brings someone else's dogs with it.

The matrix is a snapshot. What it is really asking is where each product will sit in two years.

Exercises 2.1-2.3

2.1 Define the term *market share*.

[2]

2.2 A firm sells \$3m of goods in a market worth \$15m in total. Calculate its market share.

[2]

2.3 State the difference between a *mass market* and a *niche market*.

[2]

Exercises 2.1-2.3

2.1 Define the term *market share*. [2]

2.1

- a firm's sales as a percentage of the total sales in its market (2 for a clear definition; 1 for a partial idea)

2.2 A firm sells \$3m of goods in a market worth \$15m in total. Calculate its market share. [2]

2.2

- $\frac{3}{15} \times 100 = 20\%$ (2; award 1 for a correct method with the wrong figure)

2.3 State the difference between a *mass market* and a *niche market*. [2]

2.3

- a mass market is large with products aimed at most buyers and strong competition; a niche market is a small segment with special needs and weaker competition (2 for a clear difference; 1 for a partial idea)

Exercises 3.1·3.2

3.1 Explain one benefit to a business of being **market-orientated**.

[3]

3.2 Analyse two benefits to a business of segmenting its market.

[8]

Exercises 3.1-3.2

3.1 Explain one benefit to a business of being **market-orientated**. [3]

3.1

- [3] **AO1** 1 – name a benefit (lower risk of failure; products match customer wants; higher sales). **AO2** up to 2 – develop it, e.g. researching wants first means the product is more likely to sell
- fewer unsold items
- less wasted cost (2 developed / 1 limited)

3.2 Analyse two benefits to a business of segmenting its market. [8]

3.2

- [8] For **each** of two benefits: **AO1** 1 + **AO2** 1 + **AO3** up to 2. Example chains – *targeting*: the right product and message reach each group
- higher response and sales. *Less waste*: money is not spent on customers who will not buy
- lower marketing cost per sale. Maximum 4 per benefit, 8 total

Exercise 3.3

3.3 A new firm is deciding whether to sell in a **niche** market or a **mass** market. Evaluate this decision. [12]

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3.3

- [12] **AO1** 2 / **AO2** 2 / **AO3** 2 / **AO4** up to 6. **Niche:** less competition, loyal customers, can charge more – but small sales and high risk if the niche shrinks. **Mass:** high sales volume and economies of scale – but strong competition and heavy marketing cost. Judgement: a new, small firm often starts in a niche it can serve well, then grows; the best choice depends on its resources, the competition and the size of the niche