

3.1 The nature of marketing

Name: _____ Class: _____ Date: _____

Total: 29 marks

KEY WORDS market • marketing • market share • product
• mass market

Objective

Build the skills to answer exam questions on **the nature of marketing**

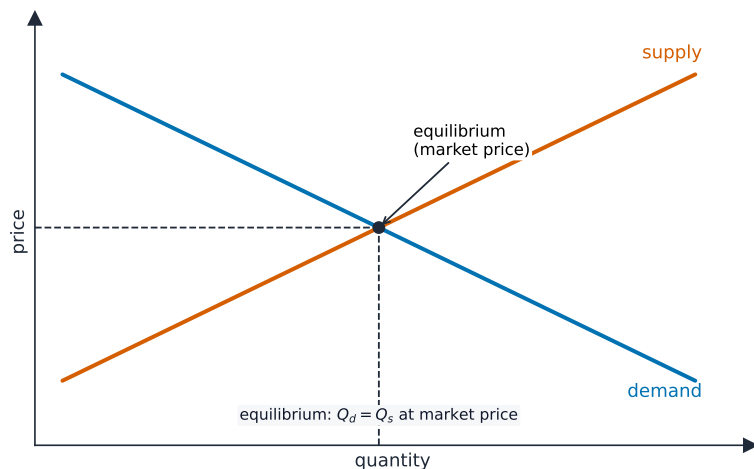
– market orientation, **market size, growth and share**,
mass and niche markets, **segmentation**, and **price elasticity of demand** (PED).

You must be able to:

- explain market-orientated versus product-orientated approaches
- calculate **market share** and **PED**, and explain what they show
- analyse and evaluate niche versus mass markets and segmentation

1 Key knowledge and worked examples

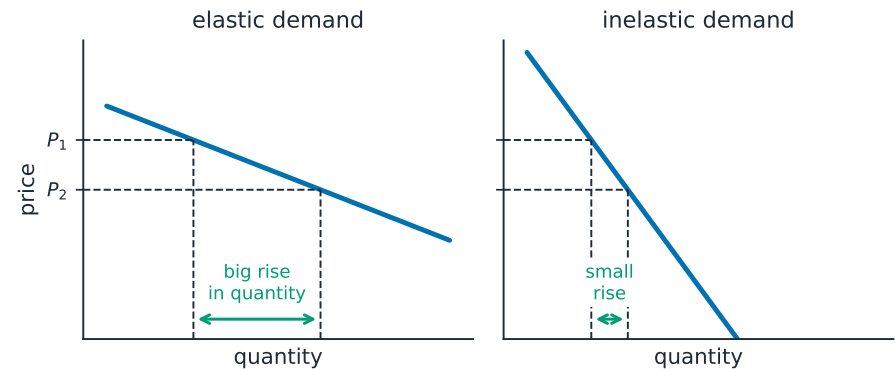
■ Markets, share and elasticity



When price falls, quantity demanded usually rises

$$\text{market share} = \frac{\text{firm's sales}}{\text{total market sales}} \times 100\% \quad \text{PED} = \frac{\% \Delta \text{ quantity}}{\% \Delta \text{ price}}$$

- **Market share worked:** a firm sells \$4m in a \$20m market $\rightarrow \frac{4}{20} \times 100 = 20\%$.
- **PED worked:** price falls 10%, quantity rises 25% $\rightarrow \text{PED} = \frac{25}{10} = 2.5 \rightarrow$ **elastic**, so a price cut **raises** revenue.



$$\text{PED} = \frac{\% \Delta Q_d}{\% \Delta P} \cdot |PED| > 1 \text{ elastic} \cdot |PED| < 1 \text{ inelastic}$$

Price elasticity of demand: the same price fall raises quantity much more when demand is elastic

Answer shapes: AO1 + AO2 + AO3 (reasoning chain) + AO4 (a supported judgement *in context*).

2 Practice

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]

3 Exam-style questions

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]

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