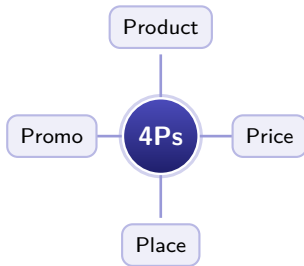


Marketing

A-Level Business ■ Topic 3

A-Level Business



What we will cover

- 1 Role of marketing & markets
- 2 Segmentation
- 3 Demand & elasticity
- 4 Market research
- 5 The marketing mix (4Ps)
- 6 Recap





Role of marketing and markets

Marketing : find what customers want, then sell it at a profit.

- **product-orientated** vs **market-orientated**

- **market share**
$$= \frac{\text{firm's sales}}{\text{total sales}} \times 100\%$$



Advertising

Market and product orientation, and keeping a customer

market-orientated

find out what customers want **first**, then make it – which lowers the risk of failure

product-orientated

make what the firm is good at, then look for buyers – higher risk, but it can create a market

CRM

customer relationship marketing: building long-term links so buyers **come back**

why it pays

keeping a customer costs far less than winning a new one

market growth

how fast the market is getting bigger, as a percentage

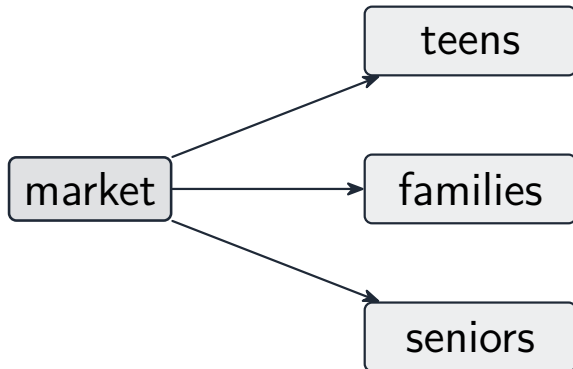
market share

one firm's sales as a percentage of the market's total

A firm can lose market share while its sales rise, if the market grew faster. That distinction is worth a mark on almost every data-response question.

Market segmentation

Segmentation splits a market into similar groups (age, income, lifestyle), so the right product reaches each.



segments (e.g. by age)

Segments, size, and what research asks

Segments

Segments are groups of buyers with similar needs – by age, income, region, lifestyle or benefit sought.

Market size and share

Market size is total sales in the market; market share is the firm's slice of it. Both can move in opposite directions.

Secondary research

Secondary research uses data someone else collected – cheap and fast, and never designed for your question.

Qualitative data

Qualitative data tells you *why* – opinions, reasons, focus groups – while quantitative data tells you how many.

Choose the method from the question: numbers for how big, words for why.

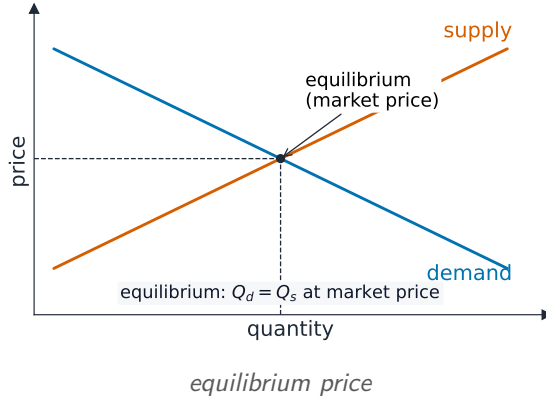
Demand, supply and elasticity

$$\text{PED} = \frac{\% \Delta \text{quantity}}{\% \Delta \text{price}}.$$

- elastic (> 1): cut price $\rightarrow$ more revenue
- inelastic (< 1): raise price $\rightarrow$ more revenue

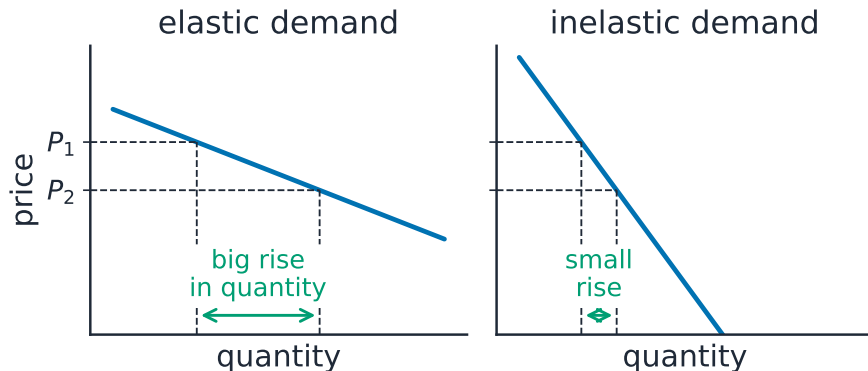
Also **YED** (income), **XED** (other goods).

Demand, supply and elasticity, in detail



Supply and demand meet at the equilibrium market price

The same price fall raises quantity a lot when demand is elastic



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

The same price fall raises quantity a lot when demand is elastic, only a little when inelastic

Three elasticities, three different questions

PED

how demand reacts to a **price** change – inelastic means a price rise gains revenue

YED

how demand reacts to a change in **income** – luxuries react strongly, necessities barely

XED

how demand for one good reacts to **another's** price – positive for substitutes, negative for complements

Elasticity earns its keep by predicting what a price change does to REVENUE, not just to sales.

Market research

- **primary** – new, your own (surveys);
secondary – existing (reports)
- **quantitative** (numbers) vs
qualitative (opinions)

A good **sample** (random, quota, **stratified**) gives **reliable** results; poor sampling causes **bias** .

Primary against secondary, quantitative against qualitative

primary

you collect it yourself – surveys, interviews, observation. It fits your exact question, but costs time and money

secondary

it already exists – reports, websites, sales records. Cheap and quick, but gathered for someone else's purpose

quantitative

numbers you can compare and chart

qualitative

opinions and reasons – *why* people like the brand

A larger, well-chosen sample is more **reliable** ; poor sampling introduces **bias** that no amount of data fixes.

Which data, and how much of it

primary

you collect it – surveys, interviews, observation. Fits your exact question; costs time and money

secondary

it already exists – reports, websites, sales records. Cheap and quick; gathered for someone else

quantitative

numbers you can compare and chart

qualitative

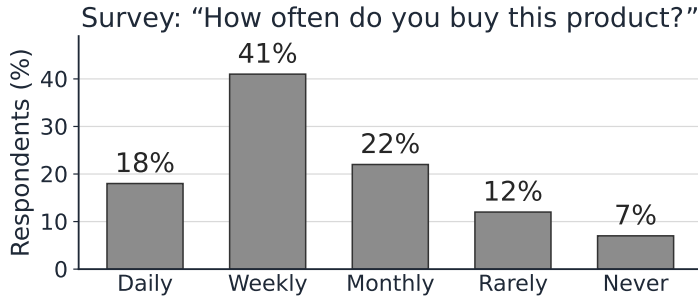
opinions and reasons – *why* people like the brand

A larger, well-chosen sample is more **reliable** ; poor sampling introduces **bias** that more data cannot fix.

Sampling and reliability

- **random sampling** – everyone has an equal chance of being picked.
- **quota sampling** – set numbers from each group are asked.
- **stratified sampling** – the sample copies the make-up of the whole market.

Sampling and reliability, in detail

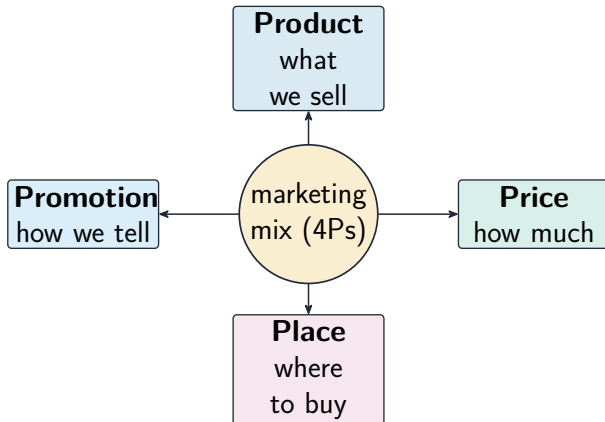


primary research → quantitative data for decisions

Primary research → quantitative data that guides marketing decisions



The marketing mix – the 4Ps



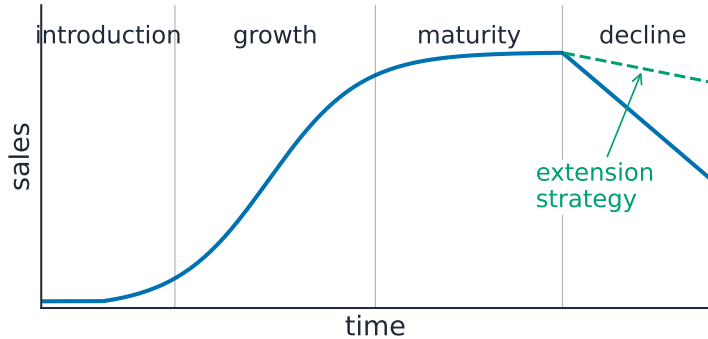
- **product** – what we sell
- **price** – how much
- **place** – where to buy
- **promotion** – how we tell

The four must **work together**.

Product life cycle

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

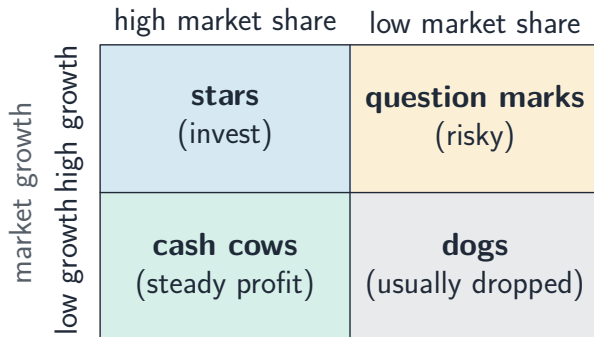
Product life cycle, in detail



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



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

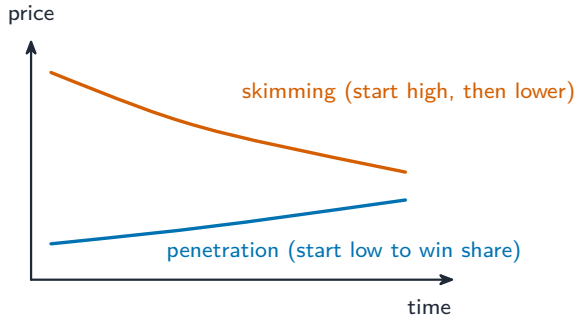
Product development is a new product for the existing market – one of Ansoff's four boxes, and the second-riskiest.

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.

Price strategies



- **cost-plus , competitive**
- **penetration** (low to win share)
- **skimming** (high then lower)
- **psychological** (\$9.99)

The pricing methods and strategies

cost-plus

add a fixed profit margin to the unit cost – simple, and it ignores the market

competitive pricing

set at or near rivals' prices

penetration pricing

a low launch price to win share quickly

price skimming

a high launch price for something new, lowered over time

price discrimination

different prices to different groups – peak and off-peak, student and adult

psychological pricing

£9.99 rather than £10 – the same money, a different perception

Price discrimination needs three things: separable groups, different elasticities, and no way to resell between them. Missing any one and it collapses.

Two more pricing methods, and where promotion lives

Cost-plus pricing

Cost-plus pricing : work out the unit cost and add a fixed mark-up. Simple, and it ignores what customers would pay.

Dynamic pricing

Dynamic pricing : the price moves with demand, hour by hour – airlines, ride-hailing, event tickets.

Above the line

Above-the-line promotion is paid mass media: television, radio, print, display advertising.

Below the line

Below-the-line promotion is everything targeted and controlled by the firm – direct mail, sponsorship, sales promotion, and most **digital marketing** .

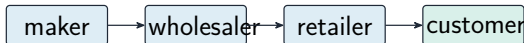
A **distribution channel** is the route to the customer, and a shorter one keeps more of the margin.

Place and promotion

short channel (more control)



long channel (reaches more buyers)



Place : short channel = more control;
long (→ **wholesaler** → shop) reaches more.

- **above-the-line** : mass **advertising**
- **below-the-line** : discounts, samples
- **e-commerce** reaches world markets

Mass and niche markets



A mass market targets everyone; a niche serves a small specialist group

Mass and niche markets, and how promotion is split

a niche market

a small part of a market with **special needs** – left-handed tools, vegan cosmetics

its trade

competition is weaker and margins higher, but **sales are small** and the market can vanish

a mass market

the whole market with one offer – huge volume, heavy competition, thin margins

above-the-line

paid **advertising** in mass media – TV, online, outdoor. Wide reach, hard to target

below-the-line

everything else – direct mail, sponsorship, sales promotion, personal selling. Targeted and measurable

market research

collecting and studying information about customers, **competitors** and the market

Above-the-line builds awareness; below-the-line converts it. A campaign question wants you to say which job the firm needs done.

Exam tips

- Calculate **market share** and **market growth** as percentages; a firm can grow yet lose share in a faster-growing market.
- Use **price elasticity of demand** to decide pricing: raise price when demand is inelastic (revenue rises), cut it when elastic.
- Distinguish **primary vs secondary** and **quantitative vs qualitative** research, and comment on sampling reliability.
- Treat the **marketing mix (4Ps)** as a coordinated set – each P should support the others.



Worked example – market share

A firm sells £4m of goods in a market worth £50m. Find its market share.

- Market share = $\frac{\text{firm's sales}}{\text{total market sales}} \times 100$
- $= \frac{4}{50} \times 100 = 8\%$
- Use the **same units** (both by value here; you can also do it by volume).
- Share can **fall while sales rise** – if the market grew faster than the firm.

Market **share** measures performance **against rivals**; sales alone do not. A rising market can flatter a firm that is actually losing ground.

Topic 3 – key takeaways

1

Markets

mass vs niche; segment to target

2

Elasticity

$PED > 1$ elastic, < 1 inelastic

3

The 4Ps

product, price, place, promotion together

4

Product

life cycle & Boston Matrix

Check yourself

- 1 If $PED < 1$, how do you raise revenue?
- 2 Name the 4Ps.
- 3 Which Boston Matrix product has high share, low growth?
- 4 Penetration or skimming starts with a low price?



Answers 1. raise the price 2. product, price, place, promotion 3. cash cow 4. penetration