A-LEVEL BUSINESS • EXERCISE SHEET

3.1 The nature of marketing

Name: ____________ Class: ________ Date: __________ **Total: 29 marks**

KEY WORDS market 市场 • marketing 市场营销 • market share 市场份额 • product 产品 • mass market 大众市场

Objective

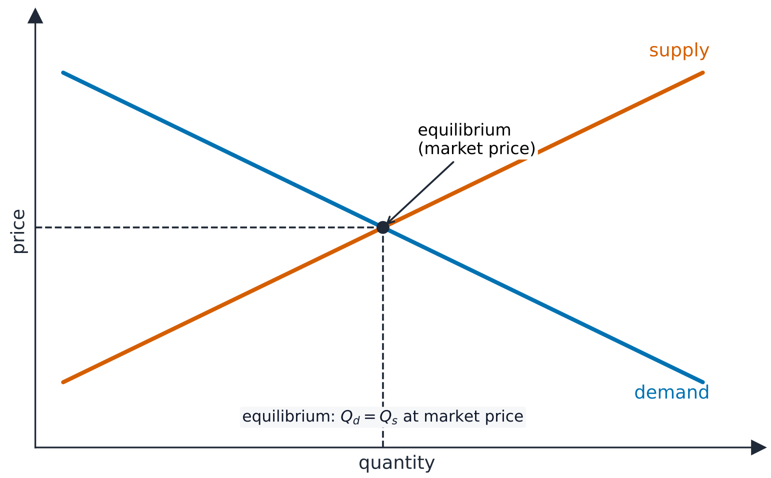
Build the skills to answer exam questions on **the nature of marketing** 市场营销的本质 — market orientation, **market size, growth and share** 市场规模、增长和份额, **mass and niche markets** 大众市场和利基市场, **segmentation** 市场细分, and **price elasticity of demand** 需求价格弹性 (PED).

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 Worked examples

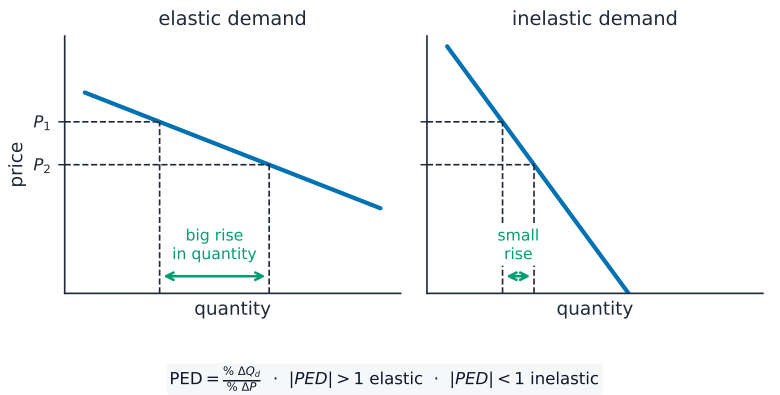
■ **Markets, share and elasticity**



When price falls, quantity demanded usually rises

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

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



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]

Solutions

Business answers are marked by **level of response** against the assessment objectives: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

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

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).

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 *[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.

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.