Exercise walk-through

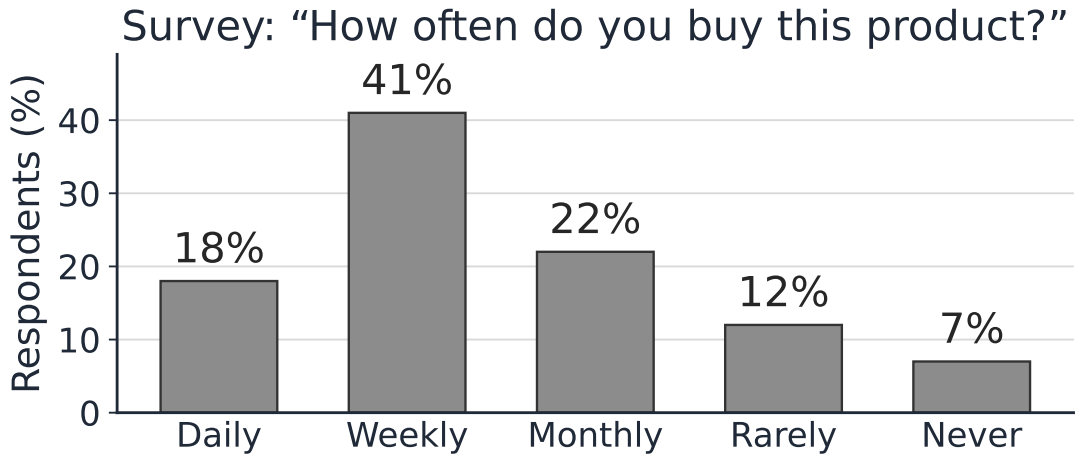
4.1
Marketing evidence and the seven Ps: supported rehearsal

International Baccalaureate · IB Diploma · Business Management · HL

Marketing planning

- A **marketing plan** sets out the marketing objectives, the target market, the marketing mix, the budget and how success will be measured.
- Marketing objectives must fit the business's main objectives: for example, "raise market share from 25% to 30% in two years".
- 1. **Segmentation** : dividing a market into groups of customers with similar needs.
- Common ways: by **demographics** (age, income, gender), by geography, and by **psychographics** (lifestyle, values, interests). 2. **Targeting** : choosing which segments to serve.

Figure: Market research



primary research → quantitative data for decisions

- **Primary research** → **quantitative data** that guides marketing decisions
- Read the axes and units first.

The seven Ps of the marketing mix (2)

- **Dogs** : low share of a slow-growing market. Usually sold or closed. *Tyre sales, where large chains are much cheaper.*
- **Above-the-line promotion** uses paid mass media: television, newspapers, cinema, billboards and online adverts. It reaches many **people**, but it is costly and hard to target.
- **Below-the-line promotion** is targeted and often cheaper: sales promotions (discounts, free gifts), sponsorship, direct marketing, personal selling and **public relations** (PR).

Exercises 2.1·2.2

2.1 Distinguish a market-oriented business from a product-oriented one, with one drawback of each. [4]

market-oriented

product-oriented

2.2 The firm completes 2 000 repairs a month in a local market of 8 000. Calculate its market share. [2]

firm: 2000 repairs

market: 8000 repairs

Exercises 2.1·2.2

2.1 Distinguish a market-oriented business from a product-oriented one, with one drawback of each. [4]

market-oriented

product-oriented

2.1 A market-oriented business identifies customer wants through research and supplies them (responsive to demand), but can become a follower of trends (2). A product-oriented business develops what it can make and sells the benefits (distinctive, innovation-led), but risks making products customers do not want (2).

2.2 The firm completes 2 000 repairs a month in a local market of 8 000. Calculate its market share. [2]

firm: 2000 repairs

market: 8000 repairs

2.2 Market share $= 2\,000/8\,000 \times 100 = 25\%$ (2).

Exercises 2.3·2.4

2.3 Distinguish primary from secondary research, with one example of each. [2]

primary

secondary

2.4 Name the seven Ps. [2]

product

price

place

promotion

people

process

physical evidence

Exercises 2.3·2.4

2.3 Distinguish primary from secondary research, with one example of each. [2]

primary

secondary

2.3 Primary research gathers new data for the purpose – a customer survey or a focus group; secondary research reuses existing data – government statistics or trade-association sales figures (2).

2.4 Name the seven Ps. [2]

product

price

place

promotion

people

process

physical evidence

2.4 Product, price, place, promotion; people, process, physical evidence (2 – 1 for either three or four named).

Exercise 2.5

2.5 Monthly repairs for the last four months were 1 900, 2 050, 2 100 and 1 950. Calculate the four-period moving average and state one reason a manager should not simply extrapolate the trend. [3]

1900, 2050, 2100, 1950

Exercise 2.5

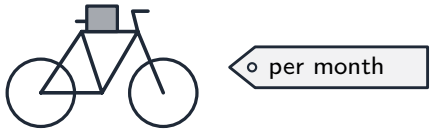
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1900, 2050, 2100, 1950

2.5 Moving average $= (1\,900 + 2\,050 + 2\,100 + 1\,950)/4 = 8\,000/4 = 2\,000$ (2). Any one: the swings around the average (-100, $+50$, $+100$, -50) suggest SEASONALITY, so the trend understates peaks and overstates troughs; past data assumes the market repeats; a competitor opening or closing changes everything; forecasts are hypotheses, not promises (1).

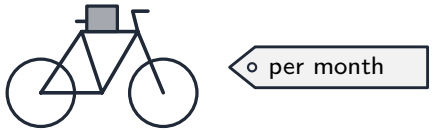
Exercise 3.1

3.1 *(Original, Paper 1 style.)* The firm will launch an e-bike subscription service. Explain penetration pricing AND price skimming, and recommend which the firm should use. [4]



Exercise 3.1

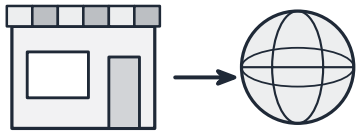
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3.1 Penetration prices LOW at launch to buy market share quickly – volume, word of mouth, and a barrier to imitators, but little early profit and a "cheap" image hard to raise later (2). Skimming prices HIGH at launch to recover development costs from early adopters, then lowers the price – profit per customer and a premium signal, but slow share growth and inviting competitors (2). Recommendation: penetration suits the subscription market – switching costs lock subscribers in early and scale matters more than early margin (accept skimming argued from brand quality).

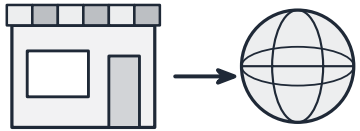
Exercise 3.2

3.2 *(Original, HL international.)* The firm will enter a neighbouring country whose riders value long warranties and pay monthly. Recommend standardisation or adaptation of the marketing mix for this market, and one suitable entry method. [4]



Exercise 3.2

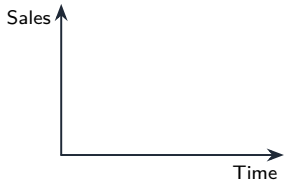
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3.2 Adaptation: warranties lengthened and monthly billing built in – the local values differ (culture, income patterns, law), so price place and promotion must respond; the core repair brand stays standard (2). Entry method: LICENSING or a JOINT VENTURE with a local partner – the partner carries local knowledge and share of risk at lower capital cost than acquisition; export is cheaper but cannot deliver the local warranty network (2).

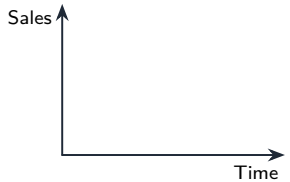
Exercise 3.3

3.3 *(Original, Paper 1 style.)* Repair services are in maturity in the home market. Using the product life cycle and one extension strategy, evaluate how the firm can sustain revenue. [4]



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3.3 Maturity: sales plateau, competition on price, profits squeezed. Extension strategies: new uses or users, repackaging (the subscription service), minor upgrades, new markets (the neighbouring country from 3.2), promotion refresh (2). Evaluation: extensions slow decline rather than reverse it – the Boston matrix reads a mature 25%-share repair service as a cash cow, so the sound policy is to harvest it and fund the star/question-mark subscription, not to over-invest in a plateaued service (2).

Local review guidance: both strategies explained with a benefit AND a cost before the recommendation; (R1 3.3) the evaluation names the strategy's ceiling (slowing decline) and links to the Boston reading; show the substitution before the answer. This is authored classroom guidance.