4.3 The marketing mix and international marketing

Name: _____ Class: _____ Date: _____ **Total: 30 marks**

KEY WORDS product life cycle • extension strategy • price skimming • penetration pricing • distribution channel • BCG matrix

Objective

Build the skills to answer exam questions on the **seven Ps of the marketing mix** (product, price, promotion, place, people, processes, physical evidence) and, at HL, **international marketing** .

You must be able to:

- explain the product life cycle, extension strategies, branding and the Boston Consulting Group (BCG) matrix
- evaluate pricing methods: cost-plus, penetration, skimming, psychological, loss leader, price discrimination, dynamic and competitive pricing
- evaluate promotion (above and below the line, social media) and distribution channels
- explain people, processes and physical evidence for services
- explain methods of entering international markets and the opportunities and threats of international marketing

1 Key knowledge and worked examples

The seven Ps

Product. The **product life cycle**: development → introduction → growth → maturity → decline. **Extension strategies** (new features, new markets, new packaging, price cuts, new uses) delay decline. **Branding** gives identity and loyalty; types include family branding, product branding, company branding, own-label branding.

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BCG matrix (toolkit)

	high market share	low market share
high market growth	**star** (invest to keep its lead)	**question mark** (invest or drop)
low market growth	**cash cow** (earns cash to fund others)	**dog** (consider dropping)

Price. Cost-plus: price = unit cost + a percentage mark-up. **Penetration:** low price to win market share quickly. **Skimming:** high price at launch for a new or unique product, lowered later. **Psychological:** e.g. $9.99. **Loss leader:** sold below cost to attract customers who buy other items. **Price discrimination:** different prices for different groups or times. **Dynamic:** prices change with demand in real time. **Competitive:** set in line with rivals.

Promotion. Above the line: paid mass media (TV, radio, online ads). **Below the line:** direct marketing, sales promotions, sponsorship, public relations. **Social media marketing:** cheap, targeted and two-way, but negative comments spread quickly. **Viral** and **guerrilla** marketing rely on surprise and sharing.

Place. Distribution channels: **direct** (producer → consumer, e.g. online), **one intermediary** (producer → retailer → consumer), **two intermediaries** (producer → wholesaler → retailer → consumer). E-commerce allows direct selling worldwide.

People, processes, physical evidence (important for services): staff skills and attitudes; how the service is delivered (speed, ease of booking); what customers see (building, uniforms, website, packaging).

AHL – international marketing: entry methods include exporting, licensing, franchising, joint ventures, acquisitions and direct investment. **Opportunities:** larger markets, economies of scale, spreading risk. **Threats:** cultural differences (language, tastes, religion), legal and political differences, exchange-rate changes, local competitors.

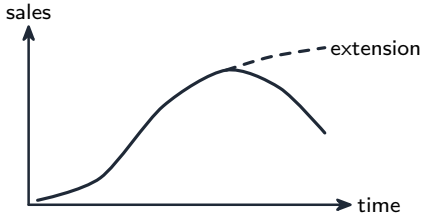
Answer shapes: classify (PLC stage, BCG cell) → link each P to the target market → check the Ps fit together → judgement.

2 Practice

2.1 Distinguish between penetration pricing and price skimming. [2]



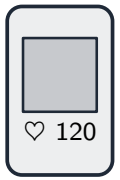
2.2 State **two** extension strategies for a product in the maturity stage of its life cycle. [2]



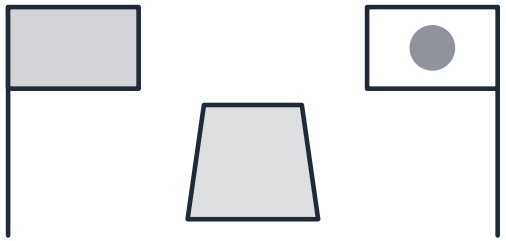
2.3 A snack firm's products: A has a high market share in a fast-growing market; B has a low share in a slow-growing market; C has a high share in a slow-growing market; D has a low share in a fast-growing market. Classify each product using the BCG matrix. [4]



2.4 Explain **one** advantage and **one** disadvantage of social media marketing for a small bakery. [4]



2.5 A European snack firm plans to sell in Japan. Explain **two** cultural factors it should consider in its marketing mix. [4]



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3 Exam-style questions

3.1 AquaPure is launching **Glow**, a reusable water bottle with a built-in filter. Its unit cost is \$12. Rival bottles without filters sell for \$15–\$25. AquaPure targets students and young professionals who care about the environment.



(a) AquaPure considers cost-plus pricing with a 40% mark-up. Calculate the price, and explain **one** limitation of this method. [4]

(b) Discuss an appropriate marketing mix for the launch of Glow. [10]

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Solutions

Marking: **M1** a correct method, **A1** the correct answer, **B1** an independent mark.

Each answer shows the steps, then the **result**.

2.1

penetration: a low price at launch to gain market share quickly; skimming: a high price at launch for a new or unique product, lowered later

2.2

any two: new features or a new version; new packaging or design; new markets or uses; price reductions or promotions

2.3

A: star; B: dog; C: cash cow; D: question mark (problem child)

2.4

advantage: cheap and can target local customers; photos can be shared widely; disadvantage: needs time and skill to post regularly / negative reviews spread quickly and can damage reputation

2.5

any two, explained: tastes and food preferences differ, so flavours may need to change (product); language and meaning of brand names, colours and symbols (promotion); shopping habits, e.g. convenience stores, affect place; gift-giving customs affect packaging

3.1

(a) $12 \times 1.4 = \$\mathbf{16.80}$; limitation: ignores demand and competitors' prices / customers may pay more for a filter, so profit is lost

(b) award up to [10]: product: the filter is a USP; eco-friendly materials suit the target market; price: skimming (e.g. above $25) for a unique product, or competitive pricing near $20 to attract price-sensitive students; promotion: social media and influencers reach young buyers cheaply; sustainability message; place: online direct sales plus campus shops and outdoor retailers; people/processes/physical evidence: helpful online service, simple ordering, recyclable packaging; the Ps must fit together and with the target market; risks: rivals copy the filter; budget limits; judgement with a justified mix

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