Exercise walk-through

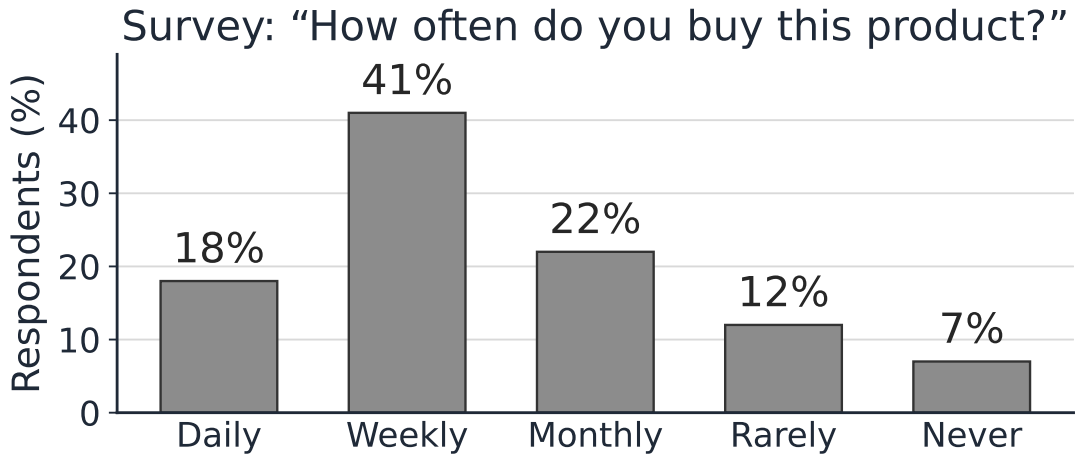
4.1
Marketing evidence and the seven Ps: supported rehearsal

International Baccalaureate · IB Diploma · Business Management · SL

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, giving 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, giving 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 State any two limitations of market research and explain how one of them could mislead the firm. [3]



Exercise 2.5

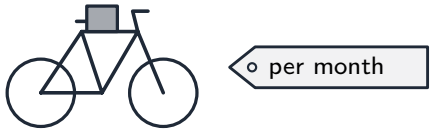
2.5 State any two limitations of market research and explain how one of them could mislead the firm. [3]



2.5 Any two of: cost versus benefit (research may cost more than the decision is worth); reliability (would the findings repeat?); validity (does it measure what it claims?); representativeness (sample size and design) (2). E.g. a survey of 40 regular customers is unrepresentative – it omits the lapsed and the never-customers, so it would overstate demand for the subscription and mislead the launch (1).

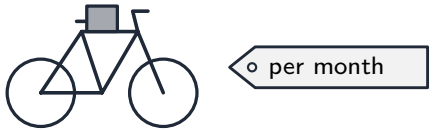
Exercise 3.1

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]



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3.1 Penetration prices LOW at launch to buy market share quickly – volume, word of mouth, 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, Paper 1 style.)* The firm wants to research whether riders would subscribe. Compare a survey of 400 riders with two focus groups, and recommend which the firm should rely on. [4]



Exercise 3.2

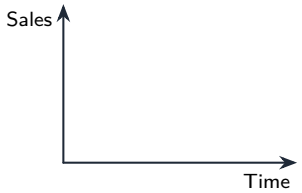
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3.2 The survey of 400 gives QUANTITATIVE breadth: percentages, representativeness if sampled well, cheap per response – but shallow, and question design can bias it (2). The two focus groups give QUALITATIVE depth: motives, objections, price sensitivity in the riders' own words – but small samples, dominant voices, and the moderator's framing (2). Recommendation: run the focus groups FIRST to design honest questions, then the survey to measure – the methods answer different questions, so the firm should sequence them, not choose one.

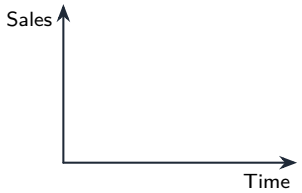
Exercise 3.3

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 market segments, 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 3.2) the comparison ends with a sequenced judgement, not a coin toss; show the substitution before the answer. This is authored classroom guidance.