Marketing (4.1-4.6)

International Baccalaureate · IB Diploma · Business Management · SL

Marketing

IB Diploma Programme Business Management SL, Unit 4 *Marketing* (first assessment 2024). This topic covers the SL content of sections 4.1 to 4.6: the role of marketing, marketing planning, market research and the seven Ps of the marketing mix. Sales forecasting (4.3) and international marketing (4.6) are HL only and are left out. The worked examples use the course's repair business. Its city has a market of 8,000 car repairs a month, and the business does 2,000 of them.

Luckin Coffee opened its first shop in Beijing in 2017. Within two years it had more shops in China than Starbucks. It did not win with better coffee alone. It used an app for every order, small pick-up shops instead of big cafés, and large discounts to win first-time buyers. Every one of those choices is a marketing decision: product, price, place and promotion. This topic shows how a business decides who its customers are and how to reach them.

Must-know for this topic:

Idea	Key content
orientation	market orientation against product orientation
market share	$\frac{\text{firm's sales}}{\text{total market sales}} \times 100$: $2{,}000 \div 8{,}000 \times 100 = 25\%$
planning	segmentation, targeting, positioning; position map; USP
research	primary and secondary; qualitative and quantitative; sampling
the 7Ps	product, price, promotion, place, people, processes, physical evidence

The role of marketing

Marketing means finding out what customers want and supplying it at a profit. It links the business to its customers.

- A business with **market orientation** starts with customers: it researches what they want, then makes it. This is the usual approach today, because tastes change fast.
- A business with **product orientation** starts with the product: it makes what it is good at, then tries to sell it. This can work for new technology, where customers do not yet know what they want, but it is risky.

Social enterprises market too, but their aim may be to change behaviour (for example, to make people recycle) rather than to earn profit.

Market share is a firm's sales as a percentage of the whole market's sales.

> **Worked example.** The city's garages do 8,000 repairs a month, and the repair business does 2,000. Its market share $= 2{,}000 \div 8{,}000 \times 100 = 25\%$. If the market grows to 10,000 repairs and the business does 2,400, its sales rise by 20% but its market share falls to 24%. Rivals grew faster.

A high market share brings economies of scale, a strong brand and power over suppliers. The firm with the largest share is the **market leader**.

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".

Segmentation, targeting and positioning

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. A **niche market** is a small, specialised segment; a **mass market** is a large one with similar needs.
3. **Positioning**: deciding how the product should be seen compared with rivals in the customer's mind.

A **position map** (perception map) places rival products on two features that customers care about, such as price and quality. It shows where competition is crowded and where there is a gap.

A position map shows where rivals compete and where gaps exist

A gap is not always a chance: there may be no customers there, or it may cost too much to serve. A business stands out through its **unique selling point** (USP): something rivals do not offer. The repair business's USP is a 24-hour repair promise with a free replacement car.

The **Ansoff matrix** (from the business management toolkit) shows four growth strategies and their risk:

	Existing products	**New products**
Existing markets	**Market penetration** sell more to the same market	**Product development** new product, same market
New markets	**Market development** same product, new market	**Diversification** new product, new market (riskiest)

Exam: risk rises toward diversification — new product × new market is highest risk

Ansoff matrix: risk rises from market penetration to diversification

Market research

Market research collects information about customers, competitors and markets to reduce the risk of decisions.

- **Primary research** collects new data for the business's own purpose: **surveys**, interviews, **focus groups** (a small group discussing a product), observation and test marketing. It fits the question exactly and is up to date, but it is slow and costly.
- **Secondary research** uses data that already exists: government statistics, industry reports, newspapers, competitors' websites and the firm's own sales records. It is quick and cheap, but it may be out of date or collected for another purpose.

Quantitative data is numbers ("62% of drivers service their car once a year"). **Qualitative data** is opinions and reasons ("drivers distrust garages that do not explain the fault"). Good research uses both.

Researchers usually ask a **sample** instead of everyone:

Sampling method	**How it works**	**Weakness**
random sampling	everyone has an equal chance of being chosen	needs a full list of the population
stratified sampling	the sample matches the population's groups (age, area)	needs data on the groups
quota sampling	the researcher fills a set number from each group	not random, so bias is possible
convenience sampling	whoever is easy to reach	often unrepresentative
snowballing	each person suggests others	biased towards one social circle

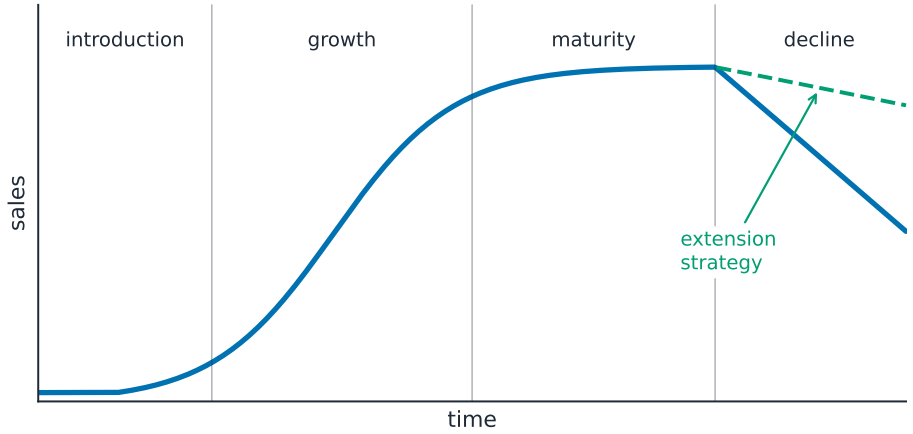
Sampling error happens when the sample does not represent the population, often because it is too small. Research can also be biased by leading questions. And collecting customer data online raises ethical questions about privacy and consent.

The seven Ps of the marketing mix

The **marketing mix** is the set of decisions a business makes to sell its product. For goods there are four Ps: product, price, promotion and place. Services add three more: people, processes and physical evidence. All seven must fit together: a premium brand with a very low price confuses customers.

Product

The **product life cycle** shows the stages of a product's sales over time:



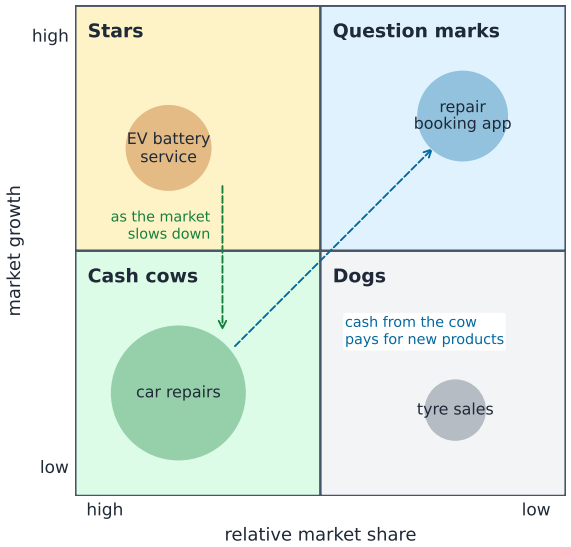
introduction → growth → maturity → decline (sales over time)

Sales through introduction, growth, maturity and decline; an extension strategy can delay the decline

Stage	Sales	Cash flow	Typical marketing
development	none	negative	research and testing
introduction	low, slow growth	negative	heavy promotion; skimming or penetration price
growth	rising fast	turning positive	more outlets; build the brand
maturity	high, levelling off	strongly positive	compete on price and features; extension strategies
decline	falling	falling	cut costs, then withdraw

Extension strategies delay the decline: a new feature, a new design, a new market, or a new use.

The **Boston Consulting Group matrix** (BCG matrix) looks at a firm's whole range of products, its **product portfolio**, using market growth and relative market share:



The repair business's products on the Boston matrix: the cash cow pays for the star and the question mark

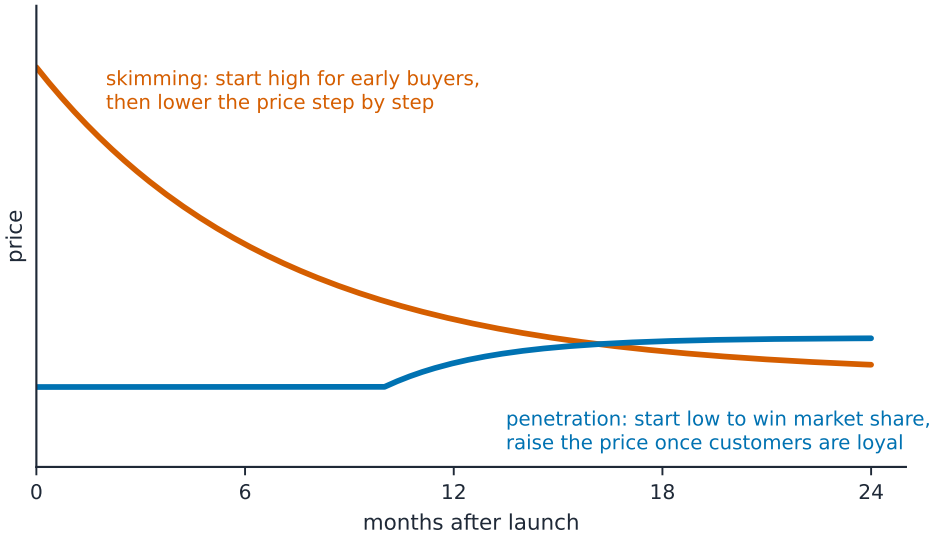
- **Stars** : high share of a fast-growing market. They need cash to keep growing. *EV battery servicing.*
- **Cash cows** : high share of a slow-growing market. They earn more cash than they need. *Ordinary car repairs.*
- **Question marks** : low share of a fast-growing market. Invest to build share, or drop them. *The new repair booking app.*
- **Dogs** : low share of a slow-growing market. Usually sold or closed. *Tyre sales, where large chains are much cheaper.*

A balanced portfolio uses the cash from cows to turn question marks into stars, which later become the next cash cows.

Branding gives a product a name, logo and identity. A strong brand builds **brand loyalty** and lets the firm charge more. Packaging protects the product, but also informs and attracts buyers.

Price

Pricing method	How it works	When it is used
cost-plus pricing	average cost plus a fixed percentage	simple; common in shops
penetration pricing	a low price at launch to win market share	mass markets; new firms
price skimming	a high price at launch, lowered over time	new technology with keen early buyers
psychological pricing	prices such as 99 instead of 100	consumer goods
loss leader	one item sold below cost to bring in customers	supermarkets
price discrimination	different prices for different groups for the same product	cinemas, airlines, student discounts
dynamic pricing	prices change with demand in real time	ride-hailing apps, hotels
competitive pricing	prices set close to rivals'	many similar products
contribution pricing	price covers the variable cost and adds something towards fixed costs	spare capacity



Skimming and penetration pricing move in opposite directions after launch

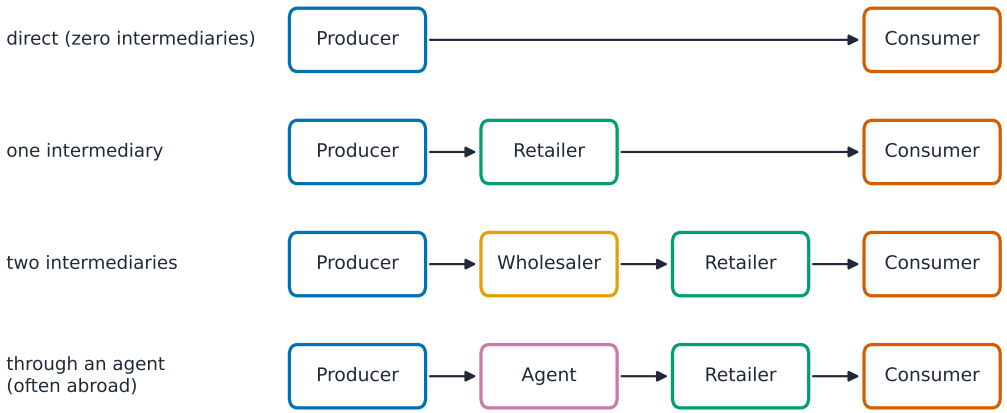
Promotion

- **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).
- **Social media marketing** uses platforms such as WeChat, Douyin and Instagram. It is cheap and two-way, and messages can go viral, but bad comments spread just as fast.
- **Guerrilla marketing** uses surprising, low-cost stunts in public places to get attention.

The **promotional mix** is the combination a business chooses.

Place

Place is how the product reaches the customer. A **distribution channel** is the path from producer to consumer.



Each intermediary adds reach but takes a share of the price

Each **intermediary** (wholesaler, retailer or agent) adds reach and convenience, but takes part of the profit and reduces the producer's control. Selling online (**e-commerce**) lets even small firms sell directly to customers far away.

■ People, processes and physical evidence

- **People**: the staff who deal with customers. In a service, the mechanic who explains a fault clearly is part of the product.
- **Processes**: how the service is delivered: online booking, waiting times, how complaints are handled.
- **Physical evidence**: what customers can see: a clean workshop, uniforms, a clear invoice, online reviews.

Checklist

- Marketing; market against product orientation; marketing in social enterprises; market share 2,000 ÷ 8,000 = 25% and why share can fall as sales rise; market leadership (4.1).
- The marketing plan; segmentation by demographics, geography and psychographics; targeting niche and mass markets; positioning, position maps and the USP; the Ansoff matrix (4.2).
- Primary and secondary research; qualitative and quantitative data; random, stratified, quota, convenience and snowball sampling; sampling error and ethics (4.4).
- The seven Ps: the product life cycle and extension strategies; the BCG matrix with stars, cash cows, question marks and dogs; branding; the nine pricing methods; above- and below-the-line, social media and guerrilla promotion; distribution channels and intermediaries; people, processes and physical evidence (4.5).