

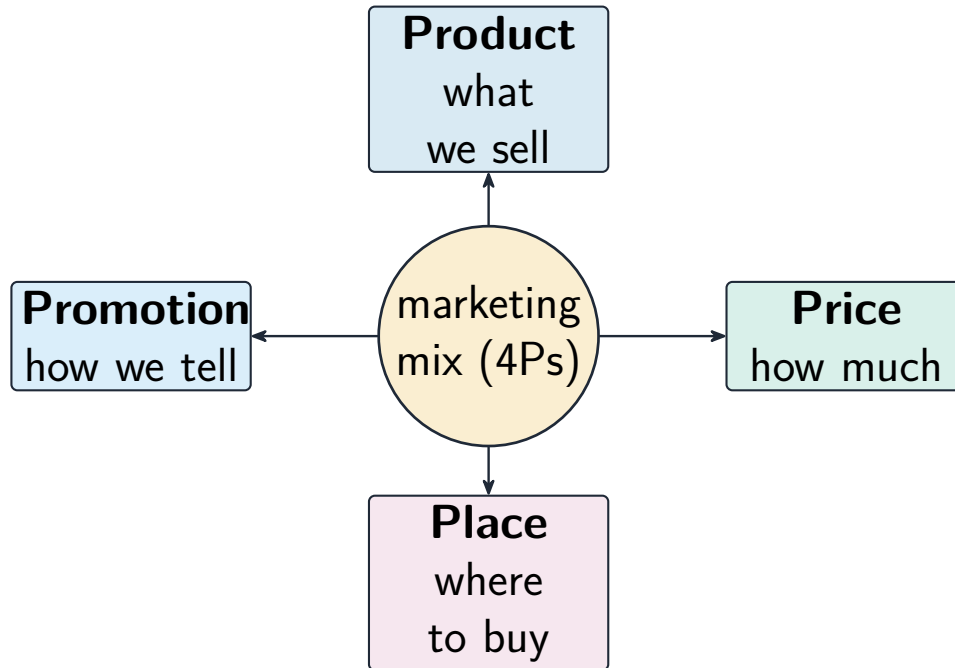
Exercise walk-through

3.3

Marketing mix

IGCSE Business Studies

The marketing mix: the four Ps



The **marketing mix** :

- **Product** – what we sell
- **Price** – how much
- **Place** – where to buy
- **Promotion** – how we tell

Pricing methods, and what each is for

cost-plus

add a fixed share of profit on top of the cost of making the item – simple, and it ignores what rivals charge

competitive

price at or near rivals' prices – safe in a crowded market

penetration

a low launch price to win market share fast

skimming

a high launch price for a new product, lowered later

promotional

a temporary low price to shift stock or attract attention

dynamic

the price **changes automatically as demand changes**, as airlines do

Match the method to the situation: skimming needs something rivals do not have; penetration needs the capacity to serve the volume it wins.

Four pricing methods

Cost-plus pricing

Cost-plus pricing : work out the unit cost and add a mark-up. Simple, and it ignores what customers would pay.

Competitive pricing

Competitive pricing : price near the rivals'. Safe in a crowded market, and it invites a price war.

Price skimming

Price skimming : launch high while the product is new and demand is inelastic, then lower it.

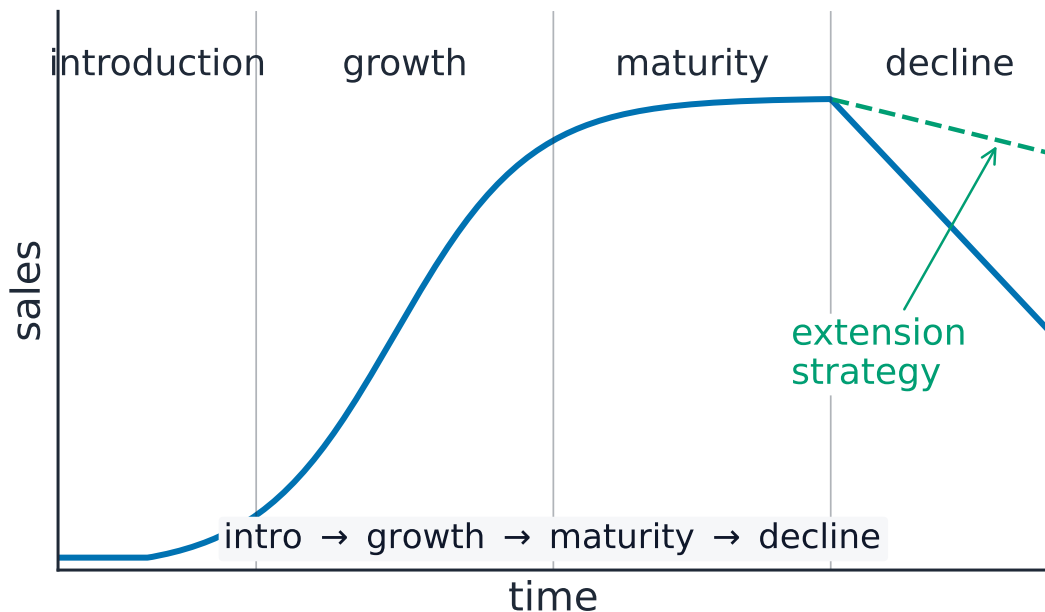
Promotional pricing

Promotional pricing : a temporary low price to clear stock, launch a product or draw customers in.

Match the method to the situation: a new product, a crowded market, or an old stock. The **internet** makes every rival's price visible, which pushes most markets toward competitive pricing.

Product life cycle

Sales over four stages: **introduction**, growth, maturity, decline. **Extension strategies** (a new use, new design or lower price) keep sales going.



Place and distribution

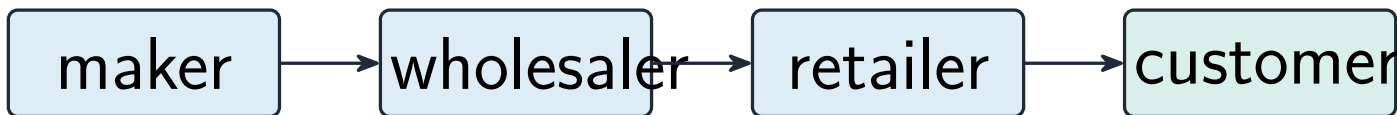
A **distribution channel** is the path from producer to customer.

- short channel – more control
- long channel – wider reach

short channel (more control)



long channel (reaches more buyers)



Exercises 2.1-2.3

2.1 State what the **four Ps** of the marketing mix stand for. [2]

2.2 State the four stages of the product life cycle. [2]

2.3 Define the term *penetration pricing*. [2]

Exercises 2.1-2.3

2.1 State what the **four Ps** of the marketing mix stand for. [2]

2.1

- the four Ps: **Product, Price, Place, Promotion** (K)
-

2.2 State the four stages of the product life cycle. [2]

2.2

- **introduction, growth, maturity, decline** (K)
-

2.3 Define the term *penetration pricing*. [2]

2.3

- **penetration pricing**: a **low price** to enter a market and win customers quickly (K)

Exercises 3.1-3.2

3.1 Identify two extension strategies a business could use.

[2]

3.2 Explain two factors a business should consider when setting the price of a product.[6]

Exercises 3.1-3.2

3.1 Identify two extension strategies a business could use. [2]

3.1

- any **two** of: new design / new advert / new packaging / new market / lower price (K, K)
-

3.2 Explain two factors a business should consider when setting the price of a product. [6]

3.2

- for **each** of two factors: K + An, max 3 each
- e.g. **cost**: price must cover cost plus profit, or the firm makes a loss
- e.g. **competitors' prices**: too high and customers buy elsewhere

Exercise 3.3

3.3 A business is launching a new chocolate bar. Do you think promotion is the most important part of its marketing mix? Justify your answer. [6]

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3.3

- **for promotion:** a new product is unknown, so advertising builds awareness
- **against:** product, price and place must also be right
- **judgement (Ev):** promotion is key at launch, but the four Ps must work together