Marketing

IGCSE Business Studies

What marketing does

Marketing is the work of finding out what **customers** want, then making, pricing, selling and promoting products to meet those wants at a profit.

Marketing has several roles:

- find out and satisfy what customers want,
- keep and increase **sales** and **market share**,
- build **customer loyalty** so buyers come back again.

Why customers matter

Customers bring in the money, so keeping them is vital. Losing customers is costly: the business loses their future spending, and it must spend a lot on **advertising** to win new ones. It is usually far cheaper to keep a customer than to find a new one.

Niche and mass markets

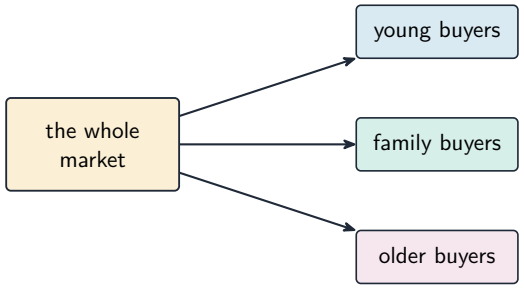
A **market** is all the buyers and sellers of a product.

- A **niche market** is a small part of a market with special needs, for example left-handed tools.
- A **mass market** is a large market with many similar buyers, for example soft drinks.

Market segmentation

Market segmentation means splitting a market into groups of buyers who share something, such as age, income, gender or location. Its benefits:

- the business can design a product to fit each group,
- it can aim its advertising at the right people,
- it can spot gaps in the market.

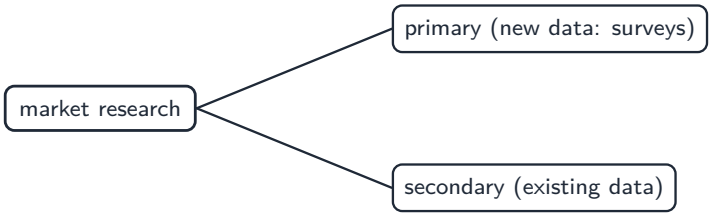


split into segments (here, by age)

Segmentation splits the whole market into groups of similar buyers

Market research

Market research is collecting information about customers, rivals and the market, to help make good decisions.



Primary research collects new data; secondary uses existing data

Primary and secondary research

- **Primary research** (also called field research) collects new information directly, for the first time. Methods include **questionnaires**, interviews, surveys and tests. It is up to date and fits the exact need, but costs time and money.
- **Secondary research** (also called desk research) uses information that already exists, such as government reports, websites and past sales records. It is cheap and quick, but may be old or may not fit the need.

Sampling and reliable data

A business cannot ask everyone, so it asks a small group, called a sample. **Sampling** must be done with care. If the sample is too small or not typical, the **data** will not be reliable, and decisions based on it may be wrong.

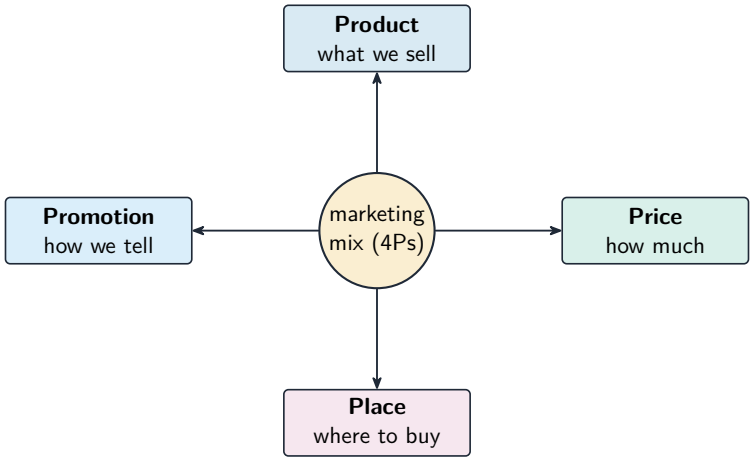
Using research data

Research results are shown in tables, charts and graphs. You should be able to read them – for example, find the most popular product, or see how sales change over time – and use them to support a decision.

The marketing mix

Advertising on giant screens – promotion is one of the four Ps of the marketing mix.

The **marketing mix** is the four main choices a business makes about a product. They are often called the **four Ps**: product, price, place and promotion.

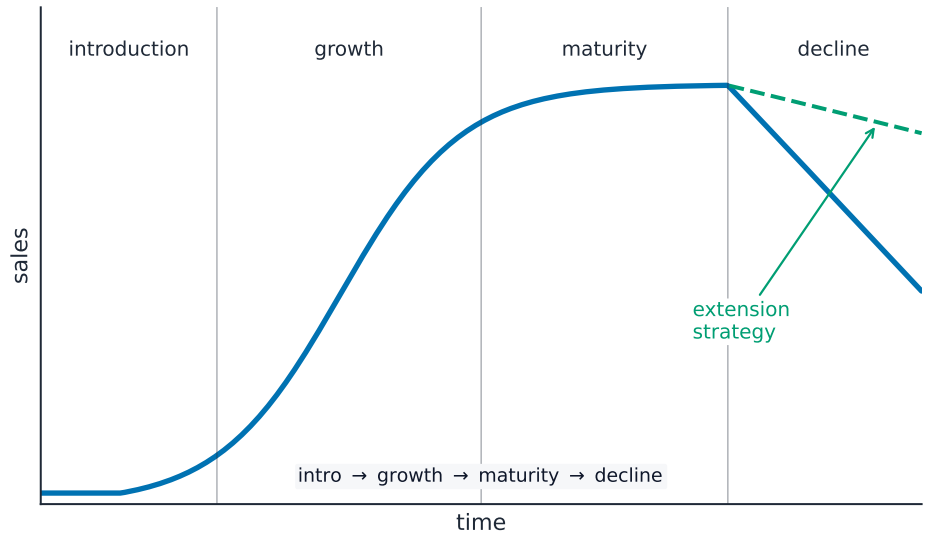


The marketing mix combines the four Ps

Product

The **product** must meet customers' needs. Two ideas matter here.

The **product life cycle** describes the sales of a product over time, in four stages: introduction, growth, maturity and decline. When sales begin to fall, a business can use an **extension strategy** – such as a new design, a new advert, or selling in a new market – to keep the product selling.



Sales of a product over its four life-cycle stages, with an extension strategy in maturity

A strong **brand** (a name, logo and image that customers recognise) and good **packaging** (the wrapping that protects the product and attracts buyers) both help a product sell. Building a brand is called branding.

■ Price

The **price** is what the customer pays. A business can choose from several pricing methods.

Method	How it works
cost-plus pricing	add a fixed share of profit on top of the cost of making the item
penetration pricing	set a low price to enter a market and win customers fast
price skimming	set a high price at first for a new, special product
competitive pricing	set a price close to rivals' prices
promotional pricing	cut the price for a short time to lift sales
dynamic pricing	change the price automatically as demand changes, as airlines do

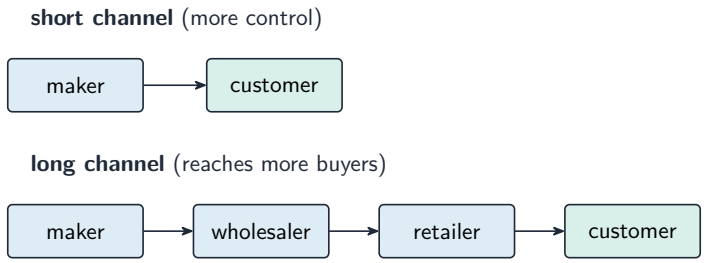
The right price also depends on the cost of making the product, on what customers will pay, on rivals' prices, and on the product's stage in its life cycle.

> **Worked example.** One firm launches a smartphone using technology no rival has. Another enters a crowded soft-drinks market. Which pricing method suits each, and why? The smartphone is new and special with no direct competition, so use **price skimming**: charge a high price at first to recover the development cost from customers who must have it, then lower it as rivals catch up. The soft drink faces many established rivals, so use **penetration pricing**: a low price wins customers quickly and buys market share, and it can be raised later. Match the method to the **market conditions** - a pricing strategy is only right or wrong relative to the competition and the product's stage in its life cycle.

■ Place

Place is about how and where the product is sold, so it reaches the customer at the right time. The route a product takes from maker to customer is called a **channel of distribution**.

Many channels use a **wholesaler** (buys large amounts from makers and sells smaller amounts to shops) and a **retailer** (a shop that sells to the final customer). A business can also sell **directly** to customers, or online through **e-commerce**.



A short channel gives more control; a longer channel reaches more buyers

■ Promotion

Promotion means telling customers about a product and persuading them to buy it. It includes:

- **advertising** – paid messages on TV, online, on posters and so on,
- **sales promotion** – short-term offers like discounts, free gifts, or "buy one get one free".

Technology now plays a big part. The **internet** and **social media** let a business reach many people cheaply, target the right customers, and sell all over the world.

Marketing strategy

A branded shop window: branding helps a product stand out from rivals.

A **marketing strategy** is a plan that uses the four Ps together to reach the business's **objectives**. The four Ps must fit each other and fit the target

customers. For example, a high-price luxury product needs high-quality packaging, expensive shops and image-based adverts.

■ Legal controls on marketing

Many countries have **legal controls** that protect buyers:

- **consumer protection** laws stop the sale of unsafe or faulty goods,
- rules ban **misleading** promotion – adverts that lie about what a product can do.

■ Selling in other countries

A business can grow by entering an **international market** in another country.

- Opportunities: many more customers, higher sales, and spreading risk across markets.
- Problems: different languages and tastes, higher transport costs, foreign laws and **tariffs** (taxes on imports), and strong local **competition** .

Exam tips

- Learn the **four Ps** of the marketing mix – product, price, place, promotion – and remember they must fit each other and the target customer.
- **Primary** research collects new data (surveys, questionnaires; up to date but costly); **secondary** research uses existing data (cheap and quick but may be out of date).
- Know the **product life cycle** (introduction, growth, maturity, decline) and that an **extension strategy** revives falling sales.
- Match the pricing methods: **penetration** (low, to enter a market), **skimming** (high, for a new product), plus cost-plus, competitive, promotional and dynamic pricing.
- A **niche market** is small and specialised; a **mass market** is large, with many similar buyers.

Vocabulary card meanings

sales: The value of what customers have bought in a period. customer loyalty: Customers returning to buy from the same firm again. market segmentation: Dividing buyers into groups with similar wants. product: The good or service a firm offers to buyers. extension strategy: A plan to keep demand going after growth has slowed. packaging: The wrapping and design that protect a product and present it. price: The amount of money asked for one item. place: Where and through which channels buyers can obtain a product. channel of distribution: The path a product takes from the maker to the final buyer. wholesaler: A business that buys in bulk and sells on to shops. retailer: A shop that sells to the final customer. direct selling: Selling to the final customer with no wholesaler or retailer in between. e-commerce: Buying and selling over the internet. promotion (marketing): Activities that tell customers about a product and try to persuade them. internet: The global network used to send data between computers. legal controls: Laws that limit what firms may do. consumer protection: Laws that stop firms misleading or harming buyers. international market: Buyers and sellers in other countries.