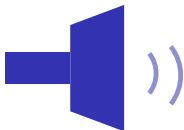


Marketing

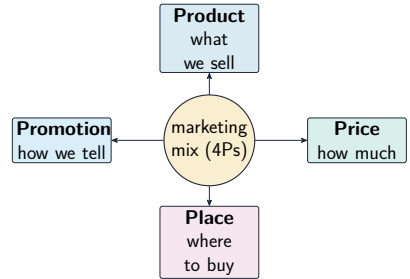
IGCSE Business Studies ■ Topic 3

IGCSE Business Studies



What we will cover

- 1 What marketing does
- 2 Market segmentation
- 3 Market research
- 4 The marketing mix (4 Ps)
- 5 Product life cycle
- 6 Place & distribution



the four Ps



What marketing does

the role

satisfy customers, grow **sales**
& **market share** , build **loyalty**

markets

a **niche market** is small &
special; a **mass market** is large



Advertising

What marketing is, and what it is for

marketing

finding out what **customers** want, then making, pricing, selling and promoting products to meet those wants **at a profit**

identify wants

research first – a product nobody asked for is the most expensive kind

anticipate change

spot what customers will want next, before rivals do

satisfy them

keep the customers you have; retaining one costs far less than winning a new one

build customer loyalty

repeat buyers are cheaper to sell to and more forgiving of a mistake

Marketing is not just advertising. Advertising is one part of **promotion**, which is one of the four Ps.

Why customers matter

Customers bring in the money, so keeping them is vital.

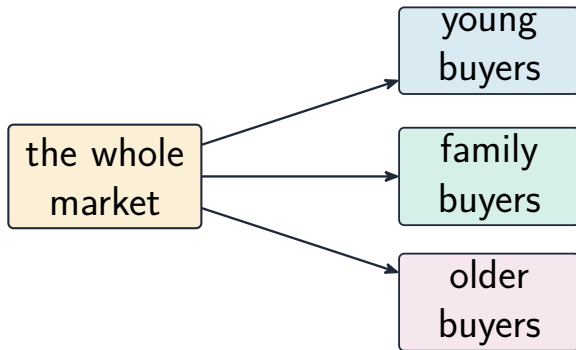
Losing customers is costly: the business loses their future spending, and it must spend a lot on **advertising** to win new ones.

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** .

Market segmentation



split into segments (here, by age)

- 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.

Segmenting a market, and why it pays

market segmentation splitting a market into groups of buyers who **share something**

the bases age, income, gender, location – and lifestyle or interest

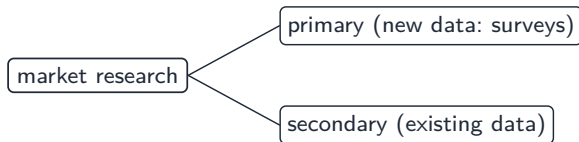
the benefit product, price and promotion can each be **aimed** rather than averaged

niche market one small segment served closely – less competition, but limited size

mass market the whole market with one offer – huge volume, heavy competition

Segmentation costs money – separate products, separate campaigns. It pays only when the segments genuinely want different things.

Market research



Market research informs decisions:

- **primary** – new data (surveys); fits, but costly
- **secondary** – existing data; cheap, but may be old

A good **sample** must be typical.

Primary and secondary research

primary research

field research: you collect it yourself – questionnaires, interviews, observation, test marketing

its trade

exactly what you asked for and up to date – but **slow and expensive**

secondary research

desk research using information that **already exists**: government reports, websites, past sales records

its trade

cheap and quick – but it was collected for someone else's purpose and may be out of date

reading the data

be able to find the most popular product in a table, or read a trend off a sales graph

Most firms start with secondary research because it is cheap, then use primary research to answer the questions it left open.

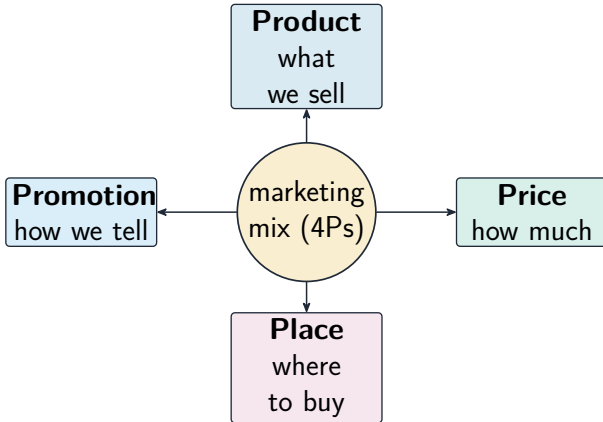
Sampling and reliable data

A business cannot ask everyone, so it asks a small group, called a sample.

If the sample is too small or not typical, the **data** will not be reliable, and decisions based on it may be wrong.



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.

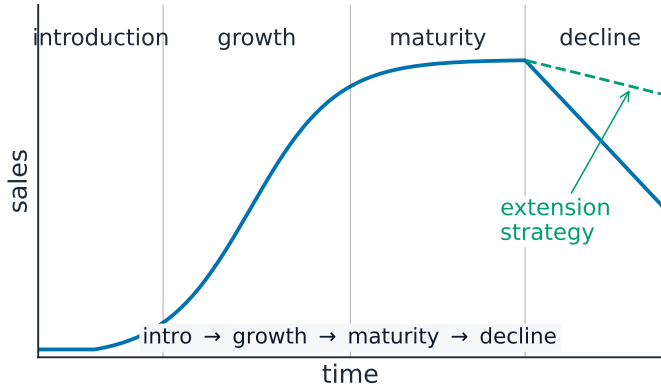
Promotional pricing

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)



Promotion, and the law that limits it

promotion	telling customers about a product and persuading them to buy it
advertising	paid messages on TV, online, on posters and so on
sales promotion	short-term offers – discounts, free gifts, “buy one get one free”
consumer protection	laws stopping the sale of unsafe or faulty goods
misleading promotion	banned – an advert may not lie about what a product can do

A **channel of distribution** is how the product reaches the buyer – **directly**, or through wholesalers and retailers. **E-commerce** shortened that chain for almost every product.

Marketing strategy



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

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.



Worked example – the marketing mix

A firm launches an energy drink aimed at students. Suggest its four Ps.

- **Product:** a drink and can designed for students – caffeine, bold branding.
- **Price:** penetration pricing – low, to win share in a market full of rivals.
- **Place:** campus shops, vending machines, online – where students already are.
- **Promotion:** social media and campus events $\Rightarrow$ all four must fit each other and the customer.

The four Ps must be consistent: a premium price with cheap packaging fails. Always tie every P back to the target market in the question.

Topic 3 – key takeaways

1

Segmentation

split a market into similar groups

2

Research

primary (new) vs secondary
(existing)

3

Four Ps

product, price, place, promotion

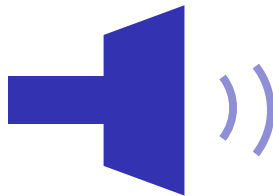
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Life cycle

introduction, growth, maturity,
decline

Check yourself

- 1 What is a niche market?
- 2 Which research collects brand-new data?
- 3 Name the four Ps.
- 4 What is the first stage of the product life cycle?



Answers 1. a small market with special needs 2. primary research 3. product, price, place, promotion 4. introduction