Exercise walk-through

Marketing mix ▪ 3.3

eXercise

You must be able to

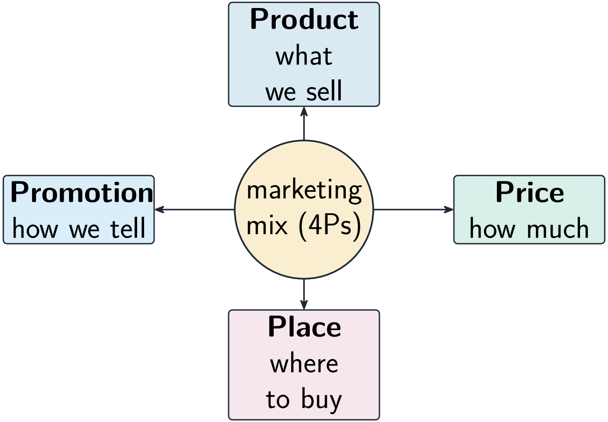
- name the four Ps and explain how they work together
- describe the product life cycle and extension strategies
- compare pricing methods and distribution channels

Method — The four Ps

- **Product 产品**: the **product life cycle 产品生命周期** (introduction $\to$ growth $\to$ maturity $\to$ decline); **extension strategies 延长策略** hold up sales.
- **Price 价格**: **cost-plus 成本加成**, **penetration 渗透** (low to enter), **skimming 撇脂** (high for a new product), competitive.
- **Place 地点**: the **channel of distribution 分销渠道** (direct, or via a **wholesaler 批发商** and **retailer 零售商**).
- **Promotion 推广**: advertising and **sales promotion 促销** (discounts, free gifts).

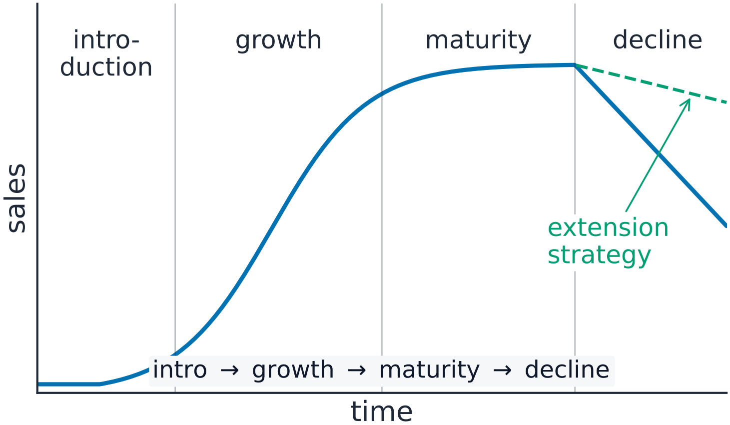
Answer shapes: K + App + An + Ev (a justified judgement, for "do you think" questions).

Method — The four Ps



The marketing mix combines the four Ps

Method — The four Ps



Sales rise through introduction and growth, peak at maturity, then decline

Practice 2.1 ▪ 2 marks

State what the **four Ps** of the marketing mix stand for.

Solution 2.1

Method: The four Ps

Worked steps

Product, Price, Place, Promotion (2 for all four; 1 for two or three).

Practice 2.2 ▪ 2 marks

State the four stages of the product life cycle.

Solution 2.2

Method: The four Ps

Worked steps

introduction, growth, maturity, decline (2 for all four in order; 1 for a partial list).

Practice 2.3 ▪ 2 marks

Define the term *penetration pricing*.

Solution 2.3

Worked steps

setting a low price to enter a market and win customers quickly (2 for a clear definition; 1 for a partial idea).

Exam-style 3.1 ▪ 2 marks

Identify two extension strategies a business could use.

Solution 3.1

Method: The four Ps

Worked steps

any two of: a new design; a new advert; new packaging; selling in a new market; a lower price $(1 + 1)$.

Exam-style 3.2 ▪ 6 marks

Explain two factors a business should consider when setting the price of a product.

Solution 3.2

Method: The four Ps

Worked steps

[6] For **each** of two factors: K 1 + An up to 2 — e.g. *cost*: the price must cover the cost of making the item plus a profit → or the firm makes a loss. *Competitors' prices*: a price far above rivals' → customers buy elsewhere, so the price must be competitive. Maximum 3 each.

Exam-style 3.3 ▪ 6 marks

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

Solution 3.3

Method: The four Ps

Worked steps

[6] Both sides + judgement. **For promotion:** a new product is unknown, so advertising is needed to make customers aware and want it. **Against:** the product must be good, the price right, and it must be easy to buy — all four Ps must fit. **Judgement (Ev):** promotion is very important at launch to build awareness, but it fails if the product, price or place are wrong — the four Ps must work together, so it is *one* key part, not always *the* most important.