3 The role of marketing – Part 2

Name: ______________ Class: __________ Date: ____________

Vocabulary 词汇

Write each word three times. 把每个单词抄写三遍。

English	中文	Write it 3 times (English)		
demand	需求			
supply	供给			
equilibrium price	均衡价格			
Price elasticity of demand	需求价格弹性			
price elastic	富有弹性			
price inelastic	缺乏弹性			
product life cycle	产品生命周期			
introduction	引入期			
growth	成长期			
maturity	成熟期			
decline	衰退期			
extension strategies	延长策略			
penetration pricing	渗透定价			
price skimming	撇脂定价			

Recall

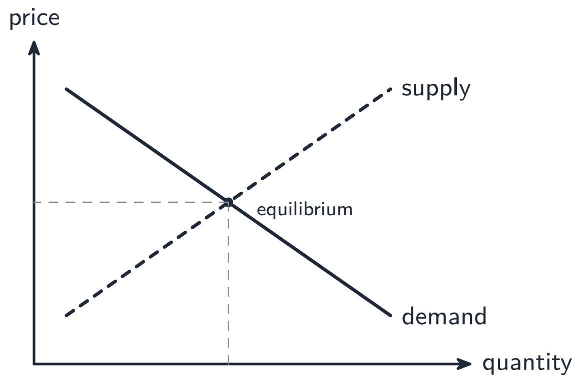
In **Part 1** you met marketing, mass and niche markets, segmentation, and the marketing mix (the 4Ps). Part 2 looks at how price and quantity are set (**demand and supply**), how strongly demand reacts to price (**elasticity**), and how a product's sales change over its life.

New ideas

■ 1 Demand and supply

- **demand** 需求 is how much buyers will buy at each price. Usually, when the price **falls**, demand **rises**.
- **supply** 供给 is how much sellers will offer at each price. When the price **rises**, supply **rises**.

They meet at the **equilibrium price** 均衡价格 — the market price where the amount demanded equals the amount supplied.

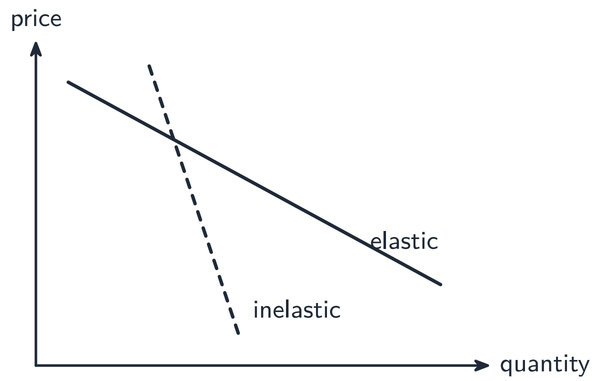


Micro-check. What usually happens to demand when the price falls? [1]

■ 2 Price elasticity of demand

Price elasticity of demand 需求价格弹性 (PED) measures how strongly demand reacts to a change in price:

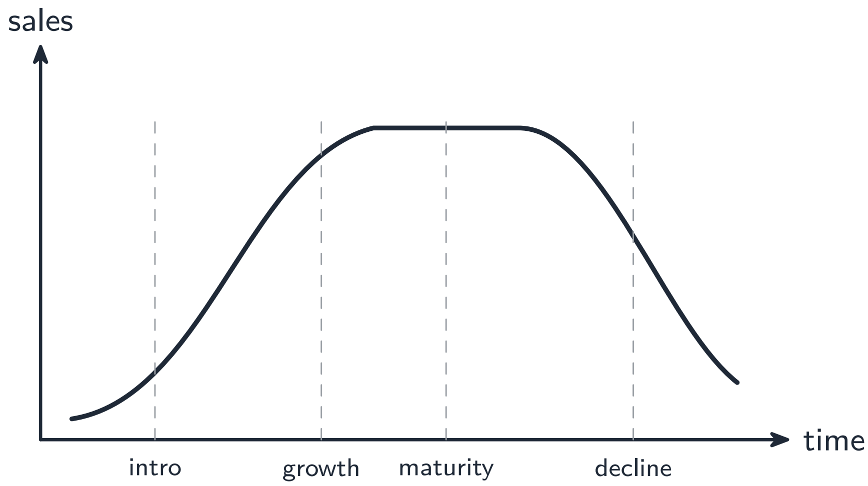
- demand is **price elastic** 富有弹性 when a small price change causes a **big** change in quantity — so cutting the price can raise total revenue;
- demand is **price inelastic** 缺乏弹性 when demand changes only a **little** — so raising the price can raise total revenue.



Micro-check. If a price cut raises total revenue, is demand elastic or inelastic? [1]

■ 3 The product life cycle

The **product life cycle** 产品生命周期 shows a product's sales over time, in four stages: **introduction** 引入期, **growth** 成长期, **maturity** 成熟期 and **decline** 衰退期.



To keep sales up in maturity, firms use **extension strategies** 延长策略 (new packaging, new uses). At launch a firm may use **penetration pricing** 渗透定价 (a low price to win share) or **price skimming** 撇脂定价 (a high price first, then lower it).

Micro-check. Name the **first** stage of the product life cycle. [1]

Watch out: if demand is *elastic* (price-sensitive), *cutting* the price raises revenue; if *inelastic* (insensitive), *raising* it raises revenue. Penetration pricing = a *low* launch

> price; price skimming = a *high* launch price, lowered later.

Practice

3.1 State what is meant by the **equilibrium price**. [2]

3.2 State what happens to **supply** when the price rises. [1]

3.3 A firm raises its price and total revenue **rises**. State whether demand is price **elastic** or **inelastic**. [1]

3.4 Put the four product life-cycle stages in order. [2]

3.5 State one difference between **penetration pricing** and **price skimming**. [2]

3.6 A new phone is sold at a high price at launch, then the price is lowered months later. Name this pricing strategy. [1]

3.7 Challenge. A bus company finds the demand for its tickets is price *inelastic*. Recommend whether it should raise or lower fares to increase total revenue, and explain. [2]