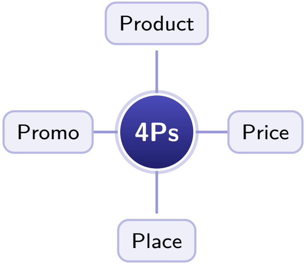
Marketing

A-Level Business ▪ Topic 3

A-Level Business



What we will cover

1. Role of marketing & markets
2. Segmentation
3. Demand & elasticity
4. Market research
5. The marketing mix (4Ps)
6. Recap

1

Markets

Role of marketing and markets

Marketing 市场营销: find what customers want, then sell it at a profit.

- **product-orientated** 产品导向
  vs
  market-orientated 市场导向
- **market share** 市场份额
  $= \dfrac{\text{firm's sales}}{\text{total sales}} \times 100\%$

Advertising

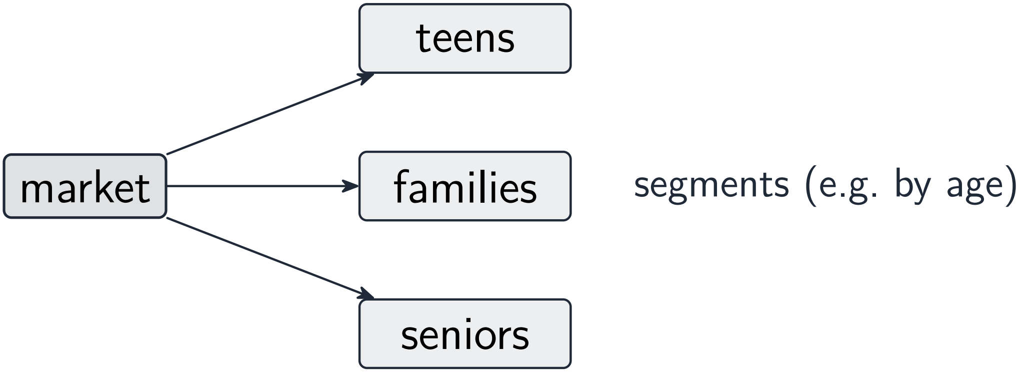
Market and product orientation, and keeping a customer

market-orientated 市场导向	find out what customers want first, then make it – which lowers the risk of failure
product-orientated	make what the firm is good at, then look for buyers – higher risk, but it can create a market
CRM 客户关系营销	customer relationship marketing: building long-term links so buyers come back
why it pays	keeping a customer costs far less than winning a new one
market growth 市场增长	how fast the market is getting bigger, as a percentage
market share 市场份额	one firm's sales as a percentage of the market's total

> A firm can lose market share while its sales rise, if the market grew faster. That distinction is worth a mark on almost every data-response question.

Market segmentation

Segmentation 市场细分 splits a market into similar groups (age, income, lifestyle), so the right product reaches each.



Segments, size, and what research asks

Segments	**Segments** 细分市场 are groups of buyers with similar needs – by age, income, region, lifestyle or benefit sought.
Market size and share	**Market size** 市场规模 is total sales in the market; market share is the firm's slice of it. Both can move in opposite directions.
Secondary research	**Secondary research** 二手调研 uses data someone else collected – cheap and fast, and never designed for your question.
Qualitative data	**Qualitative data** 定性数据 tells you *why* – opinions, reasons, focus groups – while quantitative data tells you how many.

Choose the method from the question: numbers for how big, words for why.

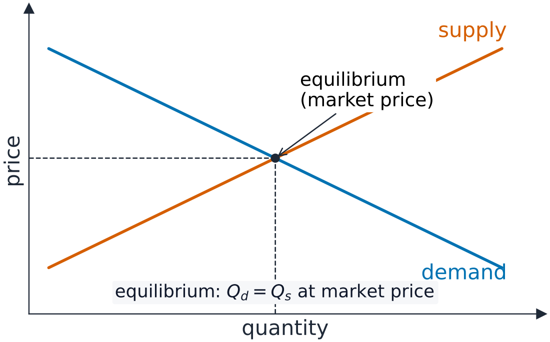
Demand, supply and elasticity

PED 需求价格弹性 $= \dfrac{\%\,\Delta\text{quantity}}{\%\,\Delta\text{price}}$.

- elastic (> 1): cut price $\rightarrow$ more revenue
- inelastic (< 1): raise price $\rightarrow$ more revenue

Also **YED** 需求收入弹性 (income), **XED** 需求交叉弹性 (other goods).

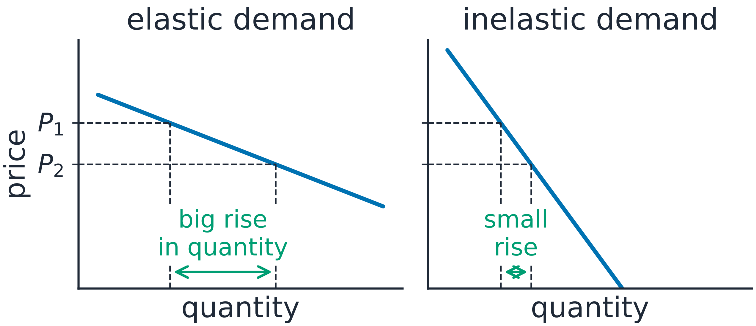
Demand, supply and elasticity, in detail



equilibrium price

Supply and demand meet at the equilibrium market price

The same price fall raises quantity a



$\text{PED} = \frac{\%\ \Delta Q_d}{\%\ \Delta P}$ · $|PED| > 1$ elastic · $|PED| < 1$ inelastic

> The same price fall raises quantity a lot when demand is elastic, only a little when inelastic

Three elasticities, three different questions

PED 需求价格弹性 how demand reacts to a price change – inelastic means a price rise gains revenue

YED 需求收入弹性 how demand reacts to a change in income – luxuries react strongly, necessities barely

XED 需求交叉弹性 how demand for one good reacts to another's price – positive for substitutes, negative for complements

> Elasticity earns its keep by predicting what a price change does to REVENUE, not just to sales.

Market research

- **primary** 一手调研 – new, your own (surveys); **secondary** 二手调研 – existing (reports)
- **quantitative** 定量数据 (numbers) vs **qualitative** 定性数据 (opinions)

> A good **sample** 样本 (random, quota, **stratified** 分层抽样) gives reliable results; poor sampling causes **bias** 偏差.

Primary against secondary, quantitative against qualitative

primary 一手调研 you collect it yourself – surveys, interviews, observation. It fits your exact question, but costs time and money

secondary 二手调研 it already exists – reports, websites, sales records. Cheap and quick, but gathered for someone else's purpose

quantitative 定量数据 numbers you can compare and chart

qualitative 定性数据 opinions and reasons – *why* people like the brand

> A larger, well-chosen sample is more **reliable** 可靠; poor sampling introduces **bias** 偏差 that no amount of data fixes.

Which data, and how much of it

primary 一手调研 you collect it – surveys, interviews, observation. Fits your exact question; costs time and money

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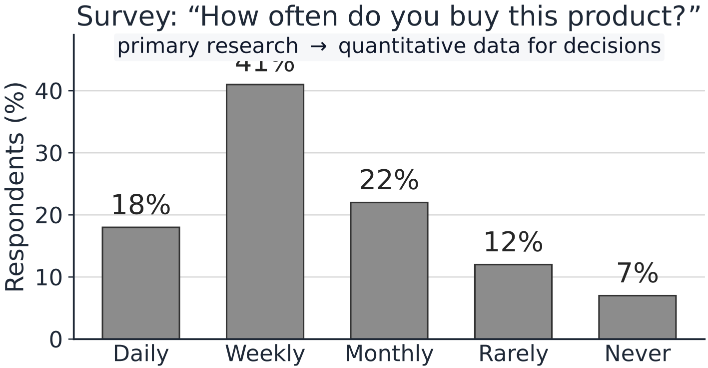
Sampling and reliability

- **random sampling 随机抽样** – everyone has an equal chance of being picked.
- **quota sampling 配额抽样** – set numbers from each group are asked.
- **stratified sampling 分层抽样** – the sample copies the make-up of the whole market.

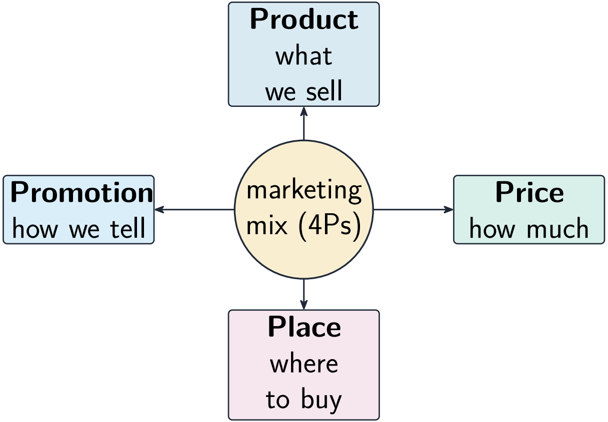
Sampling and reliability, in detail



Primary research → quantitative data that guides marketing decisions

2 The marketing mix

The marketing mix – the 4Ps



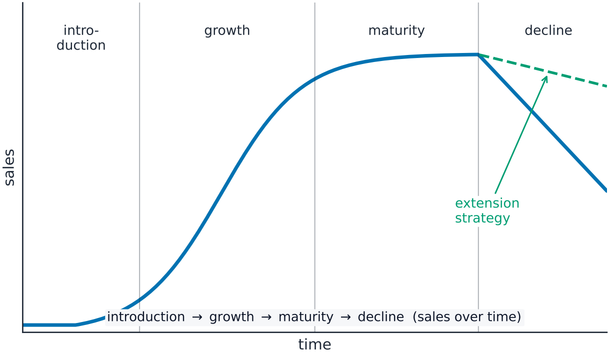
- **product** 产品 – what we sell
- **price** 价格 – how much
- **place** 渠道 – where to buy
- **promotion** 促销 – how we tell

The four must work together.

Product life cycle

Product life cycle 产品生命周期: introduction → **growth** 成长期 → **maturity** 成熟期 → **decline** 衰退期. **Extension strategies** 延长策略 hold sales up in maturity.

Product life cycle, in detail



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

The Boston Matrix and branding

market growth	high market share	low market share
high growth	**stars** (invest)	**question marks** (risky)
low growth	**cash cows** (steady profit)	**dogs** (usually dropped)

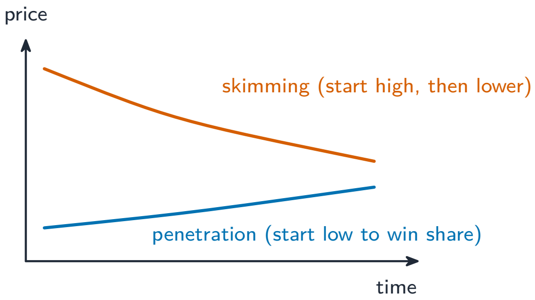
The **Boston Matrix** 波士顿矩阵 sorts products by share & growth: **stars** 明星产品, **cash cows** 现金牛, **question marks** 问题产品, **dogs** 瘦狗产品. **Branding** 品牌 builds **loyalty** 忠诚度 and lets a firm charge more.

Reading a product portfolio

Product portfolio	A **product portfolio** 产品组合 is the whole set of products a firm sells – read together, not one at a time.
Balance	Cash cows fund question marks; stars become cash cows; dogs are dropped. A portfolio of stars has no cash.
Product development	**Product development** 产品开发 is a new product for the existing market – one of Ansoff's four boxes, and the second-riskiest.
Integration	Growth by **integration** 整合 buys a portfolio instead of building one – faster, and it brings someone else's dogs with it.

> The matrix is a snapshot. What it is really asking is where each product will sit in two years.

Price strategies



- **cost-plus** 成本加成定价, **competitive** 竞争定价
- **penetration** 渗透定价 (low to win share)
- **skimming** 撇脂定价 (high then lower)
- **psychological** 心理定价 ($9.99)

The pricing methods and strategies

cost-plus 成本加成定价	add a fixed profit margin to the unit cost – simple, and it ignores the market
competitive pricing	set at or near rivals' prices
penetration pricing	a low launch price to win share quickly
price skimming	a high launch price for something new, lowered over time
price discrimination 价格歧视	different prices to different groups – peak and off-peak, student and adult
psychological pricing	£9.99 rather than £10 – the same money, a different perception

> Price discrimination needs three things: separable groups, different elasticities, and no way to resell between them. Missing any one and it collapses.

Two more pricing methods, and where promotion lives

Cost-plus pricing	**Cost-plus pricing** 成本加成定价: work out the unit cost and add a fixed mark-up. Simple, and it ignores what customers would pay.
Dynamic pricing	**Dynamic pricing** 动态定价: the price moves with demand, hour by hour – airlines, ride-hailing, event tickets.
Above the line	**Above-the-line promotion** 线上推广 is paid mass media: television, radio, print, display advertising.
Below the line	**Below-the-line promotion** 线下推广 is everything targeted and controlled by the firm – direct mail, sponsorship, sales promotion, and most **digital marketing** 数字营销.

A **distribution channel** 分销渠道 is the route to the customer, and a shorter one keeps more of the margin.

Place and promotion

short channel (more control)

maker → customer

long channel (reaches more buyers)

maker → wholesaler → retailer → customer

Place 渠道: short channel = more control; long (→**wholesaler** 批发商→shop) reaches more.

- **above-the-line** 大众媒体广告: mass **advertising** 广告
- **below-the-line** 直接促销: discounts, samples
- **e-commerce** 电子商务 reaches world markets

Mass and niche markets

> A mass market targets everyone; a niche serves a small specialist group

Mass and niche markets, and how promotion is split

a niche market 利基市场	a small part of a market with special needs – left-handed tools, vegan cosmetics
its trade	competition is weaker and margins higher, but sales are small and the market can vanish
a mass market	the whole market with one offer – huge volume, heavy competition, thin margins
above-the-line 大众媒体广告	paid **advertising** 广告 in mass media – TV, online, outdoor. Wide reach, hard to target
below-the-line 非媒体推广	everything else – direct mail, sponsorship, sales promotion, personal selling. Targeted and measurable
market research 市场调研	collecting and studying information about customers, **competitors** 竞争对手 and the market

> Above-the-line builds awareness; below-the-line converts it. A campaign question wants you to say which job the firm needs done.

Exam tips

- Calculate **market share** and **market growth** as percentages; a firm can grow yet lose share in a faster-growing market.
- Use **price elasticity of demand** to decide pricing: raise price when demand is inelastic (revenue rises), cut it when elastic.
- Distinguish **primary vs secondary** and **quantitative vs qualitative** research, and comment on sampling reliability.
- Treat the **marketing mix (4Ps)** as a coordinated set – each P should support the others.

3 Recap

Worked example – market share

A firm sells £4m of goods in a market worth £50m. Find its market share.

- Market share $= \dfrac{\text{firm's sales}}{\text{total market sales}} \times 100$
- $= \dfrac{4}{50} \times 100 = 8\%$
- Use the same units (both by value here; you can also do it by volume).
- Share can fall while sales rise – if the market grew faster than the firm.

Market share measures performance against rivals; sales alone do not. A rising market can flatter a firm that is actually losing ground.

Topic 3 – key takeaways

1 Markets

mass vs niche; segment to target

2 Elasticity

PED > 1 elastic, < 1 inelastic

3 The 4Ps

product, price, place, promotion together

4 Product

life cycle & Boston Matrix

Check yourself

1. If PED < 1, how do you raise revenue?
2. Name the 4Ps.
3. Which Boston Matrix product has high share, low growth?
4. Penetration or skimming starts with a low price?

Answers **1.** raise the price **2.** product, price, place, promotion **3.** cash cow **4.** penetration