

IB BUSINESS MANAGEMENT ***50 WORKSHEETS PACK, 2ND EDN***

UNIT 4: MARKETING (SL & HL)

Dr. Rima Puri



Introduction

This resource pack contains 50 practical worksheets along with marking schemes, covering all aspects of the marketing module in the IB DP Business Management course (first exams 2024). The worksheets are arranged in the order of IB syllabus but can be used as per the requirements of your class (SL and HL). The worksheets can be integrated as part of your schemes or units of work, and can be used as classwork, revision exercises or simply for covering lessons during periods of teacher absence. The 2nd edition worksheets pack includes a range of exercises including:

- Defining key terms
- Matching word exercises
- Multiple-choice questions
- Exam-style revision questions
- Case studies
- Data response questions
- True or False questions
- Calculating and interpreting data
- Exam skills and techniques

The varied tasks cater for the needs of different students and make learning fun as well. The tasks are created in line with the assessment objectives and include various questions based on common mistakes made during the examination. This allows students to prepare well for the final examination. All worksheets are one page, providing convenience for teachers. Full answers are provided in this resource pack.

About the Author



Dr. Rima Dinesh Puri holds the position of Extended Essay Coordinator at an international school in Mumbai, India. She is a highly experienced IB educator, with more than fifteen years of teaching experience in the International Curricula, IBDP, and IGCSE curricula, coupled with five years of experience at the university level. Dr. Puri is a lifelong learner with proven academic excellence and has completed her Ph.D., M.Phil, PGDBM, and M.Com from various accredited universities. She has a wealth of expertise, including the role of Senior IB Examiner, Internal Assessment Moderator, Extended Essay examiner for Business Management, Cambridge Assessment Expert, Viva Voce examiner for university students, Research guide, and Evaluator for students pursuing Doctor of Philosophy in Commerce/ Management.

Dr. Puri's students have a proven record of achieving outstanding grades. She believes that every student can learn and that each one of them learns differently. Therefore, she practices interactive learning with her students, where she presents a diverse range of learning and assessment techniques to help the students grow and expand their knowledge.

Her interests range from academic writing to various extra-curricular activities. She finds her calling in physical fitness and regularly practices strength training and Kickboxing. Dr. Puri lives by the words of renowned director and author Fred DeVito *"If it doesn't challenge you, it won't change you"* and believes that the weights one lifts train the body to be fitter and the mind to be stronger.

Cover photo: <https://pixabay.com/photos/market-stand-spices-food-3466906/>

Organizations, products, or individuals named in this resource pack are fictitious and any similarities with actual entities are purely coincidental.

IB BUSINESS MANAGEMENT
50 WORKSHEETS & ANSWERS PACK 2nd Edn
UNIT 4: MARKETING
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Worksheet 1
4.1 Introduction to marketing – Key terms

Identify the key terms from the given definitions. Refer to the available options in the list below.

Key term	Definition
	The management process of which anticipates and fulfills the requirements of the customers (necessities and desires), in a profitable way.
	An approach to marketing that involves focusing on making and selling products that a firm believes it can sell, based on its own market research.
	An approach to marketing that involves focusing on products a firm believes it can sell, rather than relying on market research to see what products the market wants.
	An increase in the market size (demand for a particular product or service) over time, usually a year expressed as a percentage.
	Combination of marketing elements including product, price, place, and promotion to satisfy the needs and wants of consumers.
	Part of the overall market for a product that caters to private individual customers.
	The rivalry within a market, with rival firms using competing marketing activities in an attempt to gain market share and establish superiority over other firms in the market.
	A place, be it physical or online, where customers and suppliers trade goods and services for money.
	A measure of market power, by calculating the value of a firm's sale revenue expressed as a percentage of the industry's overall sales revenue.
	Something that an individual desires to have in the near future or immediately such as a big house, expensive phone, vacation, etc.
	Individuals and businesses that cater to the production of goods or provide services that are used by other organizations.
	The position enjoyed by the business that has the highest market share in a specific industry.
	The goods and services that are vital and necessary for the survival of the human race, e.g. food, water, sunlight, and clothing.
	The intentional plans designed by marketers in order to achieve the organization's marketing objectives.

- Competition
- Consumer market
- Industrial market
- Market
- Market growth
- Market leadership
- Market orientation
- Market share
- Marketing
- Marketing mix
- Marketing strategies
- Needs
- Product orientation
- Wants (desires)

Worksheet 1
4.1 Introduction to marketing – Key terms

Answers

Identify the key terms from the given definitions. Refer to the available options in the list below.

Key term	Definition
Marketing	The management process of which anticipates and fulfills the requirements of the customers (necessities and desires), in a profitable way.
Market orientation	An approach to marketing that involves focusing on making and selling products that a firm believes it can sell, based on its own market research.
Product orientation	An approach to marketing that involves focusing on products a firm believes it can sell, rather than relying on market research to see what products the market wants.
Market growth	An increase in the market size (demand for a particular product or service) over time, usually a year expressed as a percentage.
Marketing mix	Combination of marketing elements including product, price, place, and promotion to satisfy the needs and wants of consumers.
Consumer market	Part of the overall market for a product that caters to private individual customers.
Competition	The rivalry within a market, with rival firms using competing marketing activities in an attempt to gain market share and establish superiority over other firms in the market.
Market	A place, be it physical or online, where customers and suppliers trade goods and services for money.
Market share	A measure of market power, by calculating the value of a firm's sale revenue expressed as a percentage of the industry's overall sales revenue.
Wants (desires)	Something that an individual desires to have in the near future or immediately such as a big house, expensive phone, vacation, etc.
Industrial market	Individuals and businesses that cater to the production of goods or provide services that are used by other organizations.
Market leadership	The position enjoyed by the business that has the highest market share in a specific industry.
Needs	The goods and services that are vital and necessary for the survival of the human race, e.g., food, water, sunlight, and clothing.
Marketing strategies	The intentional plans designed by marketers in order to achieve the organization's marketing objectives.

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| <ul style="list-style-type: none"> • Competition • Consumer market • Industrial market • Market • Market growth | <ul style="list-style-type: none"> • Market leadership • Market orientation • Market share • Marketing • Marketing mix | <ul style="list-style-type: none"> • Marketing strategies • Needs • Product orientation • Wants (desires) |
|--|---|---|

Worksheet 2
4.1 Introduction to marketing – True or False?

Answer true or false for each of the following statements:

		True or False?
a.	Marketing is all about selling goods and services to customers.	
b.	The marketing of services is different from the marketing of goods.	
c.	A marketing department can function on its own.	
d.	There is a higher risk of failure for product-oriented businesses.	
e.	The market growth rate and the market share of businesses can change over a period of time.	
f.	Market share always increases if a firm's sales increases.	
g.	Businesses can distribute goods without being based in a physical location.	
h.	Replacement models (upgrades) or money-off schemes support the sales of consumer durable products that do not have regular or rising demand.	
i.	Market growth is the percentage increase in sales of a particular firm over time.	
j.	Small firms, with their limited budgets, do not gain benefits from marketing.	
k.	To remain competitive, marketers must evolve their marketing strategies in response to changing consumer preferences.	
l.	A product-oriented approach not only considers the desires of consumers but also the impact of the product on the local community.	
m.	Marketing strategies remain the same across all cultures.	
n.	Non-profit organizations (NPOs) do not need to market their products.	
o.	Market leadership allows firms to enjoy having the most prominent position in retail stores that have the product in stock as part of their inventory.	

Worksheet 2
4.1 Introduction to marketing – True or False

Answers

Answer true or false for each of the following statements:		True or False?
a.	Marketing is all about selling goods and services to customers. Marketing is much more than just selling; it aims to satisfy the needs and wants of customers, usually in a profitable way.	False
b.	The marketing of services is different from the marketing of goods.	True
c.	A marketing department can function on its own. The marketing department must consider its relationship with other business functions in order for the business to be successful.	False
d.	There is a higher risk of failure for product-oriented businesses.	True
e.	The market growth rate and the market share of businesses can change over a period of time.	True
f.	Market share always increases if a firm's sales increases. It is possible that despite increased sales, market share can fall if total market sales increases at a faster rate than the sales of the business.	False
g.	Businesses can distribute goods without being based in a physical location.	True
h.	Replacement models (upgrades) or money-off schemes support the sales of consumer durable products that do not have regular or rising demand.	True
i.	Market growth is the percentage increase in sales revenue of a particular firm over time. Market growth is the rate of change in sales revenue in the whole market.	False
j.	Small firms, with their limited budgets, do not gain benefits from marketing. Marketing enables (sm)all firms to be more responsive to changes in the external environment and can enable them to expand further.	False
k.	To remain competitive, marketers must evolve their marketing strategies in response to changing consumer preferences.	True
l.	A product-oriented approach not only considers the desires of consumers but also the impact of the product on the local community. A product-oriented approach is an inward-looking approach focussing on making products and then trying to sell them.	False
m.	Marketing strategies remain the same across all cultures. To be successful, a firm's marketing strategies need to be adapted to cater to the needs and expectations of different cultures.	False
n.	Non-profit organizations (NPOs) do not need to market their products. They must market their products to get support, create positive attention, demonstrate value, and improve awareness.	False
o.	Market leadership allows firms to enjoy having the most prominent position in retail stores that have the product in stock as part of their inventory.	True

Cookie Bakers (CB)

Cookie Bakers (CB) was established in 1992. Their **marketing** approach was highly product-oriented, with an emphasis on making unique chocolate cookies with added nuts, chocolate chips, and caramel fillings. It was highly labour intensive, with limited production capacity. Promotional activities were restricted to word of mouth. The cookies industry has experienced continual growth, enabling CB to enjoy increased sales and higher market share. However, the higher profit margins have attracted many more competitors. Profits at CB have recently begun to decline. The marketing manager at CB investigated the issue, and observed the following:

- During the forecast period (2020 – 2025), the global cookies market is projected to grow by over 7%.
- As the size of the market has continually increased, several multinational companies are attracted to the industry, including PepsiCo, Britannia Industries, and United Biscuits.
- Customers are becoming increasingly conscious of health matters. They seek healthier alternatives, new flavours, improved packaging, and prices that offer value for money.

(a) Define the term *marketing*. [2 marks]

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(b) Outline why CB can be described as a product-oriented business. [2 marks]

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(c) Describe how market share is calculated. [2 marks]

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(d) Explain **two** advantages of CB having a higher market share. [4 marks]

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Answers

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- During the forecast period (2020 – 2025), the global cookies market is projected to grow by over 7%.
- As the size of the market has continually increased, several multinational companies are attracted to the industry, including PepsiCo, Britannia Industries, and United Biscuits.
- Customers are becoming increasingly conscious of health matters. They seek healthier alternatives, new flavours, improved packaging, and prices that offer value for money.

(a) Define the term *marketing*. [2 marks]

Marketing is the management process responsible for identifying, anticipating, and meeting the requirements of customers, in an efficient and profitable way.

(b) Outline why CB can be described as a product-oriented business. [2 marks]

A product-oriented approach is an inward-looking attitude towards marketing, focusing on selling the products that businesses can make, rather than making the products that the market wants. CB focuses on making unique chocolate cookies with added nuts, chocolate chips, and caramel filling. Their focus is on making cookies as per their preferences and desires, rather than those of their customers. Customers are looking for healthier alternatives, but CB's cookies are not made to the needs of this market.

(c) Describe how market share is calculated. [2 marks]

Market share refers to a firm's sales revenue expressed as a proportion of the total sales revenue of the entire industry. It is measured by expressing the firm's sales revenue as a percentage of the industry's or market's total sales revenue per time period, usually a year.

Market share = (Firm's sales revenue ÷ Industry's sales revenue) × 100

(d) Explain **two** advantages of CB having a higher market share. [4 marks]

Possible advantages could include:

- Increased profits – sales revenue at CB will be higher so this can enable the business to generate higher levels of profits.
- Retailers, such as convenience stores and supermarkets, will stock and promote the best-selling brands, so CB will benefit from having the most prominent position in an outlet or supermarket for the sale of its unique chocolate cookies.
- Being a market or brand leader can be used as a promotional strategy to attract more customers.
- Market leaders also find it easier to launch new products (variations to its specialist cookies) to existing and potential customers.

Cookie Bakers (continued from worksheet 3)

On conducting further research, *CB*'s marketing director suggests introducing a new range of cookies to its product portfolio. He recommends including three new products: Healthy Banana Cookies, Healthy Oatmeal Cookies, and Healthy Breakfast Cookies. This proposal would require the support from all functional areas of *CB*. Some of the director feel that *CB* should be more market-orientated in its approach.

- (a) Describe how marketing relates to other functional areas at *CB*. *[4 marks]*

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- (b) With reference to *CB*, explain how marketing strategies evolve in response to changing consumer preferences. *[6 marks]*

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- (c) Analyze the advantages to *CB* of market orientation. *[6 marks]*

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Answers

- (a) Describe how marketing relates to other functional areas at *CB*. [4 marks]

Marketing alone does not ensure success for the business. Its relationship with other functional areas should also be considered for the benefit of *CB*. For example:

- The operations department at *CB* will need to work on developing new products in response to consumer preferences, and also prepare production schedules based on sales forecasts for the three new products.
- The finance department may need to investigate whether *CB* needs to further invest in capital-intensive technologies to produce the three additional products. Budgets also need to be set so that marketing activities can be devised within these budgets.
- The human resources department may need to hire extra staff to facilitate the production of a greater range of cookies. Employees also need to be trained to make a new range of cookies including banana, oatmeal, and breakfast options. Marketing data and sales forecasts can help *CB* to identify the staffing needs of the organization.

- (b) With reference to *CB*, explain how marketing strategies evolve in response to changing consumer preferences. [6 marks]

To be successful, businesses must evolve their marketing strategies in response to changing consumer preferences. For example:

- Changes in customer tastes – With increased health awareness, *CB* intends to introduce new cookies to its portfolio (Healthy Banana Cookies, Healthy Oatmeal Cookies, and Healthy Breakfast Cookies).
- Changes in technology and improvements in e-commerce – Marketers are increasingly relying on technology and e-commerce to promote and sell their products, such as through advertising on social media platforms. If *CB* can gain a greater online presence, it is more likely to remain competitive and relevant in response to changing customer preferences for online shopping / food orders.
- Shorter product life cycles – Increased competition and the pace of change have shortened the life cycle of many products and businesses. *CB* must continually innovate and attempt to increase the life cycle of its various cookies through using a market-orientated approach.
- International trade – If *CB* can adapt its offering in overseas markets, it is more likely to gain sales revenue and a higher market share. International trade enables *CB* to explore expansion opportunities, by operating in overseas markets and adapting its marketing strategies to consider local cultures and preferences for different flavoured cookies.

- (c) Analyze the advantages to *CB* of market orientation. [6 marks]

Being market-oriented can benefit *CB* in the following ways:

- The products supplied by *CB* meet the needs and wants of the target audience, so there is a reduced risk of doing business and a greater chance of higher sales revenue.
- *CB* is more responsive and flexible to changes in the market, thus improving its chances of survival and success in an increasingly competitive market.
- *CB* is in a better position to anticipate changes in the market and market trends to explore marketing opportunities.
- Gaining a better understanding of customers can also lead to increased customer satisfaction and customer loyalty, thereby improving the long-term profitability of *CB*.

Answers

- (a) Define the term *research and development*. [2 marks]

Research is the process of investigating an unknown aspect, a new product, process, or cause of an issue. It is a step ahead of development. Development is the process of using the research findings to create and refine commercially feasible goods and services.

- (b) Evaluate any **two** strategies that producers of games consoles can adopt to increase their market share. [10 marks]

Market share can be increased by a range of strategies including enhanced innovation, extensive promotion, adapting the firm's pricing strategy, broadening the target audience, adding new products, and/or including better features. Possible strategies include an evaluation of any two of the following:

- Innovation could lead to a new product or a process, which provides a competitive advantage to the business. It also allows for product differentiation, so helps to attract more customers. This could further create brand loyalty. However, it is a risky and expensive strategy. This is because continuous research and investment are required to innovate and develop new offerings. The R&D expenditure by Sony Corporation in the year 2020 was \$4.95 billion alone. There is no guarantee that new video gaming consoles will be successful in order to reap back this amount of investment expenditure. Furthermore, other businesses may introduce similar games consoles and video game, so further R&D is required.
- Takeover or mergers and acquisitions (M&A) could improve existing and new products on the market. This would increase the bargaining power of the games console producers and further prevent new competitors from entering the market. For example, Nintendo acquired Next Level Games and developed Luigi's Mansion 3, which has sold more than 11.43 million copies on the Nintendo Switch platform – both of which help to increase the Japanese company's market share. However, this strategy involves increased costs, and it is difficult to align two different corporate cultures (Canadian and Japanese in this case). Differences in practices, values, and cultures may make it challenging to use this growth strategy.
- Customer relationship management and understanding the expectations of customers can help to build brand loyalty and therefore increase market share. This can be done through the use of discounts and regular communications with existing customers. Satisfied consumers not only purchase more regularly but also give favourable recommendations to others. This helps with marketing the firm's consoles, enabling marketers to increase the consumer base without any additional costs. However, regular and ongoing market research is required to satisfy the changing needs of consumers.
- Adapting the marketing mix by price reductions, additional promotions, new products (such as exclusive games, like Luigi's Mansion 3), added features, and increased distribution can all be used to attract more customers and allow for an increase in market share. However, additional costs and further market research are required. Market research is important to understand the target audience so the games console producers can adapt their offerings.
- Investments can be made by the games console manufacturers to improve employee skills and/or recruit talented employees. Skilled employees help to create exceptional and innovative products (hardware and software for the gaming industry) and focus on the preferences of consumers. This leads to increased sales and market share. However, this strategy increases labour costs as highly skilled employees have to be appropriately compensated.

Worksheet 6
4.1 Introduction to marketing – Calculating market share (Part a)

(a) From the information below, calculate the market share of Company A and Company B that both operate in an industry with total sales revenue of \$6.5 million per year. *[2 marks]*

	Company A	Company B
Sales revenue (\$m)	0.5	1.2

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(b) With reference to your findings from Question (a) above, comment on the likely impact of the respective market shares on the profitability of Company A and Company B. *[2 marks]*

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(c) Complete the missing figures in the table below for a market valued at \$200 million. *[4 marks]*

Company	Sales (\$m)	Market share (%)
A	30	
B	40	
C		30
D		25
E	20	10

(d) From the calculations above, calculate and comment on the two-firm concentration ratio. *[4 marks]*

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(e) Suggest **two** strategies that businesses can use to increase their market share. *[4 marks]*

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Worksheet 6
4.1 Introduction to marketing – Calculating market share (Part a)

Answers

- (a) From the information below, calculate the market share of Company A and Company B that both operate in an industry with total sales revenue of \$6.5 million per year. [2 marks]

	Company A	Company B
Sales revenue (\$m)	0.5	1.2

Company A = $(0.5m / 6.5m) \times 100 = 7.69\%$

Company B = $(1.2m / 6.5m) \times 100 = 18.46\%$

- (b) With reference to your findings from Question (a) above, comment on the likely impact of the respective market shares on the profitability of Company A and Company B. [2 marks]

The market share of Company B is higher than that of Company A. Company B's higher market share can lead to increased profits, allowing the company to have improved customer loyalty and being less threatened by competitors in the market such as Company A.

Note: Despite the significantly higher market share for Company B, it does not mean the company will necessarily remain profitable if it cannot control its costs. Furthermore, Company A is likely to use various strategies to increase its own market share.

- (c) Complete the missing figures in the table below for a market valued at \$200 million. [4 marks]

Company	Sales (\$m)	Market share (%)
A	30	15
B	40	20
C	60	30
D	50	25
E	20	10

- (d) From the calculations above, calculate and comment on the two-firm concentration ratio. [4 marks]

The two largest firms in the market are Company C (\$60m in sales revenue, representing 30% market share) and Company D (\$50m in sales revenue, representing 25% market share). Hence, the two dominant firms have a combined market share of 55%, i.e., combined sales of \$110m in a market worth \$200m.

- (e) Suggest **two** strategies that businesses can use to increase their market share. [4 marks]

Market share measures the value of a firm's sales revenue as a percentage of the total sales revenue in the industry. Businesses can increase their market share in any of the following generic ways, although this is not a definitive list:

- Enter new markets
- Improved customer services
- Improved promotions
- Increased distribution channels
- New product development
- Product improvements and innovations
- Target new market segments.

Worksheet 7
4.1 Introduction to marketing – Calculating market share (Part b)

Answers

(a) Using the data in the table below, answer the following questions.

Business	Year 1 sales (units)	Year 1 price (\$)
ABC Ltd.	50,000	4
XYZ Ltd.	10,000	16

In Year 2, the units sold by ABC Ltd. increased by 10%, and the selling price increased by 5%. In Year 2, the average price for XYZ Ltd. fell to \$13, which caused sales to increase to \$208,000.

(i) Calculate the percentage increase in the total value of sales for ABC Ltd. between the two years. [2 marks]

- Sales value Year 1 = $50,000 \times 4 = \$200,000$
- Sales volume in Year 2 = 55,000 units
- Price in Year 2 = \$4.2
- Sales value in Year 2 = $55,000 \times 4.2 = \$231,000$
- Change in sales value = $\$231,000 - \$200,000 = \$31,000$
- Percentage increase in the total value of sales = $(\$31,000 \div \$200,000) \times 100 = 15.5\%$

(ii) Calculate the percentage increase in total sales volume for XYZ Ltd. between the two years. [2 marks]

- Sales volume in Year 1 = 10,000
- Sales volume in Year 2 = 16000 ($\$208,000 \div 16$)
- Change in sales volume = $16000 - 10,000 = 6,000$
- Percentage increase in the total sales volume = $(6,000 \div 10,000) \times 100 = 60\%$

(b) Business X manufactures high-fashion garments for men and women. Using the data below, answer the following questions:

	Year 1	Year 2
Business X's sales volume (units)	2,500	4,000
Business X's sales value (\$m)	0.7	0.9
Total industry sales volume (units)	35,000	50,000
Total industry sales value (\$m)	6.0	7.5

(i) State two ways in which market share can be measured. [2 marks]

- The value of sales (expressed as a percentage of the industry's sales value)
- The volume of sales (expressed as a percentage of the industry's sales volume)

(ii) Calculate the change in market share by sales volume and sales value for Business X. Comment on your findings.

- Market share (units) in Year 1 = $(2,500 / 35,000) \times 100 = 7.14\%$ and increased slightly in Year 2 = $(4,000 / 50,000) \times 100 = 8\%$
- Market share (value) in Year 1 = $(0.7 / 6.0) \times 100 = 11.66\%$ and increased slightly in Year 2 = $(0.9 / 7.5) \times 100 = 12.04\%$
- However, during this time, the industry has grown by 43.86% (the percentage change in the total industry sales volume) and 25% (as measured by sales value).
- This indicates that the size of the high-fashion garments industry has increased by a greater proportion than the market share for Business X, suggesting some other firms in the industry have become far more competitive.

Worksheet 8
4.1 Introduction to marketing – Multiple Choice Questions

Identify the correct answer for each multiple choice question below.

1. Which option below is not a function of the marketing department?
 - A Deciding on the goods to manufacture
 - B Distributing the firm's products
 - C Identifying staffing needs
 - D Setting prices
2. Which of the following is not a variable used to measure the size of a market?
 - A Budgets and variance
 - B Consumers
 - C Sales revenue
 - D Sales volume
3. The marketing mix for physical goods does not include which of the following?
 - A Physical evidence
 - B Place
 - C Price
 - D Product
4. Which of the following is *not* a valid advantage of high market share?
 - A Better prices from suppliers
 - B Diseconomies of scale
 - C Dominance over the rivals
 - D Increased consumer base
5. Which of the following is *not* a core competence of a business?
 - A Better product development
 - B Excellence in marketing communications
 - C Low-skilled, low-waged workforce
 - D Marketing knowledge and expertise
6. The physical element in the marketing of a service is known by which term?
 - A Adding value
 - B Customer relations management
 - C Physical evidence
 - D Process
7. Which option is a valid disadvantage of a firm taking a product-oriented approach?
 - A Higher threat of intense competition
 - B Increased risks and development costs
 - C Lower quality products
 - D No unique or differentiated output
8. Focusing on selling products that a firm can make rather than what it can sell is called ...
 - A Market orientation
 - B Market research
 - C Product development
 - D Product orientation
9. Which term means the medium to long-term plans to achieve a firm's marketing objectives?
 - A Market-orientation
 - B Market growth
 - C Marketing planning
 - D Marketing strategies
10. Implementing an updated and relevant promotional strategy to attract customers is a characteristic of ...
 - A Market orientation
 - B Market research
 - C Product development
 - D Product orientation
11. Which option below is not a characteristic of the market in which a business operates?
 - A Barriers to entry
 - B Intensity of competition
 - C Market size
 - D Purpose and strategic direction
12. Which of the options below is the least likely reason for an evolving marketing strategy?
 - A Changing customer tastes and wants
 - B Competitive rivalry
 - C High employee turnover rates
 - D Shorter product life cycles

Worksheet 8
4.1 Introduction to marketing – Multiple Choice Questions

Answers

Identify the correct answer for each multiple choice question below.

1. Which option below is not a function of the marketing department?
A Deciding on the goods to manufacture
B Distributing the firm's products
C Identifying staffing needs
D Setting prices
2. Which of the following is not a variable used to measure the size of a market?
A **Budgets and variance**
B Consumers
C Sales revenue
D Sales volume
3. The marketing mix for physical goods does not include which of the following?
A Physical evidence
B Place
C Price
D Product
4. Which of the following is *not* a valid advantage of high market share?
A Better prices from suppliers
B Diseconomies of scale
C Dominance over the rivals
D Increased consumer base
5. Which of the following is *not* a core competence of a business?
A Better product development
B Excellence in marketing communications
C Low-skilled, low-waged workforce
D Marketing knowledge and expertise
6. The physical element in the marketing of a service is known by which term?
A Adding value
B Customer relations management
C Physical evidence
D Process
7. Which option is a valid disadvantage of a firm taking a product-oriented approach?
A Higher threat of intense competition
B Increased risks and development costs
C Lower quality products
D No unique or differentiated output
8. Focusing on selling products that a firm can make rather than what it can sell is called ...
A Market orientation
B Market research
C Product development
D Product orientation
9. Which term means the medium to long-term plans to achieve a firm's marketing objectives?
A Market-orientation
B Market growth
C Marketing planning
D Marketing strategies
10. Implementing an updated and relevant promotional strategy to attract customers is a characteristic of ...
A Market orientation
B Market research
C Product development
D Product orientation
11. Which option below is not a characteristic of the market in which a business operates?
A Barriers to entry
B Intensity of competition
C Market size
D Purpose and strategic direction
12. Which of the options below is the least likely reason for an evolving marketing strategy?
A Changing customer tastes and wants
B Competitive rivalry
C High employee turnover rates
D Shorter product life cycles

Worksheet 9
4.2 Marketing Planning – Key terms

Identify the key terms from the given definitions. Choose from the options in the list below.

Key term	Definition
	A document outlining the marketing objectives of a firm and the strategies to achieve these objectives within a specified time period.
	A combination of the various elements of marketing (consisting of the 7 Ps) used to market a product successfully.
	The specific market segment which a particular product (be it a good or service) is aimed at.
	An unsegmented and undifferentiated market in which a product with widespread appeal is offered to any customer.
	A subset of the market for a good or service, providing for consumers with very specific and well-defined needs or wants.
	A subgroup of the whole market for a product, consisting of consumers with similar traits or characteristics.
	The demographic and psychographic characteristics of consumers in different markets, such as age, occupation, income level, religion, and marital status.
	A visual tool that demonstrates the perceptions of customers for a given brand, product, or business in relation to that of competitors in the industry.
	Any aspect of a good or service that makes it distinctively and positively different from competitors in the market.
	Goals set by the marketing department, such as increased market share or increased brand awareness, that should be achieved within a specified time.
	Refers to the strategy of being a low-cost supplier with a high market share of a particular product, enabling the firm to establish competitive advantages.
	The process of outlining the marketing objectives and the strategies of a business in order to achieve these goals. The process typically includes a marketing audit, setting marketing objectives, formulating marketing strategies, and establishing processes for monitoring and evaluating the targets.
	The process of dividing the market based on variables such as age, gender, and income in order to improve marketing focus. It involves identifying different sections or subgroups within the market and targeting different goods or services at them.

- | | | |
|---|---|---|
| <ul style="list-style-type: none"> • Consumer profiles • Cost leadership • Market segment • Marketing mix | <ul style="list-style-type: none"> • Marketing objectives • Marketing plan • Marketing planning • Mass market | <ul style="list-style-type: none"> • Niche market • Product position map • Segmentation • Target market • Unique selling point |
|---|---|---|

Worksheet 9
4.2 Marketing Planning – Key terms

Answers

Identify the key terms from the given definitions. Choose from the options in the list below.

Key term	Definition
Marketing plan	A document outlining the marketing objectives of a firm and the strategies to achieve these objectives within a specified time period.
Marketing mix	A combination of the various elements of marketing (consisting of the 7 Ps) used to market a product successfully.
Target market	The specific market segment which a particular product (be it a good or service) is aimed at.
Mass market	An unsegmented and undifferentiated market in which a product with widespread appeal is offered to any customer.
Niche market	A subset of the market for a good or service, providing for consumers with very specific and well-defined needs or wants.
Market segment	A subgroup of the whole market for a product, consisting of consumers with similar traits or characteristics.
Consumer profiles	The demographic and psychographic characteristics of consumers in different markets, such as age, occupation, income level, religion, and marital status.
Product position map	A visual tool that demonstrates the perceptions of customers for a given brand, product, or business in relation to that of competitors in the industry.
Unique selling point	Any aspect of a good or service that makes it distinctively and positively different from competitors in the market.
Marketing objectives	Goals set by the marketing department, such as increased market share or increased brand awareness, that should be achieved within a specified time.
Cost leadership	Refers to the strategy of being a low-cost supplier with a high market share of a particular product, enabling the firm to establish competitive advantages.
Marketing planning	The process of outlining the marketing objectives and the strategies of a business in order to achieve these goals. The process typically includes a marketing audit, setting marketing objectives, formulating marketing strategies, and establishing processes for monitoring and evaluating the targets.
Segmentation	The process of dividing the market based on variables such as age, gender, and income in order to improve marketing focus. It involves identifying different sections or subgroups within the market and targeting different goods or services at them.

Worksheet 10
4.2 Marketing planning – Matching exercise

Match the following numbers with the correct alphabetical option shown below.

1		Differentiation	A	The marketing approach that involves targeting a specific and well-defined market segment.
2		Cowboy products	B	Segmentation on the basis of age, gender, race, ethnicity, marital status, religion, and/or language.
3		Focus	C	A distinct group of customers with similar traits or characteristics.
4		Niche marketing	D	The extent to which a business has a presence in the marketplace.
5		Psychographic factors	E	The act of distinguishing a business or its products from competitors in the industry.
6		Market segment	F	Products that are of poor quality yet are priced high.
7		Market standing	G	Goals of the marketing department that enable marketing managers to monitor progress and measure success.
8		Marketing objectives	H	Describes the methods of distribution in the marketing mix.
9		Place	I	The strategy of paying close attention to a particular market segment or specific niche markets.
10		Demographic segmentation	J	Qualitative factors considered by marketers, e.g., hobbies, interests, values, religion, status, and cultures.
11		Marketing audit	K	The marketing process that involves a marketing assessment, marketing objectives, marketing strategies, monitoring, and review.
12		Premium brand	L	Issues related to location (country, state, city), climate, season, and time zone.
13		Advantage of market segmentation	M	Formal documented review of the current position of a firm's marketing stance.
14		Geographical factors	N	Product that is perceived to be of high quality at a high price.
15		Marketing planning	O	Developing marketing programs to meet customer needs.
16		Consumer profile	P	The value of goods and services paid by customers and influenced by the costs of production.
17		Promotion	Q	Financial gifts, donations, or payments made to support an event or business venture.
18		Price	R	A visual representation of how products are perceived by consumers.
19		Sponsorship	S	The combination of various methods used to communicate information about a product and encourage consumers to make a purchase.
20		Positioning map	T	The demographic and psychographic characteristics of consumers in different markets.

Worksheet 10
4.2 Marketing planning – Matching exercise

Answers

1	E	Differentiation	The act of distinguishing a business or its products from competitors in the industry.
2	F	Cowboy products	Products that are of poor quality yet are priced high.
3	I	Focus	The strategy of paying close attention to a particular market segment or specific niche markets.
4	A	Niche marketing	The marketing approach that involves targeting a specific and well-defined market segment.
5	J	Psychographic factors	Qualitative factors considered by marketers, e.g., hobbies, interests, values, religion, status, and cultures.
6	C	Market segment	A distinct group of customers with similar traits or characteristics
7	D	Market standing	The extent to which a business has a presence in the marketplace.
8	G	Marketing objectives	Goals of the marketing department that enable marketing managers to monitor progress and measure success.
9	H	Place	Describes the methods of distribution in the marketing mix.
10	B	Demographic segmentation	Segmentation on the basis of age, gender, race, ethnicity, marital status, religion, and/or language.
11	M	Marketing audit	Formal documented review of the current position of a firm's marketing stance.
12	N	Premium Brand	Product that is perceived to be of high quality at a high price.
13	O	Advantage of market segmentation	Developing marketing programs to meet customer needs.
14	L	Geographical factors	Issues related to location (country, state, city), climate, season, and time zone.
15	K	Marketing planning	The marketing process that involves a marketing assessment, marketing objectives, marketing strategies, monitoring, and review.
16	T	Consumer profile	The demographic and psychographic characteristics of consumers in different markets.
17	S	Promotion	The combination of various methods used to communicate information about a product and encourage consumers to make a purchase.
18	P	Price	The value of goods and services paid by customers and influenced by the costs of production
19	Q	Sponsorship	Financial gifts, donations, or payments made to support an event or business venture.
20	R	Positioning map	A visual representation of how products are perceived by consumers.

Worksheet 11
4.2 Marketing Planning – True or False

Students of pirateIB

, answer the following true or false questions.

		True or False?
a	Market segmentation helps marketers to identify the right customers, design an appropriate marketing mix, and hence reduce the wastage of resources.	
b	Marketing planning is a continuous process, with marketers reflecting on whether they are able to achieve the planned marketing objectives.	
c	Businesses tend to offer a range of products in an attempt to increase sales revenue and profits.	
d	Psychographic segmentation is the most suitable method for a global clothing manufacturer that aims to design apparel to appeal to local customers.	
e	Marketing planning assures business success.	
f	The fundamental objective of marketing for most businesses is to create customer satisfaction in a profitable way.	
g	A marketing plan typically includes details about marketing objectives, strategies, budgets, sales forecasts, and consumer profiles.	
h	Marketing planning is based on market research about consumers' wants but does not consider the reactions of competitors.	
i	Market segmentation supports a firm's product differentiation strategies.	
j	There is intense competition in niche markets.	
k	Mass marketing allows a firm to benefit from economies of scale.	
l	Selling high-quality products at low prices is a long-term strategy used by businesses to ensure profits.	
m	Perception maps are useful to allow businesses to refine their marketing strategies and market positioning.	
n	A unique selling point (USP) can be a major source of competitive advantage and attract more customers.	
o	Businesses can differentiate themselves by quality, sizes, features, designs, and technological advancements.	
p	SWOT and STEEPLE analyses are not included in a marketing plan.	
q	Marketing strategies will differ for producer and consumer goods.	
r	Perception maps help businesses to refine their marketing strategies if required, such as repositioning plans.	

Worksheet 11
4.2 Marketing Planning – True or False

Answers

Answer the following true or false to the following statements:		True or False?
a	Market segmentation helps marketers to identify the right customers, design an appropriate marketing mix, and hence reduce the wastage of resources.	True
b	Marketing planning is a continuous process, with marketers reflecting on whether they are able to achieve the planned marketing objectives.	True
c	Businesses tend to offer a range of products in an attempt to increase sales revenue and profits.	True
d	Psychographic segmentation is the most suitable method for a global clothing manufacturer that aims to design apparel to appeal to local customers. <i>Geographic segmentation is more suitable as the firm can segment its stores by country and adapt its clothing range to suit local tastes</i>	False
e	Marketing planning assures business success. <i>It helps to improve the probability/success, but cannot assure success</i>	False
f	The fundamental objective of marketing for most businesses is to create customer satisfaction in a profitable way.	True
g	A marketing plan typically includes details about marketing objectives, strategies, budgets, sales forecasts, and consumer profiles.	True
h	Marketing planning is based on market research about consumers' wants but does not consider the reactions of competitors. <i>Competitors' strategies are a crucial part of marketing planning and identification of consumers' needs</i>	False
i	Market segmentation supports a firm's product differentiation strategies.	True
j	There is intense competition in niche markets. <i>Competition is generally less intense due to specific well-defined segments</i>	False
k	Mass marketing allows a firm to benefit from economies of scale.	True
l	Selling high-quality products at low prices is a long-term strategy used by businesses to ensure profits. <i>This is not sustainable, so can be used in the short-term only to boost sales</i>	False
m	Perception maps are useful to allow businesses to refine their marketing strategies and market positioning.	True
n	A unique selling point (USP) can be a major source of competitive advantage and attract more customers.	True
o	Businesses can differentiate themselves by quality, sizes, features, designs, and technological advancements.	True
p	SWOT and STEEPLE analyses are not included in a marketing plan. <i>These are often included in a marketing plan as they allow firms to assess the internal and external environments in which the business operates</i>	False
q	Marketing strategies will differ for producer and consumer goods.	True
r	Perception maps help businesses to refine their marketing strategies if required, such as repositioning plans.	True

Pulp & Paper (P&P)

Pulp & Paper (*P&P*) manufactures a range of soft and lightweight tissue papers, including toilet paper, facial tissues, table napkins, wrapping tissue, paper towels, and industrial wipes.

P&P plans to introduce new facial wipes that are environmentally friendly and made from 100% recyclable materials. These tissues are claimed to help reduce the spread of infections and diseases. Competition for this product is very limited at the moment. The **consumer profile** for these facial wipes consists of people who are sensitive to diseases and individuals looking for purity, freshness, and cleanliness. However, *P&P* has yet to prepare a **marketing plan** and design a suitable **marketing mix** to launch these facial wipes.

(a) Define the term **marketing plan**. [2 marks]

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(b) Define the term **consumer profile**. [2 marks]

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(c) Outline the meaning of a **marketing mix**. [2 marks]

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(d) Outline any **two** elements of a marketing plan. [4 marks]

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(e) Explain any **two** Ps in the marketing mix for the marketing of facial tissues. [4 marks]

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Answers

Pulp & Paper (*P&P*) manufactures a range of soft and lightweight tissue papers, including toilet paper, facial tissues, table napkins, wrapping tissue, paper towels, and industrial wipes.

P&P plans to introduce new facial wipes that are environmentally friendly and made from 100% recyclable materials. These tissues are claimed to help reduce the spread of infections and diseases. Competition for this product is very limited at the moment. The **consumer profile** for these facial wipes consists of people who are sensitive to diseases and individuals looking for purity, freshness, and cleanliness. However, *P&P* has yet to prepare a **marketing plan** and design a suitable **marketing mix** to launch these facial wipes.

- (a) Define the term **marketing plan**. [2 marks]

A marketing plan is a detailed document outlining the marketing objectives and the strategies to achieve these, for a specified period of time.

- (b) Define the term **consumer profile**. [2 marks]

Consumer profiles are the demographic and psychographic characteristics of consumers in different markets, such as age, gender, income level, occupation, religion, and/or marital status.

- (c) Outline the meaning of a **marketing mix**. [2 marks]

The marketing mix is a combination of the various elements needed to successfully market a good or service. With regards to the marketing of tissue paper products, the marketing mix includes the 4 Ps – product, price, place, and promotion.

- (d) Outline any **two** elements of a marketing plan. [4 marks]

Key components of a marketing plan include setting SMART marketing objectives, strategic plans to achieve these objectives, marketing budgets, market research, competitor analysis (of their relative strengths and weaknesses), an outline of the marketing mix, anticipated difficulties, and possible solutions.

For example, a marketing objective might be to introduce the new facial wipes and encourage consumers to make purchases. Methods of conducting market research might include primary and secondary methods to identify the needs and preferences of consumers, e.g., the factors that customers consider when buying facial wipes and the price they are willing to pay for them.

- (e) Explain any **two** Ps in the marketing mix for the marketing of facial tissues. [4 marks]

The four Ps in the marketing mix for physical goods are product, price, place, and promotion.

- **Product** includes the range of consumer products offered by *P&P*, including toilet papers, facial tissue, table napkins, wrapping tissue, paper towels, industrial wipes, and facial wipes.
- **Pricing** decisions are influenced by several factors such as the demand for facial wipes, the aims of *P&P*, and the image sought by the business. *P&P* might choose different pricing strategies, such as cost-plus pricing, penetration pricing (as there is existing competition, although this is limited), or competitive pricing.
- **Place** refers to the methods of distributing the facial wipes to the customers. *P&P* will have to decide on different channels of distribution, such as wholesalers, retailers, and e-commerce to get the products from *P&P* to the consumer.
- **Promotion** includes the methods used by *P&P* to inform, persuade, and remind the target audience about the firm's products. *P&P* may choose to use a combination of ATL and BTL promotional strategies. Strategies could include promoting the *P&P* brand name as well as the packaging of these facial wipe products.

Worksheet 13
4.2 Marketing planning – Multiple Choice Questions

Identify the correct option for each multiple choice question below:

1. The technique that considers the profile and characteristics of customers is known as
 - A Demography
 - B Psychographics
 - C Sampling
 - D Segmentation
2. Which option below is not a differentiation strategy used by fast-food businesses?
 - A Customer service
 - B Market diversification
 - C Nutritional value
 - D Taste and quality
3. Psychographic segmentation can be done by all of the following except
 - A Culture
 - B Income
 - C Religion
 - D Values
4. Premium products are the ones which are perceived as being of
 - A High quality and high price
 - B High quality and low price
 - C Low price and high quality
 - D Low price and low quality
5. Which of the following is least likely to be included in a marketing plan?
 - A Analysis of competitors
 - B Marketing budget
 - C Methods of market research
 - D Production capacity
6. Which option below is not a valid reason for using market segmentation?
 - A Higher sales
 - B Improved growth opportunities
 - C Increased customer satisfaction
 - D Reduced costs
7. Which of the following is not part of a firm's promotional mix?
 - A Publicity
 - B Retailing
 - C Sales promotion
 - D Sponsorship
8. Segmenting the market on the basis of religion or marital status is categorized as
 - A Demographic segmentation
 - B Geographic segmentation
 - C Product differentiation
 - D Psychographic segmentation
9. Which components make up the traditional 4Ps of the marketing mix for physical goods?
 - A People, Process, Price, and Product
 - B Price, Product, People, and Promotion
 - C Process, Price, Place, and Product
 - D Promotion, Product, Place, and Price
10. Which element of the marketing mix includes the distribution of goods or services?
 - A. People
 - B Place
 - C Process
 - D Promotion
11. Which term refers to the targets that the marketing department aims to achieve?
 - A Marketing audit
 - B Marketing objectives
 - C Positioning
 - D Strategy
12. Which option below characterizes bargain products or bargain brands?
 - A High quality and high price
 - B High quality and low price
 - C Low quality at a price lower than costs
 - D Poor quality and high price

Worksheet 13
4.2 Marketing planning – Multiple Choice Questions

Answers

Identify the correct option for the multiple choice question below:

1. The technique that considers the profile and characteristics of customers is known as
 - A Demography
 - B Psychographics
 - C Sampling
 - D **Segmentation**
2. Which option below is not a differentiation strategy used by fast-food businesses?
 - A Customer service
 - B **Market diversification**
 - C Nutritional value
 - D Taste and quality
3. Psychographic segmentation can be done by all of the following except
 - A Culture
 - B **Income**
 - C Religion
 - D Values
4. Premium products are the ones which are perceived as being of
 - A **High quality and high price**
 - B High quality and low price
 - C Low price and high quality
 - D Low price and low quality
5. Which of the following is least likely to be included in a marketing plan?
 - A Analysis of competitors
 - B Marketing budget
 - C Methods of market research
 - D **Production capacity**
6. Which option below is not a valid reason for using market segmentation?
 - A Higher sales
 - B Improved growth opportunities
 - C Increased customer satisfaction
 - D **Reduced costs**
7. Which of the following is not part of a firm's promotional mix?
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 - A **Demographic segmentation**
 - B Geographic segmentation
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9. Which components make up the traditional 4Ps of the marketing mix for physical goods?
 - A People, Process, Price, and Product
 - B Price, Product, People, and Promotion
 - C Process, Price, Place, and Product
 - D **Promotion, Product, Place, and Price**
10. Which element of the marketing mix includes the distribution of goods or services?
 - A. People
 - B **Place**
 - C Process
 - D Promotion
11. Which term refers to the targets that the marketing department aims to achieve?
 - A Marketing audit
 - B **Marketing objectives**
 - C Positioning
 - D Strategy
12. Which option below characterizes bargain products or bargain brands?
 - A High quality and high price
 - B **High quality and low price**
 - C Low quality at a price lower than costs
 - D Poor quality and high price

B&P Waffles

B&P Waffles was started by two friends, Binni and Pristina, with a mutual love of waffles. Both have grown up families of entrepreneurs and have experience in the restaurant trade. The menu at *B&P Waffles* is creative and offers a variety of waffles that can be combined with other breakfast alternatives. Its four main products are as follows:

Product	Quality	Price
Brussels waffle	High	Low
Belgium waffle	Low	Medium
American waffle	Low	High
Toaster waffle	Medium	Medium

(a) Prepare a product position map for *B&P Waffles*. [4 marks]

(b) Explain **one** advantage of using a product position map to Binni and Pristina. [2 marks]

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(c) With reference to the product portfolio of *B&P Waffles*, suggest how the business can increase its market share. [6 marks]

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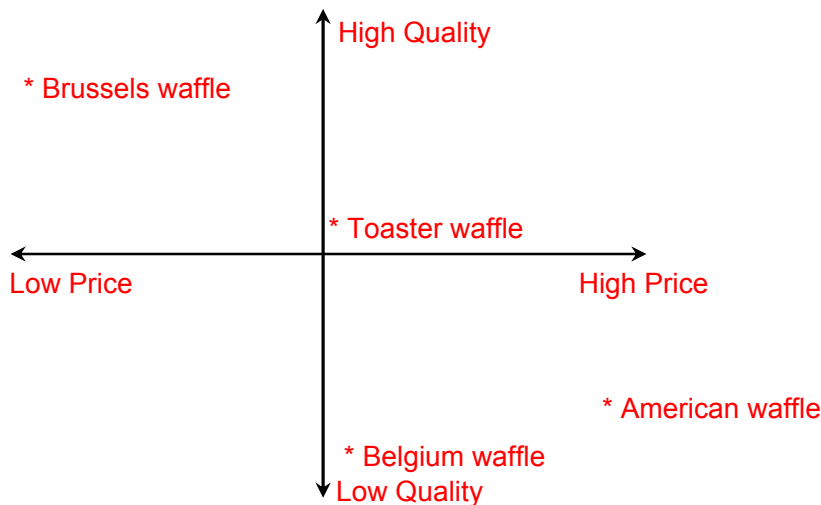
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Answers

B&P Waffles was started by two friends, Binni and Pristina, with a mutual love of waffles. Both have grown up families of entrepreneurs and have experience in the restaurant trade. The menu at *B&P Waffles* is creative and offers a variety of waffles that can be combined with other breakfast alternatives. Its four main products are as follows:

Product	Quality	Price
Brussels waffle	High	Low
Belgium waffle	Low	Medium
American waffle	Low	High
Toaster waffle	Medium	Medium

(a) Prepare a product position map for *B&P Waffles*. [4 marks]



(b) Explain **one** advantage of using a product position map to Binni and Pristina. [2 marks]

Creating a perception map could provide various benefits to *B&P Waffles*, such as:

- *B&P Waffles* could identify possible gaps in the market. There is room for low priced and low-quality waffles and for high priced and high-quality waffles. New introductions can be made, thereby increasing its sales revenue and improving its competitiveness.
- It enables *B&P Waffles* to refine its marketing strategies and communicate these accordingly to their customers. For example, Brussels waffle is perceived as high in quality but at low prices. *B&P Waffles* may want to review the pricing strategy of these waffles.
- A product positioning map could be used to monitor the perception of the business itself, not only the firm's existing brands. This can help Binni and Pristina to determine if repositioning is required. This may call for a change in quality, packaging, or advertising strategy, for example.

(c) With reference to the product portfolio of *B&P Waffles*, suggest how the business can increase its market share. [6 marks]

There is no definitive strategy – accept any suggestion that is clearly communicated in the context of the case study. For example, new flavours can be introduced to the market; Exclusive waffles catering to a niche market can be introduced such as cookies and cream waffles, mac and cheese waffles, chicken stuffed waffles, cinnamon roll waffles, etc. This could be priced differently and may attract customers which have differentiated needs and tastes. A new advertising campaign could be introduced to attract more customers. Promotional strategies such as free testing, samples, and special introductory offers could be used to attract customers. Training employees at *B&P Waffles* to improve customer service and satisfaction will also support their objective of higher market share.

The ready-made meals market

According to data published by Allied Market Research, the global ready-made meals market was valued at \$138.1 billion in 2021 and is expected to reach \$408.0 billion by 2031, which is a compound annual growth rate of 11.9%. The key players in this market are Nestle, McCain Foods, Unilever, Conagra Brands, and Nomad Foods Group.

The market is segmented on the basis such as different types of products (such as canned meals, preserved meals, frozen meals, and ready-made salads), distribution channels (such as convenience stores, supermarkets, and online retailers), and geographical region.

Ready-made meals are cost-effective, add convenience, and save time for consumers. The meals have also proven to be good alternatives to junk food. However, there are concerns about the loss of nutrition as ready-made meals become increasingly popular. Increased health awareness and negative perceptions are major challenges for businesses that offer ready-made meals.

- (a) Define the term *market segmentation*. [2 marks]

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- (b) Explain **two** benefits of market segmentation for businesses operating in the ready-made meals market. [4 marks]

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- (c) Explain the impact of the external environment on businesses operating in the ready-made meals market. [4 marks]

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Answers

The ready-made meals market

According to data published by Allied Market Research, the global ready-made meals market was valued at \$138.1 billion in 2021 and is expected to reach \$408.0 billion by 2031, which is a compound annual growth rate of 11.9%. The key players in this market are Nestle, McCain Foods, Unilever, Conagra Brands, and Nomad Foods Group.

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Ready-made meals are cost-effective, add convenience, and save time for consumers. The meals have also proven to be good alternatives to junk food. However, there are concerns about the loss of nutrition as ready-made meals become increasingly popular. Increased health awareness and negative perceptions are major challenges for businesses that offer ready-made meals.

- (a) Define the term *market segmentation*. [2 marks]

Market segmentation is the process of dividing a market into different groups of consumers to meet their specific needs and wants based on common traits, such as age, ethnicity, socioeconomic status, geographical location, religion, etc.

- (b) Explain **two** benefits of market segmentation for businesses operating in the ready-made meals market. [4 marks]

Possible benefits could include an explanation of the following points:

- Segmentation allows businesses to identify the needs of specific consumer groups and then to develop products to satisfy these. For example, the products offered may have different ingredients for different regions of the world. These adaptations help to increase sales and profits.
- Segmentation allows businesses to identify potential market gaps, i.e., potential customers whose needs are not currently being met. There can be increased opportunities for these businesses selling their ready-made meals in domestic and international markets.
- Segmentation reduces wastage and marketing expenditure by creating the right marketing mix for the right consumer groups. Marketing efforts could be targeted at different market segments rather than the entire population, e.g., different promotional strategies for different products such as canned foods, preserved meals, frozen meals, ready-made salads, etc.

- (c) Explain the impact of the external environment on businesses operating in the ready-made meals market. [4 marks]

Possible impacts could include an explanation of the following:

- Increased economic opportunities due to growth in the market for ready-made meals (at a compound annual growth rate of 11.9%). This provides business opportunities to include more varieties (such as curries and gravies), flavours, and pricing methods to attract even more customers.
- Increased concerns about the loss of nutrition in these ready-made meals and the negative perceptions amongst the consumers are a social threat that must be addressed by businesses such as McCain Foods and Unilever. They would have to review their product portfolio, the extent to which preservatives are used, and public relations strategies to address these concerns.

Worksheet 16
4.3 Sales forecasting (HL only)

Real Ice Cream Ltd.

Real Ice Cream Ltd. (RICL) is an ice cream parlour located in Mumbai, India. The company was started in 2010, selling ice creams based on natural fruits such as mangoes, chikoo (sapodilla), and oranges. *RICL* has grown rapidly in the past couple of years. The directors of *RICL* aim to expand further by adding more exclusive options to the menu by providing cocktail ice creams.

The marketing manager at *RICL* foresees steady growth due to increasing demand for dairy and flavoured deserts in Mumbai. There is high market potential along with increasing competition in the industry. However, he feels that **sales forecasting** is essential before investing in any cocktail ice creams. The finance manager has presented the following sales records for 2020 – 2023:

Year	Quarter	Sales (\$m)
2020	1	20
	2	24
	3	31
	4	21
2021	1	22
	2	26
	3	34
	4	24

Year	Quarter	Sales (\$m)
2022	1	24
	2	28
	3	37
	4	27
2023	1	28
	2	30
	3	40
	4	26

- (a) Define the term *sales forecasting*. [2 marks]

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- (b) Explain **two** advantages of preparing sales forecasts for *RICL*. [4 marks]

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- (c) Explain **two** limitations of using sales forecasting for *RICL*. [4 marks]

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Worksheet 16
4.3 Sales forecasting (HL only)

Answers

Real Ice Cream Ltd. (RICL) is an ice cream parlour located in Mumbai, India. The company was started in 2010, selling ice creams based on natural fruits such as mangoes, chikoo (sapodilla), and oranges. *RICL* has grown rapidly in the past couple of years. The directors of *RICL* aim to expand further by adding more exclusive options to the menu by providing cocktail ice creams.

The marketing manager at *RICL* foresees steady growth due to increasing demand for dairy and flavoured deserts in Mumbai. There is high market potential along with increasing competition in the industry. However, he feels that **sales forecasting** is essential before investing in any cocktail ice creams. The finance manager has presented the following sales records for 2020 – 2023:

Year	Quarter	Sales (\$m)
2020	1	20
	2	24
	3	31
	4	21
2021	1	22
	2	26
	3	34
	4	24

Year	Quarter	Sales (\$m)
2022	1	24
	2	28
	3	37
	4	27
2023	1	28
	2	30
	3	40
	4	26

- (a) Define the term *sales forecasting*. [2 marks]

Sales forecasting is a quantitative technique of making sales predictions for a business based on it identifying sales trends over a specified time period.

- (b) Explain **two** advantages of preparing sales forecasts for *RICL*. [4 marks]

- Supports market planning – Sales forecasts can help *RICL*'s managers to identify trends and predict the future level of sales. The marketing strategies can be adjusted to support *RICL*'s business objectives better and to increase sales, e.g., the periods of low sales occur in Quarters 1 and 4, so *RICL* can adjust its marketing strategies accordingly.
- Improves *RICL*'s liquidity position – By considering the variation in the firm's sales figures, *RICL* can plan better and improve its liquidity position. The necessary funds can be raised from different sources during periods of weak sales.
- Improves workforce planning and productive efficiency – As there are seasonal fluctuations in sales of ice creams, the number of staff required can be adjusted according to the staffing requirements and other resource needs of *RICL*.
- Improves inventory management – Sufficient stocks of ice creams can be kept based on sales trends over the past few years.
- Raising funds for expansion plans – The business is planning to expand by introducing cocktail ice creams. The past sales records can support *RICL* in convincing financial lenders of steady annual sales, should external finance be required. The data show that annual sales have increased each year (\$96m, \$106m, \$116m, and \$124m).

- (c) Explain **two** limitations of using sales forecasting for *RICL*. [4 marks]

- Sales forecasting as a business management tool assumes that the past is indicative of the future. In reality, the sales of ice creams may not continue to grow in the same way.
- The past data provided are only for four years. This may be limited to making realistic predictions of future sales revenues.
- Future changes in the external environment cannot be accurately factored into sales forecasts, which limits the usefulness of this tool. For example, increased competition in the future might impact the sales of ice creams offered by *RICL*.
- Sales forecasting is a time-consuming and expensive process. The calculation of variations in each quarter over the years is complex and may make the task difficult.

Worksheet 17
4.4 Marketing research – Key terms

Identify the key terms from the given definitions below.

Key term	Definition
	The collection of first-hand information for a specific purpose related to a firm's individual needs. It includes methods such as surveys, interviews, observations, and focus groups.
	The collection of data from existing sources that have already been gathered by others. It includes methods such as government publications, local libraries, market intelligence reports, and newspaper articles.
	A common method used in primary research that uses various questions to collect data for a specific purpose.
	A cluster of people used to gather detailed insights about a business, its products, or a particular issue under investigation. Typically, the people involved are asked about their views of a certain good or service, with researchers recording the reactions and behaviour of the respondents.
	Publications from research and educational institutions, such as universities, that issue research data and information relating to a particular issue or scholarly discipline.
	A representative sub-group of people taking part in market research, selected from the population as a whole.
	The collection of representative research data from a homogeneous sub-group in proportion to certain characteristics or traits of the population (such as gender or age).
	The sampling method that provides every member of the target population with an equal chance of being selected for research purposes.
	The collection of non-numerical responses such as opinions, beliefs, values, and perceptions related to the issue being researched.
	Methods of secondary data from print and digital platforms such as newspapers, business journals, books, documentaries, and websites.
	The method of collecting data from a pool of respondents that is easily accessible and available to the researcher.
	A primary research technique that involves discussions between interviewer and interviewees to investigate opinions, recommendations, and feedback for market research purposes.
	Method of secondary market research that reveals the latest trends, developments, and characteristics of a particular product or industry.
	Refer to all potential customers in a particular market.

- Academic journals
- Convenience sampling
- Focus group
- Interviews
- Market analyses
- Media articles
- Population
- Primary research
- Quota sampling
- Qualitative research
- Random sampling
- Sample
- Secondary research
- Surveys

Worksheet 17
4.4 Marketing research – Key terms

Answers

Identify the key terms from the given definitions. Choose from the options available in the list below.

Key term	Definition
Primary research	The collection of first-hand information for a specific purpose related to a firm's individual needs. It includes methods such as surveys, interviews, observations, and focus groups.
Secondary research	The collection of data from existing sources that have already been gathered by others. It includes methods such as government publications, local libraries, market intelligence reports, and newspaper articles.
Surveys	A common method used in primary research that uses various questions to collect data for a specific purpose.
Focus group	A cluster of people used to gather detailed insights about a business, its products, or a particular issue under investigation. Typically, the people involved are asked about their views of a certain good or service, with researchers recording the reactions and behaviour of the respondents.
Academic journals	Publications from research and educational institutions, such as universities, that issue research data and information relating to a particular issue or scholarly discipline.
Sample	A representative sub-group of people taking part in market research, selected from the population as a whole.
Quota sampling	The collection of representative research data from a homogeneous sub-group in proportion to certain characteristics or traits of the population (such as gender or age).
Random sampling	The sampling method that provides every member of the target population with an equal chance of being selected for research purposes.
Qualitative research	The collection of non-numerical responses such as opinions, beliefs, values, and perceptions related to the issue being researched.
Media articles	Methods of secondary data from print and digital platforms such as newspapers, business journals, books, documentaries, and websites.
Convenience sampling	The method of collecting data from a pool of respondents that is easily accessible and available to the researcher.
Interviews	A primary research technique that involves discussions between interviewer and interviewees to investigate opinions, recommendations, and feedback for market research purposes.
Market analyses	Method of secondary market research that reveals the latest trends, developments, and characteristics of a particular product or industry.
Population	Refer to all potential customers in a particular market.

Worksheet 18
4.4 Market research – Matching exercise

Match the following numbers with the correct alphabetical option shown below.

1		Qualitative research	A	Inaccuracies in research findings caused by mistakes in the sample design.
2		Secondary data sources	B	A primary research method involving watching people's behaviour in person or by using surveillance cameras.
3		Focus groups	C	Type of market research that investigates the in-depth motivations behind the opinions and beliefs of consumers.
4		Sampling errors	D	Company annual reports, academic journals, trade publications, and magazines are all examples of this.
5		Observations	E	Small discussion panels used for market research to gain insight into the behaviour of respondents.
6		Government publications	F	A common method of market research that allows the researcher to collect information from respondents, specific to the needs of the organization.
7		Surveys	G	Data by the nation's authority, such as information on social trends, family expenditure surveys, population census, inflation rates, and unemployment figures.
8		Ad-hoc research	H	A market research method that involves gathering first-hand information for a specific purpose.
9		Primary research	I	Market research that involves the collection of numerical information and measurable data, rather than the opinions and beliefs of research subjects.
10		Media articles	J	Method of market research that involves the collection of data and information from sources that already exist.
11		Internet	K	Market research that takes place repeatedly, on an ongoing basis to report trends and to make forecasts.
12		Market analyses	L	The management process of collecting, recording, and analyzing information and data about potential and existing customers.
13		Market research	M	A growing source of market research that provides a wide range of invaluable secondary information in cyberspace, often free of charge.
14		Continuous research	N	Secondary research sources such as newspapers, business-related journals, and information from the world wide web.
15		Quantitative research	O	A market research method that focuses on specific marketing issues on a one-off basis.
16		Secondary research	P	Secondary research sources that reveal the characteristics/trends for a particular product or industry.

Worksheet 18
4.4 Market research – Matching exercise

Answers

Match the following numbers with the correct alphabetical option shown below.

1	C	Qualitative research	Type of market research that investigates the in-depth motivations behind the opinions and beliefs of consumers.
2	D	Secondary data sources	Company annual reports, academic journals, trade publications, and magazines are all examples of this.
3	E	Focus groups	Small discussion panels used for market research to gain insight into the behaviour of respondents.
4	A	Sampling errors	Inaccuracies in research findings caused by mistakes in the sample design.
5	B	Observations	A primary research method involving watching people's behaviour in person or by using surveillance cameras.
6	G	Government publications	Data by the nation's authority, such as information on social trends, family expenditure surveys, population census, inflation rates, and unemployment figures.
7	F	Surveys	A common method of market research that allows the researcher to collect information from respondents, specific to the needs of the organization.
8	O	Ad-hoc research	A market research method that focuses on specific marketing issues on a one-off basis.
9	H	Primary research	A market research method that involves gathering first-hand information for a specific purpose.
10	N	Media articles	Secondary research sources such as newspapers, business-related journals, and information from the world wide web.
11	M	Internet	A growing source of market research that provides a wide range of invaluable secondary information in cyberspace, often free of charge.
12	P	Market analyses	Secondary research sources that reveal the characteristics/trends for a particular product or industry.
13	L	Market research	The management process of collecting, recording, and analyzing information and data about potential and existing customers.
14	K	Continuous research	Market research that takes place repeatedly, on an ongoing basis to report trends and to make forecasts.
15	I	Quantitative research	Market research that involves the collection of numerical information and measurable data, rather than the opinions and beliefs of research subjects.
16	J	Secondary research	Method of market research that involves the collection of data and information from sources that already exist.

Worksheet 19
4.4 Market research – True or False

Answer true or false for each of the following statements about market research.

		True or False?
a	Ethical marketing research requires researchers to be objective in <i>all</i> aspects and processes of their investigations.	
b	Secondary market research has no cost involved for the researcher.	
c	Effective market research reduces the risk of business failure.	
d	Desk research allows the gathering of new (first-hand) information for a specific purpose.	
e	Online surveys are rather expensive compared with other forms of primary market research.	
f	Questionnaires enable the collection of quantitative <i>and</i> qualitative information, specific to the needs of the researcher.	
g	Quota sampling allows researchers to gather the views of all sub-groups in order to improve the accuracy of the results.	
h	Secondary market research tends to be cheaper to conduct than primary market research.	
i	Convenience sampling increases the probability of collecting an accurate sample for market research purposes.	
j	Collecting data by observations is an example of primary market research.	
k	The larger the sample size used in primary market research, the more statistically valid the results tend to be.	
l	Collecting data through focus groups requires a significant amount of time and is expensive as participants may need to be compensated.	
m	Sampling errors are caused by mistakes such as sample size, bias in the research, and/or inappropriate sampling methods.	

Worksheet 19
4.4 Market research – True or False

Answers

Answer true or false for each of the following statements about market research.

		True or False?
a	Ethical marketing research requires researchers to be objective in <i>all</i> aspects and processes of their investigations.	True
b	Secondary market research has no cost involved for the researcher. <i>Information is not always free, and there are charges for some sources of secondary market research, e.g., academic and trade journals</i>	False
c	Effective market research reduces the risk of business failure.	True
d	Desk research allows the gathering of new (first-hand) information for a specific purpose. <i>This refers to the use of primary market research</i>	False
e	Online surveys are rather expensive compared with other forms of primary market research. <i>Online surveys are usually cheaper than many other forms of market research such as face to face interviews</i>	False
f	Questionnaires enable the collection of quantitative <i>and</i> qualitative information, specific to the needs of the researcher.	True
g	Quota sampling allows researchers to gather the views of all sub-groups in order to improve the accuracy of the results.	True
h	Secondary market research tends to be cheaper to conduct than primary market research.	True
i	Convenience sampling increases the probability of collecting an accurate sample for market research purposes. <i>Convenience sampling is based on collecting data that are easier to gather, but as large or relevant populations may not be included in the sample, this can make the data unrepresentative and inaccurate</i>	False
j	Collecting data by observations is an example of primary market research.	True
k	The larger the sample size used in primary market research, the more statistically valid the results tend to be.	True
l	Collecting data through focus groups requires a significant amount of time and is expensive as participants may need to be compensated.	True
m	Sampling errors are caused by mistakes such as sample size, bias in the research, and/or inappropriate sampling methods.	True

Worksheet 20
4.4 Market research – Short revision questions (1)

(a) Students of pirateIB, define the term **market research**. [2 marks]

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(b) Outline how quota sampling is used as a method of market research. [2 marks]

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(c) Describe **two** benefits of using convenience sampling as a method of market research. [4 marks]

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(d) Explain the differences between *ad-hoc* and *continuous* methods of market research. [4 marks]

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(e) Differentiate between *quantitative* and *qualitative* methods of market research. [4 marks]

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(f) Distinguish between *primary* and *secondary* methods of market research. [4 marks]

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(g) Explain **one** advantage and **one** disadvantage of random sampling. [4 marks]

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Worksheet 20
4.4 Market research – Short revision questions (1)

Answers

- (a) Define the term **market research**. [2 marks]

Market research is the process of collecting, recording, and analyzing information and data about potential and existing customers. By finding out about their beliefs, opinions, and preferences, marketers can better meet the needs of their customers.

- (b) Outline how quota sampling is used as a method of market research. [2 marks]

Quota sampling involves collecting information and data from a group selected from a specific sub-group. The population is first divided into sub-groups based on factors such as income or gender. The researcher then selects a sample from each sub-group, based on a predetermined number or proportion (the quota).

- (c) Describe **two** benefits of using convenience sampling as a method of market research. [4 marks]

- The data can be collected easier and faster as it is a less complicated method of sampling. The sample comprises of people who are willing to be part of the research process and are easy to reach.
- The sample size can be increased further with limited or no extra funding.
- It is a relatively inexpensive method to create samples and hence useful for businesses with limited budgets.

- (d) Explain the differences between *ad-hoc* and *continuous* methods of market research. [4 marks]

Ad-hoc market research is conducted as and when required. It is designed to be bespoke, one-off market research, based on a specific marketing issue or a problem faced by the firm. Continuous market research takes place repeatedly and on an ongoing basis. It is conducted frequently and regularly to report trends and to make forecasts, e.g., research on the most popular overseas holiday destinations.

- (e) Differentiate between *quantitative* and *qualitative* methods of market research. [4 marks]

Qualitative market research is the collection of in-depth and non-numerical answers from respondents. The objective of qualitative research is to understand the behaviours, attitudes, perceptions, and driving forces (motivation) of the research subjects (the respondents). By contrast, quantitative market research involves the collection of numerical information and measurable data from respondents, rather than their opinions and beliefs.

- (f) Distinguish between *primary* and *secondary* methods of market research. [4 marks]

- Primary market research involves collecting first-hand information for a specific purpose (the marketing issue or problem under investigation). Secondary market research involves the collection of second-hand data and information from already existing sources.
- Primary research is used when there is a need to gather particular information related to an issue. For example, information is required to identify the reasons why customers do not purchase a particular product or brand. Secondary market research is used if existing data and information can be used to address the requirements of the researcher.
- Collecting primary data is expensive and is time-consuming, especially if secondary market research data are varied and readily available.

- (g) Explain **one** advantage and **one** disadvantage of random sampling. [4 marks]

- Advantages: Every member of the population has the same chance of being selected to be a part of the research; This method is a very easy method of sampling and data collection for market research purposes.
- Disadvantages: The sample selected might not represent the population accurately; Large samples may have to be selected to make the findings more representative of the entire population.

Worksheet 21
4.4 Market research – Short revision questions (2)

1) Using relevant examples, explain each of the following primary market research techniques:

(a) Surveys *[2 marks]*

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(b) Interviews *[2 marks]*

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(c) Focus groups *[2 marks]*

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(d) Observations *[2 marks]*

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2) Using appropriate examples, explain each of the following secondary market research techniques:

(a) Market analyses *[2 marks]*

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(b) Academic journals *[2 marks]*

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(c) Government publications *[2 marks]*

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(d) Media articles *[2 marks]*

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Worksheet 21
4.4 Market research – Short revision questions (2)

Answers

1) Using relevant examples, explain each of the following primary market research techniques:

(a) Surveys [2 marks]

Surveys are a method of data collection that involves gathering information from the audience using a structured series of questions. Different types of surveys include self-completed surveys, telephone surveys, online surveys, and postal surveys.

(b) Interviews [2 marks]

Interviews are a type of primary research method of data collection that involves a discussion between an interviewer and interviewees. The researcher, who conducts the interviews, collects information related to the beliefs, preferences, and opinions regarding a particular issue.

(c) Focus groups [2 marks]

Focus groups consist of research participants who share similar consumer profiles. Detailed information is collected from each focus group (consisting of potential and/or existing customers) with regard to the opinions and feedback about a particular product or service. Discussions are led by the moderator (the researcher).

(d) Observations [2 marks]

Observations are a type of primary market research method of data collection, which involves watching potential and existing customers and how they behave in different situations. The purpose is to record the actual behaviour of people, rather than what they say when being asked. This helps to reduce potential bias from respondents who may not be completely truthful in their verbal responses.

2) Using appropriate examples, explain each of the following secondary market research techniques:

(a) Market analyses [2 marks]

Market analyses are a type of secondary market research technique that reveal the latest trends or aspects of a particular industry or product. They involve the collection of in-depth detailed information about a particular market, e.g., market shares, competitor analyses, consumer profiles, developments in the industry, and trends in the external business environment. These reports can be highly useful but can be very expensive.

(b) Academic journals [2 marks]

These are periodical publications from research and educational institutions, such as the *Harvard Business Review*. These published papers detail the latest information about particular academic disciplines. These journals can be accessed upon payment or subscription fees to the publisher.

(c) Government publications [2 marks]

These publications include data and information circulated by governments, including demographic facts about the population, key economic indicators, and trade statistics. The data is updated regularly and is often released free of charge. However, the quality of data is dependent on the country publishing the information.

(d) Media articles [2 marks]

Media articles provide valuable and updated information about a particular issue. Information can be collected from online newspapers, news channels, and social media to address the issue at hand. The advantages of media articles are that the information is up to date, can provide links to related or earlier threads about the topic, are relatively cheap, and have search functionality. However, the information may be subjected to political and media biases.

Answers

Trend Setters (TS)

Trend Setters (TS) is a private firm established in 2010. It is a clothes manufacturing business producing a variety of men's clothing, including shirts, T-shirts, underwear, and gym wear. The company has grown rapidly and profits have been reinvested into the business to fund its expansion. However, competition has intensified, with customers switching to other brands. With its existing product portfolio, TS is finding it difficult to compete, so the company plans to add further items to appeal to customers. The marketing manager suggests removing all non-profitable items from its product offering and launching a new range of clothing targeted at children. Nevertheless, he feels that extensive **market research** needs to be conducted before making any final decision. He also believes TS needs to consider ethical issues when conducting market research.

- (a) Define the term **market research**. [2 marks]

Market research is the management process of collecting, recording, interpreting, and analyzing relevant data to address a particular marketing issue. For example, it can be conducted to establish the changing needs of customers, their competitors' strategies, and/or to determine the level of customer satisfaction.

- (b) Examine how TS can carry out market research to support its decision-making. [6 marks]

TS can carry out market research using primary and/or secondary sources.

- Primary sources include interviews and surveys with existing customers, and/or using focus groups allows TS to find out about their preferences, expectations, and the existing level of customer satisfaction. Feedback can be collected about TS's products that are not popular, and the reasons behind this (such as why "customers are switching to other brands").
- Secondary sources may also be used, including TS's final accounts, sales records, market analyses, new media articles, government publications, and/or information about competitors from their corporate websites.

Note: There needs to be clear application demonstrated in the written response for 5 – 6 marks.

- (c) Examine the ethical considerations of conducting market research. [6 marks]

Marketers should consider ethical considerations when conducting market research. For example, market researchers ought to be unbiased, reasonable, and objective and must report their findings with honesty. This will help to make findings more meaningful, representative, and objective. Ethical considerations of conducting market research could include:

- The researcher(s) should not attempt to influence the opinion or attitude of the respondents.
- The respondents should be willing to take part and opt out if needed. They should also be informed about how the data are being collected (recorded), stored, and used.
- The researcher(s) should not harm the respondents in any way (mentally and/or physically) and must exercise precaution while conducting market research with certain groups (such as children or people with special conditions).
- The results of the data should be recorded and reported accurately and honestly.
- Confidentiality of data must be maintained and data should not be shared without prior approval of the respondents. The information obtained should be used only for the stated purpose and not for any other advantage.
- The market researcher(s) should be objective in the report and keep the information free from personal biases.

Karl Pereira has completed his Master’s in Marketing and Media. He specializes in the entertainment industry and wishes to start an amusement park. As the cost of land is extremely high in the city, he is considering a site 200 km away. He is also considering several crucial decisions. He needs to decide on the theme for the amusement park (adventure, nature, fantasy, culture, water, or snow). There are numerous adventure parks close by. He could consider a nature theme which could include animals, gardens, or natural wonders. A fantasy theme can be explored by having cartoon characters, mythical creatures, magic, and legends. However, Karl must consider which activities to be included. There are no fantasy theme parks nearby. Karl wishes to make a feasibility study about potential sales, market size, profit potential, local consumers, the tourist market, competition, and industry trends. Once he decides on the theme, he needs to finalize the marketing mix.

(a) Define the term *marketing mix*. [2 marks]

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(b) Explain **two** benefits of conducting market research for Karl. [2 marks]

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(c) Identify **two** other secondary research methods that Karl could use to support his decision-making. [2 marks]

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(d) If Karl decides to survey potential consumers, list four questions that he should ask. [4 marks]

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Answers

Karl Pereira has completed his Master's in Marketing and Media. He specializes in the entertainment industry and wishes to start an amusement park. As the cost of land is extremely high in the city, he is considering a site 200 km away. He is also considering several crucial decisions. He needs to decide on the theme for the amusement park (adventure, nature, fantasy, culture, water, or snow). There are numerous adventure parks close by. He could consider a nature theme which could include animals, gardens, or natural wonders. A fantasy theme can be explored by having cartoon characters, mythical creatures, magic, and legends. However, Karl must consider which activities to be included. There are no fantasy theme parks nearby. Karl wishes to make a feasibility study about potential sales, market size, profit potential, local consumers, the tourist market, competition, and industry trends. Once he decides on the theme, he needs to finalize the marketing mix.

(a) Define the term *marketing mix*. [2 marks]

This refers to the combination of 4 Ps (product, price, place, and promotion) in the case of physical goods, or 7 Ps (an additional 3 Ps comprised of people, process, and physical evidence) in the case of services, that marketers offer to satisfy the needs and wants of the target audience.

(b) Explain **two** benefits of conducting market research for Karl. [4 marks]

- Market research allows Karl to better understand the needs of the market (for a theme park) and to create a suitable marketing mix. For example, decisions regarding the theme, ambiance, pricing, and promotional method can be based on data about consumers' expectations.
- The probability of success is likely to increase if there is effective market research, thereby reducing risks for Karl. For example, a market analysis of existing amusement park offerings in the local areas can be studied to help Karl refine his marketing mix and to create a differentiated marketing plan.

(c) Identify **two** other secondary research methods that Karl could use to support his decision-making. [2 marks]

- Government publications, such as census reports and economic data.
- Market analyses reports such as Mintel and McKinsey & Co. regarding trends in the industry.
- Specialist publications such as Amusement Today, Fun world, etc.
- Academic journals may provide data about consumer buying patterns and factors that encourage visits to amusement parks.
- Media articles such as newspapers, books, business journals, documentaries, etc. may give Karl additional insights.

(d) If Karl decides to survey potential consumers, list four questions that he should ask. [4 marks]

- Which theme attracts you the most to visit an amusement park?
- What promotional strategies would encourage you to visit an amusement park?
- What is the price you are willing to pay for a day's visit?
- Which is your age group?
- Which other amusement park(s) have you visited in the past year?
- Which services at an amusement park delights you the most?

Worksheet 24
4.5 The seven Ps of the marketing mix– Product: Key Terms

Identify the key terms from the given definitions. Choose from the options in the list below.

Key term	Definition
	A generic term referring to any good or service that attempts to satisfy the needs and wants of customers.
	Products that are purchased by private individuals for their own personal use.
	Products that are purchased for commercial purposes, for reselling, rather than for personal use.
	The different stages that a product is likely to pass from its initial launch to its decline in terms of sales revenue, and possibly eventual withdrawal from the market.
	A marketing technique used to assess the viability of a product launch or marketing mix for a product before it is actually launched on a larger or full scale.
	Customers who tend to buy products during the launch stage of the product's life cycle.
	The stage in the product life cycle when sales revenue has peaked or starts falling.
	Marketing strategy used to make a product unique or distinct from others in the market by using features such as quality, branding, colours, packaging, and special features.
	Marketing strategies used to prolong the useful commercial life of a product to prevent sales from falling, by using methods such as price reductions, special packaging, and offering special editions or features.
	The marketing process of differentiating a firm's products from those of its competitors by using unique names and trademarks associated with the product.
	The whole range of products offered by a business in a particular market.
	The significance and importance of a brand, from the perspective of customers, thereby indicating how much the brand is worth.
	The various ways in which a product is physically presented to customers, be it to protect the product and/or to promote the brand.
	A marketing tool used to analyse the product portfolio of a business, using the market share and market growth as parameters.
	The value that customers attach to a brand as measured by the extent to which they make repeat purchases and favourable recommendations to other people.
	The extent to which potential customers and the general public recognize an organization's particular product or brand.

- Boston Consulting Group matrix
- Brand awareness
- Brand loyalty
- Brand value
- Branding
- Consumer goods
- Extension strategies
- Innovators
- Packaging
- Producer goods
- Product
- Product differentiation
- Product life cycle
- Product portfolio
- Saturation
- Test marketing

Worksheet 24
4.5 The seven Ps of the marketing mix– Product: Key Terms

Answers

Identify the key terms from the given definitions. Choose from the options in the list below.

Key term	Definition
Product	A generic term referring to any good or service that attempts to satisfy the needs and wants of customers.
Consumer goods	Products that are purchased by private individuals for their own personal use.
Producer goods	Products that are purchased for commercial purposes, for reselling, rather than for personal use.
Product life cycle	The different stages that a product is likely to pass from its initial launch to its decline in terms of sales revenue, and possibly eventual withdrawal from the market.
Test marketing	A marketing technique used to assess the viability of a product launch or marketing mix for a product before it is actually launched on a larger or full scale.
Innovators	Customers who tend to buy products during the launch stage of the product's life cycle.
Saturation	The stage in the product life cycle when sales revenue has peaked or starts falling.
Product differentiation	Marketing strategy used to make a product unique or distinct from others in the market by using features such as quality, branding, colours, packaging, and special features.
Extension strategies	Marketing strategies used to prolong the useful commercial life of a product to prevent sales from falling, by using methods such as price reductions, special packaging, and offering special editions or features.
Branding	The marketing process of differentiating a firm's products from those of its competitors by using unique names and trademarks associated with the product.
Product portfolio	The whole range of products offered by a business in a particular market.
Brand value	The significance and importance of a brand, from the perspective of customers, thereby indicating how much the brand is worth.
Packaging	The various ways in which a product is physically presented to customers, be it to protect the product and/or to promote the brand.
Boston Consulting Group matrix	A marketing tool used to analyse the product portfolio of a business, using the market share and market growth as parameters.
Brand loyalty	The value that customers attach to a brand as measured by the extent to which they make repeat purchases and favourable recommendations to other people.
Brand awareness	The extent to which potential customers and the general public recognize an organization's particular product or brand.

Identify the correct option for each multiple choice question below:

1. Which of the following is a fast-moving consumer good (FMCG)?
 - A Cars
 - B Furniture
 - C Jewellery
 - D Newspapers
2. Test marketing usually takes place at which stage in a product's life cycle?
 - A Decline
 - B Growth
 - C Introduction
 - D Research and Development
3. Which term describes products that are purchased for commercial use, rather than for private use?
 - A Consumer goods
 - B Durable goods
 - C Perishable goods
 - D Producer goods
4. Which of the following activities is not a part of the pre-launch stage in a product's life cycle?
 - A Ideas generation
 - B Perception mapping
 - C Research and development
 - D Testing
5. Which option below is a category of products in the BCG matrix with a high market share in a growing market?
 - A Cash cows
 - B Dogs
 - C Problem child
 - D Stars
6. Which strategies (such as price cuts or repackaging) are used in an attempt to prolong the sales of a product?
 - A Diversification
 - B Extension strategies
 - C Product differentiation
 - D Product positioning
7. A balanced product portfolio, might include some, a few....., and several.....
 - A Cash cows, stars, question marks
 - B Dogs, stars, question marks
 - C Stars, question marks, cash cows
 - D Stars, question marks, dogs
8. What is the most likely marketing objective of a product in the maturity stage of the product life cycle?
 - A Create a niche market
 - B Expand production
 - C Increase consumer loyalty
 - D Reduce price
9. Which of the following options is least likely to represent a brand?
 - A Colours
 - B Signs
 - C Symbols
 - D Tastes
10. What is the first stage in the product life cycle?
 - A Growth
 - B Launch
 - C Research and development
 - D Saturation
11. Which term describes the set of related products in a firm's product portfolio?
 - A Product line
 - B Product mix
 - C Product range
 - D Product strategy
12. At which stage of the product life cycle are profits most likely to be at their highest?
 - A Decline
 - B Growth
 - C Introduction
 - D Maturity

Answers

Identify the correct option for each multiple choice question below:

- Which of the following is a fast-moving consumer good (FMCG)?
 - Cars
 - Furniture
 - Jewellery
 - Newspapers**
- Test marketing usually takes place at which stage in a product's life cycle?
 - Decline
 - Growth
 - Introduction
 - Research and Development**
- Which term describes products that are purchased for commercial use, rather than for private use?
 - Consumer goods
 - Durable goods
 - Perishable goods
 - Producer goods**
- Which of the following activities is not a part of the pre-launch stage in a product's life cycle?
 - Ideas generation
 - Perception mapping**
 - Research and development
 - Testing
- Which option below is a category of products in the BCG matrix with a high market share in a growing market?
 - Cash cows
 - Dogs
 - Problem child
 - Stars**
- A balanced product portfolio, might include some, a few....., and several.....
 - Cash cows, stars, question marks
 - Dogs, stars, question marks
 - Stars, question marks, cash cows**
 - Stars, question marks, dogs
- What is the most likely marketing objective of a product in the maturity stage of the product life cycle?
 - Create a niche market
 - Expand production
 - Increase consumer loyalty**
 - Reduce price
- Which of the following options is least likely to represent a brand?
 - Colours
 - Signs
 - Symbols
 - Tastes**
- What is the first stage in the product life cycle?
 - Growth
 - Launch
 - Research and development**
 - Saturation
- Which term describes the set of related products in a firm's product portfolio?
 - Product line**
 - Product mix
 - Product range
 - Product strategy
- At which stage of the product life cycle are profits most likely to be at their highest?
 - Decline
 - Growth
 - Introduction
 - Maturity**

Worksheet 26
4.5 The 7 Ps of the marketing mix – Product: True or False

Read the statements below carefully and answer each one as true or false.

		True or False?
A.	In the introduction stage of a product, promotional expenditure is high to create consumer awareness about the product.	
B.	The term 'products' can refer to intangible services or physical goods.	
C.	Product differentiation strategies, such as improved packaging, can help to add value to a brand.	
D.	Cars, electronic appliances, furniture, and kitchenware are examples of specialty products.	
E.	Branded products tend to have a higher rate of financial success than unbranded products.	
F.	Each stage in a product's life cycle is likely to have a different marketing mix.	
G.	The research and development (R&D) stage in the product life cycle involves designing and testing the product.	
H.	The Boston Consulting Group matrix is used to determine the risk associated with the expansion of different strategic business units.	
I.	Changes in technology have shortened the life cycles of consumer electronic goods such as smartphones.	
J.	Product differentiation can guarantee greater success for a product.	
K.	A 'problem child' is a product that operates in a market with high market growth but has low market share.	
L.	Having too many dogs in a firm's product portfolio can lead to liquidity problems.	
M.	Brand loyalty can lead to increased profit margins.	
N.	Brand awareness is the extent to which potential customers recognize a particular brand.	
O.	During the decline stage in the product life cycle, sales revenue falls and this affirms that the product should be withdrawn from the market.	
P.	The duration of each stage in the product life cycle will differ from product to product in different industries.	

Worksheet 26
4.5 The 7 Ps of the marketing mix – Product: True or False

Answers

Read the statements below carefully and answer each one as true or false.		True or False?
A.	In the introduction stage of a product, promotional expenditure is high to create consumer awareness about the product.	True
B.	The term 'products' can refer to intangible services or physical goods.	True
C.	Product differentiation strategies, such as improved packaging, can help to add value to a brand.	True
D.	Cars, electronic appliances, furniture, and kitchenware are examples of specialty products. <i>They are examples of consumer durables</i>	False
E.	Branded products tend to have a higher rate of financial success than unbranded products.	True
F.	Each stage in a product's life cycle is likely to have a different marketing mix.	True
G.	The research and development (R&D) stage in the product life cycle involves designing and testing the product.	True
H.	The Boston Consulting Group matrix is used to determine the risk associated with the expansion of different strategic business units. <i>It helps to analyze a firm's product portfolio on the basis of market share and market growth</i>	False
I.	Changes in technology have shortened the life cycles of consumer electronic goods such as smartphones.	True
J.	Product differentiation can guarantee greater success for a product. <i>It requires the support of other marketing activities, such as the other elements of the marketing mix (e.g., price, promotion, and place)</i>	False
K.	A 'problem child' is a product that operates in a market with high market growth but has low market share.	True
L.	Having too many dogs in a firm's product portfolio can lead to liquidity problems.	True
M.	Brand loyalty can lead to increased profit margins.	True
N.	Brand awareness is the extent to which potential customers recognize a particular brand.	True
O.	During the decline stage in the product life cycle, sales revenue falls and this affirms that the product should be withdrawn from the market. <i>The firm may decide to keep the product for various reasons, e.g., it helps to diversify risk or can still contribute to profit</i>	False
P.	The duration of each stage in the product life cycle will differ from product to product in different industries.	True

Worksheet 27
4.5 The seven Ps of the marketing mix: Revision questions

(a) Define the term **product**. [2 marks]

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(b) Define the term **first-mover advantage**. [2 marks]

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(c) Distinguish between *fast-moving consumer goods* and *consumer durables*. [4 marks]

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(d) Outline **two** stages in a typical product life cycle. [4 marks]

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(e) Explain the difference between *brand loyalty* and *brand development*. [4 marks]

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(f) Examine the usefulness of the product life cycle as a business model. [6 marks]

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Worksheet 27
4.5 The seven Ps of the marketing mix: Revision questions

Answers

- (a) Define the term **product**. [2 marks]

Product in the marketing mix refers to any physical (goods) or non-physical items (services) that are sold in a market to satisfy the needs and wants of customers.

- (b) Define the term **first-mover advantage**. [2 marks]

A first-mover advantage (FMA) describes the strategy of being the first in a market to launch a particular product. By being the first supplier, the business is able to establish market share and customer loyalty before other firms enter the market.

- (c) Distinguish between *fast-moving consumer goods* and *consumer durables*. [4 marks]

FMCGs are low-priced goods that are purchased frequently and consumed relatively rapidly. They are typically sold in retail outlets. Examples include newspapers, dairy products, baked goods, fruits, and vegetables. FMCGs are usually sold in large volumes, are non-durable, and have low-profit margins.

In contrast, consumer durables are goods that are not purchased frequently as they tend to last for a long period of time and take up a relatively higher proportion of consumers' incomes. Examples include kitchen appliances, furniture, consumer electronics, and sporting equipment. Consumers buy these in smaller quantities.

- (d) Outline **two** stages in a typical product life cycle. [4 marks]

An example of two stages is given below:

- Introduction – the stage at which the product is launched after it has been developed and tested. Customers are not fully aware of the product, so sales are relatively low.
- Growth – the stage at which sales revenue of the product increases. Cash flow from the sale of the product starts to become positive, and profit materializes.

- (e) Explain the difference between *brand loyalty* and *brand development*. [4 marks]

Brand loyalty occurs with repeated purchases and favourable recommendations by customers to others (such as friends, relatives, and acquaintances). Customers who are loyal to a particular brand prefer that brand to other rival ones available in the market. By contrast, *brand development* is a long-term product strategy that involves strengthening the name and image of a particular brand in an attempt to attract and retain customers as well as increase sales further.

- (f) Examine the usefulness of the product life cycle as a business model. [6 marks]

The product life cycle (PLC) is a marketing tool that indicates the pattern of sales recorded by a particular product from its launch stage to the product eventually being withdrawn from the market. Knowledge of the product life cycle is important as it helps with marketing decisions and assists in marketing planning. For example, the promotional strategies required in the introduction (launch) stage of the PLC are far more extensive than during the decline stage. Decisions with regard to lowering the prices will be based on the stage in the PLC. The decisions with regard to product adaptations will be further based on the stage in the product life cycle. The cash flow position of a business is also dependent on the product life cycle. Knowledge of the PLC model will enable firms to identify the changing needs and wants of customers in the market. For example, cash flow is negative during the research and development (R&D) stage, whereas the firm will have its most positive cash flow during the maturity stage. Understanding the cash flow position of the business also facilitates effective financial planning.

Surrender Confectionery

Surrender Confectionery (SC) is a well-known brand of confectionery and traditional sweets. SC has strong **brand loyalty** and the company spends a large amount of cash for its **brand development**. SC's product portfolio includes *Sweet Candies*, *Trendies*, *Simply Dark*, and *Healthy Bites*. These products are at different stages in their product life cycle.

- *Sweet Candies* are conventional candies that used to be very popular with older age groups. However, sales have declined in the past few years due to health concerns.
- *Trendies* are popular chocolates, especially with teenagers. Sales are increasing due to unique designs and packaging that feature famous and well-liked pop stars.
- *Simply Dark* was SC's first launched candy bar with rich flavours. Sales are very high and the cash flow from *Simply Dark* is immense.
- *Healthy Bites* are the newest product launch to attract health-conscious customers. The market for healthier sweets is increasing.

(a) In the context of SC, outline any **two** stages in a typical product life cycle. [4 marks]

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(b) Explain the difference between **brand loyalty** and **brand development**. [4 marks]

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(c) Examine the importance of a broad product portfolio for the success of SC. [6 marks]

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(d) Analyze the use of the Boston Consulting Group matrix to SC. [6 marks]

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Answers

- (a) In the context of SC, outline any **two** stages in a typical product life cycle. [4 marks]

Answers will vary, depending on the stages chosen. Two examples are shown below.

- Introduction – This is the stage at which the product has just been launched after being developed and tested. Customers are not fully aware of the product yet, so sales will be relatively low. *Healthy Bites* falls into this category as it is SC's newest product launch so needs marketing to attract health-conscious customers.
- Growth – At this stage, the sales of the product increases rapidly. Profits start rising and the cash flow becomes positive. *Trendies* are in the growth stage as sales are increasing and the product is popular amongst teenagers due to the packaging featuring famous and well-liked pop stars.

- (b) Explain the difference between **brand loyalty** and **brand development**. [4 marks]

Brand loyalty refers to repeated purchases by customers and favourable recommendations to others. Brand loyal customers prefer the same brand over other rival products on the market. Customers prefer buying confectionery and traditional sweets from SC over other suppliers.

Brand development is a long-term product strategy that involves strengthening the name and image of a brand in an attempt to attract customers and increase sales further. SC would need to identify its key competitors, and build its marketing strategy (by methods such as use of the company name, logo, design, and social media marketing) to continuously reinforce its brand name and brand identity. In turn, this can also help to enhance SC's brand loyalty.

- (c) Examine the importance of a broad product portfolio for the success of SC. [6 marks]

A product portfolio includes the different range of products that a business offers. A wide portfolio allows diversifying the risks amongst the products offered. SC can cater to a different range of customers, such as teenagers and older age groups, thereby increasing its market share. SC's brand name and reputation can be further strengthened due to having many product options. As a result, SC's cash flow position can also be improved. For example, a decline in the sale of *Sweet Candies* can be offset by favourable sales of *Simply Dark*.

However, it is more difficult to handle a broad and varied range of products. In addition, in the event of negative publicity of any single product in SC's broad product portfolio can seriously harm the sales of SC's other products in an adverse way.

- (d) Analyze the use of the Boston Consulting Group matrix to SC. [6 marks]

The BCG matrix is a marketing tool that allows managers to analyze the current position of existing products and their performance, in terms of market share and growth of the market. It helps with marketing planning and enables actions to be taken with regard to a firm's existing products, such as whether to introduce new products, when to introduce these, or to remove certain products from its portfolio.

Sales of *Sweet Candies* have been declining in the past few years due to health concerns, so the decision needs to be made regarding whether SC should continue production or withdraw the product completely. By contrast, further promotional strategies should be implemented in order to attract teenagers to continue purchasing *Trendies*.

It is also possible for managers to compare the product portfolio of other competing firms by analysing their respective BCG matrix. This can help the firm to decide which decisions need to take place in order to be competitive. Nevertheless, to be successful, SC must support its product strategy with continuous funding, such as market research and product development.

Worksheet 29
4.5 The seven Ps of the marketing mix – Practice questions

(a) State the extension strategy that should be used in the following situations. Outline the reason for your choice of strategy.

i. A cosmetics brand sells its products in only a few retail outlets. It is popular, but sales are stable and not increasing any further. [2 marks]

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ii. A newly launched car is sold in the country where it is made. The sales are stagnant. [2 marks]

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iii. A company creates solutions for long-lasting hair curls and waves. The preferences of consumers have changed due to the long-term impact on hair quality, so the demand for hair curls and wave solutions has fallen. [2 marks]

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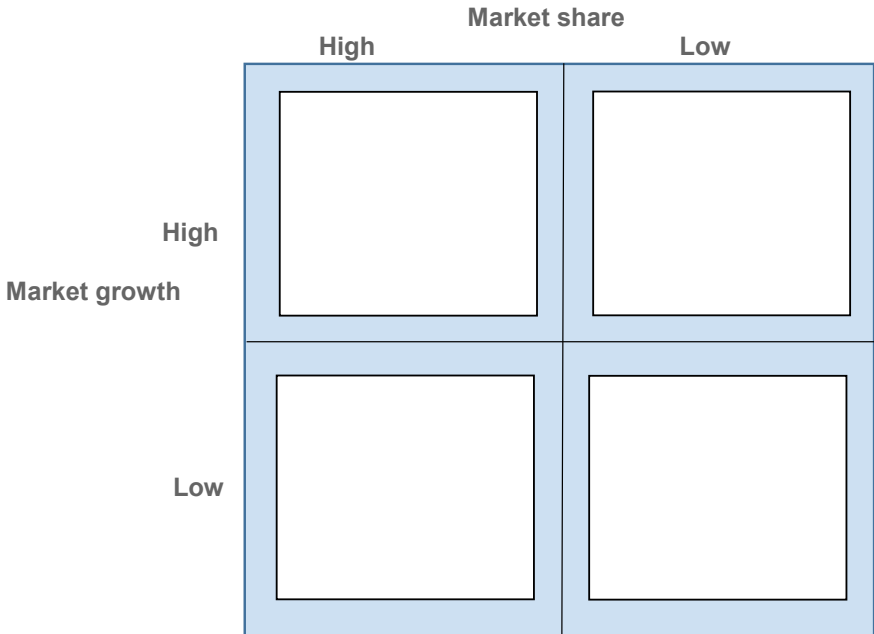
iv. A business manufactures cameras and had a high market share. However, its competitors have launched new cameras with better features and improved quality. The business lacks funds to invest in research and development. [2 marks]

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(b) Britannia Industries produces a variety of baked goods. *Good Day*, *Treat*, and *Marie Gold* are popular and profitable but their market is not growing. *50-50*, *Little Hearts*, and *Tiger* have high market share and greater growth potential, so Britannia Industries often invests in them. *Pure Magic* and *Bourbon* were recently introduced and have strong competition but their market is growing. *Nutri Choice* and *Digestive Zero* have poor sales and low market share, so the company is considering removing these products from its portfolio.

Construct a Boston Matrix diagram for the products offered by Britannia Industries. [4 marks]



Answers

(a) State the extension strategy that should be used in the following situations. Outline the reason for your choice of strategy.

- i. A cosmetics brand sells its products in only a few retail outlets. It is popular, but sales are stable and not increasing any further.

Selling the products through additional retail outlets or distribution through online stores – The products are sold only in a few retail outlets, but the customers are dispersed. Adding more channels of distribution will increase the probability of selling these cosmetic brands.

- ii. A newly launched car is sold in the country where it is made. The sales are stagnant.

The cars should be sold in other countries – Further distribution channels can be added or the cars can be exported to new countries. An increase in the customer base would increase the probability of higher sales.

- iii. A company creates solutions for long-lasting hair curls and waves. The preferences of consumers have changed due to the long-term impact on hair quality, so the demand for hair curls and wave solutions has fallen.

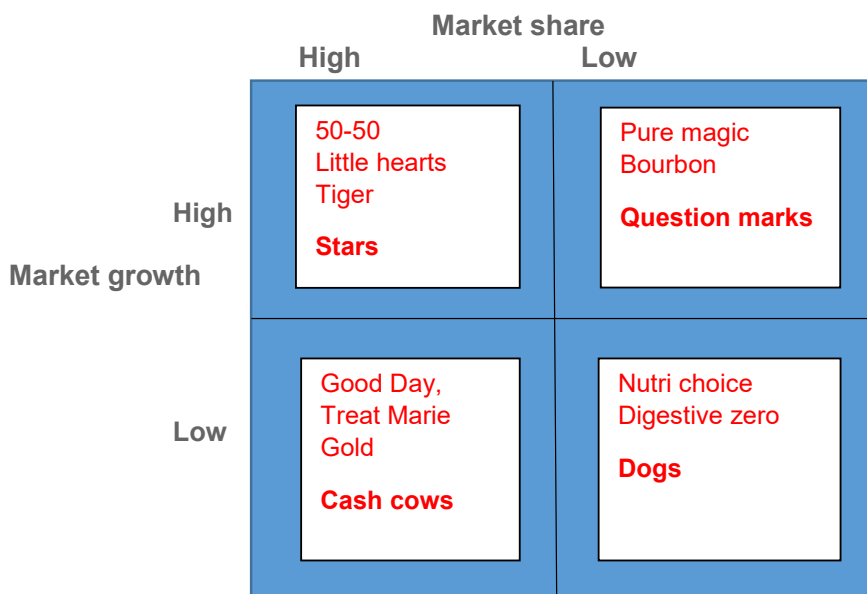
New products such as serums, hair protein, and relaxing lotions could be introduced to attract different (more) customers.

- iv. A business manufactures cameras and had a high market share. However, its competitors have launched new cameras with better features and improved quality. The business lacks funds to invest in research and development.

Selling the cameras at a discounted price or in other countries may help to increase sales and market share.

(b) Britannia Industries produces a variety of baked goods. *Good Day*, *Treat*, and *Marie Gold* are popular and profitable but their market is not growing. *50-50*, *Little Hearts*, and *Tiger* have high market share and greater growth potential, so Britannia Industries often invests in them. *Pure Magic* and *Bourbon* were recently introduced and have strong competition but their market is growing. *Nutri Choice* and *Digestive Zero* have poor sales and low market share, so the company is considering removing these products from its portfolio.

Construct a Boston Matrix diagram for the products offered by Britannia Industries. [4 marks]



Worksheet 30
4.5 The seven Ps of the marketing mix – Price: Key terms

Identify the key terms from the given definitions (there are some HL only terms). Choose from the options available below.

Key term	Definition
	An aspect of the marketing mix for goods and services that refers to the amount of money paid by a customer for the purchase of a particular product.
	The pricing method that involves adding a percentage or predetermined profit margin to the costs per unit of production, in order to determine the selling price.
	The pricing method that involves setting a low price in order to enter a new market and to attract customers and gain market share.
	Setting high prices for a product to create the perception amongst buyers that the product is of high quality.
	Selling the same product at different prices due to the subtleties of changing market demand. (HL only)
	Pricing method that involves selling a product at an artificially low price (i.e., below its cost of production) in an attempt to attract customers to buy other products too.
	The pricing method that allocates the direct costs of producing different products of a firm. (HL only)
	The pricing method that involves reducing prices of a particular product in an attempt to force competitors out of the industry. This is because they will not be able to compete in a profitable manner due to the falling prices.
	Consequences of businesses continually competing with each other by the use of intensive price cuts.
	A percentage or specified amount charged in top of the average cost of production.
	Measures the extent to which customers are sensitive to price changes, and calculated by the percentage change in the quantity demanded for a product due to a given percentage change in the price. (HL only)
	Pricing method whereby the firm prices its product at the same or very similar level to others already available in the market. (HL only)

- | | |
|---|--|
| <ul style="list-style-type: none"> • Competitive pricing • Contribution pricing • Dynamic pricing • Loss leader pricing • Mark up • Mark-up pricing | <ul style="list-style-type: none"> • Penetration pricing • Predatory pricing • Premium pricing • Price • Price elasticity of demand • Price wars |
|---|--|

Worksheet 30
4.5 The seven Ps of the marketing mix – Price: Key terms

Answers

Identify the key terms from the given definitions (there are some HL only terms). Choose from the options available below.

Key term	Definition
Price	An aspect of the marketing mix for goods and services that refers to the amount of money paid by a customer for the purchase of a particular product.
Mark-up pricing	The pricing method that involves adding a percentage or predetermined profit margin to the costs per unit of production, in order to determine the selling price.
Penetration pricing	The pricing method that involves setting a low price in order to enter a new market and to attract customers and gain market share.
Premium pricing	Setting high prices for a product to create the perception amongst buyers that the product is of high quality.
Dynamic pricing	Selling the same product at different prices due to the subtleties of changing market demand. (HL only)
Loss leader pricing	Pricing method that involves selling a product at an artificially low price (i.e., below its cost of production) in an attempt to attract customers to buy other products too.
Contribution pricing	The pricing method that allocates the direct costs of producing different products of a firm. (HL only)
Predatory pricing	The pricing method that involves reducing prices of a particular product in an attempt to force competitors out of the industry. This is because they will not be able to compete in a profitable manner due to the falling prices.
Price wars	Consequences of businesses continually competing with each other by the use of intensive price cuts.
Mark-up	A percentage or specified amount charged in top of the average cost of production.
Price elasticity of demand (PED)	Measures the extent to which customers are sensitive to price changes, and calculated by the percentage change in the quantity demanded for a product due to a given percentage change in the price. (HL only)
Competitive pricing	Pricing method whereby the firm prices its product at the same or very similar level to others already available in the market. (HL only)

Worksheet 31

4.5 The seven Ps of the marketing mix: Price – True or False

Answer true or false for each of the following statements:

		True or False?
A.	All things remaining constant, an increase in the supply of a product will lead to a fall in its price.	
B.	Pricing decisions typically require some sort of market research.	
C.	Customer perceptions are not influenced by the price of a product.	
D.	The mark-up for a product is decided irrespective of the stage in a product's life cycle.	
E.	Businesses adopt penetration pricing when attempting to enter an established market dominated by well-known brands.	
F.	Once marketers set a high price for a new differentiated product, they do not reduce the price during its life cycle.	
G.	Mark-up pricing is easy to calculate for single-product firms rather than for multi-product firms.	
H.	The use of penetration pricing may create the perception of poor quality products amongst the target audience.	
I.	Loss-leader pricing is a strategy that involves selling a product below its production cost in an attempt to attract customers to also buy other products in the store.	
J.	Price wars occur when businesses compete with each other by implementing continuous and often intensive price cuts.	
K.	Dynamic pricing takes place when a hotel charges the same price for its room in all seasons. (HL only)	
L.	Price elasticity of demand is likely to be high for a product with increased brand loyalty. (HL only)	
M.	The use of effective promotional strategies can make the demand for a product more price inelastic. (HL only)	
N.	A business can experience losses if it decides to fix the prices of its products solely on the prices charged by competitors. (HL only)	

Answers

Answer true or false for each of the following statements.		True or False?
A.	All things remaining constant, an increase in the supply of a product will lead to a fall in its price.	True
B.	Pricing decisions typically require some sort of market research.	True
C.	Customer perceptions are not influenced by the price of a product. <i>A high price can create a positive perception about a product's quality, whereas too low a price can make customers doubt the quality</i>	False
D.	The mark-up for a product is decided irrespective of the stage in a product's life cycle. <i>Marketers are likely to reduce the mark-up during the decline stage</i>	False
E.	Businesses adopt penetration pricing when attempting to enter an established market dominated by well-known brands.	True
F.	Once marketers set a high price for a new differentiated product, they do not reduce the price during its life cycle. <i>Prices can be reduced, especially in the latter stages of the product life cycle</i>	False
G.	Mark-up pricing is easy to calculate for single-product firms rather than for multi-product firms.	True
H.	The use of penetration pricing may create the perception of poor quality products amongst the target audience.	True
I.	Loss-leader pricing is a strategy that involves selling a product below its production cost in an attempt to attract customers to also buy other products in the store.	True
J.	Price wars occur when businesses compete with each other by implementing continuous and often intensive price cuts.	True
K.	Dynamic pricing takes place when a hotel charges the same price for its room in all seasons. (HL only) <i>The price charged will differ for different rooms based on seasons and type/size of rooms booked</i>	False
L.	Price elasticity of demand is likely to be high for a product with increased brand loyalty. (HL only) <i>If there is brand loyalty, for any given change in the price, the proportionate change in the quantity demanded is relatively low, i.e., the value of price elasticity of demand is low</i>	False
M.	The use of effective promotional strategies can make the demand for a product more price inelastic. (HL only)	True
N.	A business can experience losses if it decides to fix the prices of its products solely on the prices charged by competitors. (HL only)	True

Worksheet 32
4.5 The seven Ps of marketing – Price: Matching exercise

Match the following numbers with the correct alphabetical option shown below.

1		Prices set too high	A	Predatory pricing
2		Luxury products	B	Introduction stage
3		Innovators	C	Contribution pricing (HL only)
4		Aggressive in nature because this pricing strategy aims to take market share away from competitors	D	Can encourage brand switching by setting prices below costs in order to attract customers
5		Likely to have a low price elasticity of demand at this phase (HL only)	E	Can deter customers from making purchases
6		Common pricing strategy used by airlines, theme parks, cinemas, and hair salons	F	Premium pricing
7		Increases flexibility to adapt the price to accept special orders	G	Group of loyal customers who feel the need to have the most up-to-date technological consumer products
8		Loss leader pricing	H	Dynamic pricing (HL only)
9		Maturity stage	I	A pricing strategy that uses low prices to enter a market and gain market share
10		The result of continual price cuts as firms try to compete with each other	J	Suitable pricing method for firms with little market power
11		Penetration pricing	K	Price wars
12		Competitive pricing (HL only)	L	An integral aspect of the marketing mix referring to the value that customers pay for the purchase of a good or service
13		Price	M	Competitive pricing (HL only)
14		Pricing method used by firms to set prices based on those set by rival businesses in the same industry	N	With an increasing number of competitors, PED might increase (HL only)

Worksheet 32
4.5 The seven Ps of marketing – Price: Matching exercise

Answers

Match the following numbers with the correct alphabetical option shown below.

1	E	Prices set too high	Can deter customers from making purchases
2	F	Luxury products	Premium pricing
3	G	Innovators	Group of loyal customers who feel the need to have the most up-to-date technological consumer products
4	A	Aggressive in nature because this pricing strategy aims to take market share away from competitors	Predatory pricing
5	B	Likely to have a low price elasticity of demand at this phase (HL only)	Introduction stage
6	H	Common pricing strategy used by airlines, theme parks, cinemas, and hair salons	Dynamic pricing (HL only)
7	C	Increases flexibility to adapt the price to accept special orders	Contribution pricing (HL only)
8	D	Loss leader pricing	Can encourage brand switching by setting prices below costs in order to attract customers
9	N	Maturity stage	With an increasing number of competitors, PED might increase (HL only)
10	K	The result of continual price cuts as firms try to compete with each other	Price wars
11	I	Penetration pricing	A pricing strategy that uses low prices to enter a market and gain market share
12	J	Competitive pricing (HL only)	Suitable pricing method for firms with little market power
13	L	Price	An integral aspect of the marketing mix referring to the value that customers pay for the purchase of a good or service
14	M	Pricing method used by firms to set prices based on those set by rival businesses in the same industry	Competitive pricing (HL only)

Identify the correct option for each multiple choice question below:

1. Which pricing strategy involves setting low prices in order to enter new markets?
 - A. Competitive pricing
 - B. Cost-plus pricing
 - C. Loss-leader pricing
 - D. Penetration pricing
2. Which of the following is the objective of using premium pricing?
 - A. Creating a positive perception about the quality of a product
 - B. Entering a new market
 - C. Increasing profits in the short run
 - D. Preventing competitors from entering
3. Businesses that operate in competitive markets and set their prices based on market leaders are called
 - A. Price makers
 - B. Price negotiators
 - C. Price setters
 - D. Price takers
4. Businesses must anticipate possible reactions from and competitors, before changing their
 - A. suppliers, orders
 - B. consumers, prices
 - C. employees, prices
 - D. governments, orders
5. A new ice cream store has an introductory offer of \$1 per cone. After a month, the price increases to \$1.5. What pricing strategy does this indicate?
 - A. Contribution pricing
 - B. Penetration pricing
 - C. Predatory pricing
 - D. Premium pricing
6. A plumber replaces a broken tap at a cost of \$25 and charges \$35 for the repair work. Which pricing method is used in this case?
 - A. Cost-plus pricing
 - B. Destroyer pricing
 - C. Loss leader
 - D. Predatory pricing
7. A concert organizer aims to maximize profits from ticket sales. All expenses need to be covered. Which pricing method is therefore most appropriate?
 - A. Competitive pricing
 - B. Cost-plus pricing
 - C. Dynamic pricing
 - D. Predatory pricing
8. Which pricing method involves firms dividing market segments on the basis of age and charging them accordingly? (HL only)
 - A. Competitive pricing
 - B. Cost-plus pricing
 - C. Dynamic pricing
 - D. Premium pricing
9. Which of the following is not a disadvantage of using dynamic pricing? (HL only)
 - A. Increased administrative costs
 - B. May dissatisfy some customers
 - C. Not suitable for all the goods and services
 - D. Using PED to charge different prices allows targeting different customers
10. When would the price elasticity of demand for a product be low? (HL only)
 - A. Lots of substitute available for a product
 - B. Household necessities are offered by a business
 - C. Luxury goods and services are offered by a business
 - D. Small market size for a product

Answers

Identify the correct option for each multiple-choice question below:

1. Which pricing strategy involves setting low prices in order to enter new markets?
 - A. Competitive pricing
 - B. Cost-plus pricing
 - C. Loss-leader pricing
 - D. Penetration pricing**
2. Which of the following is the objective of using premium pricing?
 - A. Creating a positive perception about the quality of a product**
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9. Which of the following is not a disadvantage of using dynamic pricing? (HL only)
 - A. Increased administrative costs
 - B. May dissatisfy some customers
 - C. Not suitable for all the goods and services
 - D. Using PED to charge different prices allows targeting different customers**
10. When would the price elasticity of demand for a product be low? (HL only)
 - A. Lots of substitute available for a product
 - B. Household necessities are offered by a business**
 - C. Luxury goods and services are offered by a business
 - D. Small market size for a product

Worksheet 34
4.5 The seven Ps of the marketing mix – Promotion

Identify the key terms from the given definitions. Choose from the options available in the list below.

	The use of different methods such as advertising, sales promotion, direct mail, and public relations in order to inform people about the firm's product and to persuade potential customers to purchase the product.
	Promotional strategy involving both above and below the line promotional methods in which one form of advertising method directs the target audience to another form of advertising and hence crosses the 'line'.
	The ever-increasing volume of advertising messages that customers are exposed to and bombarded with.
	The process of creating a unique and distinctive identity for a particular product, thus differentiating it from competitors and their products.
	Marketing catchphrases that are memorable in order to create appeal for a product, and make it more notable with existing and potential customers.
	The use of protective and wrapping material to promote a firm's products or brand to existing and potential customers.
	The spreading of marketing information about a firm or its product by oral means, such as communication between friends and family.
	Promotional activities that aim to sell products straight to a customer rather than using an intermediary (such as an advertising agency) between producers and consumers.
	Promotion of a product at the place or location where customers can purchase the product, e.g., batteries and chewing gum at supermarket checkouts.
	The process of promoting a business or its product(s) by getting media coverage and exposure, without actually having to pay for it.
	The use of financial assistance and resources to support an event or organization in return for media exposure and marketing publicity for the business providing these funds.
	Using sales representatives to inform and persuade customers to purchase the firm's goods and/or services.
	Online platforms (such as Facebook and Instagram) used by individuals to build group relationships amongst people, thereby potentially spreading marketing messages in the process.

- Advertising clutter
- Branding
- Direct marketing
- Packaging
- Personal selling
- Point of sales promotion
- Promotion
- Publicity
- Slogans
- Social networking
- Sponsorship
- Through-the-line promotion
- Word of mouth promotion

Worksheet 34
4.5 The seven Ps of the marketing mix – Promotion

Answers

Identify the key terms from the given definitions. Choose from the options available in the list below.

Promotion	The use of different methods such as advertising, sales promotion, direct mail, and public relations in order to inform people about the firm's product and to persuade potential customers to purchase the product.
Through-the-line promotion	Promotional strategy involving both above and below the line promotional methods in which one form of advertising method directs the target audience to another form of advertising and hence crosses the 'line'.
Advertising clutter	The ever-increasing volume of advertising messages that customers are exposed to and bombarded with.
Branding	The process of creating a unique and distinctive identity for a particular product, thus differentiating it from competitors and their products.
Slogans	Marketing catchphrases that are memorable in order to create appeal for a product, and make it more notable with existing and potential customers.
Packaging	The use of protective and wrapping material to promote a firm's products or brand to existing and potential customers.
Word-of-mouth promotion	The spreading of marketing information about a firm or its product by oral means, such as communication between friends and family.
Direct marketing	Promotional activities that aim to sell products straight to a customer rather than using an intermediary (such as an advertising agency) between producers and consumers.
Point of sales promotion	Promotion of a product at the place or location where customers can purchase the product, e.g., batteries and chewing gum at supermarket checkouts.
Publicity	The process of promoting a business or its product(s) by getting media coverage and exposure, without actually having to pay for it.
Sponsorship	The use of financial assistance and resources to support an event or organization in return for media exposure and marketing publicity for the business providing these funds.
Personal selling	Using sales representatives to inform and persuade customers to purchase the firm's goods and/or services.
Social networking	Online platforms (such as Facebook and Instagram) used by individuals to build group relationships amongst people, thereby potentially spreading marketing messages in the process.

Worksheet 35

4.5 The seven Ps of the marketing mix – Promotion: Identifying promotional techniques

Identify the following promotional technique as above the line, below the line, or through the line promotion by placing a tick (check) in the correct column:

Promotional technique	Above the line promotion	Below the line promotion	Through the line promotion
Leaflets distributed in the local community			
National television (TV) campaign			
Google AdWords targeting the youth			
Telemarketing activity to inform clients about new investments opportunities			
Free cereal samples using promotional coupons			
A national YouTube campaign including promotional codes for offers at people's local outlets			
Billboards informing people about a new product launch			
Banners indicating the objective of a charity along with social media posts of how to contribute			
Radio advertisements to promote an upcoming concert			
Magazine adverts conveying the products of a business			
Door to door marketing			
Exhibitions			
Digital catalogues			
Adverts on Facebook, LinkedIn, and Twitter			
Cinema advertising			
Digital posters			

Answers

Identify the following promotional technique as above the line, below the line, or through the line promotion by placing a tick (check) in the correct column:

Promotional technique	Above the line promotion	Below the line promotion	Through the line promotion
Leaflets distributed in the local community		✓	
National television (TV) campaign	✓		
Google AdWords targeting the youth	✓		
Telemarketing activity to inform clients about new investments opportunities		✓	
Free cereal samples using promotional coupons		✓	
A national YouTube campaign including promotional codes for offers at people's local outlets			✓
Billboards informing people about a new product launch	✓		
Banners indicating the objective of a charity along with social media posts of how to contribute			✓
Radio advertisements to promote an upcoming concert	✓		
Magazine adverts conveying the products of a business	✓		
Door to door marketing		✓	
Exhibitions		✓	
Digital catalogues		✓	
Adverts on Facebook, LinkedIn, and Twitter	✓		
Cinema advertising	✓		
Digital posters	✓		

Worksheet 36
4.5 The seven Ps of the marketing mix– Promotion: Revision questions

Complete the table by stating one advantage and one disadvantage of each method of promotion.

Promotional method	State any one advantage	State any one disadvantage
Television		
Radio		
Cinema		
Newspapers		
Magazines		
Outdoor advertising		
Online		
Sales promotion		
Direct marketing		
Public relations		
Packaging		
Sponsorship		
Merchandise		

Worksheet 36
4.5 The seven Ps of the marketing mix– Promotion: Revision questions

Answers

Method	State one advantage	State one disadvantage
Television	<ul style="list-style-type: none"> • Potential to cater to a wide audience • Increased impact due to the use of sound and video 	<ul style="list-style-type: none"> • High cost of producing and broadcasting TV advertisements • Aimed at mass markets, so lacks focus
Radio	<ul style="list-style-type: none"> • Large audience • Cheaper than TV advertising • Can cater to different market segments 	<ul style="list-style-type: none"> • Only communicates in audio so there are no visuals, limiting its impact • Audience pays less attention to adverts
Cinema	<ul style="list-style-type: none"> • Audience can be directly targeted • With technological improvements (such as 3D cinema) the impact can be greater • Captured audience – difficult to ignore as it is part of the movie experience 	<ul style="list-style-type: none"> • Limited audience size per viewing • May lack impact as the audience enjoy their pre-movie snacks (or come late to avoid the movie trailers and adverts) • Low recall rate (after the movie finishes)
Newspapers	<ul style="list-style-type: none"> • Cheaper than TV and radio advertising • Can capture a wide audience, especially with national newspapers • Detailed information can be provided 	<ul style="list-style-type: none"> • Reduced impact due to the lack of movement/animation and sound • Decline in readership rate as more people switch to digital media sources
Magazines	<ul style="list-style-type: none"> • Specific markets can be targeted through the use of specialist magazines • Use of high-quality images/photos can attract the reader's attention • Information can be stored for future recall 	<ul style="list-style-type: none"> • Lack of sound and movement can reduce the impact of magazine adverts • Static in nature - the potential loss of sales during to time lag between submitting an advert and its publication
Outdoor advertising	<ul style="list-style-type: none"> • There can be high exposure if the advert is well placed/located • Improvements in technology provide a dynamic dimension to outdoor advertising 	<ul style="list-style-type: none"> • Effectiveness is difficult to measure • Non-digital billboards can lack impact • Increased competition has led to advertising clutter
Online	<ul style="list-style-type: none"> • Global reach/coverage • Targeting customers can be improved • Relatively cheap compared to traditional forms of above-the-line promotion 	<ul style="list-style-type: none"> • Good technical knowledge is required • Not all customers are comfortable with e-commerce • Spam and advertising clutter
Sales promotion	<ul style="list-style-type: none"> • Helps to boost sales, especially in the short run to gain brand awareness • Attracts customers away from rival businesses/products • Encourages purchase, rather than just informing customers about the product 	<ul style="list-style-type: none"> • Reducing the price leads to reduced profit margins • Not a sustainable strategy in the long run - competitors can easily offer similar deals and the sales promotions can prove to be quite expensive
Direct marketing	<ul style="list-style-type: none"> • Marketing efforts can be better controlled, thus improving the firm's profitability • A greater amount of information can be communicated straight to the customer 	<ul style="list-style-type: none"> • Higher costs of producing and distributing the promotional materials • Many marketing messages are simply ignored or treated as spam mail
Public relations	<ul style="list-style-type: none"> • Increased media coverage, usually without paying for it • Improved reputation/perceptions of the business organization 	<ul style="list-style-type: none"> • An ongoing marketing strategy, which can be very time consuming • Staff must be adequately trained, especially to handle a crisis
Packaging	<ul style="list-style-type: none"> • Minimal/no additional marketing efforts are required • It is also used as a form of promotion 	<ul style="list-style-type: none"> • Packaging must be attractive enough to create a desired impact • Excess packaging is wasteful and costly
Sponsorship	<ul style="list-style-type: none"> • Increased promotional coverage • Creates a favourable brand reputation 	<ul style="list-style-type: none"> • Highly expensive • The result/impact is difficult to measure
Merchandise	<ul style="list-style-type: none"> • Increased brand awareness • Relatively cheap to produce 	<ul style="list-style-type: none"> • May not increase sales of the product • Not easily accessible to smaller firms

Identify the correct option from each of the multiple choice questions below.

1. Which of the following is not an example of above-the-line (ATL) promotion?
 - A. Magazines
 - B. Merchandise
 - C. Radio
 - D. Television
2. Sales promotion aims to increase sales in the
 - A. Distant future
 - B. Long term
 - C. Medium-term
 - D. Short-term
3. Which of the following is not a part of promotion in the marketing mix?
 - A. Packaging
 - B. Product
 - C. Direct selling
 - D. Slogans
4. Which of the following is not an objective of sales promotion?
 - A. To attract more customers
 - B. To improve a firm's brand image
 - C. To increase sales volume
 - D. To reward loyal customers
5. Free samples and money-off coupons are examples of
 - A. Direct marketing
 - B. Public relations
 - C. Publicity
 - D. Sales promotion
6. Which of the following is least affected by improvements in technology?
 - A. Customer profiling
 - B. Digital radio advertisements
 - C. Direct marketing
 - D. Online advertising
7. Advertising activity designed to promote the entire organization and not just limited to individual brands is referred to as
 - A. Branding
 - B. Corporate advertising
 - C. Direct promotion
 - D. Product positioning
8. Promotional techniques providing full details about the product or service is called
 - A. Branding
 - B. Informative advertising
 - C. Persuasive advertising
 - D. Social media marketing
9. Nike's *Just do it* and McDonald's *I'm 'lovin it* are examples of:
 - A. Corporate slogans
 - B. Copyrights
 - C. Direct marketing
 - D. Patents
10. Marketing platforms such as LinkedIn, Facebook, and Instagram are examples of
 - A. E-commerce
 - B. Personnel marketing
 - C. Social networking
 - D. Web banners
11. Promotional strategies that use online word-of-mouth technologies are called
 - A. Public relations
 - B. Publicity
 - C. Social media
 - D. Viral marketing
12. Which of the following is considered an unethical promotional technique?
 - A. Ambush marketing
 - B. Commercial marketing
 - C. Mass media coverage
 - D. Social marketing

Answers

Identify the correct option from each of the multiple choice questions below.

- Which of the following is not an example of above-the-line (ATL) promotion?
 - Magazines
 - Merchandise**
 - Radio
 - Television
- Sales promotion aims to increase sales in the
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 - Long term
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 - Short-term**
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 - Patents
- Marketing platforms such as LinkedIn, Facebook, and Instagram are examples of
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 - Personnel marketing
 - Social networking**
 - Web banners
- Promotional strategies that use online word-of-mouth technologies are called
 - Public relations
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 - Social media
 - Viral marketing**
- Which of the following is considered an unethical promotional technique?
 - Ambush marketing**
 - Commercial marketing
 - Mass media coverage
 - Social marketing

Airbnb, Inc. (AirBedandBreakfast.com)

Airbnb is an American company that started in 2008 by operating in the online marketplace for accommodations. It allows people to lease short-term stays including rooms, holiday apartments, and hotel rooms. The platform can be accessed through their mobile application and website. Airbnb does not own any of the accommodations but acts as an intermediary between the guest and owner of the accommodation for each booking. The price is set by the owner of the accommodation and a commission is charged by Airbnb for every booking. The business has grown immensely with over 150 million people using their services, 2.9 million hosts worldwide in 2022, over 7 million listings on Airbnb worldwide, and a presence in 220 countries.

Social media marketing (SMM) serves different purposes for the business. Airbnb uses various social media accounts including Twitter, Facebook, Instagram, and YouTube. Its Twitter account focuses on promoting the company’s blogs along with different accommodation options. It has over 785,000 followers. The digital marketing team posts company-produced videos, listings, and announcements on its Facebook account. As of May 2022, it had over 16 million “likes”. The marketing involves posting photos from hosts and guests on Instagram. The campaign ‘*Don’t just go there, Live there*’ is created with real pictures. The content further attracts fans through these posts. On average, each post receives a very high engagement rating, with between 4,000 to 16,000 likes. The YouTube account allows sharing of personal experiences of guests in different places, not just limited to tourist attractions.

(a) Students of piratelB _____, define the term *social media marketing*. [2 marks]

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(b) Explain **two** benefits of using social media sites for Airbnb. [4 marks]

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(c) Outline **two** possible problems of using social media marketing for Airbnb. [4 marks]

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Answers

Airbnb, Inc. (AirBedandBreakfast.com)

Airbnb is an American company that started in 2008 by operating in the online marketplace for accommodations. It allows people to lease short-term stays including rooms, holiday apartments, and hotel rooms. The platform can be accessed through their mobile application and website. Airbnb does not own any of the accommodations but acts as an intermediary between the guest and owner of the accommodation for each booking. The price is set by the owner of the accommodation and a commission is charged by Airbnb for every booking. The business has grown immensely with over 150 million people using their services, 2.9 million hosts worldwide in 2022, over 7 million listings on Airbnb worldwide, and a presence in 220 countries.

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(a) Define the term social media marketing. [2 marks]

Social media marketing refers to the use of social media platforms and social networks to promote a firm's goods and services. SMM facilitates customers engagement and makes them understand the brand and product better.

(b) Explain **two** benefits of using social media sites for Airbnb. [4 marks]

- It increases brand awareness – Social media marketing increases business visibility so can improve brand recognition. The use of SMM allows Airbnb to expand in different countries, as mentioned in 220 countries.
- Attracts more customers – Social media marketing provides more opportunities for sales due to the increased size of the customer base, e.g., the content posted on Instagram attracts customers. Each post receives a very high engagement rating between 4,000 to 16,000 likes, so this increases the possibility of attracting even more people for Airbnb's accommodations.
- Improves brand loyalty – The business is able to attract a loyal customer base, which also encourages them recommend Airbnb to other friends and family members. By sharing personal experiences on YouTube, for example, the relationship gets strengthened further with the brand.

(c) Outline **two** possible problems of using social media marketing for Airbnb. [4 marks]

- Time-consuming – There is a constant need to stay active and engaged. The marketing team has to create regular posts using company-produced videos. This requires regular research, resources, and effort.
- Results are difficult to measure – Having 16 million likes on Facebook does not mean that consumers are going to book any accommodation or that there will be any additional profits. It is challenging to know which social media platform is working well or best for Airbnb. It is tough to find out if it is the likes, comments, retweets, or followers that are working well.
- Security and privacy concerns – While using social media platforms, personal information is disclosed. This involves high risk.

Worksheet 39
4.5 The seven Ps of the marketing mix – Place: Key terms

Identify the key terms from the given definitions. Choose from the options available below.

Key term	Definition
	The distribution of products in the marketing mix, i.e., how consumers get the products from the producer.
	The different means used to get a product to the consumer.
	The middle person or organizations, such as agents or retailers, in the distribution channel between the producer and consumer of a product.
	Distribution method with no intermediaries between the producer and the consumer, i.e., the producer sells directly to the consumer.
	Distribution method with two intermediaries between the producer and the consumer, such as wholesalers and retailers, in order to get the product to consumers.
	The independent and specialist businesses that trade in the products of manufacturers and act as intermediaries between the manufacturer and consumer.
	The negotiators who act on behalf of both buyers and sellers of a product, receiving commission for their services.
	The sellers of products to the general public or final consumer, rather than to other businesses or customers who resell the products.
	The use of telephone systems to sell products directly to potential customers, such as insurance, movie tickets, or package holidays.
	Distribution channel that enables trading to take place via the Internet.
	Businesses that buy goods in bulk from manufacturers and then break the bulk-purchases into smaller units to be sold to retailers and other customers.
	An indirect method of distribution, without the use of intermediaries, such as the use of e-commerce, direct mail, and vending machines.
	Method of promotion and distribution which involves sending materials such as catalogues via the postal system directly to the customers in an attempt to increase sales.
	Methods such as direct mail and personal selling used to contact existing and potential customers with targeted marketing information.
	The process of using intermediaries between the manufacturer and the consumers of products in order to distribute these effectively.

- | | | |
|---|--|---|
| <ul style="list-style-type: none"> • Agents • Channels of distribution • Direct mail • Direct marketing • Distributors • E-commerce | <ul style="list-style-type: none"> • Intermediaries • Intermediation • Place • Retailers • Speciality channel of distribution | <ul style="list-style-type: none"> • Telemarketing • Two level channel • Wholesalers • Zero level channel |
|---|--|---|

Worksheet 39
4.5 The seven Ps of the marketing mix – Place: Key terms

Answers

Identify the key terms from the given definitions. Choose from the options available below.

Key term	Definition
Place	The distribution of products in the marketing mix, i.e., how consumers get the products from the producer.
Channels of distribution	The different means used to get a product to the consumer.
Intermediaries	The middle person or organizations, such as agents or retailers, in the distribution channel between the producer and consumer of a product.
Zero level channel	Distribution method with no intermediaries between the producer and the consumer, i.e., the producer sells directly to the consumer.
Two level channel	Distribution method with two intermediaries between the producer and the consumer, such as wholesalers and retailers, in order to get the product to consumers.
Distributors	The independent and specialist businesses that trade in the products of manufacturers and act as intermediaries between the manufacturer and consumer.
Agents (or brokers)	The negotiators who act on behalf of both buyers and sellers of a product, receiving commission for their services.
Retailers	The sellers of products to the general public or final consumer, rather than to other businesses or customers who resell the products.
Telemarketing	The use of telephone systems to sell products directly to potential customers, such as insurance, movie tickets, or package holidays.
E-commerce	Distribution channel that enables trading to take place via the Internet.
Wholesalers	Businesses that buy goods in bulk from manufacturers and then break the bulk-purchases into smaller units to be sold to retailers and other customers.
Speciality channel of distribution	An indirect method of distribution, without the use of intermediaries, such as the use of e-commerce, direct mail, and vending machines.
Direct mail	Method of promotion and distribution which involves sending materials such as catalogues via the postal system directly to the customers in an attempt to increase sales.
Direct marketing	Methods such as direct mail and personal selling used to contact existing and potential customers with targeted marketing information.
Intermediation	The process of using intermediaries between the manufacturer and the consumers of products in order to distribute these effectively.

Worksheet 40
4.5 The seven Ps of the marketing mix – Place: Revision questions

Complete the table below by listing the advantages and disadvantages of each distribution channel:

Distribution channel	List two advantages	List two disadvantages
Wholesalers		
Retailers		
Telemarketing		
E-commerce		
Vending machines		
Direct mail		

Answers

Complete the table below by listing the advantages and disadvantages of each distribution channel:

Distribution channel	List two advantages	List two disadvantages
Wholesalers	<ul style="list-style-type: none"> Reduces distribution costs, storage costs, and transactions costs. Buys in larger quantities of products and further breaks the bulk for resale to retailers. Frees up time for manufacturers and allows them to focus on production. 	<ul style="list-style-type: none"> Added costs of using an intermediary, so increases the final price to consumers or reduced profit margins to the manufacturer. The responsibility of marketing falls to the wholesaler, who may not promote the producer's product or brand in the desired way.
Retailers	<ul style="list-style-type: none"> Provides producers with access to a wide range of customers. Provides greater convenience for customers. Helps to promote the brand image of the product by using point-of-sale displays and below-the-line promotional strategies. 	<ul style="list-style-type: none"> Retailers stock products of different producers, so customers may choose rival products from competitors. Retailers may not actively push or promote the products of a particular brand or product to consumers.
Telemarketing	<ul style="list-style-type: none"> Reaches a greater target audience. Can involve automated voice or text messages to provide product information to customers. Can be used to inform customers about new offers or remind them about subscription renewals. 	<ul style="list-style-type: none"> Increased costs of production, e.g., set-up costs and remuneration paid to telemarketers. Customers do not like cold calls (unsolicited messages), and often lack the time to answer or respond to telephone calls.
E-commerce	<ul style="list-style-type: none"> Increased market coverage – selling to anyone, in any part of the world at any time of the day, every day. Increased flexibility to meet the changing needs of customers. Reduced operational costs and storage costs. 	<ul style="list-style-type: none"> High set-up costs. Maintenance costs and ongoing training costs. May not be suitable for some businesses. Issues with currency fluctuations and effect on price and profits.
Vending machines	<ul style="list-style-type: none"> Specialist machines allow the storage of different products for sale. Lower running costs, such as maintenance costs. Added channel of distribution, which provides convenience to customers. 	<ul style="list-style-type: none"> Limited capacity to store products for sale. Prone to mechanical failures. Vulnerable to damage/vandalism. Not suitable for selling all / many products.
Direct mail	<ul style="list-style-type: none"> Detailed information can be sent to customers, thereby attracting more customers. Different target audiences can be catered for separately. 	<ul style="list-style-type: none"> High costs of designing suitable promotional materials. Needs to be constantly updated. Low response rate as people do not tend to respond to direct mail.

Worksheet 41
4.5 The seven Ps of the marketing mix – Place: True or False

Answer true or false for each of the following statements:

Answer true or false for each of the following statements:		True or False?
(a)	A real estate agent selling commercial and residential properties on behalf of a property developer is an example of a one-level channel.	
(b)	Selling goods and services via e-commerce is a method of distribution.	
(c)	Marketers rely on a single method of distribution for maximum efficiency.	
(d)	Breaking bulk is one of the important functions of wholesalers.	
(e)	An organization can lose control over the original marketing message by involving multiple intermediaries.	
(f)	A shorter distribution channel allows greater control over a firm's marketing activities.	
(g)	Longer distribution channels increase the profit margins of businesses.	
(h)	Place is an element of the marketing mix for non-profit organizations.	
(i)	Intermediaries help to reduce the final price charged to customers.	
(j)	The use of wholesalers allows manufacturers to reduce their transaction costs.	
(k)	Personal selling reduces the scope for consumer feedback.	
(l)	Agents do not own the product being sold but simply promote and sell the product on behalf of producers.	
(m)	The use of intermediaries is likely to be greater if the target market is geographically dispersed.	
(n)	Distribution strategy can diverge from the marketing objectives of the organization.	
(o)	Consumer goods tend to have more intermediaries than industrial products.	
(p)	Direct selling is feasible if the potential number of customers is high and customers are widely dispersed throughout the country.	
(q)	Place refers to the location and the transportation of goods for sale to customers.	
(r)	Improvements in technology have increased the use of direct marketing.	

Worksheet 41
4.5 The seven Ps of the marketing mix – Place: True or False

Answers

Answer true or false for each of the following statements:		True or False?
(a)	A real estate agent selling commercial and residential properties on behalf of a property developer is an example of a one-level channel.	True
(b)	Selling goods and services via e-commerce is a method of distribution.	True
(c)	Marketers rely on a single method of distribution for maximum efficiency. <i>Marketers reach more customers and compete more effectively by using integrated distribution strategies</i>	False
(d)	Breaking bulk is one of the important functions of wholesalers.	True
(e)	An organization can lose control over the original marketing message by involving multiple intermediaries.	True
(f)	A shorter distribution channel allows greater control over a firm's marketing activities.	True
(g)	Longer distribution channels increase the profit margins of businesses. <i>Profit margins fall when there is more involvement of intermediaries</i>	False
(h)	Place is an element of the marketing mix for non-profit organizations.	True
(i)	Intermediaries help to reduce the final price charged to customers. <i>Intermediaries increase the final price charged to the customers</i>	False
(j)	The use of wholesalers allows manufacturers to reduce their transaction costs.	True
(k)	Personal selling reduces the scope for consumer feedback. <i>It allows sales personnel to demonstrate their products to customers and ask questions pertaining to the product, thereby gathering consumer feedback</i>	False
(l)	Agents do not own the product being sold but simply promote and sell the product on behalf of producers.	True
(m)	The use of intermediaries is likely to be greater if the target market is geographically dispersed.	True
(n)	Distribution strategy can diverge from the marketing objectives of the organization. <i>The distribution strategy must be always integrated with the marketing objectives of the firm, e.g., if the objective is to promote the exclusiveness of a brand, the product cannot be distributed through local street vendors</i>	False
(o)	Consumer goods tend to have more intermediaries than industrial products.	True
(p)	Direct selling is feasible if the potential number of customers is high and customers are widely dispersed throughout the country. <i>Due to the constraints of cost and time, this would not be feasible</i>	False
(q)	Place refers to the location and the transportation of goods for sale to customers. <i>Place is the distribution of goods from the producer to consumers. Location refers to where the business is situated.</i>	False
(r)	Improvements in technology have increased the use of direct marketing.	True

Identify the correct option for each multiple choice question below:

1. Place refers to the of products to consumers.
 - A. Distribution
 - B. Engagement
 - C. Execution
 - D. Placement
2. Which option is not a part of place in the marketing mix?
 - A. Agents
 - B. Distributors
 - C. Location
 - D. Retailers
3. Which of the following is *not* a traditional channel of distribution?
 - A. Agents
 - B. Franchising
 - C. Retailers
 - D. Wholesalers
4. Which of the following is *not* an advantage for manufacturers that use wholesalers?
 - A. Breaking of bulk
 - B. Increased profit margins
 - C. Reduced costs of storage
 - D. Reduced transactions costs
5. Which option below is not a benefit to producers choosing to use an intermediary?
 - A. Being able to focus on core activities
 - B. Higher profit margins
 - C. Increased target audience
 - D. Reduced costs of distribution
6. Which option illustrates a disadvantage of using wholesalers?
 - A. Bulk buying economies of scale
 - B. Costs associated with storage
 - C. Higher selling price due to mark-up
 - D. Increased focus on production
7. Which of the following is *not* an example of a broker as an intermediary in the context of place in the marketing mix?
 - A. Advertising agent
 - B. Insurance agent
 - C. Real estate agent
 - D. Travel agent
8. Customers booking cinema tickets directly from the cinema's website is an example of
 - A. Brokerage
 - B. Direct distribution
 - C. Indirect distribution
 - D. Intermediation
9. Household consumers trade directly using which channel of distribution?
 - A. Distributors
 - B. Retailers
 - C. Vendors
 - D. Wholesalers
10. Which option is *not* an advantage of e-commerce as a distribution channel?
 - A. Faster access to (delivery of) products
 - B. Greater choices for customers
 - C. Increased convenience
 - D. Lower operational cost in the long run
11. Which option is a key disadvantage of using vending machine as a channel of distribution?
 - A. Mechanical failures
 - B. Operational and maintenance costs
 - C. Reduced competition
 - D. Sales staff costs
12. Which distribution channel is an indirect way to distribute goods to customers without the use of retail stores?
 - A. Department store
 - B. Discount stores
 - C. Multi-channel
 - D. Speciality

Answers

Identify the correct option for each multiple choice question below:

1. Place refers to the of products to consumers.
 - A. **Distribution**
 - B. Engagement
 - C. Execution
 - D. Placement
2. Which option is not a part of place in the marketing mix?
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 - B. Distributors
 - C. **Location**
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 - C. Multi-channel
 - D. **Speciality**

Simply Rock Café (SRC)

Simply Rock Café (SRC) is located in a western suburb of Mumbai, India, known for its great food and entertainment. Social media reviews of SRC include positive comments about the “live music, beautiful ambiance, varied menu, and courteous staff with excellent service”, which have helped to attract many local customers and overseas tourists visiting Mumbai. The menu at SRC includes a wide range of food and drinks. The walls are covered with authentic musical instruments played by music legends from around the world. The wall displays are a tourist attraction in their own right.

Visitors at SRC can also buy customized souvenirs and merchandise, including mugs, pint glasses, and t-shirts. Bookings can be made by telephone or online, using a mobile phone app, or on the company’s website. Special offers are also provided during Happy Hour periods throughout the week. SRC has recently introduced a delivery service to local customers, including nearby businesses. The employees at SRC have many opportunities for training and development.

(a) Identify **two** elements of the extended marketing mix. [2 marks]

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(b) Outline why *people* are considered important as part of the marketing mix at SRC. [2 marks]

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(c) Outline why *physical evidence* is an important aspect in the marketing of services. [2 marks]

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(d) Describe the importance of *process* in the marketing of services at SRC. [4 marks]

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(e) Explain how cultural differences affect the employee-customer relationship at SRC. (HL only) [6 marks]

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Answers

- (a) Identify **two** elements of the extended marketing mix. [2 marks]

People, Process, and Physical evidence

- (b) Outline why *people* are considered important as part of the marketing mix at *SRC*. [2 marks]

People are the employees who interact with customers and deliver the service to customers on behalf of an organization. The success of *SRC* depends on how well the employees are trained, and their level of motivation, efficiency, and skills set. There is a strong correlation between customer satisfaction and the level of employee motivation. Employees must be carefully selected (recruited), trained, and appraised in order to positively impact the customer experience at *SRC*.

- (c) Outline why *physical evidence* is an important aspect in the marketing of services. [2 marks]

Physical evidence refers to the tangible aspects of services including cleanliness, room temperature, décor, and the use of colours at *SRC*. These elements do not directly associate with the service provided by the business but create positive perceptions about the café. For example, the walls of the café are covered with musical instruments played by music legends, thus attracting customers and adding to their experiences.

- (d) Describe the importance of *process* in the marketing of services at *SRC*. [4 marks]

Process refers to how a service is provided or delivered to the firm's customers. It includes aspects such as payment methods, waiting times, customer services, after-sales care, feedback options, and delivery services. At *SRC*, elements of process could include:

- ease of reserving a table (telephone, mobile app, or website)
- being greeted on arrival
- queuing times to be seated
- receiving welcome drinks
- process of placing an order and getting it delivered
- methods of payment

Despite the importance of process in the extended marketing mix, it is a time-consuming process and requires funds to ensure employees are trained appropriately. It also consumes management time to constantly monitor, plan, and execute.

- (e) Explain how cultural differences affect the employee-customer relationship at *SRC*. [6 marks]

Culture plays a very important role in how services are provided to customers. It is crucial that employees are aware of these differences and trained to incorporate these preferences. How workers and employers behave is determined by a combination of their values, assumptions, and beliefs. Also, how employees interact with their customers is influenced by the organizational culture.

As *SRC* is visited by overseas tourists from different cultural backgrounds, the employees must understand and adapt to these differences/preferences. They must demonstrate cultural sensitivity in their transactions and communications with these customers.

Nevertheless, as it can be difficult to understand the cultural differences of tourist customers and therefore adapt to their needs accordingly, *SRC* must provide adequate training for its employees.

Marwan's Confectionery

Marwan's Confectionery (MC) is an established business that manufactures a range of chocolate bars in India, Sri Lanka, and Bangladesh. The business prides itself on just four brands in its portfolio and is reluctant to add new offerings. Its present portfolio comprises of:

- *Mehres*: The first and most popular chocolate made by MC. This is a rich, dark chocolate bar with nuts. The packaging is superior and appeals to loyal customers. The sales of *Mehres* are very high and help to finance the other products in the range.
- *Buddies*: The latest product, targeted at teenagers by using colourful packaging and competitive pricing. Promotional gifts have also been used to encourage sales. The sales of *Buddies* are increasing at a steady rate.
- *Goodies*: Pack of mixed chocolate combinations that are customized as per the instructions of the customer. The competition is very high for this product, but profits are increasing.
- *Healthy Bars*: These are bars with oats, nuts, and honey and target health-conscious customers. They were very popular at first, but customers have started complaining about the high prices and so sales have been declining. Retailers are no longer interested in *Healthy Bars* and there is a lack of customer loyalty.

The marketing manager has been appointed to research the product life cycle and advise on further strategies to revive MC's sales. On conducting secondary research, in less than a month, he pointed out that the market for protein-based chocolates is increasing and hence MC should invest in dark chocolates that are rich in whey protein.

(a) Define the term *product life cycle*. [2 marks]

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(b) Explain **one** advantage and **one** disadvantage of MC conducting secondary research. [4 marks]

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(c) Explain **two** extension strategies that MC can use to increase sales of *Healthy Bars*. [4 marks]

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(d) Explain **two** marketing strategies that can be used by MC to increase sales of its different chocolates. [4 marks]

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Answers

(a) Define the term *product life cycle*. [2 marks]

A model that shows the different stages through which a product passes in its commercial life, namely from introduction, growth, maturity, extension, and its eventual decline.

(b) Explain **one** advantage and **one** disadvantage of *MC* conducting secondary research. [4 marks]

The advantages of conducting secondary research could include:

- Faster and cheaper - Large amounts of data can be made available. It was observed that the market for protein-based chocolates is increasing; an opportunity that can be further explored.
- Ease of access to data sources from various sources - In less than a month, *MC*'s marketing manager was able to identify the market opportunity to explore.

The disadvantages of conducting secondary research could include:

- Data have to be adapted to the firm's particular needs. These findings may not be applicable to conditions and the availability of resources at *MC*.
- Data and information can be outdated quickly. The data received may be outdated and it is highly possible that there are already several providers of protein-based chocolates.
- Rival firms have access to secondary sources, so this information may be of limited use to *MC*.

(c) Explain **two** extension strategies that *MC* can use to increase sales of *Healthy Bars*. [4 marks]

Possible extension strategies could include:

- Reducing prices of *Healthy Bars* because consumers find them to be expensive.
- Redesigning or repackaging the product, i.e., *Healthy Bars* can be relaunched with different packaging or retargeted at another set of customers (not limited to health-conscious customers).
- More advertisements to demonstrate increased occasions of using such mini-meals or healthy snacks can increase the sales of *Healthy Bars*.
- Short-term promotions such as buy-one-get-one-free deals or product promotions such as 15 percent extra free added to *Healthy Bars* can help to attract more customers.
- Exporting to different markets rather than just India, Sri Lanka, and Bangladesh.

(d) Explain **two** marketing strategies that can be used by *MC* to increase sales of its different chocolates. [4 marks]

- Product strategy - New chocolate bars can be added, including protein-based chocolates and dark chocolates rich in whey protein.
- *MC*'s brand name to be strengthened further and developed by use of consumer loyalty programmes and strengthening relationships with customers.
- *Mehres* is a cash cow, *Buddies* is a question mark (or problem child), *Goodies* is a star, and *Healthy Bars* is a dog product. Strategies to be used to build a star, support a problem child, milk money from a cash cow (to support other products), and divest a dog if not required.
- Pricing strategies can be reviewed, perhaps based on competition or price elasticity of demand.
- Use of below the line methods (including sponsorships, point of sales, and sales promotional methods) can help to attract more customers.
- Distribution through the use of vending machines, retail stores, supermarkets, department stores or e-commerce can be used to distribute chocolates to a wider target audience of customers.
- Accept any other relevant marketing strategy written in the context of the case study.

Titan Company Limited

Titan Company Limited (TCL) is part of the Tata Group and is one of the largest Indian consumer companies. *TCL* manufactures a range of fashion accessories including watches, jewellery, eyewear, skincare, and fragrances. *TCL* strongly believes in consumer satisfaction and aims to manufacture products that meet the needs of their consumers.

TCL manufactures watches for different age groups and has a variety for men, women, and children. The male segment has a wide product range including Octane, Edge, Automatic, Work-wear, Regalia, and Classic. The women’s segment includes Raga, Automatic, Work-wear, Pair, and Bandhan. In addition, there are various special editions and a range of gold watches. The children’s segment includes Marvels, Doraemon, Travel, Space Age, and Glow in the Dark.

TCL products are offered through retail stores, distributors, its own shops, and online. The online platform (<https://www.titan.co.in/>) allows customers to make purchases from all across the world. Customers have the option to pay either in Indian rupees (INR) or US dollars (USD). There is also an option to select the watches online but to then collect them from the nearest retail outlet.

TCL has received various national and international recognitions. Tanishq, a brand of luxury jewellery retail stores in India, is the property of *TCL*. Tanishq has won the ET Now Global Awards for Retail Excellence. ET Now is India’s English language business financial news broadcaster. *TCL* has also featured as one of the top 10 innovative company brands at the annual high-profile Bengaluru Brand Summit & Hot Brands awards event.

Source: adapted from <https://www.titan.co.in/shop/international-brands>

- (a) Identify **two** ways, other than gender, that *TCL* can use to segment its market. [2 marks]

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- (b) Explain **one** advantage and **one** disadvantage of receiving recognitions such as the ET Now Global Awards for Retail Excellence. [4 marks]

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- (c) Explain **two** advantages of segmentation and consumer profiles to *TCL*. [4 marks]

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Answers

Titan Company Limited (TCL) is part of the Tata Group and is one of the largest Indian consumer companies. *TCL* manufactures a range of fashion accessories including watches, jewellery, eyewear, skincare, and fragrances. *TCL* strongly believes in consumer satisfaction and aims to manufacture products that meet the needs of their consumers.

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- (a) Identify **two** ways, other than gender, that *TCL* can use to segment its market. [2 marks]

Answers can include income, psychographic, behavioural (such as occasion of use), and geographic segmentation.

- (b) Explain **one** advantage and **one** disadvantage of receiving recognitions such as the ET Now Global Awards for Retail Excellence. [4 marks]

Possible advantages could include an explanation of any one of the following points:

- Increases customer satisfaction so encourages brand loyalty.
- Provides marketing advantages for *TCL*.
- Helps in differentiating *TCL* from its competitors.
- Improves employee motivation.

Possible disadvantages could include an explanation of any one of the following points:

- High operational costs in order to meet these quality standards.
- Prices may need to increase due to the high costs.

- (c) Explain **two** advantages of segmentation and consumer profiles to *TCL*. [4 marks]

Possible advantages of segmentation and consumer profiles to *TCL* could include an explanation of any two of the following points:

- Greater knowledge about customer needs so specific watches can be manufactured for different market segments such as men, women, and children.
- Increased levels of customer satisfaction due to more targeted marketing.
- More variety can be offered due to differences in the preferences of each market segment. This helps to cater for different occasions and the needs of different customers.
- It can help to identify new opportunities, such as untapped or niche markets.

Top tip: Segmentation and consumer profiling can be expensive. Furthermore, not all customers will fit neatly into these categories.

Hotel Spot

In 2023, *Hotel Spot (HS)* entered the market with record-low prices. During the peak season, CEO Berk Jeffery announced a special offer of hotel rooms at just \$79 per night. This offer was much lower than the prices at rival hotels with a price range of between \$99 and \$129. However, one of the directors at *HS* pointed out that the hotel could face significant capacity utilization issues.

HS also has a unique and state of the art infrastructure that is talked about in the town. Currently, the hotel offers 130 rooms and 51 suites. Guests can also choose from five restaurants. One of the restaurants has no set menu. Chefs prepare dishes on request. *HS* has five bars as well as a rooftop bar. The hotel services include a spa, health club, private balconies, Wi-Fi service, gaming zone for children, marble bathrooms, and a butler service for residents.

In an attempt to increase its market share, *HS* Berk Jeffery announced at the beginning of the year a special, one-off offer to sell the first 150 room bookings at a 40% discount. The hotel's website was used to communicate this. Within just a few hours, 100 bookings were completed. The increased online traffic almost crashed the website.

Key competitors Jinjang Inn, Schezwan Beijing, and Eastern Beijing responded to *HS's* offer by reducing their own prices to \$79 per night. Providing further discounts on this price was not possible for *HS*.

Berk Jeffery accepted the fact that *HS* would have to put up with making losses initially, but that the low price was the only realistic way for the hotel to enter a market already dominated by a few market leaders. He was confident about the use of penetration pricing and that as *HS* gains significant market share in the long term, prices could then be increased. *HS* has a strong financial backing and can sustain short-term losses.

(a) Describe the sector in which the *HS* operates. [2 marks]

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(b) Examine **two** capacity utilization issues that *HS* may face. (HL only) [4 marks]

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(c) Suggest an appropriate promotional mix for *HS*. [6 marks]

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(a) Describe the sector in which the *HS* operates. [2 marks]

HS operates in the tertiary sector, i.e., the sector that focuses on providing services to other businesses or consumers (offering 130 rooms and 51 suites to its consumers).

(b) Examine **two** capacity utilization issues that *HS* may face. (HL only) [4 marks]

- Quality of service may fall due to working at high capacity, leading to dissatisfied customers at *HS*.
- Customers may benefit from lower prices at the hotel if high capacity means lower costs (due to economies of scale). This is possibly why *HS* customers can book a hotel room for \$79.
- Employees may feel overworked and stressed due to the high occupancy rate at the hotel. This can lead to demotivation.
- Employees may have more job security due to the hotel's high occupancy rate.

(c) Suggest an appropriate promotional mix for *HS*. [6 marks]

- A promotion mix refers to a range of activities used by the marketer to increase consumer awareness and create the desired interest to make purchases.
- Efforts must be taken by *HS* to create attention, interest, desire, and action by the consumers.
- It is crucial that *HS* uses a mix of above-the-line and below-the-line promotional techniques.
- *HS* can use ATL promotional techniques such as advertisements in magazines, newspapers, online websites, and television to attract more customers. This will be expensive but could attract a larger customer base for the hotel.
- Suitable BTL promotional techniques can include using public relations, supporting local community events, selling hotel merchandise to guest during their stay, as well as social media marketing (SMM) to encourage repeat purchases and to further strengthen *HS's* corporate image.
- Offering a customer loyalty programme can be used to encourage repeat patronage at the hotel.
- However, any promotional mix will add to the costs of marketing for *HS*. As the hotel already offers reduced prices, higher costs will further affect its profit margins.

Rent Your Walk (RYW)

Rent Your Walk (RYW) is an initiative by two young entrepreneurs, Laura and Joan. They have noticed that students spent a significant amount of time walking to and from the local university. Laura and Joan plan to provide a two-wheeled, self-balancing personal electric scooters for rent for a distance of up to 3km. These e-scooters have a maximum speed of 12.5 mph and a range of up to 15–25 miles depending upon riding style, terrain, and battery condition. The recharging process is simple but takes up to 8 hours for a full recharge. The e-scooters will operate on pavements.

Laura and Joan have made a business plan and have conducted extensive market research before launching their rental service. Their research included **focus groups**, which indicated that there is high demand for this service as it will solve the trouble of daily commutes for many students. Laura and Joan conducted an environmental audit and confirmed that there are pressure groups who are concerned about health and safety issues related to the use of e-scooters. They argue that RYW's service will give an excuse for many students to stop walking and their use may cause injuries to pedestrians, caused by collisions with the e-scooters. The partners are aware that the government may not support their initiative due to safety concerns. They are also aware that eight out of ten new business initiatives or new product launches fail within the first two years of their operation. However, the forecasted financial returns are promising. They realise that creating an appropriate marketing mix will increase their chances of success.

(a) Define the term *focus groups*. [2 marks]

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(b) Identify **two** stages of new product development before its launch onto the market. [2 marks]

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(c) Explain why the failure rate of new products is so high during the early stages of their product life cycles. [4 marks]

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(d) Recommend a suitable marketing mix for RYW. [10 marks]

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Continue on a separate answer sheet as appropriate.

Answers

(a) Define the term *focus groups*. [2 marks]

Focus groups are small groups of customers selected for discussion purposes by the researcher. The purpose is to provide insight into the attitudes and behaviours of consumers for market research purposes.

(b) Identify **two** stages of new product development before its launch onto the market. [2 marks]

- Idea generation
- Research and Development (R&D)
- Prototyping
- Product testing

(c) Explain why the failure rate of new products is so high during the early stages of their product life cycles. [4 marks]

- The market research conducted with the focus groups indicates that there is definitely a need for this service and will solve the trouble of commuting daily. However, consumers in a real scenario may not be willing to try and pay to use these e-scooters.
- Limited promotional activities are undertaken by the marketer.
- The launch is only for a selective audience (local university students). The specific or limited customer base can make it difficult to *RYW* to survive.
- Since their product is in its early stage of the product life cycle, it is unlikely to be unprofitable. It is not sustainable to run a business that is unprofitable.
- High research and development (R&D) expenses can make it difficult for any business to recover the costs of investment. This can create major cash flow problems for *RYW*.
- Sales are relatively low in the first or initial stages of the product life cycle as customers are not fully aware of the product's existence. Hence, *RYW* would need to rely on marketing expenditure to successfully launch the service.

(d) Recommend a suitable marketing mix for *RYW*. [10 marks]

The marketing mix includes 7Ps to satisfy the needs and wants of customers. The following aspects of the marketing mix can be covered in response to the question:

- **Product** – The product is a two-wheeled, self-balancing personal e-scooter for rent. Product specifications should be marketed in a positive way. Tackling anticipated issues should also be addressed, such as the 8 hours needed to fully recharge the product. Evidence of prototype testing could be used. The product design could include alternative colours to attract different customers. The brand name needs to be marketed to raise brand awareness.
- **Price** – Cost-plus pricing or penetration pricing could be considered, e.g., *RYW* could set a relatively low price (as a special introductory offer) to help establish the new product in the industry. This will allow *RYW*'s e-scooters to gain brand recognition and capture market share. A large customer base can be built further allowing it to benefit from economies of scale. Dynamic pricing (HL only) could be used to maximise sales revenues during peak and off-peak periods.
- **Place** – Since *RYW* is targeting university students, it makes sense that the firm establishes a base for the e-scooters near the campus or near student accommodations.
- **Promotion** – *RYW* should use below-the-line promotion as a new start-up. It can also use appropriate slogans and catchphrases that appeal to students. Positive reviews and word-of-mouth (WOM) promotion is likely to further attract consumers.
- **People** – Employees should be trained appropriately and must be able to communicate about the usage/benefits of the e-scooters to consumers.
- **Physical evidence** – *RYW*'s facilities can be located near the universities to attract students and also allow test drives of the scooters. The facilities need to appeal to the audience.
- **Process** – *RYW* must offer various payment methods for the e-scooters, waiting times should be minimized, and after-sales services (such as the process for returning the hired e-scooters) should be considered to ensure customers satisfaction and brand loyalty.

Intense Fit

Intense Fit is one of the largest chains of health clubs in India with over 150 health clubs across 80 cities and more than 200,000 members. It is a publicly held company. Health clubs include various facilities such as power gyms, fitness clubs, in-house health bars, personal training, and diet counseling. Despite its initial success, *Intense Fit* is experiencing a fall in sales. On conducting a market audit, the following facts were pointed out:

- Members do not have time to visit regularly. With their busy schedules, investing 45 minutes to one hour is a challenge.
- *Intense Fit* targets those aged 20 – 35 years, which has limited membership numbers.
- The competition offers extended opening hours, better customer services, as well as superior gym equipment, facilities, and qualified trainers.

The new general manager, Gavin Pinto, has recommended investing in technology and integrating new forms of health workouts. This would allow full-body workouts using the Electric Muscle Stimulation (EMS) method. The use of EMS will make the workout more effective and generate results in a shorter period. Apart from weight loss, there are other benefits of using EMS including strength, endurance, better blood circulation, increased mobility, and body toning. The unique aspect of this workout is that it only needs to be done for 20 minutes once a week and it works on 8 muscle groups simultaneously, providing noticeable results. These machines will be imported from Germany. With the introduction of the EMS method, *Intense Fit* will be able to increase customer delight by offering outstanding results in reduced time.

(a) Identify **two** sources of finance to fund the EMS method of workouts. [2 marks]

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(b) Explain **two** segmentation variables that *Intense Fit* could use to target its market. [4 marks]

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(c) Recommend a suitable marketing mix to introduce the EMS method by *Intense Fit*. [10 marks]

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Continue on a separate answer sheet as appropriate.

Worksheet 48
4.5 The seven Ps of the marketing mix

Answers

(a) Identify **two** sources of finance to fund the EMS method of workouts. [2 marks]

- Bank loan
- Raising share capital (as *Intense Fit* is a publicly held company)
- Retained profits.

(b) Explain **two** segmentation variables that *Intense Fit* could use to target its market. [4 marks]

- Age groups – *Intense Fit* targets individuals who are between the ages of 20 – 35 years. Focusing on this age group will allow *Intense Fit* to provide specialized training which caters to the needs or preference of these members. Younger members and senior citizens would require different forms of training schedules.
- Lifestyles – This would have an impact on the preferred form of workout of *Intense Fit's* members. As many individuals today have a busy work schedule with limited time available, *Intense Fit* can combine workout routines and create a package for its members where they can work out based on their convenience along with an effective workout plan.
- Income – Different forms of workouts can be offered to different income groups. Services can range from private, semi-private, and larger group workouts.
- Location – *Intense Fit* has 150 health clubs across 80 cities. The business may decide to segment the market based on location. Different locations have different expectations, preferences, and needs so *Intense Fit* could choose to focus on meeting these specific requirements.

(c) Recommend a suitable marketing mix to introduce the EMS method by *Intense Fit*. [10 marks]

Possible points for discussion could include the following recommendations:

- Price – Price skimming can be considered for new services due to product differentiation. Consumers may be willing to pay extra for a unique service which can be completed in only 20 minutes once a week and it works on 8 muscle groups simultaneously, with tangible results. High prices will allow *Intense Fit* to recover the initial cost of investment. However, it may limit the number of clients. Loyal consumers may be willing to pay high prices, but this will also depend on the offerings from competitors in the market.
- Place – The distribution will be the same as *Intense Fit* already have over 150 existing health clubs in over 80 cities. The services can be added to existing clubs with minimum additional costs. This will allow *Intense Fit* to satisfy existing customers and further attract new ones. Trainers should be trained to communicate the benefits of the EMS method to their clients.
- Promotion – *Intense Fit* can make use of above-the-line promotion methods like advertising in national and local newspapers as they are prominent in 80 cities across India. This will allow them to reach a large audience of potential gym members in a set geographical location. By using adverts in newspapers, potential consumers will be able to refer to the adverts at a later date. However, adverts have a relatively short life span and may be overlooked as there are a plethora of adverts in newspapers competing for the attention of readers. *Intense Fit* can also make use of customer loyalty programmes such as allowing members to redeem points so that they can get discounted rates on their workouts or discounts while using the EMS facility. *Intense Fit* can also offer free trial workout plans which will allow the gym's potential members to see how good and unique the services of the gym are. However, this will increase the costs, at least in the short run. However, the longer-term benefits of the programme should be communicated to their key stakeholders.
- Product – The uniqueness of the EMS method is the USP of *Intense Fit*. The use of the EMS method will make the workouts more effective and generate results in a shorter period. The product features and designs make it special. Branding should also be considered. However, this is an intense exercise and calls for continuous effort and funding.
- People – Trainers should be experienced, well educated, certified, and aware of the new form of workout (the EMS method). This calls for investment in time and money, needed for hiring and training suitable personnel at *Intense Fit*.
- Physical evidence – *Intense Fit* will be able to provide the ideal workout ambiance for its consumers as various facilities such as power gyms, fitness clubs, in-house health bars, personal training, and diet counseling are available. Music, gym layouts, colours, motivational posters, and establishing the optimal temperature should also be considered at the gym. This requires research and fu

Gloves and Oven

Gloves and Oven (GO) is a publicly held company that manufactures a range of bakery and cake products. GO has a strong presence in Mumbai, India but wishes to expand further in Sri Lanka and Nepal. However, the owners are concerned about trade barriers and possible cultural differences in overseas markets. Vivaan Mathreja, the CEO of GO, wants to also consider the option of franchising as a growth strategy.

(a) Outline **two** disadvantages of international marketing to *Gloves and Oven*. [4 marks]

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(b) Explain **two** methods that GO can use to enter international markets. [4 marks]

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(c) Explain **two** advantages to GO of expanding by franchising. [4 marks]

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(d) Describe **two** international trade barriers used by governments to protect their domestic industries. [4 marks]

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Answers

Gloves and Oven

Gloves and Oven (GO) is a publicly held company that manufactures a range of bakery and cake products. GO has a strong presence in Mumbai, India but wishes to expand further in Sri Lanka and Nepal. However, the owners are concerned about trade barriers and possible cultural differences in overseas markets. Vivaan Mathreja, the CEO of GO, wants to also consider the option of franchising as a growth strategy.

(a) Outline **two** disadvantages of international marketing to *Gloves and Oven*. [4 marks]

- Legal challenges due to different legal systems in different countries – trade barriers and legislative factors would increase costs for GO and is likely to make it more difficult to trade.
- Socio-demographic issues in international markets – people may have different tastes and preferences in different countries. This would require adapting the existing cakes and bakery products to meet local tastes and preferences.
- Economic threats and challenges – Customers may have brand loyalty towards existing rivals in overseas markets. There may also be economic challenges for GO if average incomes are lower in Sri Lanka and Nepal.

(b) Explain **two** methods that GO can use to enter international markets. [4 marks]

- Exporting – method of internal growth involving selling domestically produced products to overseas buyers. GO can directly export its products to customers in Sri Lanka and Nepal.
- Direct investment – this would involve GO setting up production and distribution facilities in an overseas market. GO can open its own bakery stores and production facilities in different locations in Sri Lanka and Nepal, although this will be more expensive than exporting as a method to enter international markets.
- E-commerce – the trading of goods and services via the Internet, electronic systems, and computer networks. This option would allow GO's customers to place their orders online from the convenience of their home or office, 24 hours a day.

(c) Explain **two** advantages to GO of expanding by franchising. [4 marks]

- GO would receive franchise fees and royalty payments based on an agreed percentage of the franchisee's sales revenues.
- GO can expand in a relatively inexpensive way as the franchisees pay most of the costs, including the running costs of the franchised business.
- The GO brand name will further strengthen by expanding in different countries including Sri Lanka and Nepal.

(d) Describe **two** international trade barriers used by governments to protect their domestic industries. [4 marks]

- Quotas – quantitative restrictions on imported goods, thereby reducing the number of foreign products allowed to enter a country.
- Tariffs – taxes on imported products, which increase the cost (and hence the price) of imported goods.
- Subsidies – financial assistance provided by the government to domestic businesses in their country, in an attempt to reduce costs of production. This provides these businesses with cost advantages over foreign rivals trying to enter international markets.

Worksheet 50
4.6 International marketing (HL only) – Revision questions

(a) Define the term *international marketing*. [2 marks]

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(b) Explain the difference between *global marketing* and *international marketing*. [4 marks]

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(c) Students of pirateIB, outline the meaning of international trade barriers. [2 marks]

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(d) Describe **two** international trade barriers used by the government to protect their domestic industries. [4 marks]

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(e) Distinguish between *strategic alliances* and *franchising* as methods of entering international markets. [4 marks]

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(f) Explain **two** reasons why businesses operate in international markets. [4 marks]

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Worksheet 50
4.6 International marketing (HL only) – Revision questions

Answers

- (a) Define the term *international marketing*. [2 marks]

International marketing is the marketing of a firm's products in foreign countries. Essentially, international marketing is about the marketing activities of a business in more than one country.

- (b) Explain the difference between *global marketing* and *international marketing*. [4 marks]

Global marketing refers to the marketing of a product by using the same marketing strategies in various countries in order to gain from (global) marketing economies of scale. International marketing is the marketing of a firm's products in foreign countries, which may necessitate a varied approach. The two concepts are different in the following ways:

- *Product offering* – With global marketing, a business provides the same product or offering to customers in all the countries it operates. With international marketing, the product can differ in different countries or regions of the world.
- *Marketing budget* – A business using global marketing will finalize its marketing budget after getting approval from the corporate headquarters. However, with international marketing, the budgets are set separately for each strategic business unit.
- *Market autonomy* – In global marketing, marketing objectives and strategies are devised from the corporate headquarters. By contrast, with international marketing, the marketing objectives and the strategies are designed as per the requirements and suitability of the different countries in which the business operates.

- (c) Outline the meaning of international trade barriers. [2 marks]

These are trade restrictions imposed by the government on the free international exchange of goods or services such as quotas, tariffs, embargoes, subsidies, and administrative barriers.

- (d) Describe **two** international trade barriers used by the government to protect their domestic industries. [4 marks]

- **Quotas** – Includes quantitative restrictions on imported goods, thereby reducing the number of foreign products that can enter a country.
- **Tariffs** – These are taxes on imports, used to increase the price of imported goods.
- **Subsidies** – These are financial assistance provided to domestic businesses in an attempt to reduce their cost of production, providing them with a cost advantage over foreign rivals.

- (e) Distinguish between *strategic alliances* and *franchising* as methods of entering international markets. [4 marks]

A strategic alliance occurs when two or more firms come together to pursue a set of agreed objectives for their mutual benefit. However, the businesses remain legally independent organizations.

Franchising is a form of business ownership whereby an organization or an individual buys a license to trade using another firm's brand name, logos, trademarks, and business model. The franchisee (purchaser) pays a license fee and royalty payment to the franchisor (parent company) in return.

- (f) Explain **two** reasons why businesses operate in international markets. [4 marks]

Explanations could include the following points:

- To increase the number of customers (the customer base)
- To benefit from additional economies of scale
- To diversify risks
- To increase brand recognition
- To increase sales revenue and profits.