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4. Marketing / 4.5 The seven Ps of the marketing mix

## The big picture

Sandwich store Jimmy John's had a problem. The problem was its rival, Subway, one of the world's largest restaurant chains, operating over 21 400 stores in the USA alone. Subway had the best locations, a large marketing budget and economies of scale that helped it keep costs of production and prices low.

Jimmy John's – Hard Stop :30



**Video 1.** A Jimmy John's commercial advertising the company's fast delivery service.

If Jimmy John's was going to be successful, it needed to find a way to compete. After conducting some market research, the business discovered that the one thing Subway did not offer was delivery. This realisation would reshape the company and help it develop its own unique selling point: speed.

Over time, Jimmy John's developed a marketing mix based on this unique selling point. The stores recruited drivers and set up delivery networks. Competing on price became less important with the improved service, so the increased cost of delivery could be built into prices. In addition, locations were selected that offered good access to local transport infrastructure. Finally, the company's promotional messages focused on the time it could save its customers.

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- Home This approach worked. In 2022, there are over 2700 Jimmy John's stores across the USA, focused on servicing the company's unique selling point of 'Freakishly fast delivery'.
- Overview (/study/app/business-hl/sid-351-cid-762729/book/the-nature-and-role-of-business-id-36498/)  
hl/sid-351-cid-762729/o How do businesses find a gap in the market? How do they design their marketing strategy to send one clear message to their customers? This subtopic will investigate the main elements of the marketing mix. These include the seven Ps: product, price, promotion, place, processes, people and physical evidence.

## Concept

### Creativity

Creativity involves developing new ideas and considering existing ideas from new perspectives. Creativity is a key element in the marketing mix of goods and services. For example, businesses can create new products or find new ways to promote products and services. Businesses need creative employees to develop products and services that meet the needs of customers and the marketing objectives of the business.

- **Analyse** the relationship between the product life cycle, product portfolio and the marketing mix (AO2)
- **Discuss** product life cycle extension strategies (AO3)
- **Analyse** the relationship between the product life cycle, investment, profit and cash flow (AO2)
- **Distinguish** between brand awareness, loyalty, development and value (AO2)
- **Explain** the importance of branding (AO2)
- **Evaluate** the appropriateness of various pricing methods (AO3)
- **Distinguish** between above the line, below the line and through the line promotion (AO2)
- **Evaluate** social media marketing as a promotional strategy (AO3)
- **Discuss** the importance of different types of distribution channels (AO3)
- **Discuss** the importance of employee–customer relationships in marketing a service, and cultural variation in these relationships (AO3)
- **Discuss** the importance of delivery processes in marketing a service, and changes in these processes (AO3)
- **Discuss** the importance of tangible physical evidence in marketing a service (AO3)
- **Evaluate and recommend** appropriate marketing mixes for particular products or businesses (AO3)

4. Marketing / 4.5 The seven Ps of the marketing mix

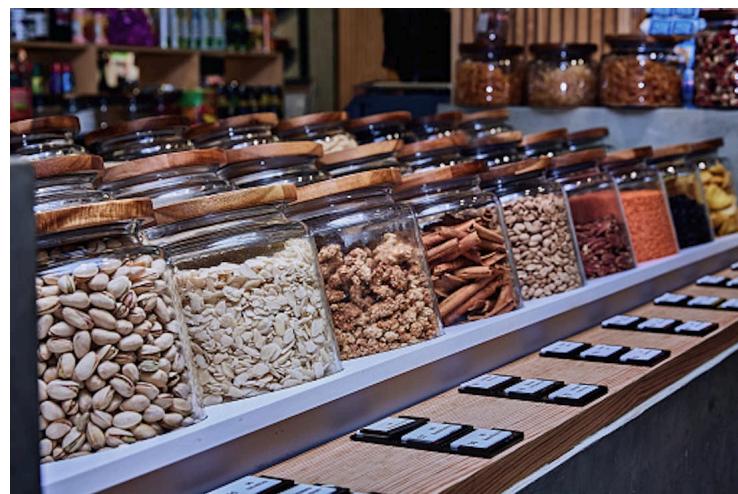
## Product: Life cycle

Product: Life cycle, portfolio and marketing mix    Product: Life cycle, portfolio and marketing mix    Product: Extension strategies    Product: Extension strategies

As discussed in [Section 1.1.1 \(/study/app/business-hl/sid-351-cid-762729/book/the-nature-and-role-of-business-id-36498/\)](#), a product is the result of a production process where resources are used to create a good or service to satisfy a need or a want. Goods are tangible, meaning they have physical characteristics and can be measured, while services are intangible, meaning they cannot be touched or described by physical characteristics.



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**Figure 1.** Products are created to satisfy human needs and wants.

Credit: Helen Camacaro, Getty Images

## Product life cycle

The product life cycle is a model that helps businesses make decisions about a product's marketing mix. The model shows a product's typical trend in sales over time. As products move through the stages, a business may want to change the marketing mix to achieve different objectives. The product life cycle is split into five stages:

- Research and development (R&D)
- Introduction
- Growth
- Maturity
- Decline

Section

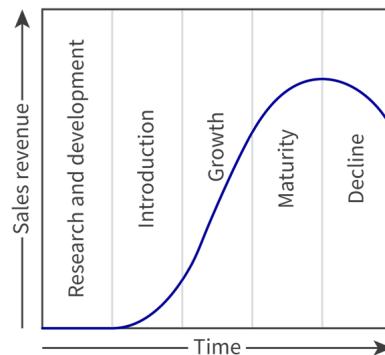
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**Figure 2.** The product life cycle.

More information for figure 2

The image shows a graph representing the product life cycle with an S-shaped curve. The X-axis likely represents time, while the Y-axis represents sales or revenue. The curve illustrates different phases: introduction, growth, maturity, and decline. Initially, the curve rises slowly, signifying the introduction phase, followed by a steep increase depicting the growth phase. After peaking during maturity, the curve begins to decline towards the end.

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Student view



## Research and development (R&D)

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The research and development stage covers all activities that take place before a product is released to the market. There are no sales of the product during this time.

The length of this stage will vary depending on the industry and the product. A new pharmaceutical drug would usually need years of testing before it could be sold to customers. On the other hand, fast fashion brands such as H&M or Zara have a short research and development stage so that they can keep up with current fashion trends. During the research and development stage, the business will focus on three key areas: market research, product development and the preparation of production. These three areas are described in **Table 1**.

**Table 1.** The three areas of focus within the research and development stage.

|  |   |   |
|--|---|---|
| <p><b>Market research</b><br/> <b>(Subtopic 4.4</b><br/> <u><a href="#">(/study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-38995/)</a></u></p>     |  <p>Credit: courtneyk, Getty Images</p>       | <p>Involves understanding customers' needs and wants using primary and secondary market research.</p>   |
| <p><b>Product development</b><br/> <b>(Subtopic 5.8</b><br/> <u><a href="#">(/study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-39044/)</a></u></p> |  <p>Credit: Maskot, Getty Images</p>        | <p>Includes all activities involved in designing and testing the new product. Ideas need to be generated and narrowed down to a single one. Then prototypes are built, old ideas are discarded and designs are refined. Innovative new ideas are protected using copyright and patent laws <b>(Subtopic 3.4</b><br/> <u><a href="#">(/study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-39045/)</a></u><b>).</b></p> |
| <p><b>Preparing production</b></p>   |  <p>Credit: Monty Rakusen, Getty Images</p> | <p>Involves actually making the product. Suppliers and production facilities are found and initial inventories/stocks of the product are produced, built up and shipped to distributors.</p>  |

## 🔗 Concept

### Sustainability



Student view

In the development process of a product, sustainability should be an integral part of the entire innovation. Environmentally friendly raw materials (for example bamboo, cork and teak) should be considered in the development process. It is also important to think about the final disposal of the product and the possibilities of reuse to avoid waste.

You were exposed to circular business models in [Section 1.3.6 \(/study/app/business-hl/sid-351-cid-762729/book/tool-circular-business-models-id-36523/\)](#). In the research and development phase, businesses can design products that eliminate waste, that circulate again and again through production, and that regenerate nature.

Some promotion may be possible during the research and development stage. It is normal for cinemas, for example, to promote films months before they are released. This can help to build a ‘buzz’ about the film. The same can be found in the different subscription-based streaming service platforms, where new seasons of series are introduced some months before the launch day.

## Introduction

The introduction stage of the product life cycle is when the product is released to the market. Consumers can buy the product if they wish. Initial sales are likely to be low, but they will be growing. The business must make consumers aware that the product exists. Promotion should focus on the unique selling point (USP) of the product. The business needs to carefully consider the pricing strategies and the distribution channel.

Luxury cosmetics brands, for example, will advertise in magazines, demonstrate their products in luxury department stores, and sponsor influencers to test and review their products. Additionally, the use of social networks is a key element in the introduction of new products.



**Figure 3.** Promotion is an important part of the introduction stage of the product life cycle. The use of influencers on social media can be particularly effective.

Credit: Alistair Berg, Getty Images

## Growth

The growth stage refers to a period during which the increases in product sales are accelerating. The percentage change in sales is increasing.

If a business wants to continue the growth in this phase, it will need to find new target markets. This will lead to an adaptation of the marketing mix. Pricing strategies may need to be changed. Distribution channels may need to be expanded, perhaps to mass-market retailers. Finally, promotional messages will be adapted, with the aim of raising

awareness in the new target markets.

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## Maturity

The maturity stage is a time of high and steady sales revenue. Sales will still be growing, but perhaps at a slower and slower rate. The market may be crowded, or saturated, with competition.

Marketing objectives during the maturity phase will focus on building customer loyalty. During maturity, marketing budgets may be cut as businesses are no longer attempting to increase sales from new customers. The combination of high sales revenues and falling promotional costs lead to high profits.

## Decline

The decline stage of the product life cycle is a period of falling sales and/or loss of market share. The product may have lost its unique selling point in a highly competitive market. Technology may be outdated. Customers' needs may have changed in such a way that the product no longer satisfies them.

Products may still be profitable during decline. Although sales will be falling, marketing costs may be low too. Prices may be reduced to target price-conscious consumers. This message can be reinforced by shifting distribution channels to discount retailers. When products begin to make a loss, where revenues are lower than costs of production, they are finally withdrawn from the market.



**Figure 4.** Audio cassettes experienced a decline in sales due to technology changes and were removed from markets.

Credit: Rolfo Brenner / EyeEm, Getty Images

## ⌚ Concept

### Change and creativity

Changes, or lack of changes, in the external environment such as technology innovations and sociocultural changes can impact a product's life cycle. In markets where change is slow, some products may stay in the maturity phase for a long time. Where changes are more rapid, products may have a very short life cycle, being replaced quickly in the market by new creative responses to human needs and wants.

## ⌚ Activity

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**Learner profile:** Inquirers

**Approaches to learning:** Research skills (information literacy); Thinking skills (transfer)



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Why do some products have much longer life cycles than others?

Carry out some brief research on the following products to identify one or more reasons for their short or long product life cycles. You may want to remind yourself of the STEEPLE factors covered in [Section 1.1.5](#) ([\(/study/app/business-hl/sid-351-cid-762729/book/tool-swotsteeple-analysis-id-36504/\)](#)), making links to the external environment.

- Fidget spinners
- Pokémon Go
- Nestlé ice cream

## Extension strategies

[Extension strategies](#) are methods that businesses use to lengthen the maturity stage of the product life cycle. Using extension strategies can be a cost-effective way of extending the sales of a product. It is far easier and less costly to renew an established brand than to launch a new one. Existing brands are likely to have a loyal customer base and established distribution channels. If the right modifications can be made to a product, sales decline can be stopped and profitability can continue.

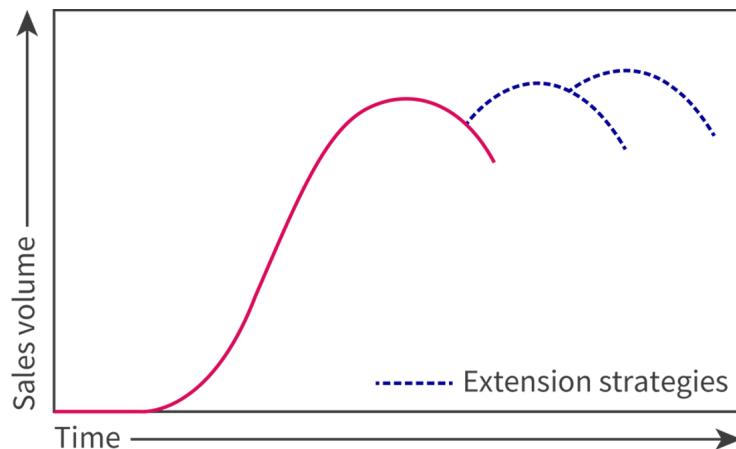


Figure 5. The extension strategy of the product life cycle.

More information for figure 5

The diagram features a series of overlapping shapes in red and blue colors. A large red area on the left forms a curved shape, which connects to a blue area shaped similarly to an arrowhead on the right side. In the center, there is a white rectangular text block. The arrangement suggests a flow from left to right, with the red section representing the initial stages and the blue section potentially indicating progress or a transformation in a process. The white rectangle in the center could symbolize a key focal point or transition area. The diagram's abstract design might represent stages or phases in a conceptual framework such as a product life cycle or growth strategy. The specifics of any labels or text within the diagram are not discernible, indicating the need for further clarification.

[Generated by AI]

**Table 2** shows some examples of extension strategies that a company can implement.

Table 2. Product life cycle extension strategies.

| Strategy | Description | Advantage | Disadvantage |
|----------|-------------|-----------|--------------|
|          |             |           |              |

| Strategy                    | Description  | Advantage  | Disadvantage  |
|-----------------------------|--|--|---|
| Finding a new target market | If a product no longer meets the needs of its existing target market, a new group of consumers could be found. | Sales can increase, especially if the product is received well by the new target market.   | Market research is needed to find a new target market; this can be costly.  |
| Redesign of packaging       | Changing the material, shape, colour or other characteristics of the packaging.                                | When done well, this can have a big impact on customer demand.   | Some customers may feel tricked and disappointed by new packaging with the same product.                                  |
| Product update              | Adding new or different features to products.  | Product updates can often be developed quickly at low cost.  | Some loyal customers may not like the changes; this can be risky.   |
| Price reduction             | Lowering the price of the product.   | A new group of consumers can have access to the product. It can also increase sales by preventing existing customers from switching to competing products. | The price reduction may damage the brand image; it could be perceived to be of lower quality.                             |
| New promotional strategies  | Using promotional campaigns to encourage clients to use the product more often or differently.                 | Sales can increase with a very small investment in promotion.  | Customers may have tired of the product. It may be difficult to change their mental model of how the product can be used. |

It is important to notice that businesses sometimes use several extension strategies involving a rebranding strategy, since this enables different elements of the product to be modified. However, it can be a very expensive strategy.

### 3 section questions ^

#### Question 1

A Mexican internet streaming service, which concentrates on broadcasting Spanish-speaking TV shows, is the market leader in its home country. The company has set the objective of growth, but the Mexican market is in maturity. Suggest a possible extension strategy for the company.

- 1 Launching its service into other Latin American countries ✓
- 2 Rebranding the name of the product
- 3 Increasing advertising on the radio
- 4 Changing the name of the brand

#### Explanation

Strategy involves making major product decisions. Ideas such as simply rebranding, changing the name of the brand or increasing advertising are tactical, not strategic. Therefore, the other choices cannot be considered extension strategies.

For the last three years, a company's digital camera has been a market leader in Japan, Europe and North America. Now, as rivals have released new cameras with superior technology, sales are starting to decline. During this time the company has not invested in research and development so cannot release and update its own model for some time. Given the situation, which of the following would be an appropriate extension strategy?

- 1 Launching the camera in new countries, targeting less wealthy consumers ✓
- 2 Increasing advertising, in an attempt to increase customer loyalty
- 3 Starting to sell smartphones, as these will replace cameras
- 4 Merging with a rival

### Explanation

Selling outdated technology in markets that are not totally developed is a viable extension strategy in this situation. Production facilities are already set up, so only distribution channels and promotional messages will need to be altered.

### Question 3

A product is in the maturity phase of the product life cycle. What is likely to be its marketing strategy?

- 1 To generate customer loyalty ✓
- 2 To cut prices
- 3 To create a niche market
- 4 To expand production

### Explanation

In the maturity phase, there are very few new customers entering the market. Therefore, businesses aim to hold on to the customers they already have. As a result, customer loyalty is likely to be the marketing strategy.

Cutting prices is more connected with the decline stage, when the business would want to eliminate stock. Expanding production is likely to be a waste of resources because the product is reaching the peak of its sales. Creating a niche market is not an option at this stage. Selling to a niche market depends on the product's very specific USP and involves selling to a relatively small number of customers. This is not related to the product life cycle.

4. Marketing / 4.5 The seven Ps of the marketing mix

## Product: Branding and packaging

[Product: Aspects of branding](#) [Product: Aspects of branding](#) [Product: The importance of branding](#) [Product: The importance of branding](#)

## Branding

A brand is a name, symbol or design that is used to identify a product or company. A strong brand can give a product a character with which consumers can identify. The following four concepts are important aspects of branding:



## Brand awareness

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**Brand awareness** describes the degree to which consumers recognise a product by its name and special characteristics. A strong brand will be instantly recognisable by consumers. Consider the Nike 'swoosh' – or tick – which communicates values of athleticism and achievement. This is understood by consumers worldwide, without using any words. Brand awareness makes it possible to pick out a familiar product from a crowded shelf of competitors.



**Figure 1.** Brand awareness: The Nike 'swoosh' is easily recognisable by consumers.

Source: [Virtual Falcon](#)

([https://commons.wikimedia.org/wiki/File:Nike\\_Fussballschuhe\\_mit\\_Stollen.jpg](https://commons.wikimedia.org/wiki/File:Nike_Fussballschuhe_mit_Stollen.jpg)). CC BY 3.0

(<https://creativecommons.org/licenses/by/3.0/>). via Wikimedia Commons

## Brand development

**Brand development** is the process of creating and making a new strong brand. A strong brand will allow a company to launch secondary products with relative ease. Cadbury has launched over 20 varieties of its best-selling Dairy Milk chocolate bar. Because of the original product's strong brand image, consumers are willing to try these new products and, importantly, retailers are willing to stock them.



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**Figure 2.** Brand development: Cadbury's strong brand has enabled it to launch secondary products with ease.

Source: [Tii Monto](https://commons.wikimedia.org/wiki/File:Cadbury_Dairy_Milk.jpg) ([https://commons.wikimedia.org/wiki/File:Cadbury\\_Dairy\\_Milk.jpg](https://commons.wikimedia.org/wiki/File:Cadbury_Dairy_Milk.jpg)), CC BY-SA 3.0 (<https://creativecommons.org/licenses/by-sa/3.0/>), via Wikimedia Commons

## Brand loyalty

Brand loyalty exists when customers continue to buy a particular brand, even when alternative products or companies exist. When there is brand loyalty, customers require very little persuasion to try or to purchase alternative new products. Football clubs have famously loyal fans. Real Madrid, for example, has millions of global fans who are willing to purchase replica kits to show their loyalty to their club. For smaller businesses, brand loyalty may be even more important. Brands create familiarity and encourage long-term repeat purchases. When times are tough, loyal returning customers can be the difference between the success and failure of a brand.



**Figure 3.** Brand loyalty: Football clubs such as Real Madrid offer replica kits and other souvenir items to their fans.

Source: [Claudia Schillinger](#)

(<https://www.flickr.com/photos/claudiaschillinger/37599225830/in/photolist-ZhvRUj-2mXo34R-2mH13UW-2mH3Cz7-AvpEJD-XxXRAC-2mH4r2n-2gaBHhy-XBaCaj-2mgZUSe-ZbwNE8-TNdCaa-2k9paqS-2ja2hJU-FG7Nun-Qgh1Ap-JqRbQW-TxqCLM-TxqDtP-4uh7BW-GkUPFd-nz6nHU-48RJCt-2mH1JfV-2khUTeQ-2mH3mGX-2mH3NLf-2mH2t3g-2mH13To-2mH78J3-2mH1PaD-bMN3ZK-2mH17u6-2mGYSYU-2mGVjMr-BHLs2D-2mH9eyW-2mH9qPx-2iNM2Sn-2mGZy1m-2mH7j1W-2mH2tZX-2mH6VQF-ouaHsQ-2gABC1j-HFKA4M-2mH9pHQ-2mH9pH4-2irSUF9-2mGZxZQ/>). CC BY 2.0

(<https://creativecommons.org/licenses/by-nd/2.0/>), via Flickr

## Brand value

Brand value is a concept that can have two meanings, both of which are very important for businesses:

- Brand value can mean the value of the intellectual property associated with the brand. This can become part of the value of the product if the business wishes to sell it to another business.





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- 762729/o To summarise, brand value is the monetary value of the brand if the business is interested in selling it, and this is totally based on how the brand interacts with consumer psychology. Brand-loyal customers are more likely to make repeat purchases and are less sensitive to price changes. This can lead to high profit margins for the brand owners.

### ⓘ Exam tip

Make sure you use specific rather than vague language when discussing brands. It is very important to write specifically about brand awareness, brand development, brand loyalty and brand value when addressing brands in the exam.

### 🌐 International Mindedness

In the last months of 2021, Facebook changed its name to 'Meta' to indicate the vision of the company. The Greek word 'meta' means 'beyond'.

However, when rebranding itself, it is vital that a company carries out proper market research; Facebook's new name shocked the Israeli community since, in Hebrew, the word 'meta' means 'dead'.

### @update Activity

**Learner profile:** Open-minded

**Approaches to learning:** Social skills

Work internationally by carrying out the following activity:

- In groups, identify the brands that you are most familiar with.
- With the help of your teacher, connect with another class somewhere in the world. Perhaps your teacher has contact with another IBDP Business Management teacher through a social media or training connection.
- Ask that other class to identify the brands that they are most familiar with.
- Compare your lists. Do any of the brands emerge as globally recognised brands?

## Packaging

You may have heard the saying, 'Don't judge a book by its cover.' This saying can be applied to many things, including products that you buy. The packaging of a product may not always reflect the quality of the contents accurately.

However, both businesses and consumers pay a lot of attention to packaging. The packaging is often all that a consumer sees of a product before buying it. Most customers will make a buying decision based largely on the packaging if they do not know the product. The visual impact of packaging can help a product stand out from its competitors; it can be a key unique selling point. For businesses, packaging represents their brand and needs to be a thoughtful and consistent addition to marketing strategy.



Student view

Packaging connects to both the product and promotion elements of the marketing mix. To be effective, packaging must perform the following roles:

- **Protect the product.** Many products have a long and bumpy ride from the factory to the customer. Products may change hands repeatedly. They may also be transported in multiple ways and subjected to different temperature conditions. Packaging needs to be robust enough to protect the product from damage until it reaches, and is used by, the customer.
- **Communicate information.** Packaging usually includes a lot of information that is needed by the customer. The business and product name will certainly be included on the packaging, informing the customer what the product is and who produced it. In addition, the packaging will include information on the ingredients (food products) or materials (non-food products), the price and any health and safety information. In the future, packaging is likely to include even more information related to environmental impact, such as CO<sub>2</sub> emissions related to the product, or information about how easily a product is repaired. In France, for example, this is now required by a new 'anti-waste' law.
- **Promote the product and communicate its unique selling point.** Packaging is a way for the business to communicate with customers about the unique selling point(s) of the product. Through text and typography, colour, materials and shape, the business can let customers know about the qualities of the product contained in the packaging.
- **Make the product easy to use.** Packaging can make a product easier to use through its shape and materials. Sometimes the packaging is part of the product itself, contributing to its purpose. An example of this is a pizza box that converts into plates.



**Figure 4.** Packaging is a key element of both product and promotion, but it creates an enormous amount of waste.

Credit: OxAvdeenko, Getty Images

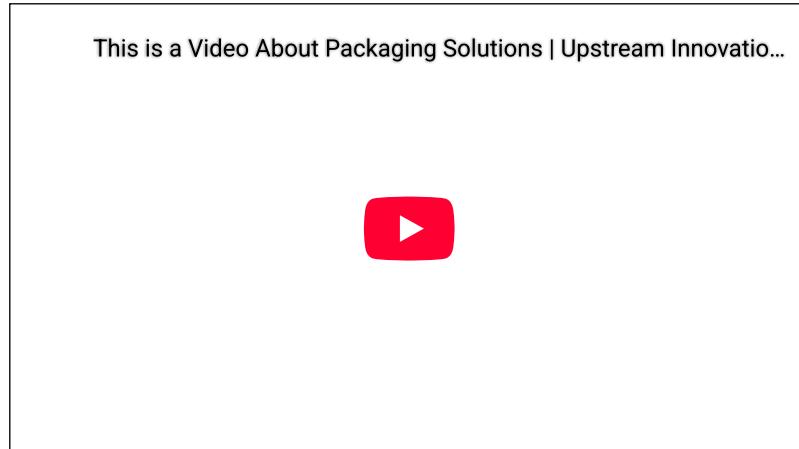
## 🔗 Concept

### Sustainability and creativity

Environmental sustainability refers to meeting the needs of today without compromising the ability of future generations to meet their own needs. Packaging has become a key part of business sustainability efforts. This is because many businesses have relied on single use plastics to package their products.

These plastics are extremely useful for protecting goods. However, the waste created when consumers are finished with products is causing an environmental catastrophe. Businesses need to urgently and creatively rethink the materials used for packaging, or even redesign their products to use less or different packaging than previously.

The short video below from the Ellen MacArthur Foundation explains the packaging issue and how the plastic problem can be solved through ‘upstream innovations’ related to the circular business models that you explored in [Section 1.3.6 \(/study/app/business-hl/sid-351-cid-762729/book/tool-circular-business-models-id-36523/\)](#).



**Video 1.** Examples of solutions to design out packaging waste via ‘upstream innovations’.

The Ellen MacArthur Foundation has also published a more extensive document called [Upstream Innovation: a guide to packaging solutions](#) (<https://ellenmacarthurfoundation.org/upstream-innovation-a-guide-to-packaging-solutions>). If you are interested in innovative solutions to plastic packaging, you may want to explore that resource.

## Activity

Choose one of the activities below if you would like to consider packaging further:

1. Think of or research a product that you think has good packaging. Explain what is attractive and/or useful about the packaging using information on packaging from this section.
2. Do some research to find examples of sustainable packaging and share with the class.

## 3 section questions ^

### Question 1

The term that means the degree of recognition of a brand is:

1 Brand awareness



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3 Brand development

4 Brand knowledge

### Explanation

Brand awareness describes the degree to which consumers are able to recognise a product by its name and characteristics.



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**Question 2**

- Brand 1 loyalty ✓ is helpful for businesses because it results in consumers purchasing products repeatedly.

**Accepted answers and explanation**

#1 loyalty

**General explanation**

Brand loyalty exists when customers continue to buy a particular brand even when alternative products or companies exist.

**Question 3**

Which of the following statements about 'brand' is true?

- 1 Brand expresses the values and attitudes of a product. ✓
- 2 Brand is part of a company's vision statement.
- 3 Brand is part of a company's mission statement.
- 4 Brand is a stage in the product life cycle.

**Explanation**

Each brand expresses values and attitudes with which customers can identify, generating brand loyalty and brand awareness.

4. Marketing / 4.5 The seven Ps of the marketing mix

## Price: Pricing methods

Price: Pricing methods Price: Pricing methods

Setting the right price for a product is difficult. If the price is set too high, customers may not be willing to pay it. The business will lose sales. If the price is set too low, the revenues may not be high enough to cover costs of production. A business needs to carry out good market research to find the right price for its products. This section outlines some common pricing methods or strategies.



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**Figure 1.** Price is one of the elements of the marketing mix.

Credit: Dimitri Otis, Getty Images

## 💡 Concept

### Economic sustainability

As has been mentioned, economic sustainability — which implies the idea of profit — is a central element of business activity. Price is a key element of this concept, since it is the only element of the seven Ps that brings money to the business. With that, the business will be able to support the well-being of some stakeholders (such as the community) and pay taxes to support public services.

## Cost-plus (markup) pricing

Cost-plus (markup) pricing is a method of pricing a product or service whereby all total direct costs and some allocation of indirect costs are added together, along with some mark-up – either a fixed or percentage amount – to determine the sales price to the customers.

Sole traders who work in construction (builders or painters and decorators, for example) may adopt this simple pricing strategy. When calculating the price that they quote for a job, they may estimate all their costs, then add on a percentage to cover their profit margin. For example, suppose a builder estimates that it will cost 5000 GBP to build an extension on a client's home. Using cost-plus pricing, the builder may decide to add 20% to cover their profit. Therefore, the price they charge to the customer will be 6000 GBP.

The advantage of this pricing method is that it is very straightforward. It is also likely, if the customer accepts the price, that the profit will be achieved. However the strategy is considered very inward facing. It takes no account of competition or the customer's ability to pay, meaning that potential customers may be put off by prices that are too high.

## Penetration pricing

Penetration pricing is a pricing method that businesses use to attract customers to a new product or service. When introducing a new product or service, the business often sets a low price initially to encourage consumers to try out the new product. Penetration pricing is a short-term strategy. Once loyalty has been established, prices will be increased so that normal profit margins can be achieved.

Penetration pricing is appropriate for products that will be purchased repeatedly. Diverse products such as shampoos, cereals or magazines might use penetration pricing. This group of products is sometimes referred to as 'fast-moving consumer goods'.

One of the main advantages of penetration pricing is that the business may secure a large market share early on. Customer loyalty may be established quickly if the low prices encourage purchases. A disadvantage is that there may be low profit margins. If prices are increased later, consumers may be unhappy.

Examples of penetration price are streaming businesses, which offer a trial period of time in order to increase the number of people taking out subscriptions.



**Figure 2.** Businesses should be creative in choosing the best pricing methods.

Credit: krisanapong detraphiphat, Getty Images

## Loss leader pricing

The objective of the loss leader strategy is to price a product lower than its production cost, in order to attract customers who can then be sold other, more expensive products. For instance, a popular or commonly bought ‘seasonal feast’ item could be sold at a loss by a grocery store, in the knowledge that the customers will also buy other items, which can be sold at a higher price.

This strategy can usually be implemented only by large businesses that can afford to set a price on a product that results in a loss for that product. Large businesses will have other products they can sell at higher prices to make up for the loss. So this strategy may not be appropriate for smaller businesses. Additionally, there is always a risk that the strategy will not work as the business planned and they may just experience losses.

The most important advantage of loss leader pricing is that businesses can increase their sales revenue. However this method only works when businesses are selling a large variety of products.

## Predatory pricing

Predatory pricing describes a situation where a company sells a product or service at such a low price that other businesses cannot compete and – as a result – are forced to exit the market. Once rivals have left the market, the remaining company can enjoy a monopoly position and can raise prices accordingly. When this happens, consumers are left with less choice and are forced to pay higher prices. This method is seen as anti-competitive and is considered illegal in many countries.

The main advantage for the business using predatory pricing is that it is able to take up a dominant position in the market. It also limits the possibility of new businesses entering the market, which is a disadvantage to competitors. However, this pricing method is impossible to maintain over a longer period and, as mentioned, is considered illegal in many places. Only very large businesses – often multinational corporations – are able to use predatory pricing. These companies have so many revenue streams in so many markets that they can sustain losses on some products or in some markets in order to drive out competition.

Students learn about monopolies in the IBDP Economics course. A monopoly is where one company has a dominant position in a market. The use of predatory pricing can result in a monopoly, since the method eliminates competitors by reducing the price of the goods and services so low that competitors cannot survive in the market.

## Premium pricing

Premium pricing is a pricing strategy that involves keeping the price of one of the products or services high in order to create a positive perception among customers. Because the prices are high, customers may believe that these products or services have a higher value than competing products. The advantage of this strategy is that the business may be able to earn higher profits, as long as the costs of the higher quality products are kept under control. The disadvantage of this strategy is that some consumers will not be willing to pay the higher prices. Some sales will be lost.

You may remember learning about premium pricing in [Section 1.3.7 \(/study/app/business-hl/sid-351-cid-762729/book/terminology-exercise-id-36522/\)](#). Businesses that use the circular business model of product life extension can use premium pricing because their products last longer. You can see this with some clothing producers who specialise in high-quality, long-lasting products and/or have a ‘free repair’ policy. Consumers are often willing to pay more for a product that they will not have to replace soon.

**Table 1** summarises the benefits and limitations of the different pricing methods studied in this section.

**Table 1.** Benefits and limitations of different pricing methods.

| Pricing method             | Benefits   | Limitations   |
|----------------------------|--|---|
| <b>Cost-plus pricing</b>   | Simple and easy to ensure all costs are covered.   | Inward facing and takes no account of the market.   |
| <b>Penetration pricing</b> | Market share and customer loyalty may be established quickly.  | Low profit margins are likely during the initial low price. Customers may not accept the price rise.          |
| <b>Loss leader pricing</b> | Can lead to a large boost in sales revenue.  | Is only possible for multi-product retailers.   |
| <b>Predatory pricing</b>   | Once competition is eliminated, higher prices and higher market share can lead to increased profits. | Is illegal in many countries.   |
| <b>Premium pricing</b>     | Can lead to higher profit margins and improved public perceptions of a company.                      | Can only be applied to a target market, which limits the possibilities to sell the products to a mass market. |

## 3 section questions ^

### Question 1

An exclusive fashion brand is launching its new clothing collection. Which pricing strategy would you recommend that it adopts?

1 Premium pricing



2 Predatory pricing

Home  
Overview  
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3 Loss leader pricing

4 Cost-plus pricing

**Explanation**

The fact that the brand is exclusive suggests that its target market will have fairly high disposable incomes. Therefore, if a coherent marketing mix is developed, it should be possible to use a premium pricing strategy.

**Question 2**

The flight path between the Brazilian cities of Rio de Janeiro and São Paulo is one of the busiest in the world. Every day, dozens of flights carry travellers between these two mega-cities. An internal airline, with large economies of scale, begins to operate flights on the route. The airline decides to sell its seats so cheaply that even full flights make a loss. Its aim is to knock out its competition so that eventually it will be the only company that flies between Rio de Janeiro and São Paulo. What type of pricing strategy has the airline adopted?

1 Predatory pricing ✓

2 Dynamic pricing

3 Loss leader pricing

4 Cost-plus pricing

**Explanation**

If prices are deliberately set so low that they force rivals to go out of business, it is referred to as predatory (or destroyer) pricing. This practice is seen as anti-competitive and is illegal in many countries.

**Question 3**

Li-mei owns a grocery store. She buys her products from a wholesaler and uses a markup of 20% on all dairy products. If she buys a large carton of milk from the wholesaler for \$1.20, what price does she charge for this carton of milk in her store?

1 \$1.44 ✓

2 \$1.40

3 \$0.20

4 \$1.00

**Explanation**

The price of the carton of milk is \$1.20 and the markup is 20%, so

$$1.20 + (20\% \times 1.20) = \$1.44$$

**Section**

Student... (0/0)

Feedback

Print (/study/app/business-hl/sid-351-cid-762729/book/product-branding-

packaging-id-39006/print/)

Assign

4. Marketing / 4.5 The seven Ps of the marketing mix

Student view

## Price: Further pricing methods (HL)

## Dynamic, competitive and contribution pricing

Further to the pricing methods discussed in [Section 4.5.3 \(/study/app/business-hl/sid-351-cid-762729/book/pricing-methods-id-39007/\)](#), businesses can decide to implement the following additional pricing methods:

- dynamic pricing
- competitive pricing
- contribution pricing

### Dynamic pricing

Dynamic pricing, also called price discrimination, means to sell the same product to different customers at different prices. Dynamic pricing can be used under the following circumstances:

- **Dynamic price based on a group of customers.** This is implemented by businesses that can predict, using an algorithm or statistics, where or in which demographic segment customers are willing and able to pay more. The company offers different prices to different groups of customers; the prices of goods are changed based on their customer profile. An example of this is the way airlines are able to charge business travellers higher air fares than leisure travellers, based on information entered in the booking.
- **Dynamic price based on time.** This method might involve changing the price of goods and services for one or more days per month. Or it might involve changing the price throughout a single day. Petrol prices, for example, can increase at times of day when consumers are less likely to shop around for low prices, such as during the morning rush to work. Another example is electricity, which costs more during the day (when demand is higher) than at night (when demand is lower).

Additionally, dynamic pricing can be applied according to the following variables: competitors' prices, the service time, the demand and if the business is launching a new product or service.

One advantage of dynamic pricing is its flexibility, which allows the business to achieve higher profit and sales. However, customers who pay the higher prices may feel as though the business is taking advantage of them.

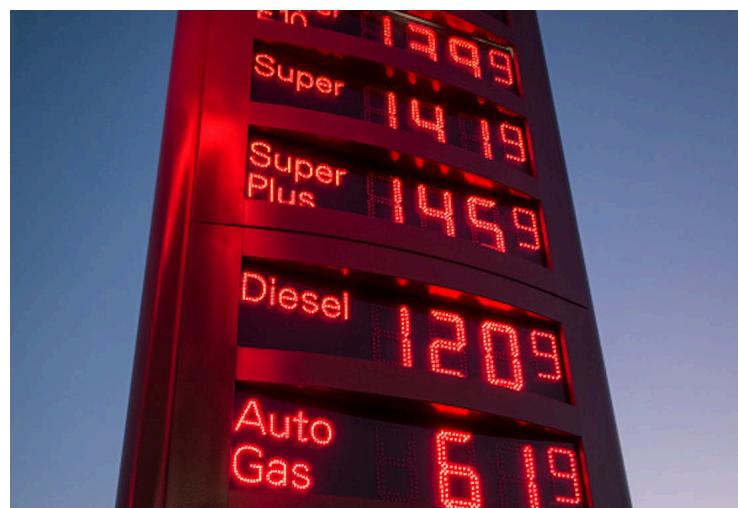


Figure 1. The daily changes in petrol prices is an example of dynamic pricing.

Credit: Thomas Winz, Getty Images



## Concept

### Ethics

Pricing methods sometimes raise ethical questions. Clearly, predatory pricing (discussed in [Section 4.5.3](#) (/study/app/business-hl/sid-351-cid-762729/book/pricing-methods-id-39007/)) is not ethical. It is also usually illegal. However, other forms of pricing can also create ethical problems.

For example, a business may use dynamic pricing to charge two different people a different price for the same product. The higher price is usually charged to the person that is willing and able to pay more. But the systems or algorithms set up to determine willingness and ability to pay can be flawed. Sometimes those who are least able to pay face high prices because of these errors.

Dynamic pricing can also result in discrimination that raises ethical questions. You may ask whether it is generally right for a business to use a person's circumstances to extract as much money from them as possible.

## Competitive pricing

Competitive pricing involves a business setting the price at the same level as its competitors. This pricing method is based on the idea that competitors have studied the price of the products and services, so any company selling a similar product charges the same price. You might see this in businesses selling ice cream in a city centre. They may all sell one scoop of ice cream for a very similar price.

Charging the same price, especially for new businesses in the market, can indicate to customers that the quality of the product offered is similar to the quality of products sold at the same price by other businesses.

However, one of the limitations of this method is that businesses using competitive methods might have another cost structure and, as a result, the pricing method can reduce the profit. If prices are similar, then using other methods for differentiating the product will become more important too.

## Contribution pricing

In contribution pricing, the direct cost of production for each product is calculated and the price is then set at a higher level. The difference between the direct costs per unit and the price is called the contribution, so-called because this is not profit, but a contribution to the unpaid indirect or fixed costs of production. Each product sold will contribute a proportion to the payment of the company's overall fixed costs.

For instance, suppose a business is selling its product at 10 USD and direct costs are 3 USD per unit. The contribution is 7 USD for each unit. This means that for every single unit that is sold, 7 USD contributes to pay the fixed costs of production. If the total fixed costs of a business are 700 USD, the company would need to sell 100 units to cover the fixed costs.

This pricing method allows the business to set a price for each product, based on the level of contribution, bringing more flexibility when it is compared with the cost-plus pricing method, where the markup is the same for all the products. On the other hand, it could be difficult to classify costs as direct or indirect.

**Table 1** summarises the benefits and limitations of the different pricing methods studied in this section:

| Pricing method              | Benefits   | Limitations  |
|-----------------------------|--|--|
| <b>Dynamic pricing</b>      | Higher profit and sales.<br>Adjusting to the competition.<br>Flexibility.<br>Better inventory management.    | Customer dissatisfaction leading to loss of sales.<br>Not applicable to all markets. |
| <b>Competitive pricing</b>  | Aligned with rivals.   | Pricing is not low enough to attract customers.                                      |
| <b>Contribution pricing</b> | Allows flexibility in the pricing of individual products.<br>Demand factors can be taken into consideration. | Difficult to classify the costs as direct and indirect.                              |

## Price elasticity of demand (PED)

Demand can be defined as the quantity of a good or service that consumers are willing and able to purchase at various prices during a specific time period. The law of demand states that the higher the price of a product, the lower the demand tends to be. This is why pricing methods should be properly analysed when the business is charging the price of the good or the service.

A tool that helps to analyse how the quantity demanded is modified by changes in the price is the price elasticity of demand (PED). The PED can be calculated as it follows:

$$\text{PED} = \frac{\% \text{ change in the quantity demanded of good X}}{\% \text{ change in the price of good X}}$$

**Table 2** outlines how the PED can be classified in three different ways, according to its value.

| Section                  | Student... (0/0)       | Feedback | Table 2 (s) PED classifications | Assign   |
|--------------------------|------------------------|----------|---------------------------------|--|
| <b>Values of PED</b>     | 39007/print/           |          | <b>Classification</b>           | <b>Explanation</b>   |
| <b>PED &gt; 1</b>        | Price elastic demand   |          |                                 | A change in price leads to a <b>proportionately greater change</b> in the quantity demanded. |
| <b>0 &lt; PED &lt; 1</b> | Price inelastic demand |          |                                 | A change in price leads to a <b>proportionately smaller change</b> in the quantity demanded. |
| <b>PED = 1</b>           | Unitary elastic demand |          |                                 | A change in price leads to a <b>proportionately equal change</b> in the quantity demanded.   |

There are a number of factors that determine the PED for a product. Being aware of these factors can help businesses or governments predict how consumers may react to price changes. The two more important elements are:

- The number and closeness of substitute goods available. This is an important determinant of PED. For example, if there are many different types of vegetables available, then an increase in the price of tomatoes – for instance – will lead some consumers to change their consumption to other vegetables that have now become relatively cheaper. Thus, the demand for goods with many substitutes will be more responsive to price changes and, therefore, demand

- will be more elastic. On the other hand, demand for products with few substitutes – such as crude oil – will be relatively inelastic since consumers do not have many options to replace this product with another.
- The time period under consideration also affects the responsiveness of consumers to price changes in goods and services. In the immediate term, consumers do not have any time to react to find alternatives for those goods whose prices have increased. However, when they have more time to look for substitutes, the demand for those products will become more elastic.

The PED gives businesses and stakeholders key information about the sales revenues of the company and how they could change if there is a modification in the price or if another pricing method is used.

### ① Exam tip

You will not be expected to calculate price elasticity of demand (PED) in the exam. However, recognising when demand might be elastic or inelastic can help you evaluate whether a change in price is likely to increase sales revenues or not.

## 3 section questions ^

### Question 1

A hockey club needs to maximise revenue from ticket sales. Its stadium can hold 25 000 people. The club has around 50 000 fans who want to attend games. Out of these, only 5000 fans are willing to spend \$100 on a ticket. Based on this information, which pricing strategy should the club use?

- 1 Dynamic pricing ✓
- 2 Predatory pricing
- 3 Loss leader pricing
- 4 Cost-plus pricing

### Explanation

Dynamic pricing should work in this situation. For those fans who are willing to pay a higher price, special services such as a VIP area could be offered. Other tickets can be charged at a lower price to ensure fans can still attend games, thus maximising revenues.

### Question 2

Which of the following statements about price elasticity of demand is true?

- 1 PED helps businesses to decide on their pricing methods. ✓
- 2 The supply is needed in the calculation of the PED.
- 3 Customers' incomes are considered in the calculation of the PED.
- 4 PED evaluates changes in the costs of the products.

### Explanation

Depending on the classification of the PED, businesses can take different decisions about what is the best pricing strategy to use. For instance, a business that has a product with price inelastic demand is likely to raise its price.

**Question 3**

Which of the following statements about competitive pricing is true?

- 1 Competitive pricing allows a business to set prices aligned with those of its competitors. 
- 2 Competitive pricing allows a business to reduce the price of the products to eliminate competitors.
- 3 Competitive pricing allows a business to enter a new market with a low price and then increase it.
- 4 Competitive pricing allows a business to change the price of the product considering different variables.

**Explanation**

Competitive pricing involves a business setting the price at the same level as its competitors. This pricing method is based on the idea that competitors have studied the price of the products and services, so any company selling a similar product charges the same price.

4. Marketing / 4.5 The seven Ps of the marketing mix

## Promotion: Above the line promotion

Promotion: Aspects of promotion      Promotion: Aspects of promotion

Promotion is the use of advertising, sponsorships, sales promotions and personal selling to inform and persuade customers to buy a product. Promotion requires effective communication with actual and potential customers from the business about the product. Effective promotion will increase product and brand awareness, as well as image.



**Figure 1.** There are many ways for a business to communicate with customers about their products.

Credit: Show999, Getty Images

There are three general types of promotion that will be discussed in the following sections:

- above the line promotion



- below the line promotion
- through the line promotion

Overview  
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762729/o

## Above the line promotion

Above the line promotion (ATL) refers to the various forms of promotion, such as television and radio advertising, print advertising in newspapers and magazines, and so on, that are aimed at mass or large audiences. Above the line promotion is generally not targeted.

The most common methods of above the line promotion are explained in this section. However, almost any area can be sold for advertising space, including for example the front of players' shirts in Premier League football matches and advertisements on Spotify.

### Television advertising

Television offers advertisers the chance to make visually stimulating commercials that reach national audiences. In the past, when there were few choices on television and few other media channels, television advertising reached wide, captive audiences. However, digital television services have led to an explosion of specialised channels. This means that the average audience per commercial is reduced. However, businesses have used this specialisation to better aim advertising at their specific target market on television.

The cost of buying advertising space depends on the channel, the time slot and the expected audience. Overall, however, television is by far the most expensive form of above the line promotion and is less effective than it once was. There are now more effective and less expensive channels for reaching target markets, via digital advertising and social media. Businesses globally are now directing more of their promotion spending to digital channels.

#### Exam tip

In examinations, students often suggest television advertising as a form of promotion. However, television advertising is very expensive for businesses. Therefore, it is only suitable for the very largest national or global companies. If the business in the case study is a local company, you should probably not recommend television advertising in the marketing mix.

### Newspaper advertising

Although the readership of newspapers has been in long-term decline, newspapers are still an attractive medium for some businesses. One reason for this is market segmentation. Newspaper readers tend to segment by socio-economic group, which helps advertisers target the desired group easily. For example, newspapers such as *The Wall Street Journal*, that target higher income business readers, are more likely to carry advertisements for luxury or financial products. In addition, many newspapers are moving their papers online. They know that consumers increasingly access news on their laptops or mobile phones.



Student  
view



Overview  
 (/study/app/business-hl/sid-351-cid-762729/o)



**Figure 2.** Many newspapers are now moving online.

Source: Robert Scoble [↗](https://www.flickr.com/photos/scobleizer/4697192856/in/photolist-8a5kMJ-5PUDGb-2iaPZvf-2kj7tQm-5TpKkZ-28fHSjy-2g2ww1n-sTvYbK-bsxZ6V-HCjXen-qYG5mA-9LU9as-2n53F7U-7bhzpt-aE3U9C-dmeBXg-2epQipw-2ghXeZv-N7Nj5h-bsxYT2-2kWTxVS-79x5uJ-4Z1LXD-dmeBUH-dmeC8H-2iB2VvB-dmeGcb-FRNQmq-dmeC66-dmeC2v-JmUxoY-a3QYGF-2iLPX8U-2kFxfGG-2j8KDd8-2gdWTeL-a6zPAf-dNEnRT-xHW6iV-2iAfP2s-2mi8Azp-2h6xN7S-7Gz33A-7zrtDM-2afoSrQ-NaALKZ-7ZyKLE-uqhoJR-PfNsbU-SjVgFM) ([https://www.flickr.com/photos/scobleizer/4697192856/in/photolist-8a5kMJ-5PUDGb-2iaPZvf-2kj7tQm-5TpKkZ-28fHSjy-2g2ww1n-sTvYbK-bsxZ6V-HCjXen-qYG5mA-9LU9as-2n53F7U-7bhzpt-aE3U9C-dmeBXg-2epQipw-2ghXeZv-N7Nj5h-bsxYT2-2kWTxVS-79x5uJ-4Z1LXD-dmeBUH-dmeC8H-2iB2VvB-dmeGcb-FRNQmq-dmeC66-dmeC2v-JmUxoY-a3QYGF-2iLPX8U-2kFxfGG-2j8KDd8-2gdWTeL-a6zPAf-dNEnRT-xHW6iV-2iAfP2s-2mi8Azp-2h6xN7S-7Gz33A-7zrtDM-2afoSrQ-NaALKZ-7ZyKLE-uqhoJR-PfNsbU-SjVgFM">\)](https://www.flickr.com/photos/scobleizer/4697192856/in/photolist-8a5kMJ-5PUDGb-2iaPZvf-2kj7tQm-5TpKkZ-28fHSjy-2g2ww1n-sTvYbK-bsxZ6V-HCjXen-qYG5mA-9LU9as-2n53F7U-7bhzpt-aE3U9C-dmeBXg-2epQipw-2ghXeZv-N7Nj5h-bsxYT2-2kWTxVS-79x5uJ-4Z1LXD-dmeBUH-dmeC8H-2iB2VvB-dmeGcb-FRNQmq-dmeC66-dmeC2v-JmUxoY-a3QYGF-2iLPX8U-2kFxfGG-2j8KDd8-2gdWTeL-a6zPAf-dNEnRT-xHW6iV-2iAfP2s-2mi8Azp-2h6xN7S-7Gz33A-7zrtDM-2afoSrQ-NaALKZ-7ZyKLE-uqhoJR-PfNsbU-SjVgFM), CC BY 2.0 [↗](https://creativecommons.org/licenses/by/2.0/) (<https://creativecommons.org/licenses/by/2.0/>), via Flickr

## Magazine advertising

Magazines offer highly segmented, defined target audiences. People buy magazines that match their personal interests, which allows for psychographic segmentation ([Subtopic 4.2 \(/study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-37443/\)](#)). People who are interested in fashion may buy *Vogue*. People who are following current events may read *The Economist*. As a result, magazines can be an efficient medium for advertisers.

Another advantage of magazines is that they are relatively durable. People may keep magazines for several weeks, or they may pass them on to their friends. Advertisements in magazines may be viewed multiple times by different people. This increases their potential reach. Glossy colour images also improve impact. Readers may, however, ignore obvious advertisements, turning the pages to concentrate on the magazine's main articles instead. Magazine publishers have therefore become smarter about embedding promotions into articles or picture spreads.



**Figure 3.** Magazines offer defined target audiences for advertisers.

Credit: Ghislain & Marie David de Lossy, Getty Images



Student  
view



## Radio advertising

Overview  
(/study/app/hl/sid-351-cid-762729/o)

Radio can be useful for local promotions for sole traders and other small businesses. However, because of its audio rather than visual format, the impact of radio advertising tends to be low. Radio also typically reaches people while they are doing other things, such as housework or driving. This means they may be distracted while listening, which reduces the effectiveness of radio advertising.

## Outdoor advertising

Shopping centres, advertising hoardings (billboards) and bus sides are common types of outdoor advertising. Local businesses can advertise on a single billboard; larger companies may fund national billboard campaigns.



**Figure 4.** Outdoor advertising hoardings or billboards are designed to catch consumers' attention.

Credit: Mlenny, Getty Images

Section

### Activity

Student... (0/0)



Print (/study/app/business-hl/sid-351-cid-762729/book/further-pricing-methods-id-39008/print/)

Assign

Learner profile: Knowledgeable

Approaches to learning: Thinking skills (transfer)

Consider the following products and suggest an appropriate above the line promotion method for each. Explain your choice:

- a luxury brand of car
- a new restaurant in a small town
- a bank that is launching a new financial service
- a famous company that is launching a new brand of sports shoes

## Evaluation of above the line promotion methods

**Table 1** outlines some of the benefits and limitations of different above the line promotion methods.

**Table 1.** Benefits and limitations of above the line promotion methods.



Student view

| Method                 | Benefits  | Limitations  | Examples   |
|------------------------|---|--|--|
| Television advertising | High visual impact.<br>National global reach.   | Expensive.<br>Consumer media choice.<br>TV adverts now reach a smaller market.   | Global automakers advertising new car models.  |
| Newspaper advertising  | Volume of information. Much information can be included; customers can refer to it multiple times.<br><br>Segmentation is possible.<br><br>Reach. Through online newspaper options. | Weak visual impact.<br>Consumer media choice.<br>Newspaper adverts now reach a smaller market.   | A business advertising financial products to a particular demographic or socio-economic target market. |
| Magazine advertising   | Psychographic segmentation.<br><br>Durability. People keep magazines and pass them on.<br><br>Colour. Imagery can be effective.<br><br>Reach. Through online versions of magazines. | Static imagery. Lack of movement may make magazines less effective than digital media.   | A global clothing company advertising in a global fashion magazine.                                    |
| Radio advertising      | Better segmentation. Local radio stations allow for geographic segmentation for local, small businesses.  | No images. Audio medium may be less effective than visual medium for many consumers.<br><br>Less effective. Consumers may be distracted by other activities while listening. | A small car repair shop looking for local customers.   |
| Outdoor advertising    | Scope. Outdoors can range from a national campaign down to a single billboard; well-placed advertisements can be seen by thousands of people.                                       | Static imagery. Non-digital billboards lack moving images, so may lack impact.   | Potentially any consumer product can be advertised with outdoor promotion.                             |

## Activity

**Learner profile:** Communicator

**Approaches to learning:** Communication skills; Thinking skills (critical thinking)

Using the mass media discussed previously, create a positioning map with the following variables:

- High/low impact
- High/low reach

(You studied positioning maps in [Section 4.2.2 \(/study/app/business-hl/sid-351-cid-762729/book/segmentation-and-targeting-id-37445/\)](#).)

## 2 section questions ^

A new bowling alley has just opened in a small town. It wants people to be aware that it is there. Which method of above the line promotion would be **least** suitable for its needs?

1 Television ✓  
2 Radio  
3 Online  
4 Advertising hoardings (or billboards)

### Explanation

Television is likely to be a poor choice. Firstly, it is the most expensive form of promotion; it is unlikely that a small business would have the budget to advertise on television. In addition, television has a wide reach meaning that many, many people outside the target market would view the advertisement, which would be a waste of resources.

Radio, outdoor and online promotion can all target smaller groups of people locally, which would be perfect for the new bowling alley.

### Question 2

Which of the following is a disadvantage of advertising online?

- 1 Some technical skills are required to create online advertisements. ✓  
2 Online advertisements cannot be tailored to meet the needs of different groups.  
3 The high cost means that online advertising is inaccessible for small businesses.  
4 Segmentation is difficult to achieve.

### Explanation

Some specialist skills are required to create advertisements online. Advertising online doesn't have to be as expensive as other types of advertising. It is possible to target specific segments using online advertising because the adverts need only feature on sites that the target audience tends to visit, and these can be tailored to individual groups.

4. Marketing / 4.5 The seven Ps of the marketing mix

## Promotion: Below the line promotion

Promotion: Aspects of promotion      Promotion: Aspects of promotion

## What is below the line promotion?

Below the line promotion (BTL) refers to any promotion that is not carried out in the mass media. Generally, below the line promotion has fewer costs, so may be more attractive to smaller businesses. The main areas of below the line promotion are:



Student view

- direct marketing
- sales promotion
- loyalty cards
- after-sales service
- public relations
- merchandising
- exhibitions and trade fairs

## Direct marketing

Direct marketing involves targeted marketing messages sent to a customer's email address, phone or home. This type of promotion has become more sophisticated in recent years. User tracking on websites generates large amounts of data about potential customers, who can then be targeted with promotions while browsing the internet.

You may have experienced this type of promotion, for example if an advertisement for a product you are interested in, or have viewed in the past, mysteriously appears on a website that you visit. You may also receive emails for products based on your browsing history. Technology allows all this to be done at a very low cost. The drawback, however, is that many customers find this kind of promotion intrusive and may reject the offer.



Figure 1. Direct marketing involves sending messages directly to a customer.

Credit: Prostock-Studio, Getty Images

## Sales promotion

A sales promotion covers all the special offers you might see in a store. Examples include:

- buy one, get one free
- 20% off
- half price offers
- free samples
- competitions
- point-of-sale displays

The most likely place you will find this type of promotion is in supermarkets. A sales promotion can be a very effective way of attracting price-sensitive consumers and boosting short-term sales. Supermarkets know this, and as a result may charge producers for the goods to be displayed in prime locations, so their promotions can be seen.



## (!) Exam tip

Remember that an increase in sales will not necessarily mean an increase in profit. When promotional actions are taken, they always cost something. The business will be able to make a profit only if sales revenue is greater than costs of production.

## Loyalty cards

Loyalty cards offer customers rewards for continuing to shop at the same business. They are a key source of revenue for many businesses. Loyal customers are less price sensitive and may return to a business for many years. Airlines, for example, encourage loyalty by allowing customers to earn 'air miles', which can be turned into free flights or upgrades. Many retailers run points schemes. As customers shop, they earn points that in turn can be used to pay for future purchases.

## (!) Case study

### Star Alliance

Star Alliance is a strategic alliance between a group of the world's top aviation companies as well as some smaller regional airlines. The alliance offers easy connections to a large number of destinations, along with a frequent flyer program that rewards loyalty. While the cultural diversity of the members of the alliance is respected, at the same time all members respect the same high standards in safety and customer services.

Star Alliance customers enjoy several privileges and benefits, such as priority in the check in process, airport lounge access, priority in boarding and extra baggage allowance. In addition, these customers can save air miles, which they can use to buy or upgrade flights.

### Questions

1. Outline one benefit for the airlines that are part of the Star Alliance reward scheme. [1 mark]
2. Explain why the loyalty card program such as the one offered by Star Alliance can be considered a BTL promotional strategy. [2 marks]

#### Question 1

The Star Alliance reward scheme increases customer loyalty. As a consequence, the companies that are part of the scheme will be able to increase the volume of sales.

**Outline** is an AO1 level command term, requiring a brief account or summary.

- To achieve full marks, only one point is needed.

#### Question 2

Below the line promotion refers to any promotion that is not carried out in the mass media. Generally, below the line promotion has fewer costs. In the case of the Star Alliance cooperation, the airlines are using different incentives to encourage communication with consumers. They are rewarding loyal members with some benefits and privileges, such as shared air miles in the system and access to lounges.

**Explain** is an AO2 level command term, requiring a detailed account including reasons or causes. Explain how or explain why.

- Other responses may be possible and, if appropriately explained and applied in context, may receive full marks.
- To achieve full marks, you must always include theory and application to the case study in your responses.





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## After-sales service

- A customer relationship does not end with the purchase of a product. Businesses can increase customer satisfaction by offering services such as free home delivery, installations, warranties, advice and repairs. These services achieve two aims. Firstly, if customers value them, they will be willing to pay more for the product. The selling price can be increased. Secondly, the business can help fix any problem that arises. This should support the business's reputation with customers.



Figure 2. Businesses can add value to a product by offering after-sales services to customers.

Credit: Moyo Studio, Getty Images

## Public relations

Businesses will want to improve their image by managing their public relations. This may include supporting charitable causes and maintaining good links with the local community. For example, local businesses may support a school's work experience programme or allow the school to conduct visits for its classes.

In addition, the company needs to protect its reputation when handling a crisis. In such situations, it will aim to maintain a proactive and transparent approach. Frequent communication with interested parties is crucial during these times because negative coverage in the media can be detrimental to both sales and share prices. For example, Peloton's sales have fallen dramatically during 2022 since its running machines failed, causing almost forty accidents.

## Merchandising

Merchandising refers to the branded items that businesses produce to create more brand awareness. Common items include:

- pens
- headed paper
- hats
- t-shirts
- key rings



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If you attend a university fair, for example, you will receive information about the university and why you should apply there. You may also be given some of the items above to make sure the university sticks in your mind.

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**Figure 3.** Businesses may give away branded items at trade fairs. This is known as merchandising.

Credit: Hoda Badawy, Getty Images

## Exhibitions and trade fairs

Exhibitions and trade fairs are excellent places to see many business products all in one place. These may be businesses that are not otherwise found close to each other, which makes it considerably easier for the consumer to investigate products. For example, it is common for caravan and holiday trailer businesses to attend trade fairs. This way, customers can inspect these expensive items at their leisure, and compare the products they like with ease.

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## Evaluation of below the line promotional strategies

**Table 1** outlines some of the benefits and limitations of below the line promotion methods.

**Table 1.** Benefits and limitations of below the line promotion methods.

| Method                  | Benefits   | Limitations  | Example   |
|-------------------------|--|--|---|
| <b>Direct marketing</b> | Written text allows large amounts of information to be communicated.   | Not read. Many people will not even see the messages because they have 'spam' filters. | Local fast-food takeaways; political campaigns; websites that track their users' purchases. |
| <b>Sales promotion</b>  | High impact. As customers are targeted at the point of sales, this can have a high impact on customer sales. | Same strategy. The message may be lost if rivals have similar offers.                  | Fast-moving consumer goods; companies that wish to sell old stock.                          |

| Method                      | Benefits   | Limitations   | Example   |
|-----------------------------|--|---|---|
| Loyalty cards               | Store of customer information. Data on customer spending habits can be gathered. | Lower profit margin/price. The discounts offered by the schemes cut gross profit on each purchase.                          | Consumer retailers in mature markets.   |
| After-sales service         | Increase in customer satisfaction. This could lead to greater loyalty.           | Increase in costs. Additional employees will be needed to provide the after-sales service.                                  | Technical products such as cars and computer systems.                               |
| Public relations            | Improvement in brand reputation. This is achieved through positive actions.      | The need for training. Employee training is required for crisis management skills and keeping positive community relations. | Large companies that produce polluting or harmful goods such as petrol and tobacco. |
| Merchandising               | Wider awareness. Products gain more audience attention when merchandise is used. | Increase in costs. It is costly to produce and may not guarantee additional sales.  | Universities; businesses looking to gain recognition for their name.                |
| Exhibitions and trade fairs | Potential customers. There are many potential customers in one place.            | Several competitors. Many rivals will also be in attendance.  | Wedding fairs; Caravan businesses.  |

## 4 section questions ^

### Question 1

A local fashion store wants to promote a discount sale it is holding this weekend. Which method of promotion would be most suitable?

1 Outdoor



2 Television

3 Sponsorship

4 National newspapers

### Explanation

A small local poster campaign would be enough for the store's needs. The other methods are for a wider audience.

### Question 2

Which of the following is **not** an example of a sales promotion?

1 Free home delivery



2 Two for one

3 20% discount

4 Buy one, get one free

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**Explanation**

Sales promotions involve offering customers small discounts to increase sales. Free home delivery is an example of an after-sales service rather than a sales promotion.

**Question 3**

Why do some stores offer electronic loyalty cards?

- 1 To gather customer data ✓
- 2 To raise awareness
- 3 As a form of advertising
- 4 So that prices can be increased for certain groups of customers

**Explanation**

Electronic loyalty cards allow businesses to gather information about customer spending habits. From this, targeted campaigns can be developed that aim to increase customer spend. These are for current customers and are not targeted at potential customers.

**Question 4**

An after-sales service is a suitable form of promotion for which type of product?

- 1 Technical products ✓
- 2 Services
- 3 All business-to-consumer products
- 4 Fast-moving consumer goods

**Explanation**

An after-sales service aims to make it easier for consumers to use a good or service. For products such as clothing or food, this is largely unnecessary. Customers may, however, require some support to use or install technical products, such as cars, computers or electronic goods.

4. Marketing / 4.5 The seven Ps of the marketing mix

## Promotion: Through the line promotion

Promotion: Aspects of promotion      Promotion: Aspects of promotion

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## What is through the line promotion?

Through the line promotion (TTL) refers to the combination of BTL and ATL activities; in other words, it combines mass advertising and direct marketing activities. By using both channels, a company can gain exposure for a brand or product as well as achieving sales or conversions. Conversions mean getting the consumer to buy the product once they have been exposed to the promotion. Through the line promotion tries to reach more people and generate conversations with them. It is not only about sending a direct message; it is also about receiving feedback from that message.

A good example of TTL would be a campaign – in a printed or digital medium – which presented both an image of the brand or product and a promotional code, through which the potential customer is invited to buy a product or service with a discount.

There are two methods of implementing TTL promotion: digital marketing and 360-degree marketing.

### Digital marketing

Digital marketing is an example of TTL advertising as a digital media campaign and is usually aimed at both building a brand and generating conversions. Also, due to developments in technology, it is becoming easier to customise advertisements according to user profiles in order to make them more relevant and attractive to potential customers.

In the same way, it is easier to reach an audience interested in a product or service through users, since the actual technology allows businesses to reach similar users without the need for them to have had contact with the business, brand or product.

Without a doubt, digital marketing has been the trend for at least a decade. As well as providing a broad reach, it gives businesses greater and better control because it is measurable and can be stopped and reactivated with a single click.



Figure 1. Digital marketing is an example of through the line promotion (TTL).

Credit: Nipitphon Na Chiangmai / EyeEm, Getty Images

More information for figure 1

The image shows a laptop screen displaying a digital marketing concept. Various interconnected icons represent different digital marketing components. Icons include SEO, mobile, ad, email, video, and social network, all connected in a network-like structure with the text DIGITAL MARKETING displayed prominently below. The background consists of a blurred setting, with a coffee cup and a stack of books beside the laptop, indicating a work or study environment.



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environment.

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## 360-degree marketing

360-degree marketing is an approach to advertising that allows the business to reach the target market in a holistic way. These days, many marketing campaigns entail 360-degree marketing as they combine elements of ATL and BTL to transmit, complement or reinforce the brand image and to generate sales.



**Figure 2.** A 360° digital marketing strategy is a complete digital marketing solution.

[More information for figure 2](#)

The image is a diagram of a 360° digital marketing strategy, shaped like a circular flower-like structure with seven petal-like segments surrounding a central node. The central blue segment is labeled "A 360° digital marketing strategy." Each of the surrounding segments is differently colored and labeled with different components of the digital marketing strategy:

1. Top segment (pink): "Email marketing"
2. Top right segment (yellow): "Social media marketing"
3. Right segment (orange): "Search engine optimisation"
4. Bottom right segment (purple): "Searches"
5. Bottom left segment (peach): "Online activation"
6. Left segment (green): "Multi-channel analytics"
7. Top left segment (grey): "Integrated planning"

The arrangement suggests a comprehensive approach where each component collectively contributes to a holistic digital marketing effort.

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# The importance of through the line promotion

Through the line promotion has all the benefits of ATL and BTL promotion. In addition:

- It allows businesses to reach as broad or defined an audience as they want.
- It allows businesses to customise the message according to the profile of their target market.
- It makes it possible to increase brand exposure and, at the same time, generate sales.

TTL promotion offers businesses a complete approach to customers. And as technology changes, new possibilities for ways in which businesses can interact with customers arise.

## Activity

**Learner profile:** Knowledgeable

**Approaches to learning:** Thinking skills (transfer)

Look at the promotion shown in **Figure 3** below.



**Figure 3.** An example of through the line promotion.

Source: Matthew Sutherland <https://www.flickr.com/photos/mattslenz/5727484828/in/photolist-9J7RGq-2ZU1TX-dGky6i-4w8xjp-dUVFR4-eohF2h-s4uHBz-8X71vz-dbVfZ5>, CC BY 2.0 <https://creativecommons.org/licenses/by/2.0/>, via Flickr

Explain why it can be considered an example of through the line promotion.

**3 section questions** ^



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Question 1



The use of TTL implies:

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- 1 The use of ATL and BTL promotional strategies
- 2 The use of ATL promotional strategies only

**Section**

The use of TTL promotional strategies only



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- 4 The use of pricing strategies

**Explanation**

TTL is a combination of ATL and BTL promotional strategies.

**Question 2**

The 360-degree marketing tool:

- 1 Tries to reach the target audience in a holistic way
- 2 Only sends messages to the audience
- 3 Looks for consumer feedback
- 4 Is a tool to assess employees' performance

**Explanation**

The 360-degree marketing tool is a type of advertising that allows the business to reach its audience in a holistic way.

**Question 3**

Digital marketing:

- 1 Aims to create brand awareness and customer conversion
- 2 Aims to increase sales
- 3 Aims to reduce costs of advertising
- 4 Aims to increase profit

**Explanation**

Digital marketing aims to achieve a high reach of consumers. It also provides greater and better control, since it is measurable and can quickly react to consumers' interests.



Promotion: Social media marketing

Promotion: Social media marketing

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762729/o There are many social media platforms, including Instagram, Facebook and TikTok, that are used by people all over the world. Businesses can use these platforms to communicate with potential customers. It is important for businesses to understand how these platforms work, what content to create for the platforms, and which platforms are the best for reaching their target market.



**Figure 1.** Social media marketing has become increasingly important for businesses.

Credit: Maskot, Getty Images

## Who uses social media?

It is difficult to imagine the world without social networks and it is clear that, since 2005, their use has increased hugely. Users of all ages are connected to different social networks. The main reasons for using social networks are to keep in touch with friends and family, to fill spare time, to find content or to follow celebrities and influencers. **Figure 2** shows the most popular social media platforms.

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### The rise of social media

Social media sites are used by more than two-thirds of Internet users. How has social media grown over time?

By [Esteban Ortiz-Ospina](#)

September 18, 2019

[Browse past versions](#)

**This article is outdated**

This article is an archived version of a 2019 article. Due to data availability, the article and charts will not be updated.



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**Figure 2.** The most used social media platforms.

Source: Our World in Data (<https://ourworldindata.org/grapher/users-by-social-media-platform>), CC BY 4.0 ([https://creativecommons.org/licenses/by/4.0/deed.en\\_US](https://creativecommons.org/licenses/by/4.0/deed.en_US))

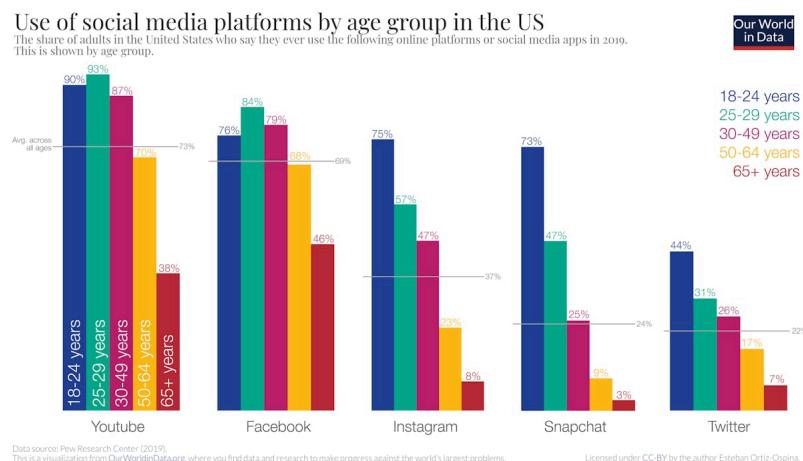
[More information for figure 2](#)

A graph representing the rise of social media platforms over time, highlighting their increasing user base and global influence. This line graph shows the number of people using various social media platforms from 2004 to 2018. The y-axis represents the number of users, ranging from 0 to over 2 billion, while the x-axis represents the years from 2004 to 2018. Each social media platform is represented by a different colored line. This allows users to explore trends in social media usage, comparing different platforms and their growth trajectories. Facebook experiences the highest growth, surpassing 2 billion users by 2018, while YouTube follows closely, reaching 1.5 billion users. WhatsApp has a rapid expansion after 2012, exceeding 1 billion users, alongside WeChat and Instagram, which also crosses the 1 billion mark by 2018. Meanwhile, platforms like Tumblr, TikTok, Reddit, Twitter, Pinterest, and Snapchat exhibit steady but smaller growth. In contrast, MySpace initially gains popularity but declines after 2008, reflecting its loss of relevance.

Users will gain insights on which platforms have dominated specific time periods. The data points highlight significant moments in the history of social media, such as the rise of Facebook, the growth of video-based platforms like YouTube and TikTok, and shifts in user engagement across different regions.

The graphic gives clear information about which social media platforms are the most popular. This is important information that businesses should consider when planning to use social media in their marketing plan.

Additionally, **Figure 3** shows the favourite social media platforms by age in the US. It can be seen that Facebook is the favoured platform for people aged 65 and over, whereas YouTube is the favoured platform for those aged 18–29.

**Figure 3.** Favourite social media platforms by age group. (Click to enlarge image.)

Source: Our World in Data (<https://ourworldindata.org/rise-of-social-media>), CC BY 4.0 (<https://creativecommons.org/licenses/by/4.0/>)

[More information for figure 3](#)

The image is a bar chart titled "Use of social media platforms by age group in the US," showing the share of adults in the United States who say they ever use various online platforms. The platforms listed are YouTube, Facebook, Instagram, Snapchat, and Twitter, with each represented by a series of bars corresponding to different age groups: 18-24 years, 25-29 years, 30-49 years, 50-64 years, and 65+ years.

For YouTube, usage is highest among 18-24 year-olds at 90%, followed by 25-29 year-olds at 93%, and it decreases with older age groups, reaching 38% for those aged 65 and over. Facebook has the highest usage (84%) among 30-49 year-olds, and lower for younger and older groups. Instagram shows 75% usage among 18-24 year-olds, decreasing significantly to 8% for those 65 and over. Snapchat usage peaks at 73% in the youngest age group, while Twitter is used by 44% of 18-24 year-olds, dropping to 7% among the oldest group. Each bar also has a numerical percentage label at the top, and the age groups are color-coded: blue for 18-24 years, green for 25-29, pink for 30-49, yellow for 50-64, and red for 65+ years.

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# How can a business use social media to promote its products?

A business can use social media to promote its products in several ways:

## Paid advertisements

Businesses can pay to advertise on social media platforms that are used by their target market. Social media platforms use the data provided by the users of the platform – along with their daily activity – to show personalised advertisements. The users may appreciate having advertisements targeted at their interests. A business advertising in this way benefits because its advertisements are more likely to be seen by its target market. Some consumers, however, are uncomfortable seeing advertisements related to their activity on social media.

## Content generated by users

Businesses can share content generated by other users of social media, for example when a user mentions the business or its product. A business can, for example, ‘retweet’ a comment posted voluntarily by a user. Consumers may see this as more trustworthy than the business creating content about a product itself. But it can also be difficult for a business to make use of unpredictable content created by social media users.

## One-to-one messages

The most direct way of communication with the consumer is a conversation. Businesses can use social media to deliver customer service through private messaging. Consumers may appreciate this personalised service. However, if the business is not able to respond and engage with consumers quickly, some loyal customers could be lost.

## Influencers

Influencers are people who can persuade a lot of other people. Influencers on social media platforms are able to attract many users and can affect the users' opinions about products. Followers of influencers trust their judgement and many businesses hire influencers to increase the sales of their products.



Figure 4. Influencers can play an important role in the social media strategy of a business.

Credit: amenic181, Getty Images



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## Activity

Learner profile: Reflective

Approaches to learning: Research skills (media literacy)

Watch the following video about influencers and then consider the points below.

Under the influence: The power of social media influencers



**Video 1.** The power of social media influencers.

- Do you follow any influencers? If so, make a list of them.
- Reflect on the impact that influencers can have on your life and on the lives of other people.

## Making connections

The use of social media and its influence on people is part of our culture. In the IBDP Psychology course, students learn about cultural dimensions, which refer to the values of members of a society living within a culture. So businesses might ask how their customers use and value social media. They could also ask what role social media might play in their attempts to communicate with their customers.

# Advantages of using social media for promotion

Businesses that use social media marketing will have a number of advantages:

## Differentiation at low cost

Social media enables businesses to differentiate their products with relatively low cost. For instance, businesses can replace a static image with a video on their Facebook front page. A video can capture the attention of customers and deliver more information about the product of a business.

## More knowledge about customers

Large quantities of user information are gathered by social media platforms. Computer algorithms can deliver targeted promotion to just the right group of people that are interested in the products of a business. This can save valuable time and money on promotion activities.



## Improvement of customer service

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Social media has become an important customer service channel. It is often the first channel people use to contact a company with a problem. Businesses can gain valuable insights about their products through this direct communication.

## Easy way to measure the performance of businesses

Social media allows the business to measure practically all the actions it carries out, in order to know whether or not it is meeting its objectives. This is one of the main advantages of social networks for businesses, since offline actions are more difficult to measure.

## Disadvantages of using social media for promotion

There are also a few disadvantages of social media marketing for businesses:

- **Social media must be part of a broad promotional strategy.** A good marketing plan is needed to integrate social media marketing with other promotional strategies. This will involve time and expertise.
- **Social media marketing has production costs.** Businesses must pay for qualified people to manage their social media presence. The wide reach of social media platforms means that poor social media marketing can quickly harm a business.

## ✉ Theory of Knowledge

Using the information in this section on social media marketing, consider the following question:

- What impact has social media had on how consumers acquire and share knowledge of products and businesses?

## 3 section questions ^

### Question 1

People who are hired by companies to convince followers on social media are called:

- 1 Influencers
- 2 Managers
- 3 Leaders
- 4 Owners



### Explanation

Influencers are hired to persuade their followers to buy products, in order to increase the sales of the company.

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### Question 2

Which of the following statements about social media strategy is correct?

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- 1 Social media should be part of the marketing plan of a business, together with other promotional strategies. ✓
- 2 Social media strategies should not be used.
- 3 Social media should be managed by unskilled personnel.
- 
- 4 Social media should be managed by the influencer.

### Explanation

The social media strategy of a business should be aligned with other promotional strategies (ATL, BTL and TTL) to reach marketing objectives.

### Question 3

Which of the following statements about social media is true?

- 1 Social media can offer customers better customer service. ✓
- 2 Social media is not able to give information about customers.
- 3 Social media has a negative impact on the company.
- 4 Social media is as expensive as television advertising.

### Explanation

Social media can be the first contact that a customer has with a business. Sometimes the customer is looking for specific information or has a complaint. By managing social media properly, the business can give better customer service.

4. Marketing / 4.5 The seven Ps of the marketing mix

## Place

Place: distribution channels Place: distribution channels

Place is related to how products are delivered from the producer to the customers, and it involves various distribution channels. Choosing the correct distribution channel is part of the decisions of the marketing mix.

Essentially, producers have two options: to sell directly to the consumer or to use an intermediary. An intermediary is a person or business that acts as a 'go-between' in transactions. There are three types of intermediary that a business might use to help with the distribution process:

- a wholesaler
- a retailer
- an agent

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Figure 1. Place: How goods are delivered to customers.

Credit: Thierry Dosogne, Getty Images

### ⓘ Exam tip

Remember that place is different from location. Place is a part of the marketing mix. Place describes how the product is delivered to the customer. Location, on the other hand, refers to a decision taken by a business about where to locate or relocate its premises or production facilities.

In cases that involve delivery of services, place and location could be the same. An example is a hotel. But for other types of products, place and location could be different.

## Wholesalers

Wholesalers specialise in purchasing large quantities of stock from producers, storing the stock, and then selling it on to retailers and – sometimes – consumers. Wholesalers provide an important link between producers and smaller retailers. They act as a central delivery and collection point, so they can significantly reduce distribution costs. However, it is important to know that wholesalers charge a fee for their service to producers.

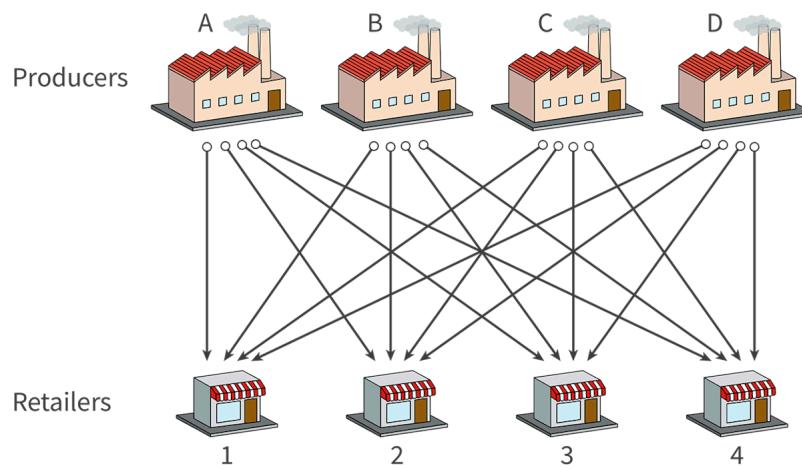
Imagine a situation in which a small town has just four producers: Producers A, B, C and D and four retailers: Shops 1, 2, 3 and 4. Each producer makes a unique product, and all four products are demanded by all four retailers. But there is no wholesaler.

How many different deliveries would there need to be from the producers to the retailers in order to facilitate this?



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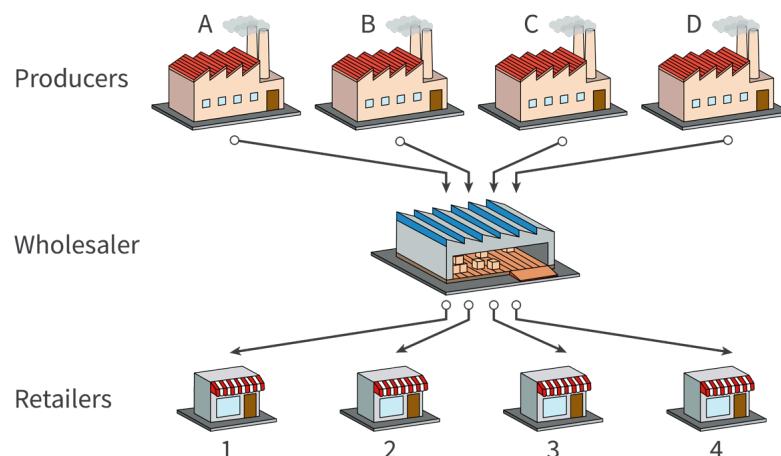
**Figure 2.** Distribution without a wholesaler.[More information for figure 2](#)

The image is a diagram illustrating the distribution network without a wholesaler. At the top, there are icons representing four producers, each depicted as a factory building. Directly below each factory, there is a double-headed arrow connecting to four icons representing retailers as small store buildings at the bottom. Each producer has arrows pointing directly to each retailer, indicating direct deliveries. This setup results in a network where each of the four producers makes deliveries to all four retailers, leading to a total of 16 separate deliveries, as each producer has four connections and there are four producers in total.

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The scenario described above is illustrated in **Figure 2**. Each producer would need to make four different deliveries – one to each retailer – making 16 different deliveries in total.

Now consider the same situation, but this time with a wholesaler acting as an intermediary. Each of the four producers now makes just one delivery to the wholesaler. The wholesaler stores the products and sells them on to the four retailers. The wholesaler delivers to each of the four retailers. This means there need to be only eight different deliveries in total, as illustrated in **Figure 3**. This is half the number than without a wholesaler. Using a wholesaler can save producers and retailers time and cost.

**Figure 3.** Distribution with a wholesaler.[More information for figure 3](#)

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The diagram illustrates a distribution system involving producers, a wholesaler, and retailers. At the top, there are four factories labeled A, B, C, and D, each representing a producer. These factories are aligned horizontally, each with an arrow pointing downwards to a central wholesaler. The wholesaler is depicted as a building in the middle of the image, receiving deliveries from all four producers. Below the wholesaler, four arrows extend downward, each leading to one of four retailers, labeled 1, 2, 3, and 4. This setup demonstrates the flow of goods, where each producer delivers to the wholesaler, and the wholesaler then distributes the products to the retailers, illustrating the intermediating role of the wholesaler in streamlining distribution.

[Generated by AI]

Wholesalers serve another important role, sometimes referred to as breaking bulk. Wholesalers buy large quantities from producers. Their large order size means that they achieve purchasing economies of scale ([Section 1.5.2](#) (/study/app/business-hl/sid-351-cid-762729/book/internal-and-ext-economies-id-36534/)), which reduces their average costs. The wholesalers then store these goods in large warehouses until they are needed by retailers. This reduces storage costs for both producers and retailers.

## Retailers

Retailers purchase goods from wholesalers and producers, then sell them to the final consumer. Retailers come in all shapes and sizes, such as:

- convenience stores
- supermarkets
- online retailers
- department stores
- vending machines
- high street shops and chain stores



A convenience store.

Credit: andresr, Getty Images



A supermarket.

Credit: Drazen\_, Getty Images

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view



Overview  
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An online retailer.

Credit: Tim Robberts, Getty Images



A department store.

Source: hiro449944

([https://en.wikipedia.org/wiki/Le\\_Bon\\_March%C3%A9#/media/File:Le\\_Bon\\_March%C3%A9,\\_Paris\\_3\\_November\\_2008\\_-\\_panoramio.jpg](https://en.wikipedia.org/wiki/Le_Bon_March%C3%A9#/media/File:Le_Bon_March%C3%A9,_Paris_3_November_2008_-_panoramio.jpg)): CC BY 3.0 (<https://creativecommons.org/licenses/by/3.0/>): via Wikimedia Commons



High street shops and chain stores.

Credit: ZenShui/Alix Minde, Getty Images



A vending machine.

Credit: helovi, Getty Images

## Section

Student... (0/0)

Feedback

## Figure 4: Different types of retailers

Assign

Student view

Consumers often choose a specific retailer because the location or range of products makes it convenient for them to shop there. Think about the last shop you went to. Why did you go there? Was it because it was the closest shop to your home or school? Was it because it had good transport links or parking? Or was it because of the range of products it offered? Producers often select retailers to distribute their goods based on how easy it is for their target market to visit and make a purchase.

Sometimes choosing the right retailer can be the most important decision in the marketing mix. It is very important for a business to make it easy for its target market to sample and purchase its product. If a producer chooses the wrong distribution channel, consumers may not even know a product exists.

## Agents

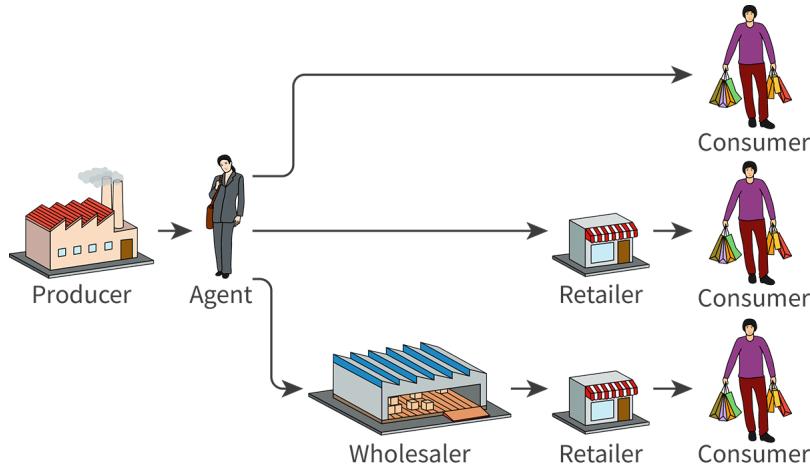


Figure 5. Agents can use any of the distribution channels.

More information for figure 5

The image illustrates the concept of distribution channels with various entities connected by arrows. On the left, a factory is depicted, representing the production point. Next to the factory, an agent is shown holding a clipboard, indicating their role in facilitating the distribution. Arrows point from the agent to two different warehouses, symbolizing the storage stage. From each warehouse, arrows lead to individual retail stores, showing the distribution process. Finally, arrows from the stores point towards consumers carrying shopping bags, illustrating the end of the distribution chain with the product reaching the customer. This diagram emphasizes the agent's role in managing the flow from production to end-users through various channels.

[Generated by AI]

An agent is a person who acts on behalf of another person or group. An agent may be used to aid any of the distribution channels explained above. Agents promote and sell products on behalf of producers. The key difference between an agent and a retailer is that the agent does not own the product it is selling. Instead, the agent promotes the product and charges a commission, which is a percentage of money on every sale it arranges. Examples of agents include:

- price comparison websites
- travel agents
- estate agents
- eBay
- international distributors

International distributors play an important role in helping companies to achieve global expansion. When businesses first start to sell their products in other countries, they will know very little about the local market. International agents can provide this knowledge, at a cost. They can promote the company's product to foreign wholesalers and retailers. They can also advise on local laws and customs to ensure costly mistakes are not made.

## Activity

**Learner profile:** Inquirers

**Approaches to learning:** Research skills (information literacy)

Interview the person responsible for buying products for your school. This might be the head of administration or someone else.

Find out which products are purchased from wholesalers, which are purchased from retailers and which are purchased through agents.

## Distribution channels

A distribution channel is the path a product takes when it travels from producer to the final consumer. The exact combination of intermediaries used will depend on factors such as the product type, the size of the distributor, business objectives, cost, control and legal factors.

### Direct distribution

Direct distribution does not involve the use of intermediaries. Instead, producers sell directly to their customers. A simple example would be a local bakery or florist. These businesses can control their own prices and do not have to pay any commission to agents, allowing them to keep 100% of any sales revenue they receive.

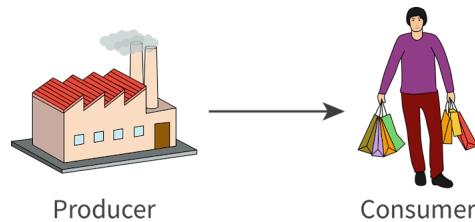


Figure 6. Direct distribution.

More information for figure 6

The image is a diagram illustrating a concept of direct distribution. On the left side, there is an illustration of a factory building, complete with chimneys. The factory is labeled as "Producers". On the right side, there is a person holding shopping bags, representing "Customers". An arrow labeled "Direct Distribution" connects the factory to the person, indicating the direct selling process from producers to customers without intermediaries. This visually represents the flow of direct sales from production to consumer without the involvement of any third party or intermediaries, reflecting a straightforward distribution channel.

[Generated by AI]

Direct distribution also allows businesses to enjoy close contact with their customers. This two-way dialogue allows a business to understand the needs of its target market, meaning that goods and services can be developed to meet customers' requirements.

## Case study

Converse By You

Taking advantage of mass customisation technology ([Subtopic 5.2 \(/study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-39052/\)](#)), shoe company Converse offers its customers the chance to design their own shoes. Customers can log on to the Converse website and personalise their own unique pair of shoes, which are then manufactured and shipped directly to them.

Do a search for 'Converse By You' and design your own pair.

1. Outline the type of distribution channel that is used by Converse By You. [2 marks]
2. Explain the benefits to Converse of using this type of distribution channel. [4 marks]

### Question 1

The distribution channel used is direct distribution, since the delivery is from the factory straight to the customer.

**Outline** is an AO1 level command term, requiring a brief account or summary.

- Only one point needs to be made. Other responses are possible and would be rewarded if appropriate.

### Question 2

Some benefits of using the direct distribution channel could be:

- There is no intermediary, which means costs can be reduced and a better price can be offered to the customer.
- Direct customer contact is increased so it is possible to gain more information about customers.
- Using this type of distribution channel, the company has greater control over the delivery process and over the marketing mix.

**Explain** is an AO2 level command term, requiring a detailed account including reasons or causes. Explain how or explain why.

- Other responses may be possible and, if appropriately explained and applied in context, may receive full marks.
- To achieve full marks, you must always include theory and application to the case study in your responses.

## Indirect distribution

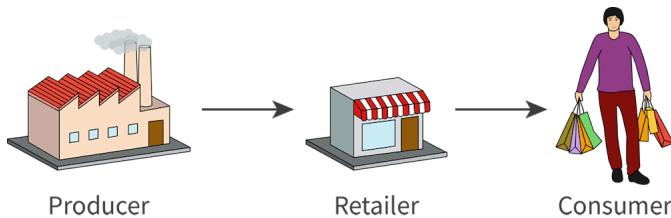
Indirect distribution involves the use of one or more intermediaries between the producer and the buyer. A producer may decide to distribute their products using an intermediary – a person or business that is responsible for selling the product to buyers. Indirect distribution helps producers to focus on their core activities because they do not have to worry about distribution.

It is possible for a business to use more than one distribution channel for its product. Using more than one channel helps the product reach a range of market segments.

### Producer to retailer to consumer



Overview  
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**Figure 7.** Distribution with one intermediary.[More information for figure 7](#)

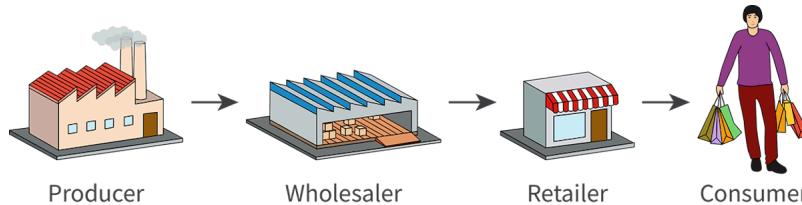
The image is a flowchart illustrating a distribution process. It consists of three main elements connected by arrows. On the left, there's an image of a factory building, representing producers who manufacture products. An arrow labeled "ship to distribution center" points to a small store with a striped awning, symbolizing the intermediary step. Another arrow labeled "available for purchase" points to a person holding shopping bags, representing the consumer. This flow demonstrates the process of products moving from production, through a distribution hub, to being sold to the consumer. No colors or additional visual details are essential for understanding this diagram.

[Generated by AI]

Large national and international retailers, such as Walmart, or online stores such as the iTunes store or Amazon, allow producers to access a huge number of consumers easily. In this model, producers deliver their products to central distribution hubs, owned by the retailers. From there, the retailers take care of sending the product to their stores. This system allows retailers and producers to form close relationships. Some retailers have now developed electronic data exchanges that allow them to order a replacement product directly from a producer as soon as the product is sold out in their stores.

#### Producer to wholesaler to retailer to consumer

If a product is going to be sold through smaller convenience stores, it may be necessary to use a wholesaler to store and distribute the product; these small retailers may not have the resources or buying power to purchase directly from producers. The small retailers therefore use wholesalers that can offer a range of products and break bulk. The disadvantage of this channel is that there are two intermediaries, adding a markup to the price. Goods can end up being more expensive than if they are sold without wholesalers involved.

**Figure 8.** Distribution with two intermediaries.[More information for figure 8](#)

The image is a diagram illustrating a product distribution channel with two intermediaries. From left to right, the sequence represents a factory, a warehouse, a retail store, and a consumer. The factory symbolizes the initial producer stage, where products are manufactured. Arrows indicate movement from the factory to the warehouse, representing the wholesaling process. The warehouse is depicted with boxes, illustrating storage. The next arrow points towards a retail store, showing the next intermediary step where products are made available to the consumer. Finally, an arrow leads to a consumer holding shopping bags, indicating the endpoint of the distribution channel where the product reaches the buyer. This process shows how goods move from production to end-user with the involvement of intermediate storage and retail stages.



Student view

## Activity

**Learner profile:** Knowledgeable

**Approaches to learning:** Thinking skills (transfer)

Choose a distribution channel for the following products. Explain your choice in each case:

- clothing for a formal event
- a truck
- an imported car
- clothing to be exported
- a can of soda
- a can of tomatoes

## An evaluation of distribution channels

**Table 1** lists the benefits and limitations of the various distribution channels considering the producer's interest.

**Table 1.** Benefits and limitations of various distribution channels.

| Channel  | Benefits  | Limitations  |
|--|---|--|
| Direct distribution                            | <p><b>Eliminates intermediary expenses.</b> All the profit is earned by the producer.</p> <p><b>Increases direct contact with customers.</b> This gives the producer the possibility of carrying out marketing research.</p> <p><b>Provides control.</b> The producer can take decisions over the marketing mix of the product.</p> | <p><b>Reduces distribution options.</b> By using this distribution channel, producers may see a reduction of sales.</p> <p><b>Increases internal workload.</b> All activities are carried out and financed by producers.</p> <p><b>Raises costs.</b> All the delivery and all the promotional activities are carried out by the producers.</p> |
| Producer to retailer to consumer               | <p><b>Easy distribution of the product.</b> The producer can deliver its products to more places.</p> <p><b>Consumers can try the product.</b> As a consequence, producers can increase their sales.</p>  | <p><b>Intermediary keeps some profit.</b> A commission should be paid to the intermediary, reducing the producer's profit.</p> <p><b>Loss of control over the products.</b> The producer loses control over the products and decisions about them.</p>   |
| Producer to wholesaler to retailer to consumer | <p><b>Reduces costs.</b> The wholesaler will advertise the products to retailers, reducing the costs for producers. Storage is a cost that is also covered by the wholesaler.</p> <p><b>New markets.</b> Gives producers the possibility of entering a new market, which otherwise would not be easy to access.</p>                 | <p><b>Another intermediary keeps some profit.</b> The wholesaler is another intermediary who is paid a commission, reducing the profit of the producer.</p> <p><b>No control.</b> Producers do not have control over the marketing mix of the products.</p>  |

| Channel                  | Benefits   | Limitations   |
|--------------------------|--|---|
| <b>Agents or brokers</b> | <b>Opportunities for new markets.</b> Agents have specific knowledge of the legal aspects of each country, which is needed in order to introduce new products successfully. This gives the producer the possibility of increasing sales. | <b>A commission must be paid.</b> A fee must be paid to the agent, reducing the profit to the producer.<br><b>No control.</b> Producers do not have control over the marketing mix of the products. |

Watch the following video to learn more about place in the marketing mix.



**Video 1.** Explaining the importance of a good product distribution.

### 3 section questions ^

#### Question 1

Why would a producer choose to use an intermediary?

- 1 For all of these reasons ✓
- 2 To reduce the cost of distribution
- 3 In order to concentrate resources on production
- 4 So a wider target market can be reached

#### Explanation

Using intermediaries essentially outsources the distribution of products to other businesses. Specialists such as wholesalers and retailers can improve efficiency and reduce costs, allowing producers to concentrate on their core business.

#### Question 2

Which of these is a disadvantage of using a wholesaler?

- 1 A wholesaler's markup can increase the final selling price. ✓
- 2 Wholesalers store goods for smaller retailers.
- 3 Supermarkets cannot use wholesalers. ✗



4 Wholesalers break bulk.

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**Explanation**

Wholesalers make a profit by adding a markup to everything they sell. This means that they increase the price of everything they buy, which can increase costs for the final consumer. Wholesalers buy in bulk themselves, and can break quantities down so that smaller retailers do not have to buy in such bulk. They are also able to store stock in greater volumes than retailers. Whether or not supermarkets use wholesalers is not really relevant here.

**Question 3**

Which of the following statements about retailers is true?

- 1 Retailers are shops that sell goods to final consumers. ✓
- 2 A retailer is a channel of distribution.
- 3 Retailers buy goods in large quantities.
- 4 Retailers do not have contact with customers.

**Explanation**

Retailers are businesses that sell goods to the public in relatively small quantities for use or consumption rather than for resale.

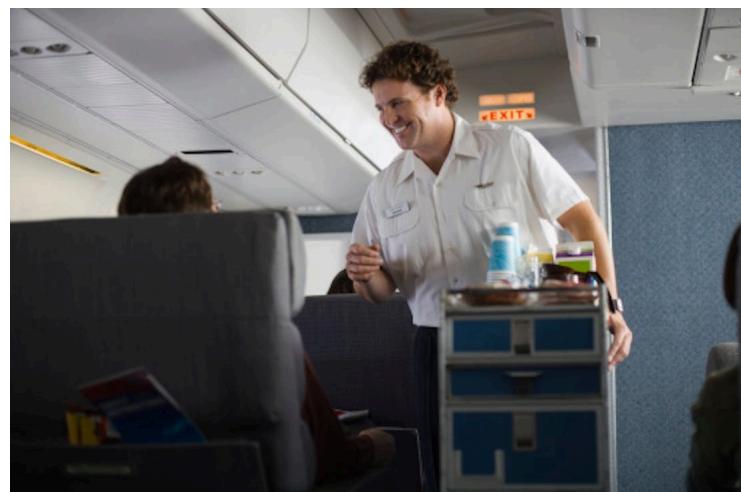
4. Marketing / 4.5 The seven Ps of the marketing mix

# People

People: employee—customer relationships    People: employee—customer relationships

People are an additional element of the marketing mix related to service businesses or to the service part of other businesses, such as after-sales service.

Successful customer-oriented businesses are able to build long-term relationships with their clients. People are at the heart of these relationships. All contact between the employees of a business and customers can support or damage a brand. A business's recruitment and selection process can help to ensure good customer relationships are maintained.



Student  
view

**Figure 1.** People: A central marketing mix element of businesses that provide services.

Credit: Jupiterimages, Getty Images

## The importance of cultural differences in customer service

Customer service, and relationships between staff and customers, depend heavily on the cultures involved. The way one person interprets behaviour in others is determined by their values, assumptions and cultural traditions. This is not just limited to language differences – such as the use of slang or metaphor – but includes differences in manners and how readily customers voice concerns or disapproval.

There are stark differences in the way that people express emotions. For instance, some cultures are more direct in their communications while others are more tentative or polite. This can make communications challenging for customer service providers. Staff will need proper training to deal with angry customers, for example.

There are other [cultural differences relating to customer service](https://www.userlike.com/en/blog/cultural-diversity-customer-service) (<https://www.userlike.com/en/blog/cultural-diversity-customer-service>) expectations and relationships between people. These include:

- the importance of small talk
- the need for special treatment for longer established customers
- the need for direct communication
- the importance of hierarchy and respect for positions of authority
- punctuality and timeliness
- the importance of rules and systems

It is important to recognise that, in order to provide good customer service, customers should be treated as unique. This means that it is important for businesses to recognise that each customer is special and has their own personality, preferences and culture. However, this is not always easy for a business to achieve and, as a consequence, a more global perspective is often taken in regard to customer services.

A key aspect of good customer service is to select good staff and make sure that they receive induction training that prepares them for negotiating complex interactions with customers. The recruitment and selection process is explored in detail in [Subtopic 2.1](#) ([/study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-39053/](#)). Attention should also be given to continuing professional development (CPD), where employees see themselves as lifelong learners.

### Activity

**Learner profile:** Inquirer

**Approaches to learning:** Research skills (information literacy)

Be a journalist! Choose one of the options below and write a paragraph with your conclusions.

#### Option A

Carry out a discrete observation at a business that you frequent. Identify some elements of culture in customer service that you can observe, and practise recording information.

Remember that observation is a form of primary research ([Subtopic 4.4](#) ([/study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-38995/](#))) and can be used in your internal assessment (IA).

#### Option B

Interview a family member to find out about a time that they experienced particularly good customer service and when they had a particularly poor experience. It is important to choose a way to record the information as a way of practising interview techniques for your IA.

Remember that in [Subtopic 1.1 \(/study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-36497/\)](#), you were introduced to [a toolkit for primary research strategies ↗ \(https://sites.google.com/uwcmaastricht.nl/youth-mayors-curriculum/toolkit\)](#), including observation and interview.

## 2 section questions ^

### Question 1

Which of the following relates to people as an element of the extended marketing mix?

- 1 Training to provide good customer service 
- 2 The price of the service
- 3 The addition of new features to the service
- 4 The use of social media to promote a service

### Explanation

Offering training to employees is the key element needed to improve customer service.

### Question 2

Which of the following statements about customer services is correct?

- 1 Customer service is heavily related to culture. 
- 2 Customer service can be offered without training.
- 3 Customer service is not necessary in businesses.
- 4 Customer service is not essential for customers.

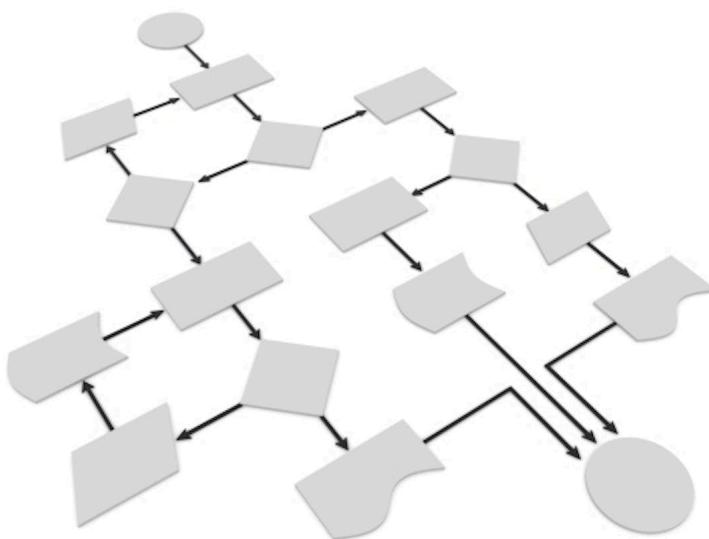
### Explanation

Customer service, and relationships between staff and customers, depend heavily on the cultures involved. The way someone interprets behaviour in others is determined by their values, assumptions and cultural traditions.

# Processes



Overview  
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**Figure 1.** Process: The procedures and policies put in place to offer a product or a service.

Credit: alexsl, Getty Images

More information for figure 1

The image is a flowchart consisting of various geometric shapes connected by arrows. It starts with an oval shape, which typically signifies the beginning or end of a process. This shape is connected to several rhombus, rectangle, and parallelogram shapes that indicate different actions or decision points. The rhombus shapes represent decision points where branching occurs based on different conditions. Rectangles are standard shapes denoting a process or step. Each shape is connected by arrows, indicating the flow and sequence of steps in the process. Multiple paths branch off from certain shapes, possibly indicating multiple outcomes or steps that follow a decision.

[Generated by AI]

Process is an element of the services marketing mix. It describes all the activities needed in the interaction between the customer and the business. Every customer interaction with the business should be considered carefully. This is because problems with processes can ruin the customer experience with an excellent product. Processes include:

- placing and paying for orders
- delivery systems
- customer feedback
- after-sales service

## Placing and paying for orders

When consumers pay for a product, they want security and speed. All reputable businesses offer their customers payment security. This involves, for example, customer authentication, digital signatures and biometric data storage.

However, efficient order and payment processes can be a unique selling point (USP) for a business. When Apple developed its iTunes store, for example, the designers planned that customers could make a purchase with only three mouse clicks. Amazon makes this process faster with its '1-Click Ordering' button. Combined with Amazon's Prime service, customers can expect delivery of goods on the same day or early the next day. Amazon has now introduced food stores called Amazon Go, where customers do not need to check out to pay at all. Other grocery retailers are also introducing this service.

Student view

Section

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Feedback

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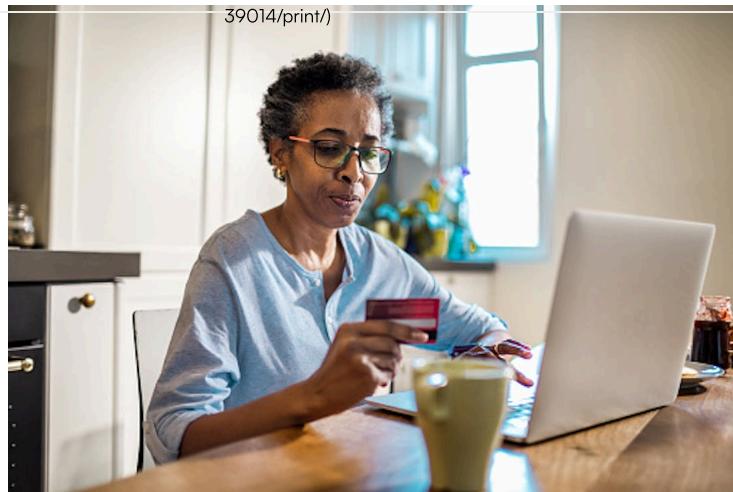
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**Figure 2.** Products can now be ordered and purchased very quickly, but at what cost?

Credit: Marco Geber, Getty Images

## Concept

### Ethics and sustainability

Many consumers appreciate an easy and quick process for ordering and paying for goods and services online. When customers encounter even small problems with ordering or payment, they may decide not to complete the purchase. Knowing this, businesses are working to remove barriers in the ordering and payment process in order to make it 'frictionless'.

However, there are a number of ethical concerns about frictionless purchases. For example, one concern is that stores without cashiers — like Amazon Go — require customers to use an app that tracks both their movements and which products they pick up in a store. This has raised privacy concerns; there is much more data collected than is strictly necessary to charge customers for the goods they take from the store.

A second concern is related to both ethics and sustainability. The easier it is for customers to order and pay for products, the more likely it is that they will make impulse purchases. Consumers may later regret those purchases. This overconsumption places stress on the planet's resources. More products may also be returned by customers who regret the purchases. This increases the carbon footprint of delivery services. Many returned products are also just discarded by the businesses because the costs of preparing them for resale are too great.

If you want to see the effect of this, try an experiment for yourself. The next time you want to purchase some goods online, put the products in an online basket and wait a week before making the purchase. Were there things in your basket that you decided you did not need after all?

## Delivery systems

Efficient delivery systems can be developed into a USP. If a florist can deliver bouquets of flowers at short notice, then that florist is more likely to be chosen over its rivals. Online supermarkets around the world – such as Foodpanda in Singapore, Ocado in the UK, and BigBasket in India – make grocery shopping fast and easy. These stores became much more popular during the COVID-19 pandemic as people avoided public spaces.

A recent trend in grocery delivery is **Q-commerce**, which stands for quick commerce. Q-commerce businesses offer on-demand delivery, often focused on groceries. Delivery times are very short – usually around 30 minutes or less – which is very convenient for consumers who might not be able to plan around delivery times. To achieve these short delivery times, the businesses have set up **dark stores**, which are mini warehouses in dense urban areas. Dark stores are not

always welcomed by local residents, however, as there can be problems with noise and traffic from electric scooters near the stores. As a result, some cities are restricting the expansion of these dark stores (<https://www.reuters.com/business/retail-consumer/rotterdam-joins-amsterdam-freezing-new-dark-stores-2022-02-03/>).



Figure 3. Online supermarkets make grocery shopping fast and easy.

Credit: Isuzek, Getty Images

## Customer feedback

Customer feedback is information that customers provide to a business about their products. Customer feedback allows businesses to maintain and improve their service levels. Businesses can create processes to gather feedback.

Mobile taxi booking app Uber, for example, prompts customers to rate their experience at the end of each journey. Drivers with the best feedback are assigned more rides, so make more money. If a customer gives a poor rating, Uber will contact them to find out what went wrong in order to improve the service.

Other methods that businesses can use to gather feedback include periodic surveys of customers and having customers provide reviews of products on digital platforms. In addition to helping the business improve, these reviews can help consumers decide whether to purchase the products.

## After-sales service

After-sales service refers to the maintenance, help and information a business provides to the customer after they have purchased a product.

After-sales service is important for both goods and services. In the service sector, however, businesses will often need repeat purchases. This is especially true in the high-priced service sectors such as law, accounting and consultancy. Businesses in these industries will develop long-term relationships with their clients and rely on the clients' loyalty. Maintaining these relationships will encourage returning customers and support higher revenues.



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**Figure 4.** After-sales services can encourage customer loyalty and repeat purchases.

Credit: Hispanolistic, Getty Images

## 3 section questions ^

### Question 1

Which of the following statements about customer feedback is true?

- 1 Customer feedback allows businesses to maintain and improve their service levels. ✓
- 2 Customer feedback is not relevant for an organisation.
- 3 Customer feedback should not be considered in the decision-making process.
- 4 Customer feedback creates happy customers.

### Explanation

Feedback is essential for brands to understand how their customers feel about them. Listening to customers is a fail-safe way to gauge their satisfaction, to identify bottlenecks and to understand what does and does not resonate well with consumers. This can help the business to make informed decisions and improve its service strategies in both the short term and the long term.

### Question 2

A university implements a new admission system, which improves the efficiency of student enrolment. Which area of the extended marketing mix does this relate to?

- 1 Processes ✓
- 2 People
- 3 Place
- 4 Physical evidence

### Explanation

Processes look at every interaction between the customer and the business. The new system should improve the interaction students have with the university.



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The new system is not part of the university's physical buildings, and so will not be physical evidence. It has nothing to do with the product itself, or the people in the business.

### Question 3

After-sales service is important because:

1 It encourages customer loyalty and repeat purchases. ✓

2 It increases the price of a product.

3 It provides feedback about the performance of the employees.

4 It allows the customer to give feedback about the service.

### Explanation

After-sales service refers to the maintenance, help and information a business provides to the customer after they purchase a product. Offering a good after-sales service increases the possibility of a repeat purchase.

4. Marketing / 4.5 The seven Ps of the marketing mix

## Physical evidence

Physical evidence: Tangible evidence Physical evidence: Tangible evidence

Physical evidence is the final element of the marketing mix, related to services. Physical evidence refers to all the elements that the customer sees, smells, hears and touches when interacting with a business. These sensory experiences can change customers' perceptions of the service. For example, imagine going to a cinema where the staff look scruffy, the theatre floor is covered with litter and the toilets are not clean. Even though these things have nothing to do with the quality of the film you are watching, they are likely to affect your experience.



**Figure 1.** Physical evidence refers to the sensory experience of a customer, for example in a theatre or cinema.

Credit: John Eder, Getty Images



Overview

(/study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-39054/)

On the other hand, positive physical evidence can be a unique selling point. Hotels will attempt to provide comfortable, clean rooms and common spaces in their services. Restaurants also pay a lot of attention to physical evidence, as well as to the quality of their food. Businesses that provide medical services will design their spaces to convey the impression of professionalism and cleanliness. Your school has also spent time and money on creating a positive learning environment for you. The physical spaces of these businesses are just as important as the other qualities of their services.



**Figure 2.** Hotels pay much attention to physical evidence in their services.

Credit: 4FR, Getty Images

## ⌚ Concept

### Sustainability

Sustainability is defined as meeting the needs of the present without compromising the ability of future generations to meet their own needs. Environmental sustainability is also an important part of physical evidence and has resulted in changes to physical evidence.

In the past, for example, hotels would change the towels in their bathrooms every day. These days, however, many hotels suggest reusing towels in order to reduce the consumption of clean water. Additionally, some hotels now use soap and shampoo dispensers that are refillable, rather than providing miniature bottles that create excessive plastic waste. Customers appreciate these changes to physical evidence that improve sustainability.

Physical evidence can also be an important motivational factor for employees ([Subtopic 2.4 \(/study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-39054/\)](#)), or at least in preventing employee dissatisfaction. Good physical conditions – such as a clean and tidy office – are likely to help workers do their job better and make them feel more positive about the business.

## ⊗⊗ Activity

**Learner profile:** Inquirers

**Approaches to learning:** Research skills (information literacy); Thinking skills (transfer)

### 1. Apple store design



Student view

Read [this article, describing how Apple has used people, processes and physical evidence ↗](#)

(<https://www.computerworld.com/article/3619029/6-lessons-apple-retail-taught-the-industry-in-2001.html>)

to satisfy customers and increase sales. As you read, make note of at least one marketing strategy for each: people, processes and physical evidence. When you are finished, discuss the points with a partner or with your class.

## 2. Your school

Explain how your school uses people, processes and physical evidence to market its services. Discuss with the class. You may only have personal experience with people and physical evidence, so you may want to invite the person in charge of school admissions to discuss processes.

### Exam tip

Remember that the marketing mix for a service is more complex than the marketing mix of a good. In addition to product, price, promotion and place, for a service you also need to consider people, processes and physical evidence.

## 2 section questions ^

### Question 1

Which of the following relates to the physical evidence element of the extended marketing mix?

- 1 The chairs in a doctor's waiting room
- 2 The sound quality of a cinema
- 3 The layout of a new website
- 4 The punctuality of an airline



### Explanation

Physical evidence includes every tangible part of a service, from the cleanliness of the site to anything a customer may take away with them, such as packaging or a receipt. The other choices are examples of intangible elements.

### Question 2

Which of the following statements about physical evidence is true?

- 1 Physical evidence refers to any form of sensory representation of a service.
- 2 Physical evidence refers to all intangible elements.
- 3 Physical evidence refers to all tangible elements.
- 4 Physical evidence refers to the place where the business is located.



### Explanation

4. Marketing / 4.5 The seven Ps of the marketing mix

# Appropriate marketing mixes

[Appropriate marketing mixes](#) [Appropriate marketing mixes](#)

Businesses should adapt the marketing mix to meet the needs of the target market and the marketing objectives.

Common marketing objectives were outlined in [Subtopic 4.1](#) (/study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-37435/).



**Figure 1.** The seven Ps of the marketing mix.

[More information for figure 1](#)

This is a diagram illustrating the seven components of the marketing mix, commonly referred to as the seven Ps. The image features a circular layout in which each segment represents one component of the marketing mix. At the center of the diagram is a circle labeled 'Marketing mix.' Surrounding this central point are seven segments of varying colors, each labeled with a different 'P':

1. Price - positioned at the top left.
2. Product - positioned at the top right.
3. Place - positioned on the left.
4. People - positioned on the right.
5. Promotion - positioned on the bottom left.
6. Processes - positioned on the bottom right.
7. Physical evidence - positioned at the bottom center.

Each of these segments is designed to represent a key area that businesses must consider when developing their marketing strategies, aimed at addressing different aspects of targeting their market effectively.

# Adjusting the marketing mix to achieve marketing objectives

The marketing mix of a particular product will depend on some of the following factors:

- whether or not the business is providing a good or service
- the type of business organisation and the resources available for creating and implementing a specific marketing mix
- the characteristics of the market in which the business operates and the possibilities for it to grow and increase market share
- the characteristics of the target market
- the legal and cultural aspects of the country in which the business is located

## Concept

### Ethics

Ethics are the moral principles that govern the behaviour of a person or group. Ethics is a key element for determining the marketing mix of a product. Some marketing strategies may increase sales but take advantage of human weakness. These strategies can be considered unethical.

For example, some countries have decided to ban or limit advertising of unhealthy food during children's television shows. Fashion brands are reconsidering their use of models with unhealthy body mass indices to promote clothing.

Section **Beauty industry is reconsidering unrealistic photo editing of models which may lead to an unhealthy body image.**

(id=39016/print/)

As an example, **Table 1** shows the marketing mix of Etihad Airways, an airline from the United Arab Emirates.

**Table 1.** The marketing mix of Etihad Airways.

| Product |  <p>Source: Mark Harkin <a href="https://www.flickr.com/photos/markyharky/35542950791/in/photolist-zeBpuydZP1mx-HREHY3-6u1WvQ-UKy8bt-9DgZRR-2mf2YZy-ujZkyW-DGfZR6-2bV1x4q-eacAjz-zeCGi9-zeHeIztK78nk-W4Ny99-u3N7Pm-E7FijD-dXD2yl-TK4d7W-m1DbKh-2b5PrvT-2kTYMiz-EmSD13-HXotql-8oLQiP-oFjctE-zx7uyx-2iRG84m-qNoSmv-W9NUYp-W8kV8N-zweujk-yzmkza-Zw3XNt-zx7EZH-2fQP1aH-7XcW4H-G3C3pF-a5fdyR-yzmsh8-T4smXG-7XCnkJ-RMYqB8-dAXHs5-ozeDG6-zezygg-ELnAzz-J1pyW4-aVHg5n-H5C1fi"> (https://www.flickr.com/photos/markyharky/35542950791/in/photolist-zeBpuydZP1mx-HREHY3-6u1WvQ-UKy8bt-9DgZRR-2mf2YZy-ujZkyW-DGfZR6-2bV1x4q-eacAjz-zeCGi9-zeHeIztK78nk-W4Ny99-u3N7Pm-E7FijD-dXD2yl-TK4d7W-m1DbKh-2b5PrvT-2kTYMiz-EmSD13-HXotql-8oLQiP-oFjctE-zx7uyx-2iRG84m-qNoSmv-W9NUYp-W8kV8N-zweujk-yzmkza-Zw3XNt-zx7EZH-2fQP1aH-7XcW4H-G3C3pF-a5fdyR-yzmsh8-T4smXG-7XCnkJ-RMYqB8-dAXHs5-ozeDG6-zezygg-ELnAzz-J1pyW4-aVHg5n-H5C1fi)</a>, CC BY 2.0 <a href="https://creativecommons.org/licenses/by/2.0/"> (https://creativecommons.org/licenses/by/2.0/)</a>, via Flickr</p> |
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**Price**

Source: Travelarz ↗

([https://commons.wikimedia.org/wiki/File:A380\\_First\\_Class\\_Apartment\\_Etihad\\_Airways\\_ITB\\_2015\\_\(1\).JPG](https://commons.wikimedia.org/wiki/File:A380_First_Class_Apartment_Etihad_Airways_ITB_2015_(1).JPG)), CC BY-SA 4.0 ↗ (<https://creativecommons.org/licenses/by-sa/4.0/>), via Wikimedia Commons

**Promotion**

Source: Little Savage ↗

([https://commons.wikimedia.org/wiki/File:City\\_of\\_Manchester\\_Stadium,\\_October\\_2015\\_-\\_26.JPG](https://commons.wikimedia.org/wiki/File:City_of_Manchester_Stadium,_October_2015_-_26.JPG)), CC BY-SA 4.0 ↗ (<https://creativecommons.org/licenses/by-sa/4.0/>), via Wikimedia Commons



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**Place**

Credit: Buena Vista Images

**People**

Source: BreakingTravelNews ([\). CC BY 2.0 ND \(<https://creativecommons.org/licenses/by-nd/2.0/>\), via Flickr](https://www.flickr.com/photos/breakingtravelnews/14112034805/in/photolist-nv2ShV-5qQjcr-53Lhdm-ndx9aT-ndxoFC-8ep3Ko-nwNjgX-2hLE5uS-ndxond-nuK7Jv-nwNHGF-ndx9Ax-nv2Szt-nv4HYq-nuL5Z7-ndxovu-ndxdga-nsZcch-2drTVXG-ndx9pa-nwNj2D-nuK7Nt-ndxoGu-nuK7Ec-ndxcWx-eb4eBE-ndx9yD-ndx9qH-ndxpcC-nv2SXT-ndxpffJ-ndx9AH-WJ4LC2-ndxoRs-nuK7tF-nv4JaCe97AiT-QpkfUG-ndxd7c-qo2erp-JkR3E7-nv4Jcb-nv2SMT-nsZcem-cL1PLU-QjmD1Q-2mc8ogb-e97yyD-5eZTfr-e97zGi)

**Processes**

Credit: Taras Grebinets, Getty Images

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view

## Physical evidence



Source: Konstantin von Wedelstaedt [↗](https://commons.wikimedia.org/wiki/File:Airbus_A340-541,_Etihad_Airways_AN1168209.jpg) ([https://commons.wikimedia.org/wiki/File:Airbus\\_A340-541,\\_Etihad\\_Airways\\_AN1168209.jpg](https://commons.wikimedia.org/wiki/File:Airbus_A340-541,_Etihad_Airways_AN1168209.jpg)), GFDL 1.2 [↗](http://www.gnu.org/licenses/old-licenses/fdl-1.2.html) (<http://www.gnu.org/licenses/old-licenses/fdl-1.2.html>), via Wikimedia Commons

## 💡 Concept

### Change

Change is defined as an act or process through which something becomes different. Businesses must change their marketing mix regularly to ensure that the needs and expectations of the target market are met. Businesses may also make changes to the marketing mix in response to internal and external factors.

Remember that you learned about internal and external factors through the SWOT/STEEPLE analysis in [Section 1.1.6](#) ([/study/app/business-hl/sid-351-cid-762729/book/tool-business-plan-id-36505/](#)). It can also happen that changes to one element of the marketing mix may affect other elements of the marketing mix.

## 🌐 Activity

**Learner profile:** Communicator

**Approaches to learning:** Thinking skills (critical thinking)

Think about your favourite restaurant.

Write a review of the restaurant that mentions all aspects of the marketing mix. Use specific examples to support your claims.

## 3 section questions ^

### Question 1

A business wants to encourage repeat purchases from customers. What would be a cost-effective way to achieve this?

- 1 Offering customers loyalty cards so they can be targeted with direct marketing messages and offered discounts for repeat purchases ✓
  
- 2 Cutting all prices by 5%
  
- 3 Devising a national advertising campaign, stressing the importance of customer loyalty



- 4 Opening new stores close to competitors, so the business can steal their customers

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### Explanation

Loyalty cards allow retailers to gain huge amounts of information about their customers. Based on this information, customers can be sent special offers tailored to their needs. If done successfully, this will result in improved loyalty and increased customer spend.

The other options may be attractive to customers but may not encourage repeat purchases and may be more expensive to carry out.

### Question 2

A non-profit social enterprise wants to raise its public profile. What would be a cost-effective way to achieve this?

- 1 A social media campaign



- 2 Sponsorship of a major sports team

- 3 A commercial placed on national television

- 4 Word-of-mouth advertising in the local community

### Explanation

Non-profit social enterprises have limited marketing budgets. Social media campaigns can spread quickly if they are forwarded or liked by those who view them. Imaginative campaigns can be seen by millions of people within weeks of their launch.

Sponsorship of sports teams and television commercials are unlikely to be used by most non-profit social enterprises because they are expensive.

Word-of-mouth will not get the necessary attention for the non-profit social enterprise.

### Question 3

A well-known jewellery brand is using premium pricing. It sells its product in a luxury shopping centre and has decided to advertise on the radio. Which of the elements of the marketing mix does **not** make sense in this context?

- 1 Promotion



- 2 Place

- 3 Price

- 4 Physical evidence

### Explanation

Promotion is the element that does not make sense in this context. All the elements of the marketing mix must be coherent and work together. In this situation, radio advertising is not the correct media to promote the jewellery. A better choice would be magazines or newspapers.



4. Marketing / 4.5 The seven Ps of the marketing mix

Student  
view

## Connections with product life cycle



You have now studied all the elements of the marketing mix and analysed the importance of their alignment – both with other elements of the marketing mix and with the business strategy. This section covers the different relations between the product life cycle of a good or service and the actions needed to implement each element of the marketing mix, considering the stages of the product life cycle.

## The relationship between product life cycle and marketing mix

The product life cycle is a tool to help businesses plan marketing strategies. The marketing mix can be adapted during the product life cycle, as seen in **Table 1**.

**Table 1.** Changes to the marketing mix during the product life cycle.

|                  | R&D   | Introduction   | Growth  | Maturity   | Decline  |
|------------------|---|--|---|--|--|
| <b>Product</b>   | Research product design and prototype the product.  | Launch new products to the market.   | Make small improvements to meet consumers' needs and wants.                           | Introduce some updates to a product to extend its demand and the cash that it is making.                 | Develop new products to replace products in decline.   |
| <b>Price</b>     | Research competitors' pricing strategies and product costs to determine own pricing strategy. | Use penetration or premium pricing, depending on the product and market.   | Increase the price of the product.  | Use different pricing strategies to maintain sales and prevent new competition from entering the market. | Reduce prices to eliminate the stock of the products.  |
| <b>Promotion</b> | Research promotion options (ATL, BTL, TTL)  | Use informative promotion to create product awareness among consumers.     | Use persuasive promotion to convince customers to repeat the purchase of the product. | Use promotion strategies to increase brand loyalty.  | Very limited. Promotion budgets are cut at this stage. |
| <b>Place</b>     | Research distribution channels.   | Start with a specific, small number of shops; perhaps direct distribution. | Increase the number of shops and markets.   | Expand to a large number of shops; all possible outlets used.  | Consider using discount retailers.                     |



|                          | R&D  | Introduction  | Growth   | Maturity   | Decline   |
|--------------------------|--|---|--|--|---|
| <b>People</b>            | Use networks to recruit the best employees.        | Use influencers to raise awareness, for example, on social media. | Focus on excellent customer service to build loyalty and satisfaction.                   | Focus on customer service to build loyalty and satisfaction. | Move most capable employees to new projects as service is phased out. |
| <b>Processes</b>         | Research efficient and easy ordering and payments. | Adjust processes after experience with first customers.           | Maintain best processes; adapt to new process options.                                   | Maintain and keep best processes.                            | Maintain best processes; apply experience to new services.            |
| <b>Physical evidence</b> | Research customer experience design.               | Adjust designs as customers engage with service.                  | Maintain best designs and experiences; adapt to new ideas to improve customer experience | Maintain best designs.                                       | Maintain best designs; apply experience to new services.              |

**Section**

Student... (0/0)

Feedback

Print

**Assign** **Activity****Learner profile:** Knowledgeable**Approaches to learning:** Thinking skills (transfer)

Read the following statements about businesses and their marketing mix. In each, there is something not quite right about their choices. Can you identify the problem in each case?

1. A dairy company is launching a new product to the market. It plans loyalty cards as the only promotion.
2. A luxury car has experienced lower sales recently due to innovative new competitors. The company is planning to open a new store in an expensive shopping centre to continue selling the same vehicle.
3. A famous brand of typewriter, now almost completely replaced by personal computers, has planned television advertising to eliminate their stock of typewriters.
4. A company producing furniture for businesses has experienced a huge increase in sales. It is planning to reduce the price to increase sales further.
  
1. The promotion is probably inappropriate. The product is in the introduction stage and it is important to create informative advertising to allow customers to get to know the product.
2. The place is likely inappropriate. Sales are declining and no updates have been made to the product. The product seems to be in the decline stage. Opening a new outlet in an expensive shopping centre is not likely to work to increase sales of such a product.
3. The promotion is not appropriate. Typewriters are/were in the decline stage of the product life cycle. TV advertising is too expensive a strategy for a business that is just trying to eliminate stock of an outdated product.
4. The price change is inappropriate. The products of the company are in the growth stage, so using price reduction may negatively impact the image of the company and even reduce revenues, since demand already seems to be strong.

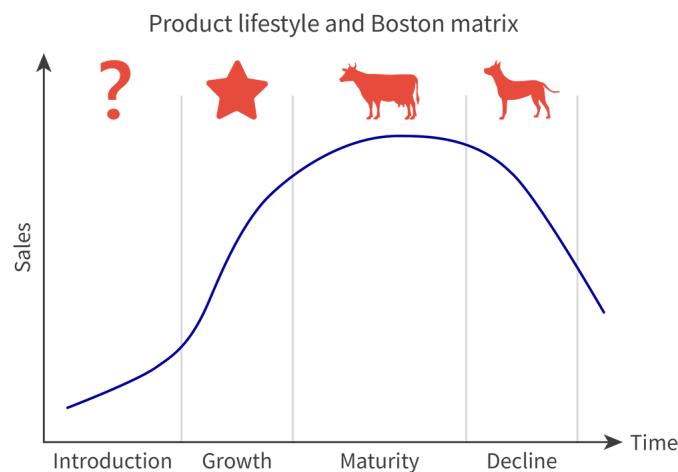


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## The relationship between product life cycle and the product portfolio

The product life cycle is related to how the product portfolio of a company may evolve over time. The Boston Consulting Group (BCG) matrix, which you learned about in [Section 4.1.6 \(/study/app/business-hl/sid-351-cid-762729/book/tool-bcg-matrix-id-37441/\)](#), can be linked to the product life cycle. **Figure 1** illustrates this as follows:

- Products classified as question marks (or problem children) in the BCG matrix could be in the introduction stage of the product life cycle.
- Products classified as stars in the BCG matrix could be in the growth stage of the product life cycle.
- Products classified as cash cows in the BCG matrix could be in the maturity stage of the product life cycle.
- Products classified as dogs in the BCG matrix could be in the decline stage of the product life cycle.



**Figure 1.** One possible relationship between product life cycle and product portfolio as expressed by the BCG matrix categories.

More information for figure 1

The diagram illustrates the relationship between product life cycle stages and BCG matrix categories. It shows four stages of the product life cycle: Introduction, Growth, Maturity, and Decline, represented horizontally from left to right. Superimposed on these stages are the BCG matrix categories referring to market growth and market share. The categories are labeled across the top as Question Marks, Stars, Cash Cows, and Dogs. The lines and curves drawn within the diagram indicate how products may transition from one BCG category to another during the different stages of their life cycle. This diagram highlights the potential movement between the quadrants of the BCG matrix as a product progresses through its life cycle stages.

[Generated by AI]

However, these links between the BCG matrix categories and the product life cycle are not absolute. The BCG matrix refers to both market share and market growth. But the product life cycle refers only to sales and the growth rate in sales of the individual product. Can you imagine how one of the classifications could be moved to a different stage of the product life cycle?



Student view

## Activity

**Learner profile:** Thinkers

**Approaches to learning:** Thinking skills (critical thinking)

Read the information in **Table 2** about four goods (W, X, Y and Z) and complete the tasks below.

**Table 2.** Sales figures for goods W, X, Y and Z

| Product | Total market sales last year | Total market sales this year |  | Product sales this year |
|---------|------------------------------|------------------------------|--|-------------------------|
| Good W  | 170                          | 177                          |  | 98                      |
| Good X  | 110                          | 105                          |  | 6                       |
| Good Y  | 22                           | 43                           |  | 31                      |
| Good Z  | 41                           | 66                           |  | 4                       |

1. Classify the goods shown in the table using the BCG matrix ([Section 4.1.6 \(/study/app/business-hl/sid-351-cid-762729/book/tool-bcg-matrix-id-37441/\)](#)).
2. Justify which stage(s) of the product life cycle might be applicable to each good, using the information in the table and your BCG matrix classification.

## The relationship between product life cycle, investment, profit and cash flow

The product life cycle (PLC) model is also a good instrument for making financial decisions. The PLC can, for example, show in which stages businesses will need to invest more, when they will not suffer liquidity problems and when they will be able to make profit. **Table 3** shows the relationship between all these elements.

**Table 3.** Relationship between product life cycle, investment, cash flow and profit.

|                     | R&D                      | Introduction                  | Growth                        | Maturity                      | Decline      |
|---------------------|--------------------------|-------------------------------|-------------------------------|-------------------------------|--------------|
| Investment/spending | High                     | Medium                        | Medium                        | Low                           | None         |
|                     | Market research          | Promotion                     | Promotion                     | Reduced spending on promotion |              |
|                     | Research and development | Repayment of investment costs | Repayment of investment costs |                               |              |
|                     | Preparing production     | Production                    | Production                    |                               |              |
| Cash flow           | Negative                 | Negative                      | Positive/high                 | Positive/high                 | Positive/low |
| Profit or loss      | Loss                     | Loss                          | Break even                    | Profit                        | Profit       |



 **Activity****Learner profile:** Communicators**Approaches to learning:** Communication skills

Use everything you have learned in this section about the relationship between the product life cycle, profit, cash flow, and investment.

Draw a product life cycle graph that shows the relationship between the product life cycle stages and profit, cash flow, and investment.

**3 section questions** ^**Question 1**

During which phase of the product life cycle are profits likely to be at their highest?

- 1 Maturity
- 2 Introduction
- 3 Growth
- 4 Decline

**Explanation**

Maturity is a time of high and steady sales revenue. Marketing objectives will focus on building customer loyalty. Below the line promotional messages such as loyalty schemes may be used. During maturity, promotional budgets may be cut as businesses are no longer attempting to create desire from new consumers. The combination of high sales revenue and falling promotional costs leads to profits being maximised.

**Question 2**

Which stage of the product life cycle refers to when the business has no sales, when cash flow is negative and when investment is high?

- 1 Research and development
- 2 Introduction
- 3 Growth
- 4 Maturity

**Explanation**

In the research and development phase of the product life cycle, the business invests a large amount of money to research, develop and test its product. As the product is not ready for the market, there is no sales revenue and no profit is made. The cash flow in the business is negative.

 **Question 3**

In which stage of the product life cycle is it appropriate to reduce prices to eliminate stock?

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- 1 Decline
- 2 Introduction
- 3 Growth
- 4 Maturity



### Explanation

In the decline stage of the product life cycle, prices can be lowered to eliminate stock. Lower prices will make products more attractive to consumers.

4. Marketing / 4.5 The seven Ps of the marketing mix

## Terminology exercise

### Section

Student... (0/0)

Feedback



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Assign ▾

**Check that you understand the terminology used in this subtopic by dragging the correct word into each space.**

There are seven elements in the \_\_\_\_\_, which are all the decisions of a business regarding its product, price, promotion, place, people, processes and physical evidence.

Product is a central element of the marketing mix. The \_\_\_\_\_ describes the typical changes in the sales of the product over time. All five stages are important. However, in order to extend the maturity stage and prolong high sales, a business should use \_\_\_\_\_ strategies.

How much a company charges customers for the product that is selling is referred to as \_\_\_\_\_. Businesses can use different pricing methods depending on their objectives. For example, \_\_\_\_\_ pricing is a method where the price is reduced in the introduction stage of the product. Later, when the product is in the growth stage, the price is increased.

Check ➤

Question: 1 of 2 questions

### Interactive 1. Terminology Exercise: The Seven Ps of the Marketing Mix.

4. Marketing / 4.5 The seven Ps of the marketing mix

Student view

## Checklist

## What you should know

By the end of this subtopic, you should be able to:

- define the following terms: (AO1)
  - product
  - product life cycle
  - brand
  - brand awareness
  - brand loyalty
  - brand development
  - brand value
  - cost plus pricing
  - price
  - penetration pricing
  - loss leader
  - premium pricing
  - predatory pricing
  - dynamic pricing
  - competitive pricing
  - contribution pricing
  - promotion
  - above the line promotion
  - below the line promotion
  - through the line promotion
  - digital marketing
  - unique selling point (USP)
  - place
  - wholesaler
  - retailer
  - agent
  - people
  - process
  - physical evidence
  - price elasticity of demand
  - merchandising
  - guerrilla marketing
  - social media
- explain the relationship between the product life cycle, investment, profit and cash flow (AO2)
- analyse the relationship between the product life cycle, product portfolio and the marketing mix (AO2)
- distinguish between the following: (AO2)
  - brand awareness, loyalty, development and value
  - above the line, below the line and through the line promotion
- discuss the following: (AO3)
  - the importance of employee—customer relationships in marketing a service, and cultural variation in these relationships

- [Home](#)
- [Overview \(/study/app/business-hl/sid-351-cid-762729/o\)](#)
- o the importance of delivery processes in marketing a service, and changes in these processes
- o the importance of tangible physical evidence in marketing a service
- o extension strategies
- evaluate the following: (AO3)
  - o the appropriateness of various pricing methods
  - o social media as a promotional strategy
- examine the importance of different distribution channels (AO3)
- recommend appropriate marketing mixes for particular products or businesses (AO3)

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## Reflection

### Section

Student... (0/0)

Feedback



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[Assign](#)

### Teacher instructions

The goal of this section is to encourage students to pause at the end of the subtopic and to reflect on their learning. Students can use the questions provided below to guide their reflection. The questions encourage students to look at the bigger picture and to consider how the subtopic's contents might have impacted the way they view the subject.

The following table shows you how each prompt aligns to the DP *Business management guide*:

| Prompt # | Syllabus alignment                |
|----------|-----------------------------------|
| 1        | <b>Learner profile:</b> Thinkers  |
| 2        | <b>Learner profile:</b> Inquirers |
| 3        | <b>Concept:</b> Change            |
| 4        | <b>Concept:</b> Sustainability    |

### Section

Student... (0/0)

Feedback



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[Assign](#)

Students can submit their reflections to you by clicking on 'Submit'. You will then see their answers in the 'Insights' part of the Kognity platform.

### Reflection

In this subtopic you learned about the seven Ps of the marketing mix.

Take a moment to reflect on your learning so far. You can use the following questions to guide your reflection. If you click 'Submit', your answers will be shared with your teacher.



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1. Which products have you encountered that have been around for a long time but have not completed their product life cycle? Do you think they ever will?
2. If you are a social media user or browse the internet for leisure, what products come up in your feed or on the pages you visit? What personal data do you think is used for this type of direct marketing?
3. This subtopic introduced to you many aspects of marketing a product or a service. How has your thinking about the products marketed to you and your family changed after reading about the seven Ps?
4. Are marketing/selling a product and the aims of environmental sustainability always in conflict?

⚠ Once you submit your response, you won't be able to edit it.

0/2000

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#### Rate subtopic 4.5 The seven Ps of the marketing mix

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