Marketing (A Level)

Marketing analysis (income and price elasticity, the Boston matrix, the product life cycle, sales forecasting and its limits) and marketing strategy (objectives, branding, new products, digital and international marketing and marketing ethics).

8.1 Marketing analysis

Price elasticity of demand and revenue

PED = % change in quantity demanded ÷ % change in price. If price rises 10% and quantity demanded falls 25%, PED = −25 ÷ 10 = −2.5: elastic, so a rise in price cuts total revenue.

PED	Effect of a price rise on revenue
elastic (size > 1)	revenue **falls**
unitary (= 1)	revenue **unchanged**
inelastic (< 1)	revenue **rises**

Businesses use PED to **set prices** and to judge the effect of **promotions** and **tax** changes. Its limits: it is **estimated from past data**, **changes over time**, and other factors (income, competitors) move at the same time.

Promotional elasticity of demand measures how **responsive quantity demanded** is to a change in **promotional spending**: **% change in quantity demanded ÷ % change in promotional spending**. A value above 1 means extra promotion raises sales **proportionally more**, so it is worth the spend; a low value means **promotion has little effect**.

Income elasticity of demand (YED)

YED = % change in quantity demanded ÷ % change in income. Positive: a normal good (luxury if YED > 1, necessity if between 0 and 1). Negative: an inferior good (demand falls as income rises).

A business with **luxury** goods should expect **big swings** in sales over the **economic cycle**; one selling **inferior** goods may do **better in a recession**. Firms may **diversify** to spread this risk.

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Sales forecasting

Forecasting estimates **future sales** to plan production, finance and staffing.

Method	Use
Moving averages	smooths **short-term fluctuation** to show the **trend**
Time-series analysis	the **trend**, **seasonal variation** and random changes in past data
Extrapolation	extending a past **trend**
Correlation	links sales to another variable (for example income or temperature)
Qualitative methods	**expert opinion**, **sales force** estimates, **Delphi**

A three-month moving average: add three successive months and divide by three. Sales of 40, 46 and 43 give (40 + 46 + 43) ÷ 3 = 43. The average is then moved on by one month.

The syllabus method is the **four-period centred moving average**. For **quarterly** data, take the average of **four successive quarters**, then **average two successive four-quarter averages** so the result is **centred on a quarter**. Sales for six quarters are 40, 52, 60, 44, 48 and 56. The four-quarter averages are (40 + 52 + 60 + 44) ÷ 4 = **49**, (52 + 60 + 44 + 48) ÷ 4 = **51** and (60 + 44 + 48 + 56) ÷ 4 = **52**. The **centred** averages are (49 + 51) ÷ 2 = **50** (for quarter 3) and (51 + 52) ÷ 2 = **51.5** (for quarter 4). The **trend** is rising by about **1.5 a quarter**, so the next trend value is about **53**. The **seasonal variation** is **actual − trend**: quarter 3 is 60 − 50 = **+10** and quarter 4 is 44 − 51.5 = **−7.5**.

Limitations of forecasts: they assume the **past continues** and **external changes** (competitors, fashion, the economy) are ignored; **more data** and **short horizons** improve accuracy. **Seasonal** patterns need adjusting.

The product life cycle

Stages: development → **introduction** (slow sales, high costs) → **growth** (rising sales, profit) → **maturity** (sales plateau, strong profit) → **decline**. **Extension strategies** delay decline. Limits: the **length** of each stage is **unpredictable**, not every product follows it, and **marketing** can change it.

The Boston Matrix

The **Boston (BCG) Matrix** classifies **products or business units** by **market growth** and **relative market share**.

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	High market share	Low market share
High market growth	**Star**: invest to keep leadership	**Problem child (question mark)**: invest or drop
Low market growth	**Cash cow**: earns cash to **fund other products**	**Dog**: consider **withdrawing**

Use: balance the **portfolio** and decide where to **invest**. Limits: **market share and growth are not the only factors**, it **simplifies**, and labels can be **self-fulfilling**.

Analysing the market and customers

Consumer behaviour is shaped by **needs**, **income**, **lifestyle**, **brand image** and **peers**. **Competitor analysis** studies **rivals' prices, strengths and strategies**. **Customer relationship management (CRM)** uses **data** to **retain** customers and target offers.

Product development

Product development moves from **ideas** through **screening**, **concept testing**, **prototype and testing**, **market testing** and **launch**. **Sources of ideas** include **customers and market research**, **employees**, **R&D**, **competitors' products**, **suppliers** and **new technology**. **Research and development (R&D)** creates **new products and processes**, protects **competitive advantage** (for example through **patents**) and replaces products in **decline**, but is **expensive, slow and uncertain** (most projects fail). The **limitations of elasticity** are that it is **estimated from past data**, changes over time and in different markets, and **other variables** move at the same time.

8.2 Marketing strategy

Marketing strategy is the **long-term plan** for how marketing will meet the **corporate objectives**. It starts from **analysis**, sets **objectives**, picks **target markets** and **positioning**, and designs a **marketing mix**.

Objectives and positioning

Marketing objectives include **sales growth**, **market share**, **brand awareness** and **entry to new markets**. **Positioning** is how a product is seen **relative to rivals**: **price versus quality**. A **positioning map** helps find **gaps in the market**.

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Branding and differentiation

A **brand** gives **recognition**, **loyalty** and the ability to charge a **premium**. **Unique selling point (USP)** differentiates the product. Building a brand is **costly**; **brand damage** (scandal, poor quality) harms **all products** under it. **Brand extension** uses an established brand for **new products**, reducing **launch risk**.

New product development

Innovation (new products, processes) can give **competitive advantage**, but **R&D** is **costly** and most new products **fail**. **Stages:** idea, **screening**, development, **testing**, launch. **Adopters** differ: **innovators**, early adopters, early and late majority, laggards.

The marketing plan

A **marketing plan** sets out **objectives, resources (budget), research findings and the marketing mix**, and how results will be **monitored**. **Benefits: direction**, co-ordination and a **way to measure success**. **Limits: time and cost**, forecasts can be wrong and plans can be **inflexible**. The strategy must be **consistent** with the business, its product and its market, with the **4Ps working together**.

IT and AI in marketing

IT and AI let marketers use **big data** and **customer analytics** to **target** offers, **personalise** messages, **automate** email and advertising (**programmatic advertising**), run **chatbots**, make **recommendations** and **predict demand**. They cut **cost** and improve **accuracy**, but need **investment**, raise **privacy and ethics** concerns and can make marketing seem **impersonal**.

Digital marketing and e-commerce

Digital marketing uses **websites, search, social media, email** and **mobile**. **E-commerce** sells **online**: **wide reach**, **lower overheads**, **data on customers** and **round-the-clock** sales, but it faces **intense price competition**, **security** and **delivery** problems, and **lack of personal contact**. **Social media** allows **viral marketing** and **customer engagement**, but **bad reviews** spread quickly.

International marketing

Entering foreign markets: exporting, **joint ventures**, **licensing**, **franchising**, **direct investment**. Adapt the mix to **culture and law**: **standardised** marketing saves cost; **adapted** marketing fits local tastes. **Risks: exchange rates**, **tariffs**, **political change** and **cultural misunderstanding**.

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Ethics in marketing

Ethical issues include **misleading advertising**, **marketing to children**, **unhealthy products**, **data privacy**, **false green claims** and **unfair supplier terms**. Ethical practice helps **reputation** and **trust**; breaches risk **fines**, **boycotts** and **loss of sales**. **Regulation** and **codes of practice** limit abuses.

> **TRY IT**
>
> A product is a **cash cow**. How should a business use it?
>
> Keep it **profitable with little new investment**, and use its **cash** to **fund stars and problem children**.

International marketing strategy

Globalisation and economic collaboration (trade blocs, lower tariffs, e-commerce) make it **easier and more necessary** to market abroad: it offers **new customers, growth and spreading risk**, but also **more competition**. **International markets are identified and selected** by researching **market size and growth, income, culture, competition, legal and political conditions and entry barriers**. A business can use **pan-global (standardised) marketing**, with **one product and message** for all countries (lower cost, a consistent brand but may **ignore local tastes**), or **keep local differences** by adapting the mix (better fit, higher cost). **Choosing the strategy** depends on the **product** (a global brand or a product suited to local tastes), **cultural differences**, **costs** and **legal rules**. The **method of entry** (exporting, licensing, franchising, joint venture, direct investment) depends on **cost, risk, control wanted, speed, the size of the market** and **government rules**.

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