

THE MARKETING MIX ELEMENTS FOR A GOOD OR SERVICE

The marketing mix is a combination of four factors – ‘the four Ps’ (**product**, **price**, **place** and **promotion**) which a business uses in order to persuade customers to buy their product. The mix will change over time and each element has an influence on the others.

Product

After conducting market research, a business will know the needs of their customers. The **product** (a **good** or **service**), through its features, design and function should meet those needs. The business needs to consider what will make its product different from others on the market. (See page 36.)

Price

A business must set a **price** (see pages 39–40) that enables it to make a profit. Therefore, it is important that an entrepreneur is aware of all the costs involved. A new start-up will often sell their products at a low price in order to attract people to purchase their products. A product that is of a superior quality may be priced highly compared to competitor products.

Place

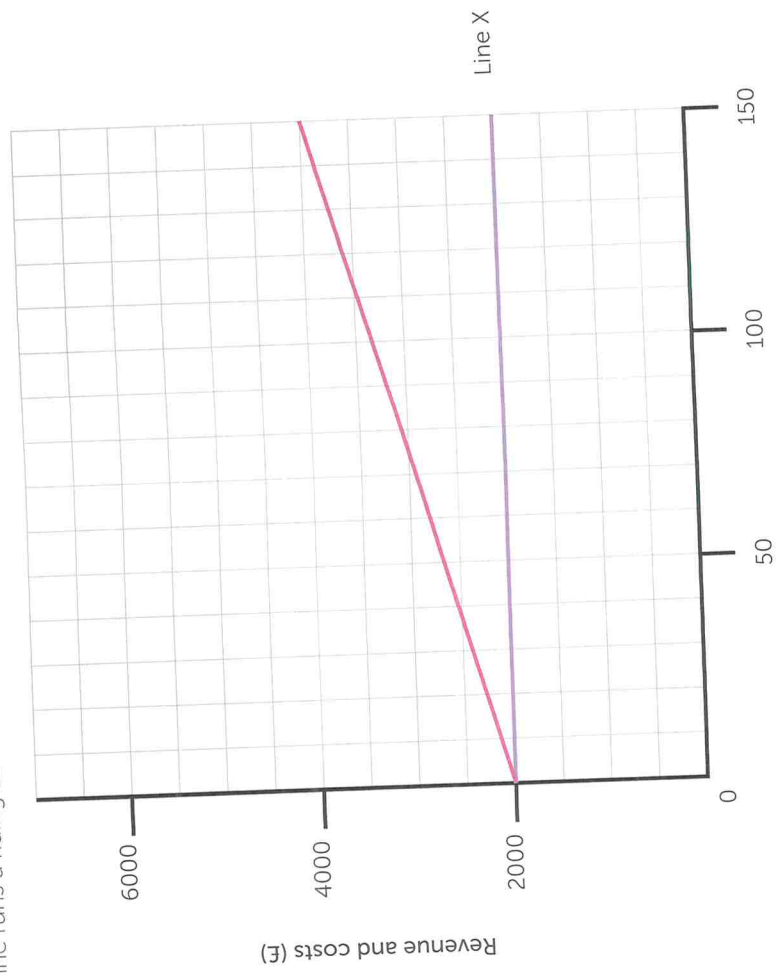
A business must think about **distribution**. Distribution concerns how a product eventually gets to the customer from a producer. Within this element, businesses have to decide whether to sell directly to the customer, either by having a physical **location** or via the Internet (see page 34), or they could choose to use wholesalers and retailers.

Promotion

A business needs to promote itself to raise customer awareness of the products that are available. This helps to increase sales and build a brand image. There are many forms of **promotion** which include **advertising**, **special offers** and **public relations**. (See pages 27–33.)



6. Caroline runs a riding school. Part of a break-even graph for Caroline's business is shown below.



- (a) State what is represented by **Line X**. [1]
- Caroline generates a revenue of £40 per lesson. [1]
- (b) (i) Complete the break-even chart by drawing in the line representing sales revenue. [1]
- (ii) Label the break-even point. [2]
- (c) Calculate the monthly break-even point if each lesson costs her £15. [4]
- Use the formula: $\text{Break-even} = \text{Fixed costs} \div (\text{Selling price} - \text{Variable cost per unit})$
- Caroline thinks she can offer a reduced-price promotion to increase demand for lessons to 125 lessons per month.
- (d) Calculate the minimum selling price she must charge in order to break even. [3]

7. Analyse **one** method a manufacturing business could use to reduce its break-even level of output. [3]

HOW THE ELEMENTS OF THE MARKETING MIX WORK TOGETHER

Each element of the mix is dependent on the others to create harmony, but this needs regular tweaks and changes to maintain the right blend.

Influences on the elements of the marketing mix

Technology

New **technology** in the production process can help to lower a business' costs, therefore a lower **price** can be charged. Technology may also be used in a new way to create or sell a better **product**.

Competition

As **competition** increases it may mean that a more competitive **price** has to be charged unless the business is highly differentiated in terms of brand name and quality. A **product** may lose its **unique selling point (USP)** if a competitor arrives with a very similar offering in the same market **place**.

Market segments

A business will have to adopt a different promotional strategy depending on the **market segment** targeted. (See pages 13–14.) The ability of that segment to pay for the **products** must also be considered.

Product life cycle

The phase that the **product** is in will determine whether a higher or lower **price** can be charged. For instance, when the product is in the decline phase (see page 36), charging a lower price may encourage more customers to purchase it, or before then, a product may require an update, a refreshed packaging design or a new **promotional** campaign to be launched to extend the maturity phase.

Analyse **one** impact of changing customer needs on the marketing mix of a business. [3]

As customer trends change, a business may need to update the features of its product. [1] Therefore, there is a cost implication in designing and updating the product, [1] meaning that the business may have to increase the price. [1] Increasingly, customers are using social media sites. [1] As a result, businesses need to ensure that they are promoting themselves via this medium. [1] This will allow a business to stay current and help to maintain its brand image. [1]

TYPES OF ADVERTISING MEDIUM USED TO ATTRACT AND RETAIN CUSTOMERS

Some advertising mediums will be more appropriate than others when working with the 4Ps to devise a marketing strategy. Often, a combination of different mediums is used by enterprises to reach a wider audience.

A decision about which method to use often depends on the product being marketed and the target market. If the target market is more likely to engage with web-based technologies such as social media, then this may influence the decision to be made. Similarly, some groups are more likely to read newspapers, for example, so this may be a good strategy if an enterprise is targeting this segment.

Traditional (non-digital) methods

These can include methods such as **television** and **radio** advertising, **billboards**, **flyers**, **newspapers**, **magazines** and **catalogues**.

Digital methods

These can include **social media**, **pop up adverts**, **email**, **SMS**, **notifications from apps** and **influencer marketing**.

Non-digital medium

Leaflets

- + Cheap to produce and distribute by hand or by post.
- + Can include photos, QR codes, graphics and text-based information in a visually appealing design.
- Often regarded as junk mail so can be ignored.
- Short-term impact.

Radio

- + Affordable.
- + Wide reaching audience.
- + Can use jingles and specific sounds to catch attention.
- + Can time the adverts to appeal to listeners at certain times of day, e.g. parents on the school run.
- No visual appeal.
- Limited (often passive) attention from listeners.

Newspapers

- + Can include colour imagery and text to attract attention.
- + Lengthier information can be provided with an advert or sponsored article.
- + Targets specific readers, for example local newspapers are read in a known geographical area.
- Cannot include animations, sound or video.
- Limited lifespan of the advert since newspapers are typically printed daily or weekly.
- Readership may be in decline.

Posters/billboards

- + Can reach a large passing audience.
- + Provides impact which can reflect well on a brand.
- Not everyone notices posters and billboards.
- Not so easy to target your specific segment.
- Only a short-term solution.

Non-digital medium continued

Magazines

- + Adverts are targeted at specific interest groups who buy the magazine.
- + Magazines have a longer lifespan than newspapers as they often get read several times by different people.
- + Can include lots of visual information in a glossy format.
- + Content may also be published on the magazine's website to increase the audience.
- Content must be planned and submitted well in advance of publication.
- Cost can be high, even for a small section of a page.
- Reach may be limited.

Cinema

- + Messages are delivered to a captive audience.
- + Huge impact and attention with sound and motion.
- + Can be selective with your audience depending on the film.
- Very expensive.
- Audience may not be interested in the adverts.

Digital medium

Websites

- Websites** combine digital graphics, audio and video with interactive features such as buttons and hyperlinks. This provides a wealth of well-presented and easily accessible information for customers. Most customers expect a business to have at least a website to find out more information about them and their products.
- + Cheap to produce and publish.
 - + Useful for updating customers on new products or services.
 - + Can reach a global market.
 - Still need to direct people to a website to see the adverts.
 - Audience is limited to your own web traffic.
 - Website maintenance can be time-consuming and expensive.

Online banner / pop-ups

- + Catch attention and encourage click-through activity to a website.
- Pop-ups and adverts on search engine sites can be irritating or misleading.
- Ad blockers can prevent pop-ups from appearing in a user's browser.

Vlogs and blogs

- + Can build a large audience and brand loyalty.
- + Products can be promoted as part of the broadcasts and blogs.
- Influencers can command huge fees for promoting products on their channels.
- Commonly appeal to younger audiences so may not be as suitable for other segments.

Digital medium continued

Social media – Video, feedback and social networks

Social media marketing involves using different social media platforms to market an enterprise's goods or services. This could be in the form of a social network page or paid advertising. Posts could be in written form, short blogs or image orientated advertisements.

- + Viral posts can quickly reach huge audiences.
- + Positive third-party posts can be very powerful as independent, unbiased reviews.
- + Third-party posts are free and take no time to plan and create.
- + Some third-parties have huge followings and can promote a post far beyond the reach of a business.
- + Reach can be global.
- + Posts can be easily amended (if business generated), updated or reposted.
- + Business generated posts can target specific groups with some social platforms.
- Business generated ads can be expensive and time-consuming to create.
- Risk of negative reviews or comments as a response.
- Negative comments or third-party posts can damage reputation.
- Third-party posts cannot be controlled or deleted – even if they exaggerate issues or contain incorrect information.
- Business generated messages may get lost in the billions of other posts online.
- Some legal age restrictions to use, e.g. Facebook has a minimum age of 13.

Social media advertising can be business generated or third-party-generated. Business generated posts are those created by a business to attract attention to their products and activities. Third-party generated posts are generated by customers, rival companies and the general public. Depending on the source of the post, the reaction may be very different.

Podcasts

- + Usually free.
- + Can listen to them whilst cycling or doing other activities.
- Difficult to maintain a regular stream of valuable content to build an audience.
- May require a subscription to some podcast channels.

SMS texts

- + Read by most recipients.
- + Cheap and simple to set up.
- Limited in characters and cannot include sound or images.
- Irritating for customers. Often seen as junk and quickly deleted.

SALES PROMOTION TECHNIQUES USED TO ATTRACT AND RETAIN CUSTOMERS

Promotion helps to create awareness of a business and its products. Its purpose is to instil the desire in a customer to want to purchase the product or to be associated with a brand by building a strong brand image.

Promotional mix

Discounts

Discounting allows a business to attract customers based on limited time offers.

Benefits

- Can increase sales quickly.
- Can attract a lot of attention which drives customers to the high street or online store.

Limitations

- Reduces the margin of profit on discounted items.
- Can damage a brand's premium image if their products are discounted.
- Limited to short-term discount offers only.



Competitions

Competitions help to drive interaction between customers and businesses. They raise awareness and can be used to create a stir of excitement, especially if combined with an on- or offline advertising campaign.

Benefits

- Improves awareness of a product and market presence.
- Can help launch a new product or service.

Limitations

- Prizes need to be very attractive for people to bother entering.
- Competition prizes and promotion can be expensive if not outweighed by a successful campaign.



Buy one get one free (BOGOF)

Offers encourage greater sales, especially if they represent good value or something for free.

Benefits

- Encourages additional sales and promotes habitual use.
- May help the business to sell stock more quickly.

Limitations

- Reduces the margin of profit on selected items for the duration of the offer.
- May increase wastage, especially with unused food products.

Promotional mix continued

Point of sale advertising

Point of sale (POS) advertising means positioning adverts or impulse purchase items beside a till (or online checkout pages) to encourage additional sales, especially while customers wait to pay in a queue.

Benefits

- Grabs attention from customers waiting in queues.
- Increases sales of selected items – clearance items are often positioned there.

Limitations

- Can be negatively associated with unnecessary purchases or junk food (e.g. chocolate and sweets).
- POS displays can be elaborate and expensive to produce.
- Limited by space surrounding the till area.



Sponsorship

Sponsorship is a method of raising awareness of a business' brand name in return for financial support of events or public spaces. For example, these events could be cultural, sporting or musical. Stadiums and even roundabouts are sponsored.

Benefits

- Can provide a lot of brand exposure.
- Particularly effective when targeting events for different market segments.

Limitations

- If the event being sponsored gets bad publicity, the business' image may suffer.
- It can be expensive.

Free gifts/product trials

Free gifts encourage purchases of a specific product, for example a magazine with a free lip gloss included. **Product trials** can range from a free square of cheese in a supermarket to a month's free access to an online service for example.

Benefits

- Can raise awareness (and sales) of a new product on the market with a free sample to try.
- Puts the business in a positive light – everyone loves a freebie!
- Increased numbers of customers sign up to a trial if they have nothing to lose.

Limitations

- Can be very expensive to package, post and give away products, especially internationally.
- Customers can get annoyed if they forget to cancel an online trial and end up being charged.

Loyalty schemes

Loyalty schemes encourage repeat purchases. They usually involve the accumulation of points (e.g. Nectar) or stamps (coffee shops with a 10th drink free stamp card).

Benefits

- Registered users generate valuable data on their buying behaviour for the business.
- Helps stop customers switching brands.

Limitations

- Difficult to end a scheme without upsetting loyal customers with unspent points.
- Administration of a scheme can be complex and expensive to upkeep.

PUBLIC RELATIONS

PR means public relations. PR usually focuses on maintaining a positive image for a business through press releases, building relationships with local communities or even engaging influencers.

Product placement

Company **products** are **strategically placed** where potential customers will see them and draw positive associations. This is common in big budget film and TV productions, but local business may gain exposure for their products in local theatre productions or at community events.

Benefits

- Can build positive product associations with large audiences.

Limitations

- Can be difficult for small businesses to find opportunities for product placement.
- Companies can command significant fees for product placement.
- Placement may not result in increased sales and may be negatively affected if the placement context appears false or unpopular.

Celebrity endorsement

Many businesses seek **endorsement** from **influential people** to help build their brand and the popularity of their products. Local, national or global celebrities, sports people or influencers may be paid to publicly wear, use or endorse a product, or they may be photographed with it. A local fashion designer, for example, may be fortunate enough to have their dress worn at a red-carpet event.

Benefits

- Hugely attention grabbing.
- Can create huge sales boosts and reach new markets.

Limitations

- Sales boosts may be short-lived unless ongoing endorsement contracts are agreed.
- Small businesses may find it difficult to afford paid-for endorsement by major celebrities.

Press/media releases

A **press release** is a short description or story of a product, event or incident that enables journalists to provide some accurate details in any publication. They are often used by businesses to raise awareness of a new product in a way that seems less like advertising as it is coming from a third party.

Benefits

- Can create mass media attention.
- Stories seem more credible even if they are largely written by the businesses themselves.

Limitations

- Some newspapers may ask for exclusivity on a story so you can't offer it to multiple agencies.
- No guarantee that the press release will be published or read.
- Usually only one opportunity to get a press release for a new product 'out there'.

Mears Smith is a garden centre on the outskirts of a town offering guided tours around their new show-garden with qualified salespeople.

A local newspaper has offered to write a story on their tour experience.

- (a) Give **one** advantage of using public relations in this way. [1]

The company have donated their signature garden planters to the council for use as feature planting displays in the town centre.

- (b) Explain why they may have offered free planters to the council. [2]

(a) It is usually free. ^[1] The story will be impartial and likely to have stronger appeal. ^[1] The message can be distributed to a wide audience. ^[1]

(b) Product placement ^[1] enables large numbers of passers-by to see the planters which may encourage them to purchase them when they next visit the garden centre / to make a special trip. ^[1] This is likely to generate more revenue than the cost of the free pots/planters. ^[1]



HOW TO SELL THE GOOD OR SERVICE TO THE CONSUMER

Place is a key component of the marketing mix. It considers a business' location and the method of distribution used. This determines how the product gets to the end consumer.

Traditionally, bricks and mortar shops and **face-to-face** selling have been central to any business, but as **broadband speeds** and new **smartphone technology** have improved, digital distribution of services and online sales have overtaken physical stores. Online stores provide **convenience** to customers and a quick, **affordable** and **accessible** route to market, especially for smaller traders.

High street shop locations generally have a lot of potential customers walking past, especially at weekends. However, high shop rent and stiff competition from online retailers have meant many stores have closed.

Physical and digital channels

'Bricks and clicks' describes physical and online stores. Businesses do not need to choose between them. Many have a hybrid approach involving both approaches. Hybrid solutions offer more choice, greater flexibility and, potentially, a better service for customers. They can visit stores, see, feel and try goods on, then order them online later. Click and collect is another popular hybrid service. Data collected from online shoppers may also help improve services and product ranges in offline (physical) stores. Disadvantages include an increased cost of operating both online and offline channels, and difficulty keeping both operations streamlined with each other (stock numbers and the combined customer experience).

Whilst goods retailers find it difficult to operate without an online presence, the service sector, e.g. hairdressers and tattoo artists cannot offer online sales. They may, however, have a website.

An online presence with payment facilities is relatively quick and easy to set up. It is also relatively inexpensive compared to renting or buying a bricks and mortar outlet. The online-only option lowers costs for retailers, whilst maximising their target market and providing a potential for rapid growth.



Digital sales methods

E-commerce

Any transaction that takes place online. Mobile and internet payment and shopping facilities are commonly built into websites.

Website

Online stores or information offering 24/7 access to a global audience.

Social media

Effective advertising media to increase awareness and drive customers to a website.

Marketplace sites

Collections of goods and services, often sold on behalf of multiple independent sellers. Examples include Etsy, Not on the High Street and Amazon.

Online auction sites

Websites offering goods and services to the highest bidders, for example eBay.

Downloads

A way to deliver digital products or services to customers via the internet, for example on-demand films.

2. James receives emails throughout the day and night from foreign customers asking to buy subscriptions for his services.

Recommend an appropriate method of selling for James. Justify your answer.

Your response should include

- the advantages and disadvantages of **two** appropriate methods
- a conclusion.

[8]

An online website with an e-commerce function^[1] would allow customers access from anywhere in the world / at any time of day^[1] to make a purchase. Marketplace sites or online auction sites may be able to process a sale^[1] but then may not be able to provide access to the service.^[1] Face to face selling / a physical shop would not be suitable^[1] as customers are not local / would not be able to travel^[1] and James would find it difficult and expensive^[1] to keep a physical store open 24/7.^[1]

In conclusion, a website with an e-commerce facility would be the most efficient and effective thing to implement^[1] as it provides access to a global customer base and is not restricted by opening hours.^[1] This type of question will be marked using a Levels Based Marks Scheme. See page 59 for details.

1. Discuss **two** benefits of digital sales to a business. [6]

One advantage is that an online seller can sell to a global market.^[1] This is because they are selling goods on the Internet.^[1] This may enable them to reach many more customers than if they used physical stores.^[1] This could lead to increased sales and revenue.^[1]

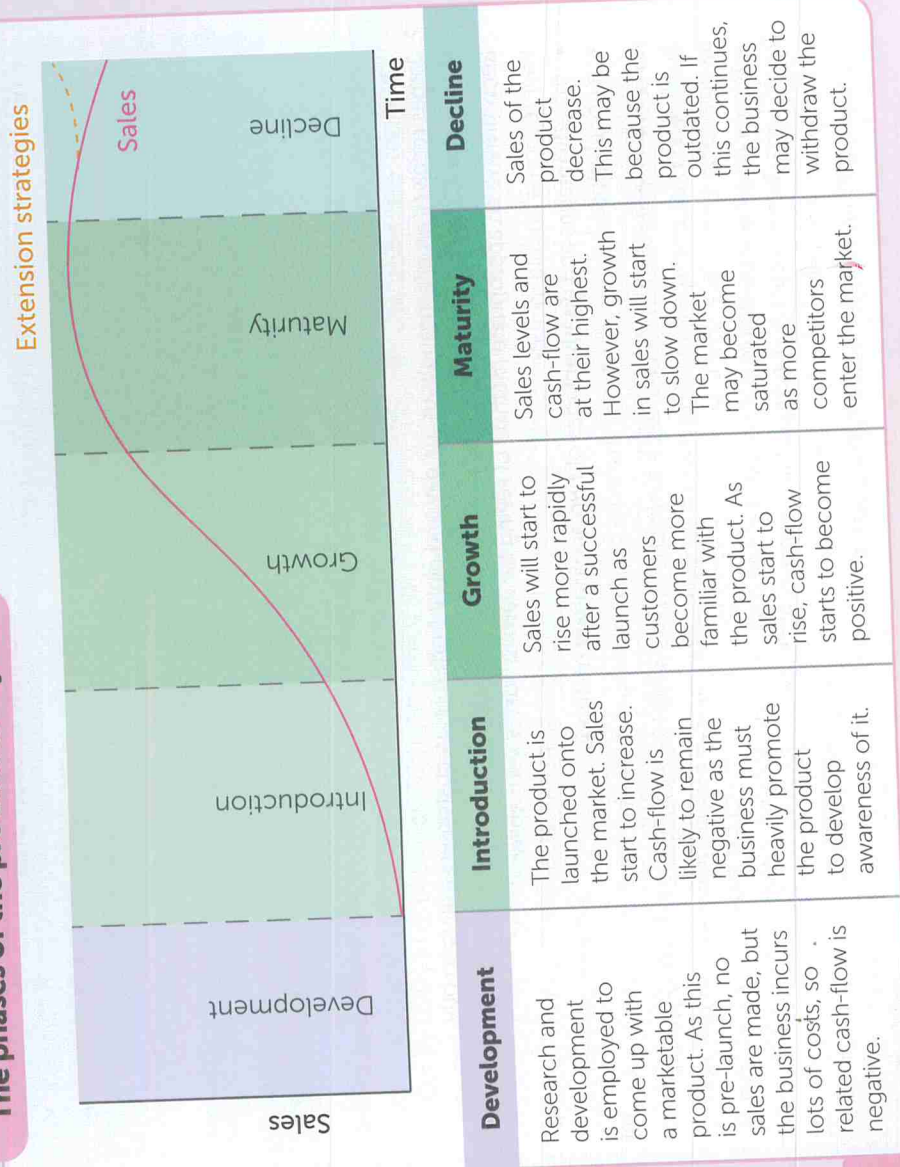
Another advantage is that they do not need expensive retail locations.^[1] This may lead to lower fixed costs since they do not need to pay to open physical stores.^[1] This would mean that total costs may be lower^[1] which would allow them to sell their products for less.^[1]



THE PRODUCT LIFE CYCLE

Businesses use the **product life cycle** to evaluate product life span. The product life cycle is a method that describes a product's stages from its introduction to the market until it is removed from the market. There are five stages: **development**, **introduction**, **growth**, **maturity**, and **decline**.

The phases of the product life cycle



Brenda sells burgers on a food truck. Brenda has noticed that the truck's new homemade vegan burger has become much more popular over the last few months. Identify the likely position of the vegan burger on the product life cycle.

Growth stage.^[1]

[1]

Note

Different products can be at different stages of this product life cycle at different times. Not all products reach the decline stage. Consider Coca-Cola. This product continues to be at the maturity stage despite being released over 100 years ago.

EXTENSION STRATEGIES FOR PRODUCTS IN THE PRODUCT LIFE CYCLE

Before a business' product enters the decline phase, a business can use an extension strategy to extend the maturity phase of the life cycle.

'Product' refers to both goods and services.

Extension strategies

Advertising

A change of strategy in advertising or promotional campaign can create an uplift in sales of a declining product. This may appeal to new people or remind past customers of its existence to an extent that they make a new purchase. Crocs shoes had a massive resurgence in 2022 thanks to collaborations with **celebrities** and the advertising that came with that.

- + Serves as a useful reminder of a product's existence and benefits
- + Can target a specific segment of the market to stimulate sales
- Needs to be ongoing in order to maintain effectiveness
- Can be expensive, especially with national campaigns



Adding value

(Improving the specification of an existing product.)

Companies may choose to **update a product** to improve its specification as it enters the decline phase of the life cycle. Imagine a version upgrade, a new range of colours, a longer lasting food or a more sustainable product edition. Nescafé launched a 'new improved flavour' in 2021 to extend the sales of their original instant coffee. Businesses may also bundle together additional extras with products, for example free accessories or an extended service contract.

- + Improves desirability where a product meets the needs of more customers
- Product development can be costly



Price changes

Discounting or reducing price as a product declines in sales can increase the demand for it, especially where customers could not afford the initial price. This method is popular with companies using **price skimming** where brand image is not affected by cheaper prices. Novels are often launched at a premium price which then drops over time to keep sales volumes high.

- + Customers may switch from other, more expensive, brands
- Reducing price means reducing profits

Extension strategies continued

Exploration of new markets (geographic or target market)

Once a product reaches decline in one market, there may be another market that opens up. This could potentially start the life cycle again at the introduction or growth stages, increasing the life and revenue of the product. This may apply to different market segments within the same region, or it could be a new city, country or overseas market, for example. Restaurant chains typically maintain maturity and growth by opening new stores in new locations or countries.

- + Provides opportunity for new sales growth
- + Spreads the balance of decline and growth over multiple markets
- Product needs to suit the new market and be accepted

New packaging

New packaging can refresh an existing product, giving it a newer and more appealing look. Heinz introduced the fridge pack which keeps beans fresher for longer once opened and offers portion control indicators down the side.

- + A new look can appeal to a new segment
- + May appear to be a newer or better product
- + New packaging may be cheaper or more environmentally friendly to produce
- Customers aren't fooled so easily and may respond negatively
- Regular customers may no longer recognise the product
- Costs of design and production of new packaging may increase the price of the product



FACTORS TO CONSIDER WHEN PRICING A PRODUCT TO ATTRACT AND RETAIN CUSTOMERS

The **price** a business charges plays an important role in developing a successful marketing mix.

Retaining customers is never easy, and attracting them in the first place is even harder for businesses. Price can play a key role in the buying decision so should be carefully considered.

Income levels of target customers

Customers can only purchase what they can afford, so increasing price, decreases your market. Some customer groups are more sensitive to price than others. Those with young families, for example, will have lower **disposable incomes**. Income levels will affect the potential value of a product to people. A business's pricing strategy needs to consider the likely value on their primary target market.

Price of competitor products

Customers will naturally compare like for like across brands so businesses should consider how their products will compete on price. For some markets, price will be a key buying factor.

Hamed has started a sole trader business selling plain sports clothing at a busy daily market. Analyse which factor is most important to Hamed in deciding what prices to charge. [3]

Customers visiting a market are likely to have lower disposable incomes than those visiting established stores.^[1] They may also be looking for a bargain/value.^[1] As a result, Hamed will need to make his products affordable.^[1] Hamed will need to price his products similarly to other traders of similar goods (as he has a limited USP with plain sports clothing), and below those of stores who can offer guarantees and returns.^[1] Consequently, this could lead to the business not selling enough products to breakeven.^[1]

Cost of production

The price of a product must be greater than the cost to develop the product in order to cover costs and make a **profit**. Whilst some businesses offer products at or below cost to try to increase market share by attracting new customers, this is not sustainable for very long.

Stage of the product life cycle

If a product has been identified as in decline, a decision could be made to reduce the price to increase sales again as an **extension strategy**.



TYPES OF PRICING STRATEGIES

Price is the value that is placed on a good or service offered. When marketing a product, it is important to set the correct price.

Many factors affect price depending on the **product**, its quality, the method of **promotion** the enterprise wishes to use, the **place** it is being sold and what the competitors are charging. Based on these factors an enterprise can use various different pricing strategies. A pricing strategy is a way of setting a price so that the enterprise can achieve its marketing aims and objectives.

Price penetration

Price penetration sets a lower price when a product is introduced to the market which increases as the product becomes more established. This helps the good or service to enter the market and gather an existing customer base who hopefully remain loyal to the brand.

Benefits

- Helps establish a market share by getting more products out there
- Discourages competitors from entering the market

Limitations

- Results in a much lower profit per unit
- Customers may not want to buy anymore once prices increase
- Price may be associated with quality which may put off some buyers

Price skimming

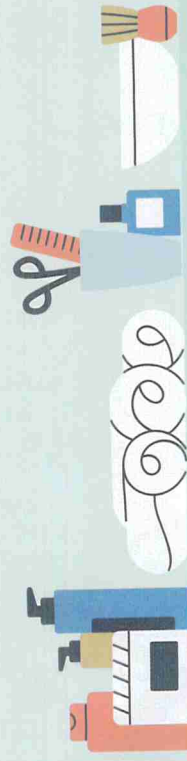
Price skimming sets a high initial price, usually because the product might be highly desired or of superior quality to competing products. As the product or service ages, the price lowers to try to continually attract new customers. Games console manufacturers often use this strategy.

Benefits

- Helps to recover product research and development costs more quickly
- Where price is associated with quality, a higher price may actually help sales
- Lowering prices over time can help prolong the maturity stage of the product life cycle

Limitations

- High prices may naturally put off some buyers in favour of cheaper alternatives
- High prices may attract competitors who think they can offer the same for less



Competitive pricing

Competitive pricing means that enterprises set their prices based on those of their competitors. They often try to undercut them or to at least match their prices. Some deliberately charge more to create a perception of quality.

Benefits

- Can quickly increase market share and profit margins
- Low risk and involves little research

Limitations

- Need to be certain that your competitor's products are correctly priced before you follow their strategy
- May mean you miss out on longer term opportunities

Psychological pricing

Psychological pricing is used to create an illusion of value. For example, setting prices at £9.99 instead of £10.00 seems more attractive, which helps to encourage sales.

Benefits

- Encourages sales as prices are seen as being lower than they really are
- Can create a valuable reputation of low prices

Limitations

- Difficult to apply discount percentages to prices to the exact pence as rounding errors occur
- People are becoming wise to the strategy so it is less and less effective

Mankish has recently opened a Turkish barber in a busy city high street.

When he opened the new store in May, he offered cuts at a very low price for the summer before raising them to match other barbers in the area.

- State the name of the pricing strategy Mankish used for the opening summer. [1]
- Explain **one** disadvantage of using competitive pricing for Mankish. [2]

(a) Price penetration. [1]

(b) Mankish is less well established than the competition^[1] and low initial prices may not cover the start up and running costs.^[1] Competitive pricing assumes others have set the right price^[1] but they may be in financial trouble and matching their errors may be a mistake.^[1] / Competitive pricing only really works if your good or service has better features than the competition.^[1]



EXAMINATION PRACTICE

1. Which **one** of the following is not part of the marketing mix? [1]
- A. Price.
 B. Place.
 C. Profit.
 D. Promotion.
2. A coffee shop offers a tenth drink free when nine stamps have been collected from previous purchases. Which of the following best describes this type of sales promotion? [1]
- A. Buy one, get one free (BOGOF).
 B. Loyalty scheme.
 C. Product trial.
 D. Sponsorship.
3. Which **one** of the following is a characteristic of the growth stage of the product life cycle? [1]
- A. Heavy promotion to encourage early sales.
 B. High research and development costs.
 C. Significant increase in sales.
 D. Slow decline in sales.
4. Celebrity endorsement and product placement are examples of: [1]
- A. Point of sale advertising.
 B. Psychological pricing.
 C. Public relations strategies.
 D. Sponsorship.
5. Which **one** of the following is considered an example of a non-digital advertising medium? [1]
- A. Blog.
 B. Cinema.
 C. Podcast.
 D. Website.

6. The sales for Watsons Tools are given in Figure 1.

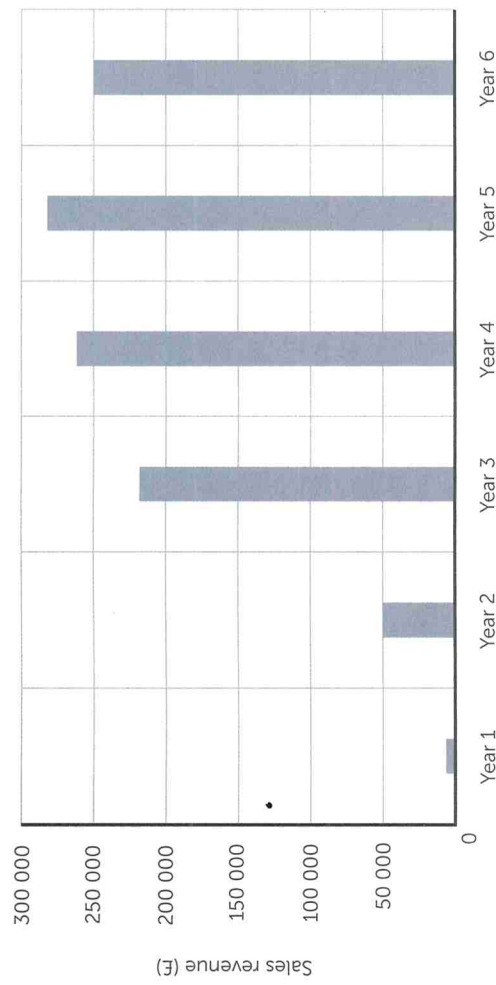


Figure 1

- (a) Identify the most likely stage of the product life cycle in Year 5. [1]
- (b) Describe **one** strategy the business could use to boost sales in Year 6. [3]
7. Your business needs to decide on a pricing strategy. Draw a line to link **each** pricing strategy with the correct action. You should draw **four** lines in total. [4]

Competitive pricing

Psychological pricing

Price skimming

Price penetration

Set prices high initially, then lower them over time.

Price products according to their actual value.

Add a percentage onto the costs of making the product.

Dynamically change prices depending on when, where and who is buying them.

Set prices based on those of other similar businesses.

Set a low initial price to maximise market share.

Set prices to appear lower e.g. £99.95.

8. Jasmine and Gary own a high street retro game shop. They sell both video games and board games. They have noticed that fewer people are visiting the store area, and this is affecting their revenue. They are considering investing in an ecommerce website to accompany store sales.

- (a) Explain **one** advantage to Jasmine and Gary of having a virtual store as well as a physical store. [2]
- (b) The owners have noticed that similar games shops nearby are still busy and think this may be related to price. Explain **one** reason why a business may need to know what price competitors are charging. [2]
- (c) State **two** disadvantages of online retail to a business. [2]

9. You have taken ownership of a popular mobile car detailing business. You need to attract new customers in order to maintain growth. You are considering a promotional campaign to raise awareness of a new alloy wheel repair service.

Discuss whether you should use social media or radio to advertise the new service.

Your recommendation should include:

- An advantage and a disadvantage of social media
- An advantage and a disadvantage of radio
- A justification for your decision.

[8]

5.1 APPROPRIATE FORMS OF OWNERSHIP FOR BUSINESS START-UPS

When an entrepreneur decides to start up a business, they have a number of different options for its formation. Each option will have an impact on the legal status of the business.

Limited and unlimited liability

If a business owner (entrepreneur) has **unlimited liability**, then they and the business are seen as the same legal entity. This is known as an **unincorporated** business. Any debts that the business has, will be the total responsibility of the owner. If the business cannot pay the debts off, then the owner may have to sell personal possessions to clear them. If an entrepreneur has **limited liability**, then they are seen as separate from the business in the eyes of the law. This is called **incorporation**, where the debts of the business are not regarded as personal debts of the owner. The entrepreneur is only liable for the amount of money that they have personally invested.

Types of ownership

Sole trader



A **single owner** keeps or reinvests all the profits as they wish.

Advantages

- Quick and easy to set up.
- Sole trader makes all the decisions.
- Business' financial information is kept private.

Disadvantages

- Sole trader faces unlimited liability.
- No partners to share the decision making with which can be lonely and stressful.
- May be more difficult to raise finance.
- Business may not run if sole trader is off sick or takes holiday.

Unlimited liability

