Cambridge

AS - Level

Business studies

CODE: (9609)

Unit 03- Chapter 18

The marketing mix – product and price

Introduction

The **marketing mix** is a range of tactical marketing decisions for a product

Marketing mix

The marketing mix is made up of four inter-related decisions − the 4Ps. Th ese are product design and performance, price, promotion including advertising and place, where and how a product will be sold to consumers:

■ Consumers require the right product. This might be an existing product, an adaptation of an existing product or a newly developed one.

■ The right price is important too. If set too low, then consumers might lose confidence in the product's quality; if too high, then many will be unable or unwilling to afford it.

■ Promotion must be effective – telling consumers about the product's availability and convincing them, if possible, that your brand is the one to choose.

■ Place refers to how the product is distributed to the consumer. If it is not available at the right time in the right place, then even the best product in the world will not be bought in the quantities expected

The role of the customer – the 4Cs

Some business analysts consider that the 4Ps approach is rather old-fashioned and too much centred on the firm and its product rather than the ultimate user – the consumer. Th e '4Cs' has been proposed as an alternative view of the key elements of successful marketing. Th ese can be summarised as:

■ Customer solution – what the firm needs to provide to meet the customer's needs and wants.

■ Cost to customer – the total cost of the product including extended guarantees, delivery charges and financing costs.

■ Communication with customer – providing up-to-date and easily accessible two-way communication links with customers to both promote the product and gain back important consumer market research information.

■ Convenience to customer – providing easily accessible pre-sales information and demonstrations and convenient locations for buying the product.

The 4Cs are important, however, in putting the customer first in marketing decisions and this is the key feature of **customer relationship management.**

KEY TERM

Marketing mix: the four key decisions that must be taken in the effective marketing of a product.

KEY TERM

Customer relationship management (CRM): using marketing activities to establish successful customer relationships so that existing customer loyalty can be maintained.

The key aim of CRM is not necessarily to **win** new customers but to **keep** existing ones.

However, now that technology has made customer data collection so much easier and cheaper, it is becoming a widely adopted marketing strategy. Developing effective long-term relationships can be achieved by:

■ targeted marketing – giving each customer the products and services they have indicated – from past purchases – they most need

4Ps	4Cs
Product	Customer solution
Price	Cost to customer
Promotion	Communication with customer
Place	Convenience to customer

Table 18.1 Linking the 4Ps and the 4Cs

■ customer service and support – essential to building customer loyalty, call centres have been criticised for letting existing customers down and many businesses are now focusing on improving these

■ providing as much information to customers as possible – about product materials/quality/features and service levels

■ using social media – some CRM systems integrate social media sites like Twitter, LinkedIn and Facebook to track and communicate with customers. Enterprise Feedback Management soft ware platforms.

Why is product a key part of the marketing mix?

It is sometimes said that 'You can sell any product to consumers once, but to establish loyalty and good customer relationships, the product must be right.' If the product does not meet customer expectations, as discovered by market research, regarding:

■ quality, ■ durability, ■ performance and ■ appearance

What is meant by the term 'product'?

Product includes consumer and industrial goods and services, with goods having physical existence and services having no physical existence. New product development (NPD) is crucial for businesses like computer games and can be adjusted to meet changing tastes. It is expensive and not always successful, and requires input from the marketing department to ensure the product is accepted and bought by the market.

Unique selling point

The most successful new products are those that are differentiated from competitors' products and off er something 'special'

Benefits of an effective USP include:

■ Effective promotion that focuses on the differentiating feature of the product or service.

■ Opportunities to charge higher prices due to exclusive design/service.

■ Free publicity from business media reporting on the USP.

■ Higher sales than undifferentiated products.

■ Customers more willing to be identified with the brand because 'it's different'.

Tangible and intangible attributes

Why do consumers pay more for a well-known **brand** of aspirin than a generic, non-branded, cheaper alternative?

However, marketing managers should try to understand what '**intangible features or attributes'** customers are looking for when making their purchasing decisions, as well as, for example, 'what colour of car and which size of engine' they are likely to prefer. Meeting customers 'intangible expectations' for a **product** is most commonly achieved by effective branding.

Dyson vacuum cleaners

KEY TERMS

Brand: an identifying symbol, name, image or trademark that distinguishes a product from its competitors.

Intangible attributes of a product: subjective opinions of customers about a product that cannot be measured or compared easily.

Tangible attributes of a product: measurable features of a product that can be easily compared with other products.

Product: the end result of the production process sold on the market to satisfy a customer need.

Products and brands

Mobile (cell) phones are an example of a product, but Vodafone is an example of a brand. What is the difference? T h e product is the general term used to describe the nature of what is being sold. Th e brand is the distinguishing name or symbol that is used to differentiate one manufacturer's products from another.

Product positioning

Before deciding on which product to develop and launch, it is common for fi rms to analyse how the new brand will relate to the other brands in the market, in the minds of consumers. This is called positioning the product by using techniques such as market mapping. Th e first stage is to identify the features of this type of product considered to be important to consumers – as established by market research.

Figures 18.1 and 18.2 illustrate the main cola products of the Coca-Cola Company and PepsiCo and their brand perceptions. Th e **product positioning** graph uses the two criteria:

- Male/female consumers.
- High/no calories.

Coca Cola product line	Pepsi product line
Coca Cola	Pepsi
Coca Cola c2	Pepsi Max
Diet Coke	Diet Pepsi
Coca Cola Zero	Pepsi one

Figure 18.1 Coca-Cola and Pepsi brand comparison chart

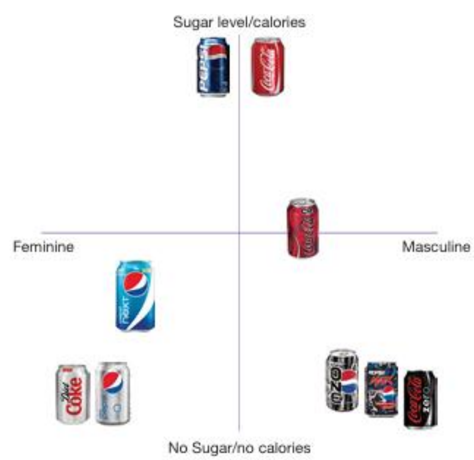

Figure 18.2 Coca-Cola and Pepsi sugar/calories comparison chart

Product life cycle

Knowing when to launch a new product or update an existing one can give a business a crucial advantage. **Product portfolio analysis** helps make these decisions.

An awareness of the **product life-cycle** principle can assist greatly in dealing with this problem and is one of the main forms of product portfolio analysis.

KEY TERM

Product positioning: the consumer perception of a product or service as compared to its competitors.

Points to note on each stage:

■ Introduction: This is when the product has just been launched aft er development and testing.

■ Growth: If the product is effectively promoted and well received by the market, then sales should grow significantly. This stage cannot last for ever, although all firms wish that it would.

■ Maturity or saturation: At this stage, sales fail to grow, but they do not decline significantly either. This stage can last for years, for example Coca-Cola. The saturation of **consumer durables** markets is caused by most consumers who want a certain product having already bought one

■ Decline: During this phase, sales will decline steadily. Either no extension strategy has been tried or it has not worked, or the product is so obsolete that the only option is replacement

KEY TERMS

Product portfolio analysis: analysing the range of existing products of a business to help allocate resources effectively between them.

Product life cycle: the pattern of sales recorded by a product from launch to withdrawal from the market and is one of the main forms of product portfolio analysis.

KEY TERM

Consumer durable: manufactured product that can be reused and is expected to have a reasonably long life, such as a car or washing machine.

Uses of the product life cycle

The life-cycle concept has three main uses:

■ Assisting with planning marketing-mix decisions, such as new product launches and price or promotion changes.

■ Identifying how cash flow might depend on the cycle.

■ Recognising the need for a balanced product portfolio. Assisting with the planning of marketing-mix decisions

■ When would you advise a firm to lower the price of its product – at the growth or at the decline stage?

■ In which phase is advertising likely to be most important – during introduction or at maturity?

■ When should variations be made to the product – during introduction or at maturity?

Awareness of the product life cycle is crucial for marketing managers, as it influences price, product, promotion, and place decisions. However, final decisions depend on competitors' actions, the economy's state, and the business's marketing objectives, as suggested by Table 18.2.

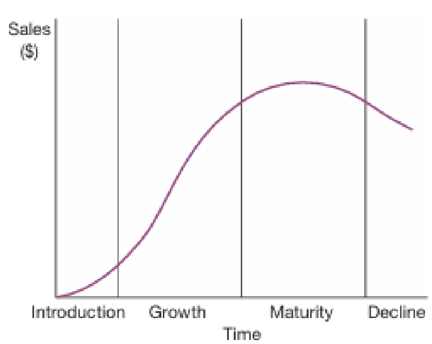

Figure 18.3 Product life cycle – the length of each stage will vary from product to product

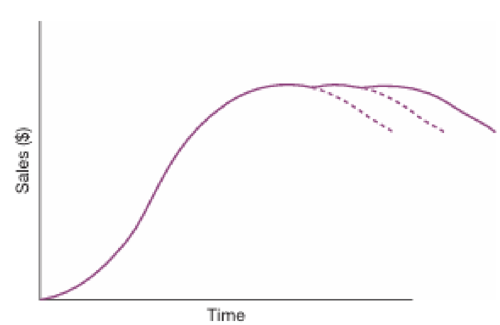

Figure 18.4 Product life cycle – showing the effect of extension strategies

Phase of the product life cycle	Price	Promotion	Place (distribution outlets)	Product
Introduction	■ may be high compared to competitors (skimming) or low (penetration)	■ high levels of informative advertising to make consumers aware of the product's arrival on the market	■ restricted outlets – possibly high-class outlets if a skimming strategy is adopted	■ basic model
Growth	■ if successful, an initial penetration pricing strategy could now lead to rising prices	■ consumers need to be convinced to make repeat purchases – brand identification will help to establish consumer loyalty	■ growing numbers of outlets in areas indicated by strength of consumer demand	■ planning of product improvements and developments to maintain consumer appeal
Maturity	■ competitors likely to be entering market – there will be a need to keep prices at competitive levels	■ brand imaging continues – growing need to stress the positive differences with competitors' products	■ highest geographical range of outlets possible – developing new types of outlets where possible	■ new models, colours, accessories, etc. as part of extension strategies
Decline	■ lower prices to sell off stock – or if the product has a small 'cult' following, prices could even rise	■ advertising likely to be very limited – may just be used to inform of lower prices	■ eliminate unprofitable outlets for the product	■ prepare to replace with other products – slowly withdraw from certain markets

Table 18.2 The marketing mix and phases of the product life cycle

Identifying how cash flow might depend on the product life cycle

■ Cash flow is vital to business survival and ignoring the link between cash flow and product life cycles could be very serious. Figure 18.5 shows this typical relationship.

■ Cash flow is negative during the development of the product as costs are high, but nothing has yet been produced or sold.

■ At introduction, the development costs might have ended but heavy promotional expenses are likely to be incurred – and these could continue into the growth phase. In addition, there is likely to be much unused factory capacity at this stage, which will place a further strain on costs.

■ The maturity phase is likely to see the most positive cash flows, because sales are high, promotion costs might be limited and spare factory capacity should be low.

■ As the product passes into decline, so price reductions and falling sales are likely to combine to reduce cash flows. Clearly, if a business had too many of its products either at the decline or the introduction phase, then the consequences for cash flow could be serious.

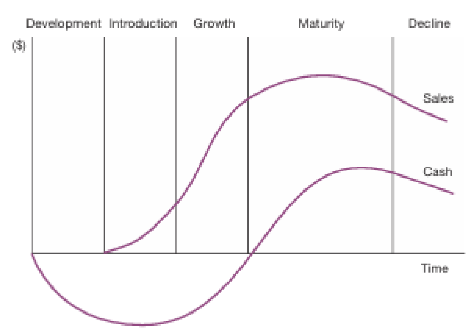

Figure 18.5 The link between cash flow and product life cycle

Identifying the need for a balanced product portfolio

Look at Figure 18.6. Th is shows an 'ideal' position for a business to be in. As one product declines, so other products are being developed and introduced to take its place. Cash flow should be reasonably balanced, so there are products at every stage and the positive cash flows of the successful ones can be used to fi nance the cash deficits of others.

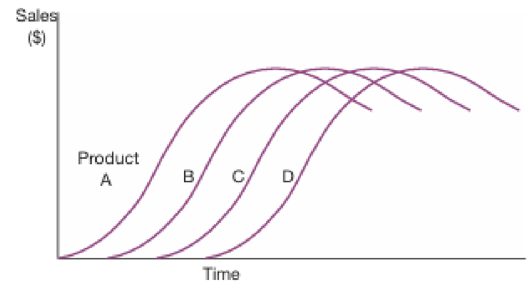

Figure 18.6 A balanced product portfolio

Product life cycle – evaluation

Product life cycle analysis is crucial for evaluating a company's product range and marketing audit. However, it cannot predict the future, as sales growth may not continue until a long maturity period. To be effective, it should be combined with sales forecasts and management experience, as well as sales forecasts, to aid in effective product planning.

Product portfolio analysis – an evaluation

Effective product portfolio management is crucial for businesses to achieve marketing objectives. Products must be developed, marketed, and managed to increase sales profitably. A balanced marketing mix includes price, promotion, and place. A well-managed product portfolio with distinct customer benefits is essential for achieving marketing objectives.

Why is price a key part of the marketing mix?

Price is the amount paid by customers for a product. Determining an appropriate price for a good or service is a vital component of the marketing mix.

The pricing level set for a product will also:

■ determine the degree of value added by the business to bought-in components

■ influence the revenue and profit made by a business due to the impact on demand

■ reflect on the marketing objectives of the business and help establish the psychological image and identity of a product.

Price elasticity of demand

Look at the two demand curves in Figures 18.7 and 18.8, D2 D2 has a steeper gradient than D1 D1. What impact does the slope or gradient of the curves have on the demand levels for these two products when prices are changed?

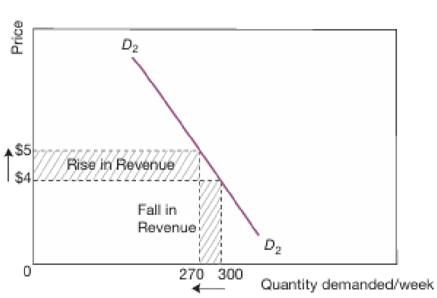

Figure 18.7 Demand curve for product A

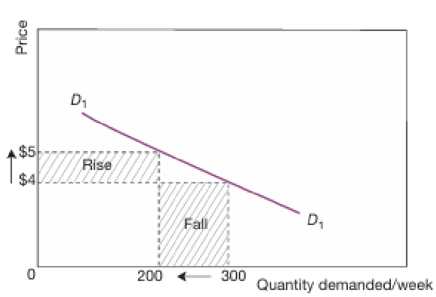

Figure 18.8 Demand curve for product B

This relationship between price changes and the size of the resulting change in demand is known as **price elasticity of demand**

The formula for price elasticity of demand (PED) is:

$$\frac{\text{percentage change in quantity demanded}}{\text{percentage change in price}}$$

Value of PED (ignoring minus sign)	Classification	Explanation
Zero	Perfectly inelastic demand	■ The same amount is demanded, no matter what the price. In reality, there is no product that would have this PED.
Between 0 and 1	Inelastic demand	■ The percentage change in demand is less than the percentage change in price. If a firm faces this elasticity of demand, it can raise the price, not lose much demand and increase sales revenue. However, this cannot keep happening. As the price continues to rise, demand will become more elastic.
Unitary	Unit elasticity	■ The percentage change in demand is equal and opposite to the percentage change in price, so any price change will lead to an equal change in demand and the total sales revenue will remain constant. When PED = 1, sales revenue will be maximised.
Between 1 and infinity (∞)	Elastic demand	■ The percentage change in demand is greater than the percentage change in price. If a firm faces this elasticity of demand, then it can lower the price, pick up a lot more demand and increase sales revenue.
Infinity (∞)	Perfectly elastic demand	■ An infinitely large amount is demanded at one price and then demand falls to zero if the price is raised, even by the smallest amount. In reality, there is no product that would have this PED.

Table 18.3 The potential range of elasticity and its effects (negative signs are not shown)

Factors that determine price elasticity

Th ere are a number of factors that will determine the PED of a product:

1 How necessary the product is: The more necessary consumers consider a product to be, the less they will react to price changes. This will tend to make the demand inelastic, for example salt and oil.

2 How many similar competing products or brands there are: If there are many competitors, then there are a large number of substitutes, and consumers will quickly switch to another brand if the price of one manufacturer's product increases − for example fruit being sold by one seller in a large street market. Any move by a business to reduce

3 The level of consumer loyalty: If a firm has successfully branded its product to create a high degree of loyalty among consumers, like Coca-Cola, then the consumers will be likely to continue to purchase the product following a price rise.

4 The price of the product as a proportion of consumers' incomes: A cheap product that takes up a small proportion of consumers' incomes, such as matches or batteries, is likely to have inelastic demand, as consumers will not care too much about a 10% or 15% price increase

Applications of price elasticity of demand

T h ere are two main business uses of PED:

1 Making more accurate sales forecasts: If a business is considering a price increase, perhaps to cover rises in production costs, then an awareness of PED should allow forecast demand to be calculated.

2 Assisting in pricing decisions: If an operator of bus services is considering changing its pricing structure, then, if it is aware of the PED of different routes, it could raise prices on routes with low PED (inelastic) and lower them on routes with high PED

Evaluation of price elasticity of demand

PED has its uses as we have seen, but the concept and the results gained from it must be used with caution. It has three main limitations:

1. PED assumes no changes, but if a competitor leaves the industry and consumer incomes rise, the resulting sales increase may not solely be due to the price drop, making accurate calculation difficult.

2. A PED calculation, even when price changes, becomes outdated quickly due to changing consumer tastes and new competitors, requiring frequent recalculations to stay relevant.

3. Calculating PED can be challenging due to outdated data and changing market conditions. For new products, market research is needed to estimate PED by identifying potential customer purchases at different prices, subject to similar inaccuracies as other market research methods.

The pricing decision – how do managers determine the appropriate price?

There are many determinants of the pricing decision for any product. Here are the main ones:

■ **Costs of production**: If the business is to make a profit on the sale of a product, then, at least in the long term, the price must cover all of the costs of producing it and of bringing it to the market. These costs include the variable costs and the fixed costs

■ Competitive conditions in the market: If the firm is a monopolist, it is likely to have more freedom in price setting than if it is one of many firms making the same type of product. A firm with a high market share may be referred to as a dominant firm and it is likely to be a price setter – setting prices for other smaller firms in the market to follow.

■ Competitors' prices: Related to the previous point, it may be difficult to set a price very different from that of the market leader, unless true product differentiation (see above) can be established.

■ Business and marketing objectives: If the aim is to become market leader through mass marketing (see Chapter 16), then this will require a different price level to that set by a business aiming at select niche marketing.

■ Price elasticity of demand: The significance of this has already been discussed above.

■ Whether it is a new or an existing product: If new, a decision will have to be made as to whether a 'skimming' or a 'penetration' strategy is to be adopted

Pricing methods

Th ere are several different pricing methods that can be used and these are broadly categorised into cost-based methods and market/competition-based methods (see Table 18.4).

Cost-based pricing

Th e basic idea is that fi rms will assess their costs of producing or supplying each unit, and then add an amount on top of the calculated cost. Th ere are a number of different methods of cost-based pricing that may be adopted:

Mark-up pricing

This method is often used by retailers, who take the price that they pay the producer or wholesaler for the product in question, and then just add a percentage mark-up. Th e size of the mark-up usually depends upon a combination of the strength of demand for the product, the number of other suppliers and the age and stage of life of the product.

KEY TERM

Mark-up pricing: adding a fixed mark-up for profit to the unit price of a product.

Target pricing

This is best explained by an example. If a company has costs of $400,000 when making 10,000 units of output and has an expected rate of return of 20%, then it will set its price by working out its total cost and expected return and then dividing the amount by the output.

KEY TERM

Target pricing: setting a price that will give a required rate of return at a certain level of output/sales.

Methods	Advantages	Disadvantages
Full-cost pricing	■ price set will cover all costs of production ■ easy to calculate for single-product firms where there is no doubt about fixed cost allocation ■ suitable for firms that are 'price-makers' due to market dominance	■ inaccurate for businesses with several products where there is doubt over the allocation of fixed costs ■ does not take market/competitive conditions into account ■ tends to be inflexible, e.g. there might be opportunities to increase price even higher ■ if sales fall, average costs often rise – this could lead to the price being raised using this method
Contribution pricing	■ all variable costs will be covered by the price – and a contribution made to fixed costs ■ suitable for firms producing several products – fixed costs do not have to be allocated ■ flexible – price can be adapted to suit market conditions or to accept special orders	■ fixed costs may not be covered ■ if prices vary too much – due to the flexibility advantage – then regular customers might be annoyed
Competitor pricing	■ almost essential for firms with little market power – price-takers ■ flexible to market and competitive conditions	■ price set may not cover all of the costs of production ■ may have to vary price frequently due to changing market and competitive conditions
Price discrimination	■ uses price elasticity knowledge to charge different prices in order to increase total revenue	■ administrative costs of having different pricing levels ■ customers may switch to lower-priced market ■ consumers paying higher prices may object and look for alternatives

Table 18.4 Summary of pricing methods

Full-cost (or absorption-cost) pricing

However, it is not always easy to allocate or divide all of the costs of a fi rm to a specific product, especially if the fi rm makes a range of products. It is especially difficult to allocate the fixed costs. The method differs from mark-up pricing only to the extent that a method of allocating fixed costs among the various products being sold has to be found.

> **KEY TERM**
>
> **Full-cost pricing:** setting a price by calculating a unit cost for the product (allocated fixed and variable costs) and then adding a fixed profit margin.

> **KEY TERM**
>
> **Contribution-cost pricing:** setting prices based on the variable costs of making a product in order to make a contribution towards fixed costs and profit.

Contribution-cost (or marginal-cost) pricing

This method does not try to allocate the fixed costs to specific products. Instead of this, the fi rm calculates a unit variable cost for the product in question and then adds an extra amount that is known as a 'contribution' to fixed costs. If enough units are sold, the total contribution will be enough to cover the fixed costs and to return a profit.

Competition-based pricing

There are a number of different possible scenarios in which this approach can be used:

■ Price leadership often exists in markets where there is one dominant firm and other firms simply charge a price based upon that set by the market leader.

■ Some markets have a number of firms the same size, but prices are still similar in order to avoid a price war. An example of this would be the large petrol companies.

■ Destroyer pricing exists when firms note the price of competitors' products and then deliberately undercut them in order to try to force them out of the market.

■ Market pricing is where the price charged is based upon a study of the conditions that prevail in a certain market. This is sometimes also called consumer-based pricing, because, when the market is studied, it is in many ways the actions of consumers in that market that are actually being looked at..

A number of different pricing strategies come under the heading of market orientated pricing:

❑ Perceived-value pricing (customer-value pricing) is used in markets where demand is known to be inelastic and a price is placed upon the product that reflects its value, as perceived by the consumers in the market.

❑ Price discrimination takes place in markets where it is possible to charge different groups of consumer's different prices for the same product.

❑Dynamic pricing: The increasing use of constantly changing prices when selling goods to different customers – especially online through e-commerce. E-commerce has become a 'hot spot' for dynamic pricing models due to the way consumers can be 'separated by and communicated with' over the internet.

> **KEY TERM**
>
> **Dynamic pricing:** offering goods at a price that changes according to the level of demand and the customer's ability to pay.

Pricing strategies for new products

These are normally split into two different approaches depending on the marketing objectives of the business.

1 Penetration pricing

Firms tend to adopt penetration pricing because they are attempting to use mass marketing and gain a large market share. If the product gains a large market share, then the price could slowly be increased. See Figure 18.9.

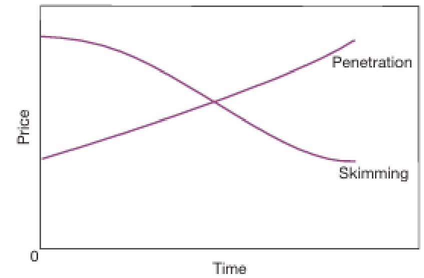

Figure 18.9 Market-skimming and penetration pricing strategies

2 Market skimming

This pricing strategy aims to maximize short-term profits before competitors enter the market with similar products and project an exclusive image for the product. If rivals launch similar products, the original product price may be reduced over time. For example, pharmaceutical firms often charge high prices to recoup research investments and maintain market share.

KEY TERM

Penetration pricing: setting a relatively low price often supported by strong promotion in order to achieve a high volume of sales.

KEY TERM

Market skimming: setting a high price for a new product when a firm has a unique or highly differentiated product with low price elasticity of demand.

Pricing decisions – some additional issues

Level of competition

The easier it is for new fi rms to join an industry, the more competitive market conditions are likely to be. It is not technically difficult to become a clothing retailer or a window cleaner – so there are many competing fi rms in these markets.

Economists suggest that there are four conditions for this to exist:

1 Perfect consumer knowledge about prices and products.

2 Firms' products are of equal quality or homogeneous.

3 There is freed om of entry into and exit from the industry

4 There are many consumers and producers, and none of the latter is big enough to influence prices on its own.

How do these firms compete with each other? In nearly all oligopolistic industries, fi rms compete in one of the following ways:

■ Price wars to gain market share: These can be very damaging to profits and can, in extreme cases, lead to some weaker firms being forced out of the industry. This might reduce long-run competition in the industry.

■ Non-price competition: Due to the potentially unprofitable effect of price wars, oligopolists often engage in fierce and competitive promotional campaigns that are designed to establish brand identity and dominance

■ Collusion: As both of the forms of competition referred to above are expensive and may reduce profits, the few firms in an oligopolistic industry would find it relatively easy to collude, as in the formation of a cartel.

Loss leaders

This is a common tactic used by retailers. It involves the setting of very low prices for some products – possibly even below variable costs – in the expectation that consumers will buy other goods too. Th e fi rms hope that the profits earned by these other goods will exceed the loss made on the low-priced ones

Psychological pricing

This has two aspects. Firstly, it is very common for manufacturers and retailers to set prices just below key price levels in order to make the price appear much lower than it is.

Psychological pricing involves using market research to avoid setting prices that consumers find inappropriate for a product's style and quality. Low prices for cosmetics or perfume may not create the desired status or exclusive image, while high prices may exceed consumer perceptions, damaging sales and potentially causing potential buyers to be put off.

Pricing decisions – an evaluation

■ It would be incorrect to assume that one firm will use the same pricing method for all of its products. This would be unwise as the market conditions for the different products could vary greatly.

■ Level of price can have such a powerful influence on consumer purchasing behaviour that marketing managers should ensure that market research is used to test the impact of different levels of price on potential demand.

■ In the world of fast-moving consumer goods, there is often surprisingly little to be gained by adopting a ACTIVITY 18.10 low-price strategy at all times – consumers expect good value, not necessarily low prices. 'Good value' means that all aspects of the marketing mix are combined and integrated together so that consumers accept the overall position of the product and agree that its image justifies the price charged for it.

■ In assessing whether a product offers good value, price is only one factor. The complete brand image or lifestyle offered by the good is increasingly important in a world where many consumers have so much choice and their incomes are rising.

Revision questions

Q1: Case Study 144: Fish and Chips (FC).9609/23/O/N/18/Q2 (a) (i)
Define the term 'Unique Selling Point (USP)' (line 3). [2]

Q2: Case Study 26: (Cheapo Air) 9707/22/M/J/09/Q2 (c)
Explain the following terms: price inelastic. [3]

Q3: Case Study 39: (Big Boxes) 9707/22/O/N/10/Q1 (a) (ii)
Explain the following terms: e-commerce. [3]

Q4: Case Study 44: (United Coal) 9707/21/M/J/11/Q2 (a) (ii)
Explain the following terms: Product Portfolio. [3]

Q5: Case Study 58: Large town Football Club (LFC) 9707/21/M/J/12/Q2 (a) (ii)
Explain the following terms: Above the line promotion (line 8). [3]

Q6: Case Study 31: (Taylor's Tables) 9707/21/M/J/10/Q2 (a) (i)
Explain the following terms: product life cycle. [3]

Q7: Case Study 60: Deucetown Sports club (DSC) 9707/23/M/J/12/Q2 (a) (ii)
Explain the following terms: Below the line promotion (line 5-6). [3]

Q8: Case Study 69: Regal Restaurant (RR).9707/22/M/J/13/Q1 (a) (ii)
Explain the following terms: Above the line promotion. [3]

Q9: Case Study 99: Popular Presents (PP) 9707/22/O/N/15/Q1 (b) (ii)
Explain the disadvantages to PP of using penetration pricing strategy. [3]

Q10: Case Study 100: Kitchen Quality Appliances (KQA) 9707/22/O/N/15/Q2 (a) (i)
Explain the following terms: Portfolio analysis (line 4-5). [3]

Q11: Case Study 79: Super View (SV) 9707/21/M/J/14/Q1 (a) (i)
Explain the following terms: Dynamic pricing. [3]

Q12: Case Study 81: Let's Make Music (LMM).9707/22/M/J/14/Q1 (a) (ii)
Explain the following terms: 4Ps. [3]

Q13: Case Study 84: Enterprise Energy (EE) 9707/23/M/J/14/Q2 (a)
Explain the following terms:
(i)Price discrimination. [3]
(ii)4C's. [3]

Q14: Case Study 2: (The Tee Business Ltd) 9707/02/M/J/03/Q2 (b)
(i)Calculate the price elasticity of demand, following the price decrease from $20 to 18. [3]
(ii)Comment briefly on your answer to (b) (ii). [2]

Q15: Case Study 114: Fire Fly EBooks (FFE).9609/22/O/N/16/Q2 (a)
(i)Define the term 'brand' (line 8). [2]
(ii)Briefly explain the term 'price elasticity of demand' (line 5-6). [3]

Q16: Case Study 14: (Hilltop Services) 9707/02/O/N/06/Q1 (d)
(i)Using data from the case calculate the price elasticity of demand for Farad's sales of petrol. [3]
(ii)Comment own your answer to (b) (i). [3]

Q17: Case Study 23: (CC Cosmetics) 9707/02/O/N/08/Q2 (b)
(i)Using table 4 calculate the price elasticity of demand for CC's main product. [2]

(ii)The price elasticity of demand for their competitor is 1.2. How might CC use the information on elasticity and your answer in (b)(i) for deciding on their marketing mix? [4]

Q18: Case Study 86: Blooming Flowers (BF) 9707/21/O/N/14/Q2 (b)
(i)Fiona has set a promotional budget based on 5% of sale revenue. Using table 2 calculate Fiona's promotion budget for the first six months of trading. [2]

(ii)Explain two suitable methods of promotions that Fiona could use for her new shop. [4]

Q19: Case Study 71: Coffee Paradise (CP).9707/23/M/J/13/Q1 (b)
(i)Assume CP uses a markup of 70% on costs for pricing its meals. Using the information in Table 1, Calculate the price that CP would charge for its meals. [3]

(ii)Explain one factor (other than mark-up) that Anna should consider when deciding on the price for meals. [3]

Q20: Case Study 72: Cando eCables (CeC).9707/23/M/J/13/Q2 (a) (i)
(i)Using Table 3, calculate the price elasticity of demand for computer cables. [2]

(ii)The price elasticity of demand for industrial cables is estimated to be -0.2. Using this information and your answer to (b)(i), briefly comment on the differences between the markets for CeC's products. [4]

Q21: Case Study 16: (Tech New) 9707/02/M/J/07/Q2 (b)
(i)Calculate the percentage change in sales of components between 2005 and 2006. [2]
(ii)How does your answer to (b)(i) and other information in Table 1 support Tariq's idea of focusing more on the sale of components? [6]

Q22: Case Study 95: Enterprise Electricals (EE).9707/23/M/J/15/Q1 (b)
(i)Calculate the price elasticity of demand for refrigerators. [3]
(ii)Using your answer to (i), Comment on the usefulness to EE of price elasticity of [3]

Q23: Case Study 107: Scented Candles (SC).9609/22/M/J/16/Q1 (b)
(i)Refer to Table 1. Calculate the price elasticity of demand for Candle A when the price is reduced from $5 to $4. [3]
(ii)Explain one benefit to SC from using price elasticity of demand when making pricing decision. [3]

Q24: Case Study 143: Onetime Taxis (OT) 9609/23/O/N/18/Q1 (d)
Briefly explain the term 'competitive pricing strategy' (line 3). [3]

Q25: Case Study 146: Sadiq's Social Restaurant (SSR) 9609/22/F/M/19/Q2 (b)
SSR uses cost-based pricing to add 60% to variable costs when pricing each meal.
(i)Refer to Table 2.1. Calculate the average price of each meal in the proposed city Centre restaurant. [3]
(ii)Briefly explain one advantage to SSR of using cost-based pricing. [3]

Q26: Case Study 118: Clean and Tidy (CT) 9609/22/F/M/17/Q2 (b) (ii)
Refer to Table 2. Calculate the price elasticity of demand for change in price from $8 to $6 per hour. [3]

Q27: Case Study 118: Clean and Tidy (CT) 9609/22/F/M/17/Q2 (b) (ii)
Explain one way in which CT could make use of price elasticity of demand calculations. [3]

Q28: Case Study 130: Perfik Plumbing (PP).9609/23/O/N/17/Q2 (b)
(i)Refer to Table 2. Calculate the price elasticity of demand if Navpreet changes her price from $24 to $30 per hour. [3]
(ii)Explain one way in which PP could make use of price elasticity of demand calculations. [3]

Q29: Case Study 150: Too Tasty (TT) 9609/22/M/J/19/Q2 (c)
(i)Refer to Table 2.1. Calculate the effect of a price increase to $ 1.10 on the level of sales of the carrot variety of chips. [3]
(ii)Explain one way in which the price elasticity of demand figures may be useful to TT. [3]

Q30: Case Study 78: George's Gym (GG).9707/23/O/N/13/Q2 (b) (ii)
Explain how George might use the concept of price elasticity of demand in deciding whether or not to increase GG's membership fee. [4]

Q31: Case Study 11: (The Read & Learn Bookshop) 9707/02/O/N/05/Q1 (c)
Calculate the price elasticity of demand for travel books between 2002 and 2004. [4]

Q32: Case Study 108: Mackintosh Shoes (MS).9609/22/M/J/16/Q2 (b) (ii)
Explain the likely impact on MS of the fail in the average price of shoes. [4]

Q33: Case Study 115: Exam Success (ES).9609/23/O/N/16/Q1 (c)
Explain two ways Anaya might increase the forecast revenue. [4]

Q34: Case Study 80: Top Quality Supermarkets (TQ).9707/21/M/J/14/Q2 (b)
Analyze the likely impact on TQ's competitiveness of the proposed changes to its marketing mix. [8]

Q35: Case Study 93: Easy Television (ET).9707/22/M/J/15/Q1 (c)
Analyze how ET could use portfolio analysis in planning for future programmers. Refer to Table 1. [8]

Q36: Case Study 9: (Mat pack Packaging pick) 9707/02/M/J/05/Q1 (c)
Analyze the marketing factors that MPP should consider when launching the new product. [8]

Q37: Case Study 11: (The Read & Learn Bookshop) 9707/02/O/N/05/Q1 (c)
Analyze the factors that Sophia should take into account in deciding whether to stop selling travel books and to stock University books. [8]

Q38: Case Study 26: (Cheapo Air) 9707/22/M/J/09/Q2 (c)
Analyze the factors that CA would need to consider in setting a price for their business customers. [8]

Q39: Case Study 61: Tiger Skateboards (TS).9707/21/O/N/12/Q1 (a) (ii)
Analyze why the relationship between customer and the business (the 4Cs) will be important to TS if it decides to launch the new product. [8]

Q40: Case Study 67: The Harbor Hotel (HH).9707/21/M/J/13/Q1 (b)
Analyze how HH could change its marketing mix. If the target market is changed to business customers. [8]

Q41: Case Study 101: Classic Cushions (CC) 9707/23/O/N/15/Q1 (d)
Analyze the issue that CC should consider when deciding whether to use ecommerce for selling the new product range. [8]