

Cambridge AS & A Level · Business 9609 · Notes

The marketing mix

AS

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Read first: [The nature of marketing](#)

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What you need to know

By the end of this topic you should be able to:

1. **Name and explain the four elements of the marketing mix (the 4Ps):** product, price, promotion and place (the channels of distribution).
2. **Explain the difference between goods and services.**
3. **Explain the tangible and intangible attributes of a product.**
4. **Explain why product development matters** to a business.
5. **Explain product differentiation and a unique selling point (USP)**, and why they matter.
6. **Use the product life cycle:** its stages, and decisions about extension strategies.
7. **Use Boston Matrix analysis** and explain what it is used for.
8. **Explain how product portfolio analysis affects marketing decisions.**
9. **Explain the objectives and usefulness of seven pricing methods:** competitive, penetration, skimming, price discrimination, dynamic, cost-based and psychological.
10. **Explain the objectives and usefulness of different promotion methods:** advertising, sales promotion, direct promotion, the newer digital methods, and the part played by packaging and branding.
11. **Explain the objectives and usefulness of different channels of distribution**, including digital and physical distribution.

Market share and segmentation are in the nature of marketing; price elasticity and the marketing plan are A Level topics.

Understand it

The marketing mix

The **marketing mix** is the set of decisions a business makes about how it will sell a product to its target customers. The four decisions are known as the **4Ps**:

Element	The question it answers	Decisions include
Product	What exactly are we selling?	design, features, quality, range, brand name, packaging, after-sales service
Price	What will customers pay?	pricing method, discounts, payment terms
Promotion	How will customers find out about it and be persuaded to buy?	advertising, sales promotion, direct promotion, digital promotion, branding
Place	Where and how will customers get it?	channel of distribution, outlets, online selling, delivery

The four decisions only work if they **fit together** and suit the **target market**: a hand-made leather wallet at a high price needs upmarket outlets and a quality image, not a market stall with "buy one, get one free" signs. A mix whose parts support each other is **coordinated** (integrated).

Goods and services

Goods are physical products that can be touched, stored and owned (a laptop, a chair). **Services** are activities done for a customer (a haircut, insurance): they cannot be stored (tonight's empty flight seat is lost), their quality varies with who provides them, and they cannot be seen before purchase, so reviews and reputation carry much of their promotion. Many products mix the two: a new car comes with servicing and a warranty.

Tangible and intangible attributes

Tangible attributes are physical and measurable: size, materials, design, performance, ingredients.

Intangible attributes cannot be touched: brand image, reputation, status, quality of service, trust in a warranty. Intangible ones often explain why customers pay far more for one product than for a physically similar one.

Product development

Product development means creating new products and improving existing ones. It runs from ideas and screening through design and testing to launch.

Why it matters: **tastes change**, and a business selling the same product loses customers as fashions move on; **rivals** bring out better or cheaper products; **new technology** opens up new products; **every product eventually declines**, so replacements are needed; and new products reach **new segments or markets**, spreading risk. The drawbacks: development is **expensive**, revenue comes only after launch, and **many new products fail**, so market research should first check there is demand.

Product differentiation and USP

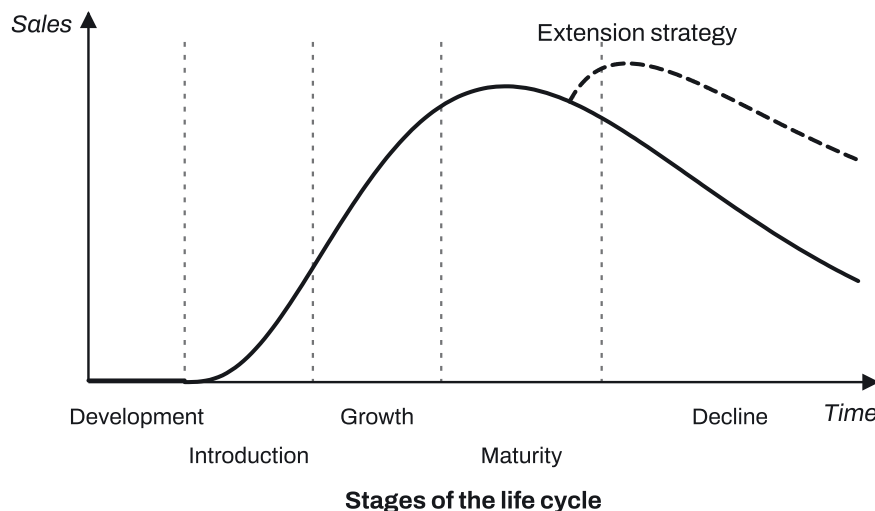
Product differentiation is the way a business makes its product different from rival products in ways customers notice and value. It can come from the tangible attributes (better design, better ingredients, extra features) or the intangible ones (a stronger brand, better service, an ethical image).

A **unique selling point (USP)** is the one feature that **no competitor offers**, which gives customers a reason to choose this product rather than any other. Differentiation is the effort; a USP is the strongest result of it.

Why it matters: customers see **fewer close substitutes**, so demand is less sensitive to price and a **higher price** and margin are possible; it builds **loyalty**; it gives promotion a clear message; and it means less risk of a price war. Its limits: differentiating costs money (research, better materials, brand building); rivals may copy the feature, so the advantage may not last; customers may not value the difference enough to pay more; and some products are hard to differentiate, such as **commodities** (wheat, sugar, steel) that buyers treat as identical.

The product life cycle

The **product life cycle** shows the stages a product goes through, from the first idea to being taken off the market, and what happens to its sales.



Stage	Sales	Profit and cash flow	Typical marketing mix
Development	none	heavy spending on research and testing; cash flow negative	—
Introduction	low, rising slowly	launch promotion is costly, unit costs are high, so usually a loss; cash flow negative	skimming or penetration price; informative promotion; few outlets
Growth	rising quickly	profit starts; cash flow turns positive	more outlets, persuasive promotion, rivals start to enter

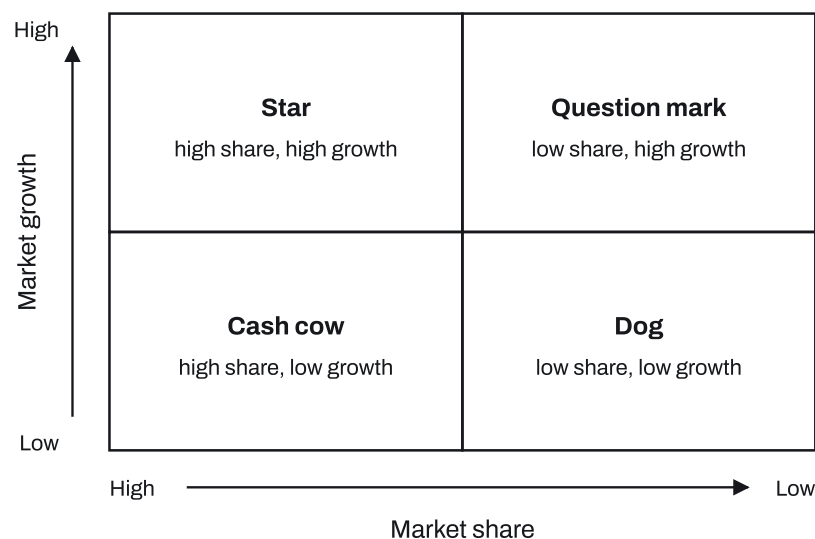
Stage	Sales	Profit and cash flow	Typical marketing mix
Maturity	high, growth slowing, then level	profit at its highest; strong cash inflow	competitive pricing, reminder promotion, extension strategies
Decline	falling	profit shrinks	price cuts, less promotion, decide whether to extend or withdraw

Extension strategies are actions, usually in maturity, that lengthen a product's life: **update the product** (new version, flavour, size or packaging), **find new markets or uses** (another country or segment), or change the **promotion, price or place** (a new campaign, special offers, new outlets or online selling). They cost money and may only delay decline, so the business must judge whether the extra sales cover the cost, or whether a new product would earn more.

The life cycle helps a business time new launches, choose the mix for each stage and forecast cash flow. But the stages have no fixed length, the current stage is often clear only afterwards, and the business's own decisions shape the curve, so it is not a forecast.

Boston Matrix analysis

A business's **product portfolio** is the full range of products it sells. **Product portfolio analysis** looks at the whole range together, to see whether it is balanced. The **Boston Matrix** (also called the BCG Matrix) is the best-known tool: it places each product according to its **market share** (how strong it is against rivals) and the **market growth** (how fast the whole market is growing).



Category	Market share	Market growth	Cash	Usual decision
Star	high	high	earns a lot but needs heavy spending to keep up with the market	build: keep investing to hold the lead; it should become a cash cow when the market slows
Question mark (problem child)	low	high	uses more cash than it earns	build or drop: spend to raise its share (it may become a star) or withdraw if it has no chance
Cash cow	high	low	earns much more than it needs	hold or harvest: spend little, keep it profitable, use its surplus to fund stars and question marks
Dog	low	low	earns little	divest or keep for a reason: withdraw it, or keep it if it supports other products or still makes a profit

A **balanced portfolio** has cash cows that generate the money to support stars and question marks, so that tomorrow's cash cows are being built today. A portfolio of only cash cows has no future; one with only question marks runs out of cash.

Uses: it shows at a glance which products are strong and weak; guides how the marketing budget is shared between them; shows whether new products are needed (no question marks or stars means nothing will replace today's cash cows); and helps plan cash flow. It links with the life cycle: question marks are often in introduction, stars in growth, cash cows in maturity, dogs in decline.

Limits:

- it uses only **two measures** and ignores profit, costs and each product's share of total revenue;
- a "dog" can still be profitable, or complete a range;
- what counts as "high" is a judgement, and the data may be inaccurate;
- it is a **snapshot** of one moment, while markets change, and it shows where products stand, not what to do.

How portfolio analysis affects marketing decisions

Portfolio analysis changes the mix for each product. **Promotion** money goes to stars and promising question marks, reminders only to cash cows, almost nothing to dogs. **Price:** penetration for a question mark that must win share; a steady price for a cash cow; discounts to clear a dog. **Product:** extension strategies for cash cows, new products when there are too few stars and question marks, withdrawal of dogs. **Place:** wider distribution for products being built up. The choices follow the marketing objectives: raising market share means building question marks; raising margins means harvesting cash cows and dropping dogs.

Pricing methods

The syllabus names seven methods. Each has its own **objective** and suits some situations better than others.

Method	What the business does	Objective	Most useful when	Drawbacks
Competitive	Sets a price close to rivals' (a little above, level, or a little below)	Avoid losing customers on price	Many similar products; customers compare prices easily	Ignores own costs, so may not cover them; profit depends on rivals; can start a price war
Penetration	Launches low, raises the price later	Win customers and market share fast	A new product facing strong rivals and price-sensitive buyers; large output cuts unit costs	Low margins at first; buyers may resist the later rise; low price may suggest low quality
Skimming	Launches high, lowers the price as rivals arrive	High margins from early buyers; recover development costs	A new, innovative product with a USP whose first buyers care more about having it than about price	Fat margins attract rivals; low sales at first; early buyers may feel cheated when the price falls
Price discrimination	Charges different groups different prices for the same product, though it costs the same to supply	Raise total revenue by charging each group what it will pay	Customers can be split (age, time, place) and cannot resell to each other	Customers paying more may feel it is unfair; groups must be kept apart
Dynamic	Lets the price float: software raises it when many people want the product and lowers it when few do, or sets it for each buyer	Earn more when demand is high; fill spare capacity when it is low	Products that cannot be stored (seats, rooms, advertising space); online selling with live data	Seen as unfair or unpredictable; buyers wait for falls; needs software and data; rivals may undercut
Cost-based	Works out the unit cost and adds a mark-up	Every sale covers its cost and earns a profit	A new or small business with little market information; made-to-order work	Ignores what customers will pay and rivals' prices; needs accurate costs
Psychological	Sets prices that look the way the business wants	Make a price feel lower, or a product feel exclusive	Consumer goods where buyers react to how a price looks	Customers may see through it; a "cheap" price can harm a premium brand

Cost-based (cost-plus) pricing. First find the **unit cost**: total cost divided by the number of units, where total cost is the variable cost per unit times the quantity, plus the fixed costs allocated to that product. Then add the mark-up:

$$\text{price} = \text{unit cost} \times \left(1 + \frac{\text{mark-up}}{100}\right)$$

A 40% mark-up on a unit cost of \$4.00 gives a price of $4.00 \times 1.40 = 5.60$, so \$5.60.

Psychological pricing takes two forms: prices just below a round number (\$49.95 rather than \$50, because the first digit is what people notice), and **prestige** prices set high on purpose because a high price signals quality and status (luxury watches, perfume).

Price discrimination and dynamic pricing compared. Both charge different prices for the same product. Price discrimination sets **fixed prices for fixed groups** (student fares, off-peak tickets). Dynamic pricing **moves the price itself**, often minute by minute, as demand changes (ride-hailing fares in a storm, hotel rooms during a festival).

The choice depends on the **objective** (share or margin), **costs**, how **different** the product is (a USP allows skimming), **rivals' prices**, the life cycle stage, how **price-sensitive** customers are, and the rest of the mix.

Promotion

Promotion is how a business communicates with customers. Its **objectives** are to **inform** (that the product exists, what it does, where to get it: vital at launch), **persuade** (reasons to choose it over a rival's), **remind** (keep it in mind in maturity) and **build an image**, all to raise sales and market share.

Method	What it is	Useful for	Limits
Advertising	Paid messages in media (TV, radio, press, billboards, online); above the line	Reaching a large audience; building a brand	Expensive; hard to measure; reaches many people outside the target market
Sales promotion	Short-term reasons to buy now: discounts, "buy one get one free", free samples, coupons, competitions, loyalty points	A quick rise in sales; trial of a new product; clearing inventory	Short-lived; cuts margins; customers wait for the next offer; can cheapen the brand
Direct promotion	Messages to chosen individuals: direct mail, catalogues, personal selling, phone calls, email	A well-defined group, including business buyers; complex or expensive products	Costly per person; unwanted contact annoys; needs accurate customer data

Methods other than mass-media advertising (sales promotion, direct promotion, sponsorship, public relations) are often grouped as **below the line**: the business controls them more directly and can aim them at chosen customers.

Developments in digital promotion, the biggest recent change: **social media** (own posts, paid adverts aimed at chosen ages, places and interests, and two-way conversation); **influencer marketing** (paying people with large online followings to show the product); **search engine optimisation (SEO)** (getting a website high in search results); **pay-per-click** adverts (paid only when someone clicks); **email** and **app** offers to customers who signed up; **viral** content made to be shared; and **data-driven targeting** (using browsing and buying data to show each person the adverts most likely to work).

Why it is useful: it is often **cheaper** per customer reached than TV or print; it can be **aimed precisely**; results can be **measured** (clicks, views, sales per advert), so money moves to what works; it is **fast** to change; it runs **at any time** and across borders; and customers can **respond**, buy at once and pass the message on. Its limits: online space is **crowded**, so messages are ignored or blocked as spam; it needs **specialist skills**; **criticism spreads quickly**; some customers (older people, many business buyers, people with poor internet access) are hard to reach this way; and using personal data raises privacy issues.

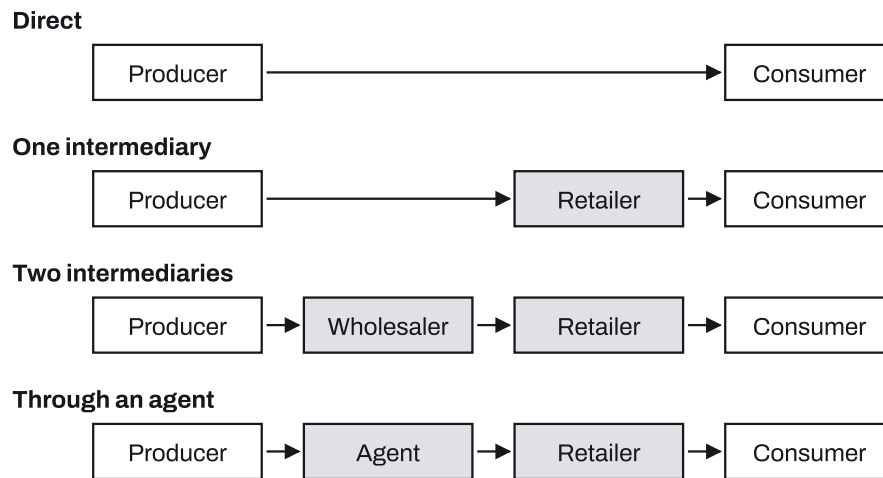
The role of packaging in promotion. Packaging first **protects** the product. As promotion it **catches the eye** on a shelf or in an online photo; carries the **brand name and logo**; **informs** (contents, offers, competitions); **signals the image** (luxury or recyclable); can itself be a **USP** (a resealable pouch); and is seen by others when carried around. Its limits: it adds cost, cannot rescue a poor product, excess packaging can harm the image, and it only works once the customer is near the product.

The role of branding in promotion. A **brand** is the identity that makes a product recognisable and distinct: its name, logo, colours, slogan and design, and also the values and feelings customers connect with it. **Branding** is the process of creating that identity. As promotion it gives **recognition** among rivals; **trust**, which lowers the risk customers feel, especially with a new product from a familiar brand; **loyalty**, repeat purchases and less sensitivity to price, so a higher price is possible; **easier launches** under a known name; and an **emotional link**, as customers buy partly for what the brand says about them. Its limits: building a brand takes **a lot of money and time**, which a new or small business may not have; a brand can be **damaged** quickly by a scandal; and some customers buy mainly on price (supermarket own-label products).

Choosing promotion methods. The right choice depends on the **target market** (who they are, which media they use), the **marketing budget**, the **product** (a complex machine needs personal selling; a snack needs eye-catching packaging and offers), the **kind of buyer** (business buyers may respond better to personal selling than to social media), the **stage of the life cycle** (inform at launch, remind in maturity), what **competitors** do, and the **objective** (quick sales or a long-term image). Most businesses use several methods together: the **promotional mix**.

Place: channels of distribution

A **channel of distribution** is the route a product follows from the producer to the final customer, including any businesses in between, the **intermediaries**: a **wholesaler** buys in bulk and sells in smaller amounts to retailers; a **retailer** sells to consumers (in shops or online); an **agent** arranges sales for the producer, often abroad, without owning the goods.



Objectives of distribution: have the product where and when customers want it, at low cost, while protecting its image and keeping control of how it is sold.

A **direct** channel (own shop, website, sales staff) keeps the whole price, so profit per unit is higher or the price can be lower, and gives full control of image and service plus direct feedback; but the producer must store, sell and deliver everything itself and reaches fewer customers. **Each intermediary added** brings more reach (retailers' shelves and customers, wholesalers' links to many small shops, agents' local knowledge abroad) but takes a share of the price, slows the route and loosens the producer's control.

The channel depends on the **product** (perishable or technical products need short channels), the **customers** (how many, where, how they buy), the producer's **resources**, rivals' channels, the **image** wanted (exclusive products use few outlets) and **cost**.

Digital and physical distribution. **Physical distribution** moves the goods themselves: warehouses, transport, shops. **Digital distribution** covers goods **sold online** (the website replaces the shop, then a courier delivers) and products that are **themselves digital** (music, software, e-books, apps, online courses), delivered over the internet with no physical stage.

Online selling reaches anyone at any time with low premises costs, but faces price comparison, delivery costs and returns; physical outlets offer service and trying before buying, at higher rent and staff cost. Many businesses combine the two ("click and collect").

Key facts and formulas

There is no formula list for this subject in the exam, and nothing here is given. "Learn it" means you must remember it.

Formula or fact	Status
The 4Ps of the marketing mix: product, price, promotion, place	Learn it

Formula or fact	Status
total cost = variable cost per unit $\times$ quantity + allocated fixed costs	Learn it
Cost-based price: price = unit cost $\times \left(1 + \frac{\text{mark-up}}{100}\right)$, where unit cost = $\frac{\text{total cost}}{\text{quantity}}$	Learn it
revenue = price $\times$ quantity sold	Learn it
Product life cycle stages: development, introduction, growth, maturity, decline	Learn it
Boston Matrix: star = high share, high growth; question mark = low share, high growth; cash cow = high share, low growth; dog = low share, low growth	Learn it
The seven pricing methods: competitive, penetration, skimming, price discrimination, dynamic, cost-based, psychological	Learn it

How to do it

We have tagged 61 questions on this topic (2021–2026), on Papers 1 and 2. 21 of them have parts of more than one type, so the counts add up to 82.

Question type	Questions
Define or identify a marketing-mix term	11
Explain or analyse why product development, differentiation, a USP or a product feature matters	10
Analyse or evaluate the marketing mix as a whole (which element matters most, recommend a mix, use two elements)	10
Explain or analyse a pricing method (reason, benefit or drawback), short answer	9
Analyse the uses or benefits of product portfolio analysis / the Boston Matrix	7
Analyse or evaluate promotion methods (digital, online, below the line, choosing methods)	7
Evaluate branding or packaging as promotion	6
Explain a marketing-mix term in the case context (3 marks)	4
Evaluate a pricing decision (is price the key, should it use skimming or penetration)	4
Evaluate a product strategy (differentiation, new product development, wider portfolio)	4
Analyse one advantage and one disadvantage of a pricing method in context (8 marks)	3
Explain a product life cycle stage or an extension strategy	3
Calculate a price or revenue from a pricing method	2
Explain or discuss the place element (distribution channels, online vs physical)	2

The marks are for four skills: **K** (knowledge: a correct point or definition), **App** (application: using the business or industry in the question), **An** (analysis: a chain of causes and consequences) and **Eval** (evaluation: a supported judgement). Below, (K), (App), (An) and (Eval) after a sentence show the mark it earns.

1. Define or identify a marketing-mix term (11 questions)

Paper 1 "Define the term ..." [2]: a full, precise meaning earns 2; half of it earns 1.

Term	Full definition (2 marks); one half alone earns 1
Marketing mix	The set of decisions about product, price, promotion and place (1) that a business combines to market a product successfully to its target customers (1)
Channel of distribution	The route a product takes from its producer (1) to the final customer, through any intermediaries such as wholesalers and retailers (1)
Product differentiation	Making a product distinct from rivals' products (1) in ways customers value, giving it an advantage over them or a USP (1)
Unique selling point (USP)	A feature of a product that no competitor offers (1), which gives customers a reason to buy it rather than a rival's (1)
Product life cycle	The stages a product passes through (1) from its development and launch to its withdrawal from the market (1)
Price discrimination	Charging different groups of customers different prices (1) for the same product, when the cost of supplying them is the same (1)
Dynamic pricing	A price that is not fixed but is moved up and down often, usually by software (1), following how many buyers want the product at the time or how much a particular buyer seems willing to spend (1)
Service	An intangible product: an activity done for a customer (1) that cannot be stored or owned, such as a haircut or insurance (1)

Give both halves: what the thing is, plus what makes the meaning precise (its purpose, its route or its effect). Use other words than the term itself: "a USP is a selling point that is unique" explains nothing.

Paper 2 "Identify one ..." [1] (since 2023): name one thing; only the first answer counts, and a definition scores nothing. The life cycle stages are development, introduction, growth, maturity and decline ("recession" is not one).

2. Explain or analyse why product development, differentiation, a USP or a product feature matters (10 questions)

Paper 1 "Explain one reason ..." [3]: 1 K for the reason, 2 for how it leads to a result: "a phone maker that adds a feature rivals lack keeps its customers when a rival cuts its price, so its sales hold up". **"Analyse one reason ..." [5]:** 1 K, 2 App (a realistic kind of business and product), 2 An (a chain to the result).

"Analyse two benefits ..." [8] (Paper 1 Section B or Paper 2 (c)): 2 K, 2 App, 4 An, so 4 marks a benefit.

1. **K**: two different benefits (higher price; loyalty; less price-sensitive demand; market share; easier promotion; niche appeal).
2. **App**: on Paper 2, a case fact for each (the product, its buyers, rivals' offers); on Paper 1, the kind of business and product.
3. **An**: two or more links each: a USP → fewer customers switch when the price rises → the price can go up without losing many sales → higher margin → more to reinvest.

Analyse earns no evaluation marks, so stop at the chains: a closing verdict or a list of a USP's costs adds nothing (March 2022 report).

Variations: one advantage and one disadvantage of a new product range [8] (more customers and spread risk, against development cost and taking sales from existing products); one intangible attribute of the case's product [3] (name it, why customers value it, the case); a range of sizes or colours [4] (wider appeal, but more inventory and cost).

3. Analyse or evaluate the marketing mix as a whole (10 questions)

Paper 1 Section B (b) or Paper 2 (d) [12]: whether one element (price, promotion, marketing itself) matters most for a named kind of business, how a business should change its mix, or whether it should keep marketing a product. 2 K, 2 App, 2 An, 6 Eval.

1. **K**: the 4Ps and what the named element involves; one or two methods by name (skimming, digital promotion, a direct channel).
2. **App**: what is special about this business and market: what customers want most, how they buy, how many rivals there are, how different the product is, its life cycle stage.
3. **An**: how the named element raises sales or profit, and how another element does too: a lower price → more customers in a price-sensitive market → higher volume; but a better product → loyalty → a higher price is possible.
4. **Eval**: judge which element matters most **for this business** and what that depends on (price-sensitive or quality-seeking customers, a USP or a commodity, rivals, life cycle stage, budget). The strongest point: the elements must **work together**; a great price is wasted if the product is poor or hard to find.

Variations you will meet:

- **Recommend a marketing mix [11]**: choose decisions that support each other and suit the target customers, and justify each one.
- **Change the mix** (to extend a life cycle or win back sales): start from what the business does now and propose one or two changes, not four new Ps; depth on a few changes leaves room for the judgement (June 2023 report).
- **Analyse two elements [8]**: exactly two of the 4Ps. For "how the internet is used", place (online selling) and promotion are easiest; for product or price, end with a decision on that element, not with research.
- **Whether to keep marketing a product**: weigh its sales, profit and brand fit against other uses of the money.

- **The 4Cs** (customer solution, cost, convenience, communication) were set once, in 2022; the current syllabus lists only the 4Ps.

4. Explain or analyse a pricing method (reason, benefit or drawback), short answer (9 questions)

Paper 1 "Explain one ..." [3]: 1 K + 2 for a developed explanation. Set as one method of your choice, a reason for price discrimination, a drawback of competitive pricing (or two drawbacks for 3 marks).

1. **K:** the reason or drawback asked for; describing the method itself is not the point (March 2023 report).
2. **Explain** why it helps or harms the business: "competitive pricing follows rivals rather than the firm's own costs (K), so if a lower-cost rival cuts its price, the firm may have to follow below its own unit cost and lose money on each sale (developed)".

"Analyse one reason ..." [5]: 1 K, 2 App, 2 An. Tie the reason to the kind of business: cost-based pricing is simple and guarantees each unit covers its cost, which suits a small firm with no data on what customers would pay; the June 2021 report found that link often missing.

Paper 2 [3]: apply the point to the case, using its costs or prices.

5. Analyse the uses or benefits of product portfolio analysis / the Boston Matrix (7 questions)

Paper 1 Section B (a) [8] or [5]: two benefits, or one impact on marketing decisions; 4 marks a benefit (1 K, 1 App, 2 An).

1. **K:** a use from Understand it (balance, budget, new products, cash flow, dropping products, marketing objectives).
2. **App:** the kind of business (a firm with several brands in markets growing at different speeds) or the Boston category and what it implies.
3. **An:** a question mark in a fast-growing market → spending on promotion and distribution → its share rises → it becomes a star → a future cash cow.

Write about the **range** of products, not one product's life cycle. **Paper 2 with a Boston Matrix table [8]:** place each product from the table, then analyse a decision for named products; for a disadvantage, take a limit from Understand it and show it in the table's numbers.

6. Analyse or evaluate promotion methods (digital, online, below the line, choosing methods) (7 questions)

[8]: advantages of online advertising or digital promotion, or two methods for the case business. **Paper 2 (d) [11–12]:** how useful a method is, or which methods suit a target market.

1. **K:** a specific method (pay-per-click, influencers, email, direct mail, a loyalty scheme); a point that would fit any advert, online or not, is weaker than one tied to the named method (June 2022 report).

2. **App**: the target customers, what they use, the budget, the product.
3. **An**: targeted adverts shown only to people who searched for the product → fewer wasted views → lower cost per sale → higher profit.
4. **Eval** (12 marks): test the method against the factors under *Choosing promotion methods*, then judge for these customers.

Give only the side asked for: drawbacks in an "advantages" question score nothing.

7. Evaluate branding or packaging as promotion (6 questions)

Paper 1 Section B (b) [12] (a "Discuss" until 2022) or **Paper 2 (d) [11 to 2022, 12 since]**.

1. **K**: what a brand or packaging is and its promotional roles.
2. **App**: the product and its buyers: bought quickly from a shelf, carried in public, or chosen on trust (health, safety, quality claims).
3. **An**: for: a recognised brand → trust → customers try the new product with less risk → faster sales. Against: a new business has no brand yet → building one takes years and money → other methods must carry the launch.
4. **Eval**: compare with other promotion methods and say what it depends on (an existing brand or not, budget, product, customers' habits). "Branding matters most once established, but for a launch free samples and social media do more" is a supported judgement.

Keep every argument about communication: a point about price or product only counts if you show what it does to the promotion.

8. Explain a marketing-mix term in the case context (4 questions)

Paper 2 (a)(ii) [3]: terms set so far: distribution channels, above-the-line promotion, product differentiation, dynamic pricing.

1. **K** (1): a correct meaning. Without it an example scores 0.
2. **Explain** (1): one more fact: its kinds (direct, indirect, digital channels; TV and print as above-the-line media) or what it does for a business.
3. **Context** (1): an example from the case or a realistic one.

9. Evaluate a pricing decision (is price the key, should it use skimming or penetration) (4 questions)

Paper 2 (d) [12] or **Paper 1 [12–20]**: should the business use a named method; is price the key to success; how far a new entrant needs a low price.

1. **K**: the method, correctly: skimming starts **high**, penetration starts **low**. Getting this backwards sinks the whole answer (March 2025 report).

2. **App**: the case's evidence: a USP or not, how many and how close the rivals are, costs, what customers value, the objective.
3. **An**: both sides: skimming → higher margin per unit → profit target met; but buyers with a close substitute switch → sales fall → profit may fall.
4. **Eval**: a recommendation that follows from your arguments, and what it depends on (how price-sensitive customers are, how long the USP lasts, rivals' reaction, whether the other Ps support the price). Judge as you go, after each argument, not only in the last paragraph.

"Is changing the price the best way to survive?": weigh price against product, promotion and place, and against non-marketing causes of losses (high costs, poor location).

10. Evaluate a product strategy (differentiation, new product development, wider portfolio) (4 questions)

[12] or older **[20]**: is new product development the most important activity; should firms in a commodity market differentiate; is differentiation the only route to success; should the case business widen its portfolio.

1. **K**: the strategy, with a link (life cycle, Boston Matrix, USP).
2. **App**: how fast tastes and technology change, how alike rivals' products are, the business's size and money.
3. **An**: benefits (new customers, spread risk, higher price) against costs and risks (research spending, failure rate, more inventory, harm to the core brand).
4. **Eval**: weigh against the alternatives (extension strategies, better promotion, lower costs, new markets for existing products) and judge. When the claim is "the only way", show at least one other route to success (June 2021 report).

11. Analyse one advantage and one disadvantage of a pricing method in context (8 marks) (3 questions)

Paper 2 (c) [8]: 2 K, 2 App, 4 An; one point each side.

1. **K**: an advantage and a disadvantage of **that** method (from the pricing table), not of pricing in general.
2. **App**: the case's numbers or facts for each side: which prices rose or fell, the customers, the rivals.
3. **An**: every step to the final result, not just "so profit falls".

Variation: "two pricing methods other than X" [8]: give each method its proper name.

12. Explain a product life cycle stage or an extension strategy (3 questions)

Paper 1 [3]: 1 K for naming one stage or one extension strategy, 2 for a developed explanation: what happens to sales, costs and profit in that stage and why, or how the strategy keeps sales up. One only.

Extended version [12]: how to change the mix to extend a product range's life, and whether it will work: analyse one or two extension strategies, then judge whether the extra sales outweigh the cost, and for how long.

13. Calculate a price or revenue from a pricing method (2 questions)

Paper 2 (b)(i) [3]: the right answer alone earns 3; with a slip, the shown working still earns the method marks.

1. **Cost-based**: total cost (variable cost per unit $\times$ quantity + allocated fixed costs) $\rightarrow$ unit cost $\rightarrow$ add the mark-up.
2. **Revenue**: price per customer $\times$ customers per session $\times$ number of sessions.

14. Explain or discuss the place element (distribution channels, online vs physical) (2 questions)

Paper 1 "Explain two ways ..." [3]: two ways to use place (the channel, where outlets are, online selling), each with its reason: easier buying for customers, or wider reach, lower cost or more control for the business. A way with no reason attached scores little (November 2021 report).

[12] discussion: whether physical shops must change to compete with online sellers: online strengths (reach, cost, convenience) against physical ones (trying products, service, instant purchase); judge by product and customers, and consider combining both.

Worked examples

Example 1

(a) Define the term price skimming. [2]

(b) Hilltop Ceramics makes plant pots in batches of 800. The cost of one batch is: clay and glaze \$1500, direct labour \$1100, kiln energy \$400 and a share of factory overheads \$1000. It adds a 40% mark-up to the unit cost. Calculate the selling price of one pot. [3]

(a) Setting a high price when a new product is launched (1), then lowering it over time as competitors bring out similar products (1).

(b) Batch cost = $1500 + 1100 + 400 + 1000 = 4000$, so \$4000 (1). Unit cost = $4000 \div 800 = 5.00$, so \$5.00 (1). Price = $5.00 \times 1.40 = 7.00$, so \$7.00 per pot (1).

Example 2

Bluewater Ferries (BF) runs a ferry between a mainland port and an island, with 300 seats on each crossing. Its adult fare is \$24. Weekday midday crossings have been carrying about 120 passengers. BF introduced an off-peak fare of \$15 on these crossings only, and passenger numbers rose to 210. Island residents complained

on social media that the fare they pay for early-morning work crossings is still \$24.

Analyse one advantage and one disadvantage to BF of using price discrimination. [8]

Advantage: seats that would be empty are sold. Charging a lower price to the group that is more sensitive to price raises total revenue (K). Revenue on a midday crossing rose from $120 \times 24 = 2880$ dollars to $210 \times 15 = 3150$ dollars, a rise of \$270 (App), while the cost of running the crossing is almost the same whether the ferry carries 120 or 210 people (An), so nearly all of the extra revenue is extra profit, and the 90 extra passengers may also spend money in the ferry café (An).

Disadvantage: customers paying the higher price feel treated unfairly. Customers who cannot use the cheaper times can resent the gap (K). Island residents travelling to work at peak times pay \$24 while day-trippers pay \$15 (App); the complaints spread on social media and damage BF's reputation (An), and if a rival ferry or a new bridge appears, these regular customers, who travel most often, may be the first to switch, so BF loses its most reliable revenue (An).

Each side earns $K + \text{App} + \text{a developed chain}$, so $2K + 2\text{App} + 4\text{An} = 8$.

Example 3

Greenblade Tools (GT) makes four garden power tools. Its managers count a market share of 20% or more as high, and market growth of 10% a year or more as high.

Product	GT's market share	Market growth per year	GT's revenue
Hedge trimmer	34%	2%	\$3.6m
Cordless drill	29%	14%	\$2.4m
Robot lawnmower	6%	18%	\$1.2m
Petrol leaf blower	5%	-3%	\$0.8m

(a) Place each product in the Boston Matrix. [2]

(b) Analyse two ways GT could use this analysis when deciding how to spend its marketing budget. [8]

(a) Hedge trimmer: cash cow. Cordless drill: star. Robot lawnmower: question mark. Petrol leaf blower: dog. (2 for all four; 1 for two or three.)

(b) **Funding the question mark.** The matrix shows which products need investment to grow (K). The robot lawnmower has only 6% of a market growing by 18% a year (App), so GT could move promotion money towards it, for example online demonstration videos and adverts aimed at owners of large gardens, to raise its share before the market matures (An); if it becomes a star, it can replace the hedge trimmer as GT's main earner when that product's market stops growing (An).

Harvesting the cash cow and reviewing the dog. The matrix shows which products can be given less support (K). The hedge trimmer brings in $\frac{3.6}{8.0} \times 100 = 45\%$ of GT's \$8.0m revenue in a market growing at only 2% (App), so GT can cut its advertising to occasional reminders and keep its profit high (An), and use that

surplus, plus any money saved by withdrawing the leaf blower from a shrinking market, to fund the lawnmower; but GT should check the blower's profit first, because at 10% of revenue it may still cover its costs (An).

$$2 K + 2 \text{ App} + 4 \text{ An} = 8.$$

Example 4

Lumen Lamps (LL) is a private limited company that makes solar-powered lamps for households in rural areas without a reliable electricity supply. Its lamps last for 10 years, while cheaper imported lamps from rivals often fail within a year. LL sells through 400 village shops and a mobile phone app. Its price is \$30; rival lamps sell for about \$12. Most of LL's customers are farming families with low and irregular incomes. LL's new marketing director wants to cut the price to \$20 to raise sales.

Evaluate whether price is the most important element of LL's marketing mix. [12]

Knowledge. The marketing mix is the set of decisions on product, price, promotion and place that together persuade target customers to buy (K). Price matters most when customers compare similar products and have little to spend (K).

Why price matters for LL. LL's lamps cost \$30, two and a half times the \$12 of rival lamps (App), and its customers are farming families with low, irregular incomes (App). For them the price is a large share of a month's spending, so many will choose the cheaper lamp even if it fails sooner (An). Cutting to \$20 would bring the lamp within reach of more families, raising sales volume (An), but each lamp would earn \$10 less, so sales would need to rise a lot to keep revenue the same (An).

Why other elements may matter more. The product is LL's advantage: a lamp lasting 10 years costs \$3 a year, against \$12 a year for a rival lamp replaced every year (An). If promotion explains this, through village demonstrations and messages on the app, customers may accept \$30 as better value (Eval). Place also matters: 400 village shops put the lamp within walking distance of customers, which rivals selling only in towns cannot match (Eval). A payment plan (for example, paying in small amounts over several months through the app) could deal with the income problem without cutting the price and LL's margin (Eval).

Judgement. Price matters to LL's poor customers, but it is not the most important element (Eval). LL's success rests on a product that is better value over its life; a price cut would weaken that message and the margin that pays for 400 outlets, and rivals could cut too (Eval). Promoting the lifetime saving and offering instalments, while keeping the \$30 price, is likely to work better, provided customers trust the 10-year claim, so neighbours' reviews and a guarantee matter (Eval). If rivals launched cheaper long-life lamps, price would become the key element (Eval).

The marks: 2 K, 2 App, 2 An, and 6 Eval for a judgement in LL's context that weighs price against product, promotion and place, and says what it depends on.

Common mistakes

- **Confusing portfolio analysis with the product life cycle.** Portfolio analysis looks across the whole range; the life cycle follows one product. Both the June 2021 and November 2022 reports found this mix-up.
- **Confusing product development with product differentiation.** Development creates or improves products; differentiation sets them apart from rivals'. Differentiation also does not mean "having many products" (June 2023 report).
- **Vague pricing terms.** "Charge less than rivals" should be named (competitive or penetration). Dynamic pricing is often misread: it means a price that keeps moving with demand, not a launch strategy (June 2021 and March 2026 reports).
- **Defining instead of answering.** When the question asks for a reason, advantage or disadvantage, the K mark is for that point. In "Identify", a definition earns nothing.
- **A mix that doesn't hang together.** Separate ideas for each P, some pulling against each other (a luxury price with bargain-bin promotion), lose marks; the June and November 2021 reports both saw this.
- **Stopping the chain early.** "Customers find it unfair, so profit falls" skips the steps: complaints → reputation → fewer bookings → lower revenue.

How to get the marks

- **Command words.** *Define*: a precise meaning, both halves. *Identify*: name one thing; only the first is marked. *Explain*: a point, then why or how. *Analyse*: chains of cause and effect, no judgement. *Evaluate* or *Discuss*: both sides, then a supported judgement.
- **One means one, two means two:** extra points earn nothing, so develop the ones asked for.
- **The top band of a [12]** needs a judgement **for this business**: clear, supported by your analysis, and saying what it depends on. Comments that could fit any business stay lower.
- **Use the precise term:** skimming, penetration, extension strategy, cash cow, below the line, channel of distribution, USP.
- **Context means facts from the question:** the product, customers, rivals, numbers. A business's name alone is not context.

Quick check

1. Name the pricing method in each: (a) a meal kit priced at \$24.95 rather than \$25; (b) a cinema charges \$6 before 5 pm and \$11 after; (c) a new games console launched at \$600, cut to \$450 a year later; (d) a petrol station sets its price 1 cent below the station across the road.
2. In one month a furniture workshop makes 300 chairs. Its costs that month are timber and fittings \$9000, wages \$12000 and overheads \$6000. With a 20% mark-up on unit cost, what is the price of a chair?
3. A product has a low share of a market growing at 15% a year. Which Boston Matrix category is it in, and what are the business's two main options for it?

4. For a pair of running shoes, give one tangible attribute and one intangible attribute.
5. Explain one reason why a small business selling hand-painted phone cases might use digital promotion.

[3]

Answers

1. (a) Psychological. (b) Price discrimination (by time of day). (c) Skimming. (d) Competitive.
2. Total cost = $9000 + 12000 + 6000 = 27000$ dollars; unit cost = $27000 \div 300 = 90$ dollars; price = $90 \times 1.20 = 108$, so \$108 per chair.
3. A question mark. Either spend on it (promotion, distribution, price) to build its share so it becomes a star, or withdraw it if it has little chance of gaining share.
4. Tangible: the cushioned sole, the weight, the materials. Intangible: the brand's image, the status of wearing what athletes wear, trust in the guarantee.
5. Digital promotion can be aimed only at chosen groups of people (K). The business can pay for social media adverts shown only to people aged 15–30 who follow phone and art accounts, so its small budget is not wasted on people unlikely to buy, and more of those who see each advert go on to order (2, developed explanation).

Past questions to try

- **9609/12/M/J/23 Q6**: part (a), two benefits of a USP; part (b), whether marketing is the most important factor in success.
- **9609/21/O/N/22 Q1**: part (d), recommending a marketing mix for the case business.
- **9609/22/F/M/23 Q2**: part (b), calculating a cost-based price and explaining an advantage of the method.
- **9609/12/M/J/22 Q7**: part (a), the advantages of online advertising.