

Cambridge AS & A Level · Business 9609 · Notes

The nature of marketing

AS

Read online at pastopic.com/cambridge/business-9609/notes/the-nature-of-marketing

Last checked 5 October 2026

Read first: [Business objectives](#)

© 2026 Pastopic. Free for personal study. Please share the link, not the file.

What you need to know

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

1. **Explain what marketing does in a business** and how it works with the other departments (operations, finance, human resources).
2. **Explain marketing objectives** and why they must come from, and support, the **corporate objectives**.
3. **Explain the factors that influence the demand for and the supply of a business's products**.
4. **Explain how demand, supply and price interact**: the equilibrium price, and what happens to price and quantity when demand or supply changes.
5. **Explain how markets differ**: consumer and industrial markets; local, national and international markets.
6. **Explain the difference between product orientation and customer (market) orientation**.
7. **Calculate market share and market growth**, and explain the **implications of changes** in them for a business.
8. **Classify products**, and explain how marketing differs for **consumer products (B2C)** and **industrial products (B2B)**.
9. **Describe the features of mass and niche markets**, and the **advantages and disadvantages of mass marketing and niche marketing**.
10. **Explain the methods of market segmentation** (geographic, demographic, psychographic) and the **advantages and disadvantages of segmentation**.
11. **Explain customer relationship marketing (CRM)**: its aims, its costs and its benefits.

Market research, the marketing mix (the 4Ps) and price elasticity come in the next marketing topics. Here you need only the ideas above.

Understand it

What marketing is for

Marketing means finding out what customers want, offering products that meet those wants, and persuading people to buy them, at a profit. It starts **before** anything is made and continues **after** the sale. Its main jobs:

- **Identify and anticipate customer needs**, through research and sales data, and **satisfy them profitably** (the right product, price, place and promotion).
- **Add value**: a strong **brand**, attractive **packaging**, a **unique selling point (USP)**, good service and promotion that builds an image of quality all raise what customers will pay above the cost of the inputs, so the margin widens.
- **Build reputation** and keep customers loyal.

Marketing and the other departments

Department	What marketing needs from it	What it needs from marketing
Operations	Enough capacity and the right quality to meet the demand that promotion creates	Sales forecasts , so it can plan output and order materials
Finance	A budget for research and promotion	Sales forecasts for cash-flow plans and budgets
Human resources	Enough trained sales and service staff	Plans for growth, so it can recruit in time

A campaign that doubles orders is wasted if operations cannot make the extra products.

Marketing objectives

A **marketing objective** is a measurable goal with a deadline for the marketing department: raise **market share** from 9% to 12% within two years, increase **sales** by a set percentage, raise **brand awareness**, **launch** a product or **enter a new market**, or win more **repeat buyers**.

Why marketing objectives must be linked to corporate objectives. Marketing is one part of the business, so its goals must serve the whole business's goals. The link **avoids conflict** (a cost-cutting corporate objective clashes with an expensive television campaign), makes **strategies and tactics fit** (a corporate plan to grow overseas needs a marketing objective about the new country), **stops resources being wasted**, makes the corporate objective **more likely to be met**, and lets the board **judge** marketing's contribution.

Demand

Demand is the quantity of a product that customers are **willing and able** to buy at a given price over a period of time: wanting it is not enough.

The **price of the product itself** changes the **quantity demanded**: when the price falls, people buy more (a movement **along** the demand curve). Other factors change demand **at every price** (a **shift** of the whole curve):

Factor	Demand rises when...
Customers' incomes	incomes rise (for most products)

Factor	Demand rises when...
Prices of substitutes (competitors' products)	rivals raise their prices
Prices of complements (printers and ink)	the complement becomes cheaper
Tastes and fashion	the product becomes popular, healthy or stylish
Marketing	an effective campaign raises awareness
Product features	it gains a useful new feature
Population	more people, or more of the age group that buys it
Season and weather	it is the season for it (sun cream in summer)

Supply

Supply is the quantity of a product that businesses are **willing and able** to offer for sale at a given price over a period of time.

A higher **price** makes firms offer more, because each sale is more profitable (a movement **along** the supply curve). Other factors shift supply at every price:

Factor	Supply rises when...
Costs of production (materials, wages, energy)	costs fall
Technology and investment in capital	new machines or automation raise output
Productivity of labour and capital	each worker or machine makes more
Number of firms	new firms enter
Availability of resources (materials, skilled staff)	inputs are easy to get
Taxes and subsidies	a tax is cut or a subsidy is paid
Weather (farm products)	the growing season is good
Other products the firm could make	they become less profitable, so it switches to this one
Business objectives	a non-profit keeps supplying even when it barely covers costs

A supply factor is about the **ability of firms to produce and sell**; a demand factor is about **customers' wish and ability to buy**. The number of customers in an area is a demand factor, not a supply one.

How demand, supply and price interact

The **equilibrium price** is the price at which the quantity customers want to buy equals the quantity firms want to sell. The market moves towards it:

- If the price is **above** equilibrium, firms offer more than customers buy (**excess supply**): unsold stock builds up, so firms cut the price.
- If the price is **below** equilibrium, customers want more than is on offer (**excess demand**): shortages appear, so the price rises.

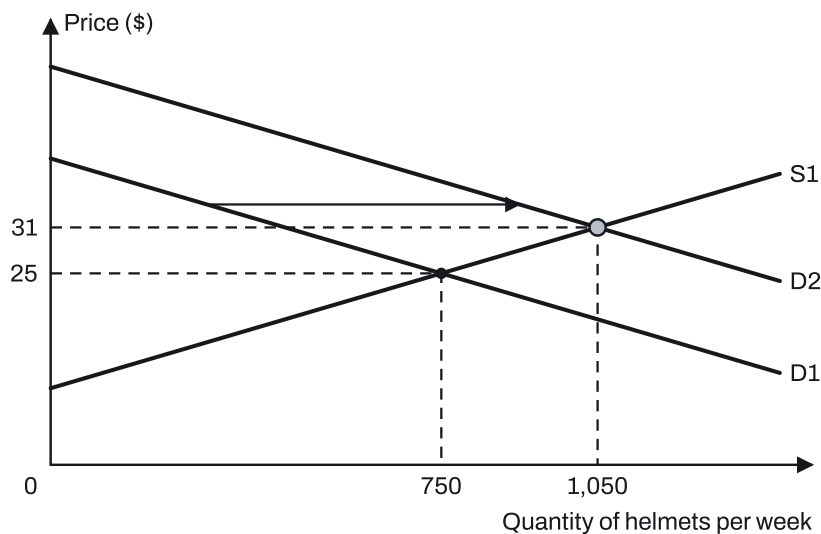


Diagram 1: demand for helmets **rises** (say a new law requires cyclists to wear them). At the old price of 25 dollars there is now excess demand, so the price is pushed up. The new equilibrium is a **higher price (31 dollars)** and a **higher quantity (1,050 a week)**.

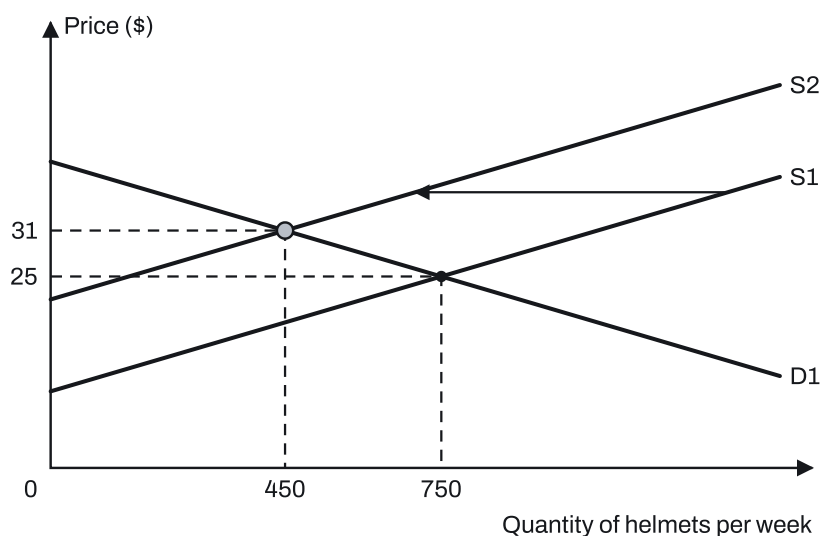


Diagram 2: the cost of making each helmet **rises** by 12 dollars, so firms supply fewer at every price. The new equilibrium is a **higher price (31 dollars)** and a **lower quantity (450 a week)**.

The four cases to remember:

Change	Price	Quantity sold
Demand rises	up	up
Demand falls	down	down

Change	Price	Quantity sold
Supply rises	down	up
Supply falls	up	down

Kinds of market

A **market** is wherever buyers and sellers of a product meet to trade, in a place or online. The firms selling similar products to the same customers are a business's **competitors**.

- **Consumer markets** sell to individuals and households for their own use; **industrial markets** sell to other businesses, which use the goods to make or sell something else.
- **Local** markets serve one town or area (a hairdresser); **national** markets cover one country; **international** markets cross borders.

Selling **internationally** is harder than selling at home: **language and culture** (adverts, brand names, business customs), **different laws** (standards, labelling, tariffs), **exchange rates**, **distance and logistics**, **stronger, unfamiliar competition**, **political risk**, and the need for **managers with more expertise**.

Product orientation and customer orientation

	Product orientation	Customer (market) orientation
Starts from	What the business can make well	What customers want , found by research
Looks	Inward : at its own skills and technology	Outward : at buyers and the market
Risk	Makes products nobody wants; ignores changing tastes	Research costs; may chase every trend

A customer-oriented business puts the buyer at the **centre** of its decisions: reviews, sales data and surveys shape its range.

Market share and market growth

Market share is a business's sales as a percentage of the **total sales of the whole market** (by value or by volume):

$$\text{market share} = \frac{\text{sales of the business}}{\text{total market sales}} \times 100$$

The business with the largest share is the **market leader**, usually with more power over prices, suppliers and retailers.

Market growth measures how much the sales of a **whole market** have risen (or fallen) over a period, as a percentage of where they started:

$$\text{market growth} = \frac{\text{new market size} - \text{old market size}}{\text{old market size}} \times 100$$

Share and size are different things. A firm's sales can rise while its share **falls**, if the whole market grows faster. A firm's share can rise while its sales **fall**, if the whole market shrinks faster.

Implications of changes:

- **Share rising:** more pricing power and influence over retailers, a stronger brand, economies of scale, perhaps market leadership; rivals may respond with price cuts. **Share falling:** rivals are winning customers, so pricing power and leadership slip; find out why and review the marketing mix.
- **Market growing:** more customers, so sales can rise without taking them from rivals; but **new competitors** enter, and more capacity, staff and finance are needed. **Market flat or shrinking:** growth only by taking share from rivals, so competition sharpens (price cuts, heavier promotion).

Classifying products

Consumer products are bought by individuals for their own use:

- **convenience products:** cheap, bought often with little thought (bread, toothpaste, a bus ticket);
- **shopping products:** bought less often, after comparing price and quality (a phone, a sofa);
- **speciality products:** unique or luxury items buyers make a special effort to get (a designer watch).

They can also be **durable** (used for a long time: a fridge) or **non-durable** (used up quickly: food).

Industrial products are bought by businesses to use in production or to run the business: **raw materials and components** (steel, microchips), **capital equipment** (machinery, vehicles, buildings) and **supplies and services** (cleaning, office supplies, IT support).

Consumer (B2C) and industrial (B2B) marketing

	B2C: business to consumer	B2B: business to business
Buyers	Very many individuals	Few buyers, each buying large quantities
How they buy	Often on impulse or emotion: brand, image, packaging	Rationally, to a specification; often a group of managers decides, sometimes by tender
Promotion	Mass media, social media, branding, special offers	Personal selling , trade fairs, trade journals, technical brochures, direct contact
Price	Set by the seller; little negotiation	Negotiated ; bulk discounts; long-term contracts
Demand	Comes from consumers' wants	Derived from the demand for the buyer's own products

Margins are often lower in B2B: business buyers buy in bulk and bargain for discounts, while consumers pay for convenience and presentation. But B2B brings large, steady orders with low marketing cost per unit.

Mass markets and niche markets

A **mass market** is a large market in which one product, or a few similar ones, is sold to most customers with little difference between them (bottled water, toothpaste). **Mass marketing** means selling the same product with the same marketing to the whole of such a market.

A **niche market** is a small, clearly defined part of a larger market, whose customers have particular needs (gluten-free pasta, hiking boots for very wide feet). **Niche marketing** means designing a product and marketing for just that group.

	Mass marketing	Niche marketing
Advantages	Economies of scale: large output lowers average costs, so prices can be low or margins high; high sales volume and revenue; one campaign for everyone saves time and cost ; builds wide brand awareness , possibly market leadership; less exposed to one group changing its tastes	Less competition (big firms often ignore small markets); customers pay a premium price , so higher margins ; loyal customers whose needs are met closely; promotion is cheaper and better targeted ; suits small firms without the capacity to serve a mass market
Disadvantages	Intense competition , often on price; needs large capacity and a big promotion budget; the product may not fully satisfy anyone; hard for small firms	Small sales volume limits growth and economies of scale, so unit costs are higher; risky if the niche shrinks or tastes change (all eggs in one basket); if it proves profitable, large firms may enter

Market segmentation

Market segmentation splits a market into smaller **sub-groups of customers who share characteristics**, so that a business can choose which groups to target and design products and promotion for them.

Method	Divides customers by...	Example
Geographic	Where they live: region, country, town or countryside, climate	Heavier coats sold in the colder north of a country
Demographic	Measurable personal facts: age, gender, income , family size, occupation, education, religion, ethnic group	Savings accounts designed for retired people
Psychographic	How they live and think: lifestyle, personality, values, attitudes, interests , opinions, often social class	Sports drinks aimed at people who see fitness as part of who they are

Advantages: **better targeting** of each group's needs, so more satisfied, loyal customers; **more efficient promotion** (lower cost per sale); **higher prices and margins** from groups that get exactly what they want; **gaps in the market** spotted; **risk spread** across segments.

Disadvantages: **higher costs** of different products, packaging, campaigns and research; **loss of economies of scale**; **complexity** and a risk of confusing the brand or upsetting existing customers; segments may be **too small** or change quickly.

Customer relationship marketing (CRM)

Customer relationship marketing tries to keep customers coming back for years, so that the business earns from a lasting **relationship** with each one instead of from a one-off purchase. It uses a **database** of customers' purchases and personal contact: loyalty schemes, tailored offers, quick replies to complaints, after-sales follow-ups.

Aims of CRM: **keep existing customers** and make them **loyal**, repeat buyers; **understand customers** through their data so offers can be tailored; raise what each customer spends over the years; and turn satisfied customers into people who **recommend** the business.

Benefits: keeping a customer costs less than winning one; loyal customers buy more and try new products; tailored offers waste less promotion; **word of mouth** is free promotion; problems are fixed early.

Costs: **software, staff time and training**, data protection rules, a long wait before loyalty pays back, higher customer expectations, and new customers may be neglected. For small firms cost and skills are the barriers, but they already know many customers personally and cheap digital tools now exist.

Key facts and formulas

There is no formula list for this subject in the exam. "Learn it" means you must remember it.

Formula or fact	Status
Market share = $\frac{\text{sales of the business}}{\text{total market sales}} \times 100$	Learn it
Total market size = $\frac{\text{sales of the business}}{\text{market share (\%)}} \times 100$	Learn it
Market growth = $\frac{\text{new market size} - \text{old market size}}{\text{old market size}} \times 100$	Learn it
Change in market share is in percentage points : from 18% to 15% is a fall of 3 percentage points	Learn it
Demand rises: price and quantity both rise. Supply falls: price rises, quantity falls	Learn it
Price changes the quantity demanded or supplied (along the curve); other factors shift the curve	Learn it
Segmentation methods: geographic, demographic, psychographic	Learn it

How to do it

We have tagged 43 questions on this topic (2021–2026), across Papers 1 and 2. 20 of them have parts of more than one type, so the counts add up to 63.

Question type	Questions
Define or explain a basic market term	8
Calculate market share	7
Explain or evaluate a factor influencing supply	6
Benefits and limitations of market segmentation	5
Define or explain market segmentation or a segmentation method	4
Define or explain mass market or niche market	4
Link between marketing objectives, corporate objectives and other departments	4
Calculate market growth or market size	3
Explain or analyse factors influencing demand	3
Advantages of mass marketing or niche marketing	3
Implications of a change in market growth or market share	3
Evaluate the importance of marketing to a business's success	3
Consumer (B2C) and industrial (B2B) marketing	3
Define or explain customer (market) orientation	2
Customer relationship marketing (CRM)	2
How marketing adds value	2
Challenges of international markets compared with national markets	1

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

1. Define or explain a basic market term (8 questions)

"Define the term ..." [2] (Paper 1): two separate elements for 2 marks; one vague element earns 1.

Term	Full definition (2)	Partial (1)
Demand	The quantity customers are willing and able to buy (1) at a given price over a period (1)	"What customers want"
Supply	The quantity firms are willing and able to offer for sale (1) at a given price over a period (1)	"What a business makes"
Market	Where buyers and sellers of a product (1) come together to trade , in a place or online (1)	"Where things are sold"
Competitors	Other businesses (1) selling similar or substitute products to the same customers (1)	"Rival businesses"

Term	Full definition (2)	Partial (1)
Market share	A business's sales (1) as a percentage of total market sales (1); writing the formula earns both	"How much of the market it has"

"Explain the term ..." [3] (Paper 2 (a)(ii)): 1 K + 1 development + 1 for a fact from the case. For market share: one firm's sales as a percentage of all sales in its market (K; the formula earns K + development), then the case: "with the largest share, [business] leads its market and can influence prices" (App).

2. Calculate market share (7 questions)

All Paper 2 (b)(i), usually [3]: 1 for the formula, 1 for the right figures, 1 for the answer. A correct answer alone earns all 3, but showing the formula and figures saves 2 marks after one slip; 0.35 instead of 35% scores 2.

Find the total market carefully: add **every** firm in the chart or table, for the **right year**.

For example, a country's electric-kettle makers sold these numbers of kettles last year: brand X 42,000, brand Y 30,000, brand Z 18,000 and all other brands together 30,000. Brand X's share by volume is $\frac{42,000}{120,000} \times 100 = 35\%$: the "other brands" line belongs in the total too.

Variations you will meet:

- **A change in share between two years:** work out both shares, then subtract. The answer is in **percentage points**: 18% → 15% is a fall of 3 percentage points.
- **Working backwards to sales:** a rival has a 25% share with sales of 3 million dollars, so the market is $3 \div 0.25 = 12$ million dollars, and a firm with a 15% share sells $0.15 \times 12 = 1.8$ million dollars.
- **A share of a sub-market:** a country's soft-drink market is worth 800 million dollars, and 25% of it is sugar-free drinks, a sub-market of $800 \times 0.25 = 200$ million dollars. A brand selling 40 million dollars of sugar-free drinks has $\frac{40}{200} \times 100 = 20\%$ of that sub-market. Use the sub-market as the total, not the whole 800 million.

3. Explain or evaluate a factor influencing supply (6 questions)

"Explain one factor that affects how much of [a product or service] can be supplied" [3]:

name one factor from the supply table (K), explain which way a change in it moves supply, and tie it to the case's staff, equipment or costs (App).

For an online T-shirt printing company: "Supply depends on technology (K). A new digital printer prints a design in 2 minutes instead of 10, so each machine can turn out five times as many shirts a day (explain), letting the company accept large orders from sports clubs without hiring extra printers (App)."

Don't give a demand factor (more customers, rising incomes): examiners give no credit for it here. For "two factors" [3], name two, at least one explained.

Variation [11 or 12]: judge which supply factor matters most for the case's business; weigh two or three (costs, staff, grants, capacity) and say what the answer depends on.

4. Benefits and limitations of market segmentation (5 questions)

"Explain one benefit (or limitation) of market segmentation" [3]: one point (K) + two linked steps of development: "Segmentation lets a business target its promotion (K), so it spends its advertising budget only on the groups most likely to buy (1), cutting the cost of each sale and raising profit (1)."

"Analyse two benefits of market segmentation" [8]: two benefits, each K + App + a two-step chain to sales, costs, prices or profit. Don't evaluate.

"Evaluate whether [business] should move from mass marketing to segmenting its market" [12]: 2 K, 2 App, 2 An, 6 Eval.

Plan: **K** (sub-groups, the methods; **product differentiation** is a different idea and earns no knowledge mark here). **App**: the case's customers, any trend in what they want, its costs and competition. **An for**: better targeting of that trend → more satisfied customers → higher sales or prices; cheaper, focused promotion. **An against**: new products and campaigns → higher costs; complexity; risk of losing current customers; needs research skills. **Eval**: often a supported middle way: segment in **one** way first, test it, keep the mass-market core; say what it depends on (research, cost, how fast the trend grows, rivals).

5. Define or explain market segmentation or a segmentation method (4 questions)

- **Market segmentation** [2]: dividing a market into **sub-groups** of customers (1) with **shared characteristics**, so each can be **targeted** (1). Never define it with the words "market" and "segment" alone; examiners often report this.
- **Psychographic segmentation** [2]: dividing customers into sub-groups (1) by **lifestyle, values, attitudes, personality or interests** (1). "A way of dividing customers" alone earns only 1.
- **Demographic** [2]: sub-groups (1) by measurable personal features such as **age, gender or income** (1). **Geographic**: by **location** or region.
- The [3] Paper 2 version adds context: who in the case is targeted, and how.

6. Define or explain mass market or niche market (4 questions)

"Explain the term niche market" [3]: K + development + context.

- **Niche market**: a small, specialised part of a larger market (K), with few competitors and often premium prices (development), then the case's target group (App).
- **Mass market**: a very large market of similar products sold to most customers (K), with one marketing approach for all (development), plus the case.

Examiners report answers that describe the market but say nothing about **marketing to it**, and that confuse a mass **market** with mass **marketing**.

7. Link between marketing objectives, corporate objectives and other departments (4 questions)

"Explain (or analyse two reasons) why marketing objectives should be closely linked to corporate objectives" [5] or [8] (Paper 1): use the reasons in "Understand it".

Chain for each: "If the corporate objective is to cut costs (App) but marketing sets an objective to double its advertising (App), the two conflict (K), so money is spent on promotion the board did not plan for, profits fall and the cost objective is missed (An, An)."

[12] variations: whether marketing needs to work closely with finance and HR (use the departments table: budgets, forecasts, staff), or whether good marketing objectives matter most in a launch (weigh them against finance, capacity, staff and competitors); judge for the business named.

8. Calculate market growth or market size (3 questions)

All Paper 2 [3]: formula, figures, answer.

Use the **whole market's** size, not one firm's sales (examiners report candidates who found the firm's growth instead). Some mark schemes also accept the change in dollars.

Variations you will meet:

- **Market size from a share:** a firm sells 63,000 dollars and has 14% of the market, so the market is $\frac{63,000}{14} \times 100 = 450,000$ dollars. If the market was 400,000 dollars a year earlier, it grew by 50,000 dollars, or $\frac{50,000}{400,000} \times 100 = 12.5\%$.
- **Applying growth rates:** a 5 million dollar market that grows 4% one year then 3% the next becomes $5 \times 1.04 \times 1.03 = 5.356$ million dollars. Multiply year by year; don't add the percentages.
- **Reading a chart:** take the totals for the two years from the chart, then use the formula.

9. Explain or analyse factors influencing demand (3 questions)

"Explain one factor that affects demand for [a product]" [3]: name a factor (K), then two steps on how a change in it raises or lowers demand. "If customers' incomes rise (K), they can afford more non-essential products (1), so demand for items such as restaurant meals increases (1)." Use a non-price factor from the demand table: these shift demand, so they are always safe. Some mark schemes also accept the product's own price, but one examiner report rejected it because price changes the quantity demanded, so don't rely on it. For the [8] version, analyse two factors, each K + App (the case's customers, location, rivals) + a two-step chain to sales or revenue.

10. Advantages of mass marketing or niche marketing (3 questions)

"Analyse one advantage to [a business] of mass marketing" [5] (Paper 1): 1 K + 2 App + 2 An. "Mass marketing allows economies of scale (K). Because the same product is made in very large numbers for the whole market (App), the business can buy materials in bulk and spread fixed costs over more units (App). This lowers the average cost of each unit (An), so it can either undercut rivals to win sales or keep its price and earn a higher margin (An)."

The [8] versions want two advantages from the table in "Understand it", each with K + App + two links (Example 3). Answer only what is asked: examiners report time wasted on disadvantages.

11. Implications of a change in market growth or market share (3 questions)

"Explain one implication for [business] of the change in its market share (or in market growth)" [3]: one implication from "Understand it" (K) + two developed steps using the case's numbers: "its share fell from 18% to 15%, so..." (Example 2(b)(ii)).

12. Evaluate the importance of marketing to a business's success (3 questions)

"Marketing is the most important factor for [business]'. Evaluate this view" [12], or in Paper 2, whether a business should keep marketing a product. For marketing: without it customers do not know the product or why to choose it, so a new business cannot reach break-even. Against: finance, operations (quality and capacity), skilled staff and external factors; marketing promises, the other departments deliver. Judge for this business: marketing matters most where the product is new and competition fierce, and is wasted on a poor product. In Paper 2, use the case's numbers (sales against break-even, the trend).

13. Consumer (B2C) and industrial (B2B) marketing (3 questions)

- **Define industrial (B2B) marketing [2]**: marketing goods or services (1) **to other businesses** rather than to consumers (1). "Marketing to industries" is too vague for 2.
- **Why margins differ between the two markets [4]**: bulk discounts and buyer power push B2B prices down; one market may carry extra costs (transport, packaging) the other avoids; consumers pay for presentation. Answer about the **margin**, not just profit.
- **Recommend B2B or B2C [11 or 12]**: weigh the two columns of the B2C/B2B table for the case and recommend one, using its numbers.

14. Define or explain customer (market) orientation (2 questions)

"Explain the term customer orientation" [3]: K needs **both** halves: the customer (the buyer) and the orientation (the buyer at the centre of decisions, looking outward). Then context: how the case's business finds out what buyers want (feedback, reviews, sales data) and changes what it offers. "Managers think about buyers" earns only 1.

15. Customer relationship marketing (CRM) (2 questions)

- **"Analyse two ways CRM can benefit [a business]" [8]:** two benefits from "Understand it", each K + App + two links.
- **"Evaluate whether CRM is worth introducing for [a small business, or small businesses generally]" [12]:** for, loyal repeat buyers and recommendations at low cost, and cheap digital tools now exist; against, software, staff time and data skills cost money with no quick return, and a firm whose customers buy once gains little. Judge: "it depends" on the kind of customer (repeat or one-off) and the firm's resources (Example 4).

16. How marketing adds value (2 questions)

"Analyse how marketing adds value, two ways" [8]: two of branding, packaging, a USP, image-building promotion, service. "A strong brand (K) makes customers trust the product (An), so they pay more than for an unbranded version with the same inputs (An), widening the gap between price and cost (An)."

17. Challenges of international markets compared with national markets (1 question)

"Analyse two extra challenges a business faces selling abroad rather than at home" [8]: two from the list in "Understand it", each K + App + a two-step chain: "Different labelling laws (K) mean new packaging for each country (App), which raises costs (An) and delays the launch, giving local rivals time to respond (An)."

Worked examples

Example 1

- (a) Define the term demographic segmentation. [2]
- (b) Explain one factor that could reduce the supply of hand-made furniture from a small workshop. [3]
- (a)** Dividing a market into sub-groups of customers (1) according to measurable personal features such as age, gender or income (1).
- (b)** The availability of skilled workers affects supply (K). Hand-made furniture needs trained carpenters, and each one can make only a few pieces a month (1), so if one of the workshop's carpenters leaves and cannot be replaced quickly, it can offer fewer tables and chairs for sale at any price (1).

Example 2

Lumen Lamps (LL) is a private limited company that makes desk lamps in country R. The table shows sales in the desk-lamp market in country R.

	2024	2025
Total market sales (million dollars)	48.0	54.0
LL's sales (million dollars)	5.76	8.1
Largest rival's market share	21%	18%

(a) Explain the term market growth. [3]

(b) (i) Calculate LL's market share in 2025. [3]

(ii) Explain one implication for LL of the change in its market share between 2024 and 2025. [3]

(a) Market growth shows how far the combined sales of every firm in a market have risen or fallen over a period (K), worked out as the rise in those sales divided by the starting figure, times 100 (1). The desk-lamp market grew from 48.0 to 54.0 million dollars, which is $\frac{54.0 - 48.0}{48.0} \times 100 = 12.5\%$ (App).

(b)(i) Market share = $\frac{\text{LL's sales}}{\text{total market sales}} \times 100 (1) = \frac{8.1}{54.0} \times 100 (1) = 15\% (1)$.

(b)(ii) LL's share rose from $\frac{5.76}{48.0} \times 100 = 12\%$ to 15%, a gain of 3 percentage points, while its largest rival's share fell from 21% to 18% (App). A rising share means LL is winning customers from rivals, not just growing with the market (K). It is now only 3 points behind the leader, so if the trend continues it could become market leader, giving it more power to win shelf space from retailers and less need to cut prices (App).

Example 3

Quill & Fern (QF) is a sole trader that makes hand-bound notebooks for left-handed artists. The paper is coated so ink dries before a left hand smudges it. QF sells each notebook online for 28 dollars, and each costs 10 dollars to make. Ordinary notebooks in supermarkets sell for about 6 dollars.

Analyse two advantages to QF of targeting a niche market. [8]

Advantage 1: a premium price and a high margin. Niche customers with a particular need will pay more for a product made for them (K). QF's left-handed artists pay 28 dollars, nearly five times the supermarket price, because the special paper solves a problem they have every day (App). Each notebook therefore earns 18 dollars over its cost, a margin of $\frac{28 - 10}{28} \times 100 = 64.3\%$ (An), so QF can make a profit from small sales volumes that a mass producer could not survive on (An).

Advantage 2: little competition. Big stationery firms aim at the mass market and ignore such a small group (K), so left-handed artists who find QF online have few alternatives (App). They come back for refills and recommend QF in art forums (An), so QF gains loyal customers and free promotion without fighting a price war with large firms (An).

Each advantage earns K + App + 2 An, so 4 + 4 = 8.

Example 4

Tidewater Bikes (TB) is a family-owned partnership that sells and repairs bicycles in one town. It has four staff and 1,200 regular customers. At present 60% of its customers return each year. Each returning customer spends on average 180 dollars a year with TB, and TB's profit margin on sales is 25%.

One partner wants to start customer relationship marketing: a CRM software package costing 1,800 dollars a year, service reminders sent by text, and a loyalty discount. She estimates that 70% of customers would return each year. The reminders and records would take one staff member 3 hours a week, at 16 dollars an hour. A large online bicycle retailer has recently started delivering to the town.

Evaluate whether TB should introduce CRM. [12]

Knowledge. CRM aims to keep customers over the long term by building a relationship with them, often using purchase records (K), so they become loyal, repeat buyers (K).

For. If the share of returning customers rises from 60% to 70%, TB keeps $0.10 \times 1,200 = 120$ more customers a year (App). They spend $120 \times 180 = 21,600$ dollars, which at a 25% margin is $21,600 \times 0.25 = 5,400$ dollars of extra profit (App). Service reminders bring cyclists back for repairs at regular intervals, so TB's workshop is busier in quiet months (An), and loyal customers who are treated personally are less likely to switch to the online retailer, which cannot repair their bikes or know their history (An).

Against. The costs are 1,800 dollars for software plus $3 \times 16 \times 52 = 2,496$ dollars of staff time, a total of 4,296 dollars a year (App). The estimated net gain is only $5,400 - 4,296 = 1,104$ dollars, and that rests on the partner's own estimate of 70%; if only 65% return, the extra profit halves to 2,700 dollars and CRM makes a loss (An).

Judgement. CRM suits TB better than many small businesses, because its customers buy repeatedly (repairs, parts, new bikes as children grow) and the new online rival makes loyalty more valuable (Eval). But the gain is small and depends on an unproven estimate (Eval). TB should start with a cheaper version: record customers in a free spreadsheet and send reminders by hand for six months, then compare the return rate with 60% before buying software (Eval). If it rises clearly, the full system is worth it (Eval).

The marks: 2 K, 2 App, 2 An (a developed chain each way), and 6 Eval for a supported judgement in the context of a small bicycle shop with repeat customers, with what it depends on.

Common mistakes

- **Defining a term with its own words.** "Market segmentation is segmenting the market" earns nothing; examiners often report this. Use sub-groups, shared characteristics, target.
- **Missing half a definition.** Demand needs "willing and able" and "at a given price"; customer orientation needs both the customer and the orientation.
- **Giving a demand factor when supply is asked,** or the reverse. The number of people living nearby is a demand factor; staff, equipment and costs are supply factors. The wrong side earns nothing.
- **Stopping halfway through a calculation,** at the combined sales figure. Finish with the percentage.

- **Using the wrong total:** miss a firm, take the wrong year, or use the whole market when a sub-market is asked; or calculate one firm's growth instead of the market's.
- **Confusing market size with market share**, or a percentage-point change with a percentage change.
- **Confusing segmentation with product differentiation.** Segmentation divides customers; differentiation makes the product different.
- **Answering a different question:** disadvantages when advantages are asked, or two points when one is asked.
- **Generic Paper 2 answers.** Use the case's products, customers and numbers.

How to get the marks

- **Command words.** *Define*: the exact meaning with two elements. *Explain*: a point, then why or how, in context. *Calculate*: formula, figures, answer. *Analyse*: chains of cause and effect, no judgement. *Evaluate*, *Discuss*, *Recommend*: both sides, then a supported judgement.
- **[2] define**: two separate elements; for market share, the formula earns both.
- **[3] explain the term** (Paper 2): K, development, a fact from the case.
- **[3] calculations**: formula, the figures used, the answer with %; one slip still earns method marks.
- **[5] analyse one**: 1 K, 2 App, 2 An. **[8] analyse two**: two points, each K, App and a two-link chain.
- **[12] evaluate**: 2 K, 2 App, 2 An, 6 Eval. The top marks need a judgement **in context**: which side wins for this business, why, and what it depends on.
- **Use the numbers**: a share, growth rate or profit you calculate from the case strengthens analysis and judgement.

Quick check

1. Classify each product: (a) a forklift truck bought by a warehouse; (b) a packet of chewing gum; (c) a hand-made wedding ring; (d) a washing machine bought for a family home.
2. A firm sells 2.4 million dollars of garden tools and has an 8% market share. (a) Calculate the total market size. (b) Next year the market grows by 5% and the firm's sales stay the same. Calculate its new market share, to 2 decimal places.
3. For each event, say whether it shifts the demand curve, the supply curve, or neither, for electric scooters: (a) a government subsidy for scooter makers; (b) a fall in the price of scooters; (c) scooters become fashionable among students.
4. Explain the difference between product orientation and customer orientation. **[3]**
5. Explain one disadvantage to a business of mass marketing. **[3]**

Answers

1. (a) industrial product (capital equipment); (b) consumer convenience product (non-durable); (c) consumer speciality product; (d) consumer shopping product (durable).
2. (a) $\frac{2.4}{8} \times 100 = 30$ million dollars. (b) The market becomes $30 \times 1.05 = 31.5$ million dollars, so the share is $\frac{2.4}{31.5} \times 100 = 7.62\%$, a fall of 0.38 percentage points although sales did not fall.
3. (a) supply shifts (to the right: costs per scooter fall); (b) neither: it is a movement along the demand curve (more are demanded); (c) demand shifts (to the right).
4. A product-oriented business starts from what it can make well and then looks for buyers, while a customer-oriented business starts from what customers want, found through research (K). A phone maker that adds a feature because its engineers can is product-oriented (1); one that studies reviews first and builds what buyers ask for is customer-oriented, so its products are more likely to sell (1).
5. Mass marketing faces intense competition (K). Because many large firms sell similar products to the same huge market, customers can easily switch to a cheaper rival (1), so the business may be forced into price cuts or heavy spending on advertising, which reduces its profit margin (1).

Past questions to try

- 9609/22/F/M/25 Q2: part (b)(i), finding the market size from a share, then the market growth.
- 9609/21/O/N/24 Q1: part (b)(i), a change in market share between two years.
- 9609/12/O/N/24 Q6: part (a), two benefits of customer relationship marketing.
- 9609/12/O/N/23 Q6: part (a), why marketing objectives should be linked to corporate objectives.