

Cambridge IGCSE · Business Studies 0450 · Notes

# Marketing, competition and the customer

Read online at [pastopic.com/cambridge/business-studies-0450/notes/marketing-competition-and-the-customer](https://pastopic.com/cambridge/business-studies-0450/notes/marketing-competition-and-the-customer)

Last checked 5 October 2026

© 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:

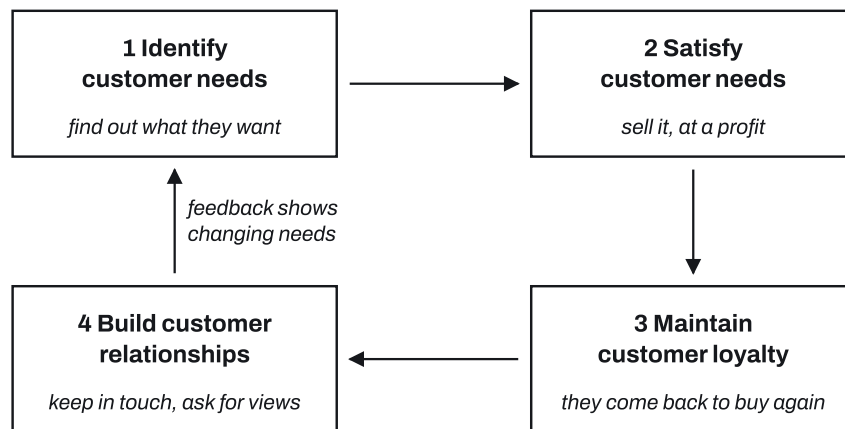
1. **Explain the four roles of marketing:** identifying what customers need, satisfying those needs, keeping customers loyal and building relationships with them.
  2. **Explain why customers change what they spend their money on:** tastes, incomes, prices, technology, the population and more.
  3. **Explain why it matters when customer needs change**, and what happens to a business that doesn't notice.
  4. **Explain why some markets have become more competitive**, such as globalisation, the internet and better transport.
  5. **Explain how a business can respond** to changing spending patterns and to more competition.
  6. **Explain the difference between niche marketing and mass marketing**, with the benefits and limitations of each.
  7. **Explain how a market can be segmented**, for example by age, socio-economic group, location or gender.
  8. **Explain the benefits of segmentation** to a business.
  9. **Recommend and justify a method of segmentation** for a business in a given situation.
- 

## Understand it

### What marketing is for

Marketing is much more than advertising. It is everything a business does to find out what people want, get it to them, and make sure they choose this business again rather than a rival. The syllabus splits this into four roles, which follow on from each other.

Marketing keeps customers buying, not just buying once



- 1. Identifying customer needs.** Before making anything, find out what customers want, what they will pay and where they like to buy, usually through market research. A product nobody wants wastes the money spent making and promoting it.
- 2. Satisfying customer needs.** Provide the right product, at a price customers accept, where they can buy it. Customers who get what they wanted are more likely to buy, and the business must still sell **at a profit**: satisfying customers by giving products away is not the aim.
- 3. Maintaining customer loyalty.** **Customer loyalty** means customers who have bought before keep choosing this business instead of its rivals. It is worth a lot:
  - keeping a customer usually costs less than winning a new one, so less needs to be spent on advertising;
  - regular customers give steady repeat sales, which makes revenue easier to forecast and plan for;
  - happy regulars recommend the business to friends (word of mouth), which is free promotion;
  - loyal customers are more willing to try the business's new products, and may accept a higher price;
  - the business learns what its regulars buy, so it can match what it stocks or makes to them and waste less.
- 4. Building customer relationships.** Keep in regular contact so customers feel known and valued, not just served once. A good relationship also tells the business when customers' needs are starting to change, which takes it back to role 1.

## Ways to keep customers and build relationships

| Method                                                      | Why customers come back                                            | Drawback                                                      |
|-------------------------------------------------------------|--------------------------------------------------------------------|---------------------------------------------------------------|
| Excellent customer service from trained, friendly staff     | they feel welcome and trust the business                           | training takes time and money                                 |
| Loyalty scheme: points, or discounts for regular customers  | there is a reward for returning                                    | the discounts cut the profit on each sale; rivals can copy it |
| Keeping in touch: newsletters, social media posts, messages | the business stays in their mind, and they hear about new products | takes time; too many messages annoy people                    |

| Method                                                        | Why customers come back                           | Drawback                                   |
|---------------------------------------------------------------|---------------------------------------------------|--------------------------------------------|
| Asking for feedback                                           | products keep matching what customers want        | only works if the business acts on it      |
| Dealing with complaints quickly, with refunds or replacements | an unhappy customer is not lost to a rival        | refunds cost money                         |
| Extra services: delivery, credit, after-sales care            | buying is easier, and it shows the business cares | each service adds costs                    |
| A strong brand and quality customers can rely on              | they know what they will get                      | takes years to build, and can be lost fast |

"Lower the price" and "advertise more" are ways of **winning sales**, not of keeping customers: anyone can be attracted by them, and they leave as soon as a rival is cheaper.

## Why spending patterns change

A **spending pattern** is what customers buy, how much of it, and where. It changes because of:

- **tastes and fashion:** a style or food becomes popular, or goes out of fashion;
- **incomes:** rising wages mean people can afford better-quality or luxury goods; falling incomes, more unemployment or a recession push them to cheaper ones;
- **the product's own price:** a higher price usually means fewer sales;
- **rivals' prices:** if a competitor's product becomes cheaper, customers switch to it;
- **advertising and promotion:** a successful campaign shifts spending towards that product;
- **the population:** its size and age structure (an ageing population buys more of what older people need);
- **new technology:** new products appear and old ones lose sales;
- **taxes, interest rates and exchange rates:** these change how much people have to spend, and the price of imports;
- **the weather and the season:** more cold drinks in a hot summer, more coats in winter.

## Why changing customer needs matter

A business that keeps selling yesterday's product sees sales drift to rivals that noticed the change first. It may be left with unsold inventory and falling revenue. A business that spots the change early can adapt its product, reach a new group of customers, or launch something new before its competitors. For example, when more people work from home, a city-centre sandwich shop loses lunchtime trade, but a business that delivers to homes gains.

## Why some markets have become more competitive

These reasons are about **more businesses being able to sell** into a market, not about customers wanting more:

- **globalisation and free trade agreements:** removing tariffs and quotas lets foreign firms sell here easily;
- **the internet, e-commerce and social media:** a small firm can sell across the country or the world, and customers can compare prices in seconds;
- **better transport and infrastructure:** goods travel faster and more cheaply, so distant firms can compete;
- **changes in the law:** a government may open a market that was once protected, so new firms can enter.

## How a business can respond

**To changing spending patterns:** use market research to spot the change; adapt the product or develop a new one; change the price; change how it promotes the product; target a different group of customers; sell in new places, such as online.

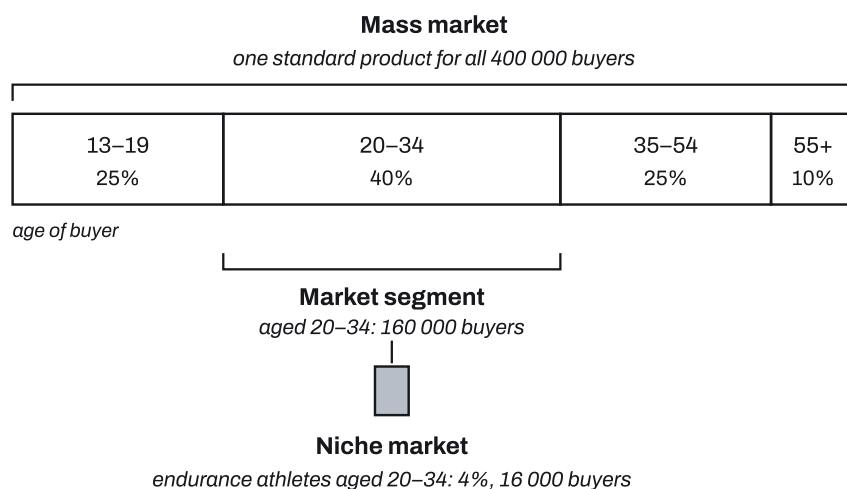
### To more competition:

- lower prices or change the pricing method: more sales, but less profit on each one;
- improve quality or customer service: customers have a reason to stay, but it costs more;
- develop new products or a **unique selling point (USP)**, something rivals don't offer;
- promote the product more, or better, so customers see why it is different;
- build customer loyalty and relationships (the table above);
- cut costs by working more efficiently, so prices can fall without losing profit;
- improve or move premises, or merge with or take over a rival.

Every response has a cost, so in a judgement question weigh what it gains against what it costs.

## Mass marketing and niche marketing

**Mass marketing** means selling the same, standard product to the whole market, so very large numbers of one product are sold (bread, toothpaste, a popular soft drink). **Niche marketing** means selling to a **small, specialised part of a larger market** whose customers have particular needs (football boots for very wide feet, gluten-free cakes). A niche product is not always expensive or luxurious; what makes it a niche is that only a small group needs it.



In the diagram, a mass marketer sells one drink to all 400 000 buyers. The 20–34 age group is a segment of  $400\,000 \times 40\% = 160\,000$  buyers. A business making a drink only for endurance athletes in that age group serves a niche of  $400\,000 \times 4\% = 16\,000$  buyers.

|                        | Benefits                                                                                                                                                                                                                                                                                                                                                  | Limitations                                                                                                                                                                                                                                                                                                                                          |
|------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Mass marketing</b>  | a huge number of potential buyers, so revenue can be large; large-scale production gives <b>economies of scale</b> , so the cost of each unit falls; one standard product is cheaper to make than many versions; with many customers (and perhaps several versions), a fall in sales to one group hurts less; plenty of room for the business to grow     | rivals offer near-identical products, so customers pick the cheapest and firms end up cutting prices, which squeezes profit; reaching a whole market needs costly advertising on a wide scale; one design for everyone leaves some customers wanting something closer to their needs; customers who want something different go to small specialists |
| <b>Niche marketing</b> | fewer competitors, so customers have few alternatives; the business knows its small group of customers well and can tailor the product to them, which keeps them coming back; customers may pay a higher price for a product made for them; a small business can survive next to big firms by doing one thing well; the business builds specialist skills | the market is small, so total sales are limited; there is little room to grow; output is too small for economies of scale, so unit costs stay high; relying on one product is risky if demand for it falls; a niche that proves profitable draws in bigger firms, which can undercut the original business                                           |

A niche does **not** guarantee higher revenue or profit: the price per item may be higher, but far fewer are sold.

## Market segmentation

A **market segment** is a group of customers within a market who share a characteristic that affects what they buy. **Segmentation** means dividing a market into these groups, choosing one or more to target, and giving each the product, price, place and promotion that suits it.

Ways to segment a market:

- **age**: children, teenagers, young adults, retired people;
- **gender**;
- **income**, or **socio-economic group** (groups based on the kind of job people do, such as professionals and manual workers, which links to income and lifestyle);
- **location**: region, country, city or countryside, climate;
- **ethnic background, culture or religion**;
- **family size**;
- **lifestyle and interests**: sporty, outdoors, eco-conscious;
- **how the product is used**: how often, and what for.

Benefits of segmentation:

- **Products match what the segment wants**, so more of them sell and less is wasted on products that would not have sold.
- **Promotion is aimed at the right people**, in the media they use, so less of the marketing budget is wasted on people who will never buy.
- **Gaps in the market show up**: a group whose needs nobody meets is a new opportunity, and serving several segments spreads risk.
- **A higher price may be possible**, because a group that gets a product designed for it values it more.
- **Customers who feel the product is made for them become loyal**.
- **A small business can compete** with mass-market firms by serving one segment better than they do.

Segmentation has costs too: research to find the segments, different products and adverts for each, and the risk of ignoring customers outside the chosen group.

## Choosing a method of segmentation

To recommend a method, ask three questions:

1. **Does this characteristic change what people buy?** Age matters for toys; it hardly matters for salt.
2. **Can the business find out about it?** Age and location are easy to know; personality is harder.
3. **Can the business reach that group?** Through particular shops, websites, magazines or areas.

| Business                               | Good method                    | Why                                              |
|----------------------------------------|--------------------------------|--------------------------------------------------|
| Toy maker                              | age                            | what children play with changes quickly with age |
| Shop selling ski equipment             | location                       | demand exists only near mountains with snow      |
| Maker of luxury watches                | income or socio-economic group | only high earners can afford them                |
| Producer of halal ready meals          | religion or culture            | the product is made for one group's needs        |
| Gym chain launching a women-only class | gender                         | the service is designed for one gender           |

Then justify the choice by comparing it with the others: the best method is the one that best predicts **what** people will buy and **how** to reach them.

## Key facts and formulas

This topic has no formula list in the exam. "Learn it" means you must remember it.

| Fact                                                                                                                                       | Status   |
|--------------------------------------------------------------------------------------------------------------------------------------------|----------|
| Four roles of marketing: identify customer needs, satisfy customer needs, maintain customer loyalty, build customer relationships          | Learn it |
| Customer loyalty: previous customers keep coming back to buy from the business rather than from its rivals                                 | Learn it |
| Mass market: the same, standard product sold to the whole market, so a very large number of sales of one product                           | Learn it |
| Niche market: a small, specialised part of a larger market, whose customers have particular needs                                          | Learn it |
| Market segment: a group of customers within a market who share a characteristic that affects what they buy                                 | Learn it |
| Ways to segment: age, gender, income, socio-economic group, location, ethnic background or culture, family size, lifestyle, use of product | Learn it |
| Why markets have become more competitive: globalisation and free trade, the internet and e-commerce, better transport, changes in the law  | Learn it |
| Customers in a segment = customers in the market × the segment's share (%)                                                                 | Learn it |

## How to do it

We have tagged 38 questions on this topic (2021–2025), on Paper 1 and Paper 2. 3 of them have parts of more than one type, so the counts add to 41.

| Question type                                                          | Questions |
|------------------------------------------------------------------------|-----------|
| Benefits and limitations of niche and mass marketing                   | 8         |
| Ways to build customer relationships or loyalty, and choosing the best | 5         |
| Why customer loyalty and relationships matter                          | 4         |
| Define a key term (niche market, mass market, customer loyalty)        | 4         |
| Benefits of market segmentation                                        | 4         |
| Ways to segment a market, or judging one method                        | 4         |
| Reasons consumer spending patterns change                              | 3         |
| How a change in the market affects a business, and which matters most  | 3         |
| Reasons markets have become more competitive                           | 2         |
| Ways to respond to increased competition                               | 2         |
| The roles of marketing                                                 | 2         |

The mark scheme codes are **k** (knowledge: a correct point), **app** (application: a detail from the case), **an** (analysis: a developed consequence) and **eval** (evaluation: a justified judgement).

| Part                                                | Marks  | What earns them                                                                                                                            |
|-----------------------------------------------------|--------|--------------------------------------------------------------------------------------------------------------------------------------------|
| Paper 1 "Define"                                    | 2      | a full definition; half = 1                                                                                                                |
| Paper 1 "Identify" or "State"                       | 2 or 4 | 1 per point; only the first ones are marked                                                                                                |
| Paper 1 "Outline"                                   | 4      | each: k + app                                                                                                                              |
| Paper 1 "Explain" (d)                               | 6      | each: k + app + an                                                                                                                         |
| Paper 1 (e) "Do you think ...?" or "Which is best?" | 6      | 2 k + 2 an + 2 eval; general, so no app                                                                                                    |
| Paper 2 (a) "Explain two ..."                       | 8      | each: point (1) + up to 3 explanation marks, at least one about the case; "two benefits and two limitations" or "four reasons": 1 + 1 each |
| Paper 2 (b) "Consider ... Which ...? Justify"       | 12     | levels: applied discussion of every option, then a choice that says why the others were rejected                                           |

## 1. Benefits and limitations of niche and mass marketing (8 questions)

- 1. Check which market and which side.** "Benefits of a mass market" wants only mass-market benefits; "one advantage and one disadvantage" wants one of each.
- 2. Point** (k) from the table in "Understand it".
- 3. Develop** (an): what it does to sales, unit costs, prices, profit or risk. "Fewer competitors" becomes "fewer competitors, so customers have few alternatives and the business can keep its prices up".
- 4. Apply** (app) when the case names a business: its product, its size, its customers.

Example for a shop selling only vegan shoes: "With few competitors (k), the shop can charge a higher price for its vegan shoes (app), because customers who want them have little choice elsewhere (an)."

### Variations you will meet:

- Outline two benefits in context** (4 marks: k + app each): niche, [0450/12/F/M/25 Q1](#); mass, [0450/11/O/N/24 Q3](#); one benefit and one limitation of a niche, [0450/12/M/J/24 Q1](#).
- Paper 2, two benefits and two limitations of a niche** (8 marks, [0450/22/O/N/25 Q2](#)): four separate points, each with **one** explanation; no application marks.
- Paper 2, one advantage and one disadvantage of a mass market** (8 marks, [0450/21/M/J/25 Q2](#)): each point gets up to 3 explanation marks, so build a chain (large output lets it buy materials in bulk, so each unit costs less to make, so it can undercut rivals or keep more profit per sale), with one link about the case.
- General 6-mark judgement:** "is a mass market always better?" ([0450/12/F/M/23 Q2](#)) or "does a niche give a small business a better chance?" ([0450/12/M/J/21 Q1](#)). Discuss both markets; the judgement turns on the business, for example a small firm cannot match a big firm's economies of scale, so a niche where it faces fewer rivals suits it. No application.

- **Paper 2 (b) (0450/22/F/M/21 Q2):** should the business move from a niche to a mass market to expand? Use the case, and say why you reject the other option.
- **No mirror answers:** "a niche has few customers" and "a mass market has many customers" are one point.

## 2. Ways to build customer relationships or loyalty, and choosing the best (5 questions)

1. **Name the way** (k) from the table in "Understand it".
2. **Say why it brings customers back** (an): they feel valued, they have a reward to return, they remember the business, their problem is solved. Writing "so customers come back" only repeats the question; say **why** they come back.
3. For "which is best?", **compare** the two ways for the kind of business named (new, small, a retailer), then decide.

### Variations you will meet:

- **Identify two ways** (2 marks, 0450/12/M/J/24 Q1).
- **Explain two methods in context** (6 marks, 0450/11/M/J/22 Q1): k + app + an each.
- **General 6-mark, two ways and the best** (0450/13/O/N/25 Q2 for a new business, 0450/13/M/J/23 Q1 for a retailer), or "is good customer service the best way for a small business?" (0450/12/O/N/21 Q3). The eval marks need a reason one way beats the other **for that kind of business**: a new business has no regulars yet to reward; a retailer can train its shop staff; a small business has little money for discounts.
- Not accepted: lowering prices or advertising in general (they win sales, they don't keep customers), and "develop new products" for a retailer, which doesn't make products.

## 3. Why customer loyalty and relationships matter (4 questions)

1. **Point** (k): repeat sales, steady revenue, word of mouth, less advertising needed, may accept higher prices, will try new products, easier to match products to customers.
2. **Develop** (an): to revenue, costs, market share or reputation.
3. **Apply** (app): the product and the business.

Asked as two advantages of keeping customers loyal (6 marks, 0450/13/O/N/24 Q3), or two reasons building relationships matters (4 marks, 0450/11/M/J/21 Q4): give two **different** points, since "loyalty" and "customers come back" are the same point.

**Paper 2 variant** (0450/23/O/N/25 Q1, 8 marks): two reasons customers might buy from this business rather than its rivals: a well-known brand that stands out, quality customers can rely on, a good reputation, a lower price. Build each into a chain of three, with one link about the case.

**Rare variant** (0450/12/O/N/21 Q1): is it a good idea to have only one customer? For: production planned around one buyer's needs, little spent on marketing. Against: all revenue depends on that buyer, who can demand lower prices or leave. Decide which outweighs the other.

#### 4. Define a key term (4 questions)

Two marks for a full definition, one for half. Learn the three definitions in "Key facts and formulas".

- **Niche market** (0450/13/O/N/22 Q4, 0450/12/F/M/21 Q1): it needs both "small part" and "of a larger market" (or "with particular needs"). "A small market" alone is not enough.
- **Mass market** (0450/13/M/J/23 Q1): the same product sold to the whole market, or very large sales of one product. "A big market" or "lots of sellers" earns nothing.
- **Customer loyalty** (0450/13/M/J/21 Q1): say what customers do (keep coming back to buy from this business rather than rivals); "customers are loyal" just repeats the term.

#### 5. Benefits of market segmentation (4 questions)

1. **Point** (k) from the benefits list in "Understand it".
2. **Develop** (an): what it does to sales, waste, costs or revenue.
3. **Apply** (app): the product and its target customers.

**Variations you will meet:**

- **Identify two benefits** (2 marks, 0450/11/M/J/23 Q4).
- **Explain two benefits in context** (6 marks, 0450/12/M/J/25 Q1): k + app + an each. For a sportswear maker, say: "it can design a jacket just for serious runners (k), the group its new range is aimed at (app), so fewer jackets are left unsold at the end of the season (an)".
- **Paper 2, two benefits** (8 marks, 0450/23/M/J/25 Q2, 0450/22/F/M/24 Q2): each benefit with up to 3 explanation marks, one about the case. For a business serving one segment: a group that gets a product designed for it values it more and will accept a premium, so each sale brings in more; or adverts placed only where that group will see them, so fewer dollars go on reaching people who will never buy.
- **Answer about segmentation, not research.** Benefits of market research (finding out customer views) and the difference between niche and mass markets are not credited here.

#### 6. Ways to segment a market, or judging one method (4 questions)

- **Identify two or four ways** (2 or 4 marks, 0450/12/F/M/24 Q3, 0450/13/M/J/23 Q4, 0450/11/O/N/22 Q4): name the characteristic (age, gender, income, location). "Niche" and "mass" are types of market, not ways of segmenting. Only the first answers are marked.
- **General 6-mark: is one method the best?** (0450/13/M/J/24 Q2, income). Develop the method asked about, for and against (income lets prices be set for each group, but a product aimed at low incomes may look cheap to everyone else), then develop an alternative (age, gender, location), and decide which predicts buying better for most businesses. No application.

#### 7. Reasons consumer spending patterns change (3 questions)

- **Identify two reasons** (2 marks, 0450/11/M/J/25 Q2, 0450/13/M/J/24 Q2): one or two words each, from the list in "Understand it".

- **Paper 2, explain four reasons** (8 marks, 0450/21/M/J/24 Q3): each reason (1) plus one effect on spending (1), for example "incomes fall in a recession (1), so customers switch to cheaper brands (1)". No application marks.

## 8. How a change in the market affects a business, and which matters most (3 questions)

1. **Read the change** in the appendix: what is rising or falling, and by how much.
2. **Follow it through** to the business: more or fewer customers, more competitors entering, harder or dearer supplies.
3. **Finish with the result**: revenue, costs, profit.

A trend that raises demand is not only good news. It brings **more customers**, but rivals notice too, so **more competitors** may enter and take sales; and if many businesses want the same inputs, **supplies may be harder to get and dearer**, raising costs.

- **Paper 2 (a), 8 marks** (0450/23/M/J/25 Q4): two ways a reported trend affects the business, each a chain of three with figures or details from the report.
- **Paper 2 (b), 12 marks** (0450/22/F/M/23 Q1, 0450/23/M/J/22 Q4): discuss each change given (new tastes, higher incomes, cheaper rival products; more health-conscious customers, more home working) in context, decide which has the biggest effect on the business's revenue or marketing, and say why the others matter less. For example, a cheaper rival only matters if customers buy on price.

## 9. Reasons markets have become more competitive (2 questions)

Identify two reasons (2 marks, 0450/11/O/N/25 Q4, 0450/12/M/J/23 Q3): globalisation or free trade agreements; new technology such as the internet and e-commerce; better transport; changes in laws or removal of tariffs. Reasons customers buy more (population, advertising, lower prices) are factors affecting demand and earn nothing here.

## 10. Ways to respond to increased competition (2 questions)

1. **Name a response** (k) from the list in "Understand it".
2. **Develop** (an): what it gains (sales, a USP, loyalty) and what it costs (lower profit margin, training or shelf space).
3. In context (0450/12/F/M/22 Q3, 6 marks), apply each to the business.
4. General 6-mark "which is best?" (0450/11/O/N/23 Q4, a retailer): compare two responses and decide. For example, a small retailer facing a bigger, cheaper rival rarely wins a price war, so better service or a wider range may protect its sales for longer.

## 11. The roles of marketing (2 questions)

- **Explain four roles** (8 marks, 0450/23/O/N/22 Q2): name each of the four roles (1) and say why it matters (1). The roles are not the 4Ps: product, price, place and promotion earn nothing here.

- **Paper 2 (b), 12 marks (0450/22/M/J/23 Q3):** discuss three roles for the business in the case and choose the most important. Say **why each matters** for this business, not how it would be done. Many good answers pick identifying needs, since a business cannot satisfy or keep customers whose wants it doesn't know; a business that lives on regular visitors may reasonably choose loyalty instead.

---

## Worked examples

### Example 1

Kestrel Kites is a partnership that makes handmade kites for kite-surfers. It has 6 employees and sells online and from one shop on the coast.

(a) Apart from age, state two characteristics of customers that Kestrel could use to divide the kite market into segments. [2]

(b) Outline two problems Kestrel might face because it sells only to a niche market. [4]

(c) A large sports retailer has started selling cheaper kites online. Explain two actions Kestrel could take to keep its sales. [6]

(a) Income (1). Location (1).

(b) The market is small (k): only kite-surfers want its kites (app), so total sales are limited.

Its output is too small for economies of scale (k), because each kite is made by hand by just 6 employees (app), so its cost per kite stays high.

(c) Kestrel could offer after-sales service such as free repairs (k) for the kite-surfers who buy from its coastal shop (app), so customers have a reason to stay with Kestrel that a cheaper online seller cannot match (an).

It could promote what makes it different (k): kites made by hand by its own staff (app), so customers judge the kites on quality instead of comparing on price alone, and fewer switch to the retailer (an).

Part (b) earns k + app for each point (4 marks); part (c) earns k + app + an for each (6 marks). Cutting its price would be a weaker answer here: Kestrel's unit costs are already high, so it would lose profit on every kite.

### Example 2

Explain two ways a business that sells only online could keep its customers buying from it. Which way is likely to matter most for this kind of business? Justify your answer. [6]

One way is a points scheme (k): customers earn points on every order and spend them on a later one, so there is a reason to order here again rather than from another website (an).

Another way is fast delivery with quick, easy handling of complaints and returns (k): customers get what they ordered when promised, and any problem is put right without fuss, so they trust the business enough to order again (an).

Fast delivery and complaint handling matter most for an online seller. It has no shop and no face-to-face service, so the delivery and the way problems are handled are the only experience customers have of it; one late parcel or ignored complaint can send them to a rival, whatever points they hold (eval). A points scheme is also easy for other websites to copy and costs money on every order, while a reputation for reliable delivery spreads through online reviews and is much harder for rivals to match (eval).

The question is general, so there are no application marks: 2 k + 2 an + 2 eval. The eval marks need a decision with reasons that weigh one way against the other.

### Example 3

GreenWheel is a bicycle shop in a city. A city council report says that 40 km of new cycle lanes will open next year, that fuel prices have risen by 20% in a year, and that two online bicycle retailers now offer next-day delivery in the city.

Explain one opportunity and one threat for GreenWheel from these changes in its market. [8]

**Opportunity.** More people may want to cycle (1), because 40 km of new cycle lanes make cycling safer and driving costs more now that fuel prices are up 20% (1). Demand for bicycles in the city should rise (1), so GreenWheel can sell more bikes and more repairs, raising its revenue (1).

**Threat.** Competition is increasing (1) from the two online retailers that deliver the next day (1). Customers can compare prices online in seconds and buy wherever is cheapest (1), so GreenWheel may have to cut its prices, which lowers its profit on each bike (1).

Each point earns 1 mark and up to 3 more for its explanation, with at least one detail from the case: 4 + 4 = 8.

### Example 4

FitBar makes protein snack bars and is launching a new bar. A survey of 2000 people who bought a protein bar last month found:

|           |                        | Share of buyers | Average spend a month |
|-----------|------------------------|-----------------|-----------------------|
| Age       | 16–24                  | 30%             |                       |
|           | 25–44                  | 50%             |                       |
|           | 45 and over            | 20%             |                       |
| Lifestyle | go to a gym every week | 65%             | \$12                  |
|           | don't                  | 35%             | \$4                   |
| Location  | city                   | 70%             |                       |
|           | countryside            | 30%             |                       |

Consider the following three ways FitBar could segment the market for its new bar: by age, by lifestyle, by location. Which should it choose? Justify your answer. [12]

Buyers in each group: aged 25–44,  $2000 \times 50\% = 1000$ ; gym users,  $2000 \times 65\% = 1300$ ; city,  $2000 \times 70\% = 1400$ . Monthly spending: gym users  $1300 \times 12 = 15\,600$ ; others  $700 \times 4 = 2800$ . So gym users spend  $15\,600 \div 18\,400 = 85\%$  of all the money spent on protein bars (to the nearest whole number).

**Age.** The largest age group, 25–44, is half of all buyers (1000 of 2000), so FitBar could aim its adverts at media that adults of that age use. But the group is wide: a 25-year-old athlete and a 44-year-old parent want different things from a snack, so age alone does not say what the bar should be like.

**Lifestyle.** Gym users are 65% of buyers but spend \$12 a month against \$4, so they bring in about 85% of all spending. A bar designed for training (high protein, sold at gyms and advertised in fitness apps) targets the customers who matter most. The risk is ignoring the 700 non-gym buyers, but they spend only \$2800 a month in total.

**Location.** 70% of buyers are in cities, so selling through city shops reaches most of them cheaply. But location says nothing about why people buy, and most rivals already sell in cities, so it does not help FitBar make a bar that stands out.

**Recommendation.** FitBar should segment by lifestyle. Gym users spend three times as much each month as other buyers, and knowing they train tells FitBar both what to put in the bar and where to advertise it. Age is rejected because the 25–44 group is too mixed to design one bar for, and location is rejected because it covers most buyers anyway without saying what they want.

Each option is discussed in context with the survey figures, and the recommendation says why both alternatives were rejected: **Level 3** (9–12 marks). Choosing age or location could also reach Level 3 if justified from the data in the same way.

---

## Common mistakes

- **Defining a niche as "a small market".** It is a small part of a **larger market**, with particular needs. It doesn't have to be luxurious or expensive.
- **Defining a mass market as "a big market" or "a market with lots of sellers".** Say it is the same product sold to the whole market, or a very large number of sales of one product.
- **Repeating the term in a definition**, such as "customer loyalty is when customers are loyal". Say what customers do: keep buying from this business rather than its rivals.
- **Assuming a niche brings higher revenue or profit.** A higher price per item is possible, but far fewer are sold.
- **Mirror answers.** "A niche has few customers but a mass market has many" is one point, not two.
- **Confusing segmentation with market research**, or answering "niche and mass" when asked for ways to segment. Segmentation divides customers into groups; research finds out about them.
- **Giving reasons for higher demand** (population, advertising, lower prices) when asked why markets have become **more competitive**.
- **Writing "so customers come back" as the explanation** of a loyalty method. That is the question again; say why they come back. Ways of increasing sales in general (lower prices, more advertising) are a different question.

- **Mixing up the roles of marketing with the marketing mix.** The four roles are identify customer needs, satisfy them, maintain loyalty and build relationships, not product, price, place and promotion.
- **Explaining how to carry out a role of marketing** when the question asks why it matters.
- **Applying a general Paper 1 (e) question to a case.** There are no application marks, so the time is better spent on analysis and a reasoned decision.
- **Using the same case detail for both points.** Each point needs its own application.

---

## How to get the marks

- **Define:** one sentence with both halves, such as "small part" **and** "of a larger market".
- **Identify / State:** short, different answers; only the first two (or four) are marked.
- **Outline** (4 marks): a correct point plus a detail from the case that makes sense with it.
- **Explain** (Paper 1, 6 marks): point, case detail and consequence for each. Analysis is a consequence: "so...", "which means...".
- **Paper 2 (a)** (8 marks): for "explain two", give each point a chain of three developments, at least one tied to the case; for "two benefits and two limitations" or "four reasons", one explanation each is enough, so spend the time on four different points.
- **Paper 1 (e)** (6 marks): general, so no marks for the case. Two developed points (for and against, or two methods), then a decision whose reasons compare them. Without two sides there are no eval marks.
- **Paper 2 (b)** (12 marks): discuss **every** option using the case and its numbers, then recommend one and say **why each other option was rejected**. Either choice can reach the top level if the reasons come from the case.
- **Read the direction:** benefits **to the business**, a niche or a mass market, advantages only or both sides.

---

## Quick check

1. Niche or mass marketing? (a) A drinks company sells one standard lemonade in supermarkets across the country. (b) A business makes shoes only for people with very wide feet. (c) A bakery sells only gluten-free cakes.
2. Which method of segmentation is each business using? (a) A holiday firm sends brochures for river cruises only to people over 60. (b) A garden centre stocks tropical plants only at its branches in warm coastal towns. (c) A bank offers a premium account only to customers who earn over \$100 000 a year.
3. Does each change mainly alter **spending patterns**, or make a market **more competitive**? (a) A free trade agreement removes tariffs on imported bicycles. (b) A long, hot summer. (c) A recession cuts average incomes. (d) A delivery app lets small restaurants sell to customers across the city.
4. A market for school bags has 250 000 buyers a year. 12% of them want a bag designed to carry sports kit. A business expects to sell to 1 in 5 of this segment, at \$30 a bag. How many buyers are in the segment, and what revenue does the business expect?
5. Give two reasons why keeping its existing customers can be better for a business than finding new ones.

## Answers

1. (a) Mass: one standard product for the whole market. (b) Niche: a small group with a particular need. (c) Niche: only people who avoid gluten need these cakes.
2. (a) Age. (b) Location. (c) Income.
3. (a) More competitive: foreign firms can now sell more cheaply. (b) Spending patterns: the weather changes what people buy. (c) Spending patterns: lower incomes mean cheaper choices. (d) More competitive: new technology lets more firms reach the same customers.
4.  $\text{Segment} = 250\,000 \times 12\% = 30\,000$  buyers. The business sells to  $30\,000 \div 5 = 6000$  of them, so  $\text{revenue} = 6000 \times 30 = \text{\$180\,000}$  a year.
5. For example: it costs less to keep a customer than to win a new one, so less is spent on advertising; and regular customers give steady repeat sales, so revenue is easier to plan, and they recommend the business to friends.

## Past questions to try

- 0450/21/M/J/25 Q2: part (a), one advantage and one disadvantage of selling in a mass market.
- 0450/13/M/J/24 Q2: parts (b) and (e), spending patterns, and whether income is the best way to segment.
- 0450/22/M/J/23 Q3: part (b), choosing the most important role of marketing for a theatre.
- 0450/22/F/M/23 Q1: part (b), which of three market changes most affects a business's revenue.