

Knockout.Economics by Kru P'Eve & Kru P'Da

IGCSE -Business studies

Marketing, competition and customer



- Executive summary IGCSE Business studies
- Series of exam questions each chapter
- Exam Strategies and exclusive tips to achieve A* from Knockout.Economics
- Exclusive Key Terms for IGCSE Business studies exam



Overview

1. The role of marketing
2. Market changes
3. Concepts of niche marketing and mass marketing
4. How and why market segmentation is undertaken



1. The role of marketing

Identify customer needs

:The role of marketing need to find out what goods and services customer wants, how much that they are willing to pay, where and how customers want to buy etc.

Satisfy customer needs

: If company can serve the right products and services, in the right price, at the right place to satisfy customers, company can achieve sales and gain high reputation.

The role of marketing

Maintain customer loyalty

: Marketing need to build a good relationship with customers. Customers will keep buying products and services in long run and this leads to better performance for the company.

Response changes in customer needs

: Since customers needs and wants have been changed over the period of time, company need to keep updating and produce products that can bridge the gap in the market.

1. The role of marketing

If marketing department is successful to identify customer wants and maintain customer loyalty,

- Company can increase sales revenue and profit
- Company can gain more customer base and raise in market share
- Company can improve brand image
- Company can enter new markets for both domestic and overseas market



2. Market changes

Nothing is last forever. Customer behaviour has been changed over the period of time.

Why customer / consumer spending patterns change

1. Change in customer tastes and fashion

: For example, Navy blue is the spring 2021 color trend, customers may want clothes and gadgets in navy blue.

2. Changes in technology

: Since new technology provides better performance

: Customers will switch from old to new version.

: E.g Customers switched from Nokia to smartphone (e.g. iPhone)

3. Change in income

: If customers have more income, consumers tend to buy higher quality of products and services.

: E.g Customers tend to travel abroad more when customers receive higher income.

4. Ageing population

: Ageing population means low birth rate or longer life expectancy.

2. Market changes

Why have some markets become more competitive?

1. Globalisation

: the growing interdependence of the world's economies, cultures, and population, brought about by cross-border trade in goods and services, technology, people, investment etc.

: Globalisation allows products can be sold all over the world.

2. The improvement of transportation

: It is easier to buy products from other countries.

3. The development of internet and e-commerce

: It is easier for consumers to search and buy products from business based in another country.

2. Market changes

How can businesses respond to changing spending patterns and increased competition?

1. Businesses need to create new products and services to keep customers' interest

: Business need to launch new products and services which are different from other competitors. (Create competitive advantages)

: This can attract consumers to buy products and services.

2. Businesses need to keep improving its existing products.

E.g. Apple try to develop and launch new colour, design, technology to keep customers' interest.

3. Businesses need to maintain good relationship with customers.

: Business can obtain market research about what customers' want and response to these needs and maintain customer loyalty.

4. Businesses should keep cost low in order to maintain competitiveness.

3. What is meant by a market ?

3.1 Mass market : when firms produce and distribute in large quantities of product and intend to appeal to the widest range of customers.

Advantages

1. Firms have more consumer's base.

: Firms can generate more revenue and profit.

2. It is large scale of production.

: Firms can benefit from economies of scale.

: Unit costs can be kept lower helping to push prices down.

3. Firms can sell a wide variety of products to diversify risk.

: If one product fails, firms can gain revenue from the other products.

4. There is high opportunities for growth of the business.

: There is a large market, businesses have more opportunities to grow.

Disadvantages

1. There is high competition in mass market.

: More competition is often from large international rivals who compete by using lower prices.

2. This can charge lower price of products

: Products must appeal to a wide range of consumers so firms are unable to easily add value by tailoring products to consumers specific tastes.

: This results in lower prices having to be charged.

3. There is high cost of advertising

: Since the products and services are standardised, firms can attract consumers by using advertising.

3. What is meant by a market ?

3.2 Niche market : is a small part of a large market that has its own specific needs, which are different from the larger market in some way.

Advantages

1. Firms can avoid competition from the larger business.

: Small firms are able to sell specific products for specific customers as large firms may not have identified.

2. Firms can charge higher price

: Since firms have ability to specialise in the product and meet specific needs.

3. Smaller markets allow better customer relationships

: Firms can receive feedback and respond customers' want.

4. Products tend to be price inelastic.

: Price premium can be used to generate more revenue.

Disadvantages

1. There is a limited market and as a result limited number of sales.

2. Firms cannot achieve economies of scale.

: Cost of production is higher than mass market.

3. Narrow consumer interest can change easily.

: Business may fail from producing only particular product.

4. How and why market segmentation is undertake?

Market segmentation : is the process of dividing a target market into group, more defined categories which consumers have similar characteristics and preference.

Ways of segmenting a market

By socio-economic group

People who have high income will have different preference from people who have low income.

For example,
People who have high income purchase Lexus while people who have lower or middle income might purchase Toyota Yaris.

By age

People in different age have different preference.

For example,
Younger people prefer to wear shirts with cartoon prints while adult prefer to wear black and white plain t-shirt.

By gender

Some products are used only by women or only by men.

For example,
Sanitary napkin would normally be bought by women while a shaving razor would normally be bought by men.

4. How and why market segmentation is undertake?

By location

People who live in different areas might buy different products. For example, People who live in tropical areas tend to buy cotton t-shirt or swimsuits while people who live in north pole tend to buy sweater and coats.

By lifestyle

People who have children tend to buy educational toys while people who are single tend to spend money on travel.

4. How and why market segmentation is undertake?

Potential benefits of segmentation to business

Advantages

1. Firms can better understanding of customer needs, wants and characteristics.

: Firms can respond to slight changes in what target customers want.

: This can lead to higher sale revenue and profit.

2. Firms can diversify risks.

: If some product fail to respond customers, firms can gain revenue from other products.

Disadvantages

1. Firms have high investment cost.

: Firms need to invest in research to find out what customer wants or invest in develop of products for particular group of customers.

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Exercise : Marketing, competition and customer 🔍

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Exercise

1. Lakeside Company makes a range of **bakery products including pies, cakes and bread**. The products are only sold in its **500 shops, including 50 franchises**. Lakeside Company has spent 6 months developing new products with a range of **healthy foods including pasta and sushi**. High quality will be important.

(A) Define niche market (2 marks)

Command word

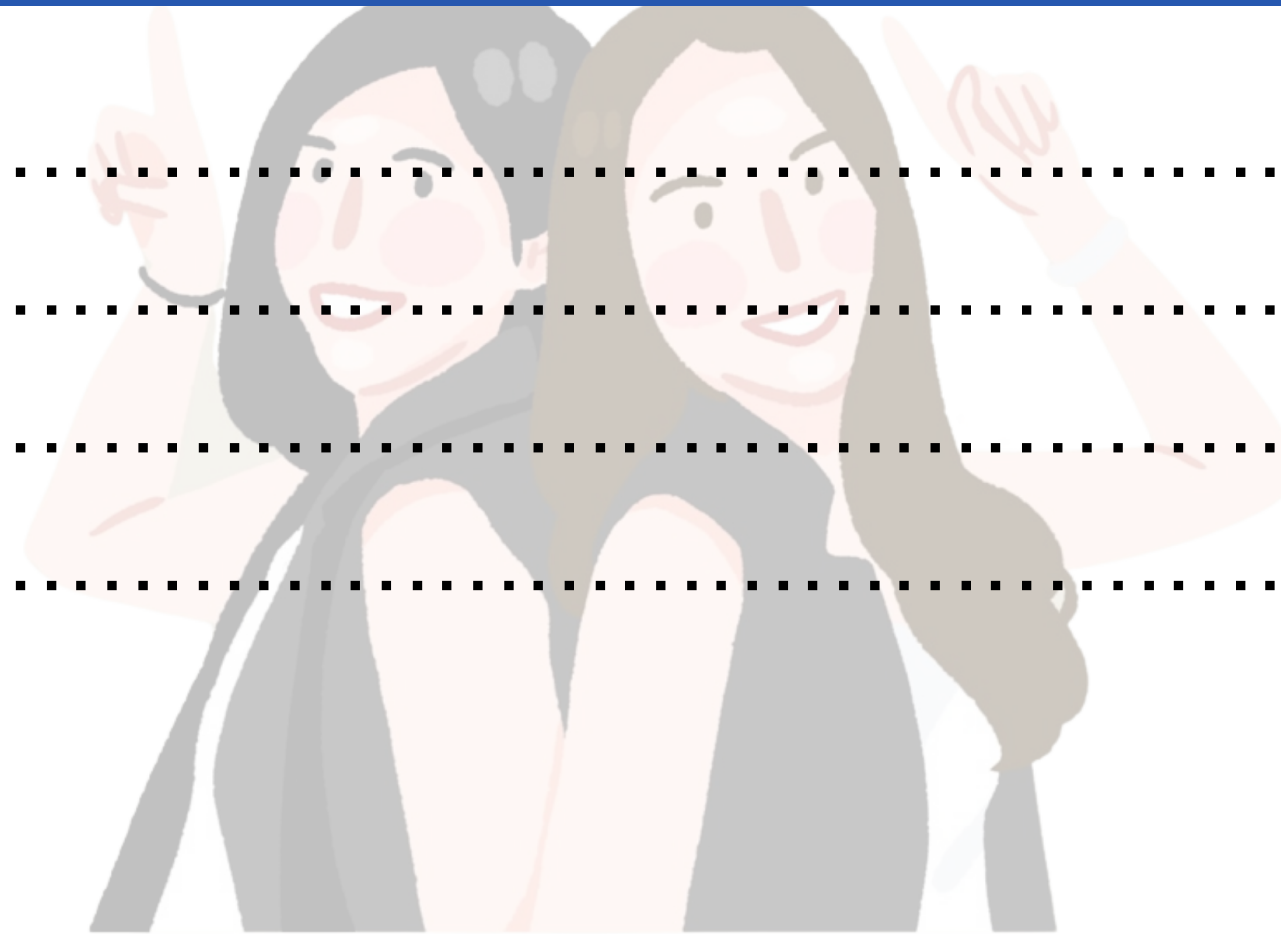
Define : give a precise meaning

Exercise

(B) Identify **two** possible reasons why customers' spending patterns change (2 marks)

Command word

Identify : Name, Select and recognise




Exercise

2. ABC provides **short-distance** flights between 60 countries. It is a **multinational company** based in country X. ABC uses **market segmentation** when deciding on its pricing method. The marketing department is carrying out market research to gain feedback on customer experiences.

(A) Define “ market segmentation” (2 marks)

Command word

Define : give a precise meaning



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Exercise

(B) Explain one advantage and one disadvantage of market segmentation (4 marks)

Command word

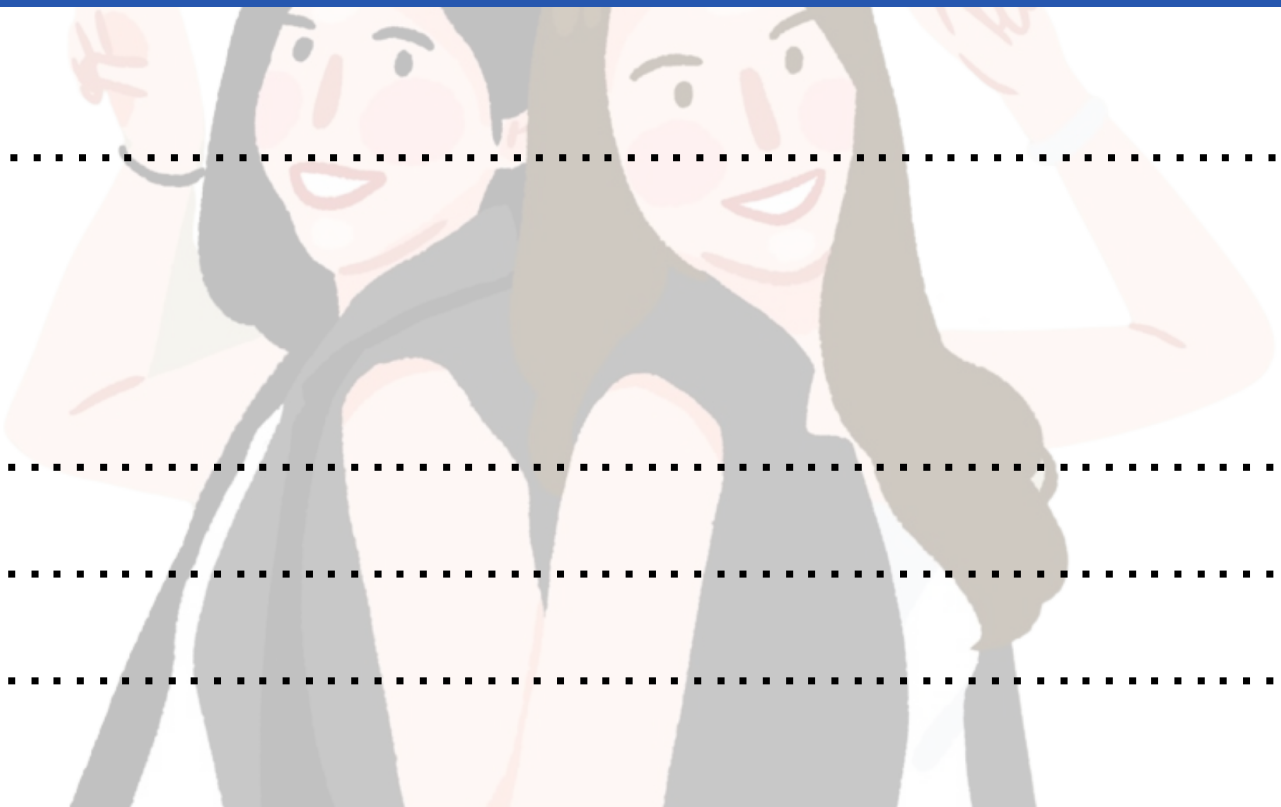
Explain : set out purposes or reasons / make the relationships between things clear / say why and/or how and support with relevant evidence

Advantage 1:

Explanation :
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Disadvantage 1:

Explanation :
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.....



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