

# Marketing

## IB SL Study Guide

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# The Role of Marketing

**M**arketing is the management process of identifying, anticipating, and satisfying customer needs profitably. The key word is *profitably* — marketing is not simply about making customers happy; it must generate value for the business too. This distinguishes marketing from sales, which is the narrower activity of persuading customers to buy what the business has already decided to produce.

## Market Orientation vs Product Orientation vs Asset-led Marketing

The fundamental question facing any business is: where should a new product or service idea come from?

- **Market-oriented (demand-led) businesses** start with customers. They conduct research to identify unmet needs or desires and then develop products to satisfy those needs. This approach reduces the risk of producing something no one wants. Apple's research into how consumers interact with technology, or Nike's continuous monitoring of fitness trends, reflect market orientation.
- **Product-oriented (supply-led) businesses** start with what they can make or invent. The product is developed based on internal expertise or technology, and the business then tries to find a market for it. This approach risks producing something ahead of its time or simply unwanted — but it can also deliver genuine innovation. Many pharmaceutical companies, for instance, develop drugs based on scientific research and then build demand.
- **Asset-led marketing** combines both approaches. The business uses its existing strengths — brand reputation, intellectual property, manufacturing capabilities, distribution networks — as a starting point, but still takes customer demand into account. Coca-Cola extending its brand into flavoured water, or a luxury car manufacturer moving into SUVs, reflects asset-led thinking: leveraging existing assets to serve emerging demand.

## Marketing vs Selling

The distinction between marketing and selling is frequently tested. **Selling** focuses on converting existing products into revenue through persuasion — the activity begins after the product exists. **Marketing** is broader: it starts before the product exists (understanding the market), shapes the product (design, features, pricing), and continues after the sale (brand loyalty, customer retention). Marketing creates the conditions in which selling becomes easier.

## Marketing Objectives and Business Objectives

Marketing objectives must be derived from and aligned with the overall business objectives. If a business's strategic objective is to grow revenue by 20% in three years, the marketing objectives should specify how — for example: increase market share from 8% to 12%, expand into two new geographic markets, or increase the average transaction value by 15% through upselling. Marketing objectives themselves should

be SMART (Specific, Measurable, Achievable, Relevant, Time-bound) and must feed directly back into the broader organisational strategy.

## Niche vs Mass Marketing

	Niche Marketing	Mass Marketing
<b>Definition</b>	Targeting a small, highly specific segment with specialised products	Targeting the broadest possible audience with standardised products
<b>Advantages</b>	Reduced direct competition; premium pricing possible; strong customer loyalty; specialisation builds expertise	Lower unit costs via economies of scale; wider reach; larger total revenue potential
<b>Disadvantages</b>	Small customer base limits total revenue; vulnerable if niche disappears; dependent on few buyers	Intense competition on price; harder to differentiate; expensive marketing campaigns needed
<b>When it suits</b>	Luxury goods, specialist services, low-volume high-margin products Rolls-Royce (luxury vehicles),	Fast-moving consumer goods (FMCG), utilities, transport
<b>Examples</b>	Montblanc (premium pens), vegan specialist restaurants	Coca-Cola, Kellogg's, Ryanair

### ⚠️ EXAM ALERT

The IB examiner frequently asks: “Explain one advantage and one disadvantage of niche marketing for [company X].” Always contextualise — do not write a generic definition. Identify what the specific niche is, why it gives that business a pricing or competitive advantage, and what specific risk it faces from having a limited customer base.

## Marketing Planning — STP Analysis

The **STP framework** — Segmentation, Targeting, and Positioning — is the foundation of a marketing plan. It helps a business move from a broad market to a focused, differentiated strategy.

### Segmentation

**Market segmentation** is the process of dividing a heterogeneous market into distinct groups (segments) of consumers who share similar characteristics or needs. The purpose is to identify groups that can be served more effectively with a tailored offer.

**Geographic segmentation** divides the market by location: country, region, climate, urban vs rural. A rainwear manufacturer, for instance, targets regions with high annual rainfall. A surf brand targets coastal areas. Geographic segmentation is simple and actionable, but may miss behavioural differences within regions.

**Demographic segmentation** uses measurable population characteristics: age, gender, income, education, occupation, family size, religion. Demographics are the most commonly used basis for segmentation because data is widely available. Examples: a

baby food brand targeting parents of children under two; a luxury watch brand targeting high-income professionals aged 35–60.

**Psychographic segmentation** groups consumers by psychological characteristics: lifestyle, values, personality, and attitudes. The VALS (Values, Attitudes, and Lifestyles) framework, for instance, classifies consumers into types such as “Achievers” (success-oriented), “Explorers” (experience-seeking), or “Believers” (traditional, community-oriented). Psychographic segmentation goes deeper than demographics — two people with identical age and income may have very different purchasing behaviour based on their values. It is particularly useful in lifestyle and health markets.

**Behavioural segmentation** groups consumers by their relationship with the product: usage rate (heavy, medium, light users), brand loyalty, purchase occasion (gifting, daily use, special events), and benefits sought (convenience, price, quality, status). This is arguably the most directly actionable type because it segments by what consumers actually do rather than who they are.

## Targeting

**Targeting** is the process of deciding which segment or segments to serve. Three broad strategies exist:

- **Undifferentiated strategy:** the business treats the whole market as one and offers a single marketing mix to all customers. This suits commodity products (salt, petrol) where there is little meaningful difference between customer needs. It maximises scale economies but ignores variation in customer needs.
- **Differentiated strategy:** the business identifies multiple segments and develops a distinct marketing mix for each. This is more expensive and operationally complex, but increases reach and allows premium pricing in higher-value segments. A bank, for example, may offer current accounts for students, premium accounts for high-net-worth clients, and business accounts for SMEs — each with a different pricing structure and service level.
- **Concentrated (niche) strategy:** the business focuses all its marketing resources on a single, well-defined segment. This is common for smaller businesses and new entrants who cannot afford to compete across the whole market.

## Positioning

**Positioning** is the process of designing the product and its marketing so that it occupies a distinct, desirable place in the minds of the target customers relative to competitors. It answers the question: “What do we want customers to think of us?”

**Perceptual maps** (also called positioning maps) are two-axis diagrams that plot competing brands along two dimensions — typically price vs quality, or convenience vs price. They reveal: gaps in the market (positions with no current competitor), where competitors are clustered (direct competition), and where the business’s own brand sits relative to customer expectations.

**Unique Selling Point / Unique Selling Proposition (USP):** the specific attribute or benefit that distinguishes the product from all competitors. A USP must be genuinely distinct, valued by the target segment, and difficult for competitors to imitate quickly. Examples: Domino’s original “delivered in 30 minutes or free”; FedEx’s “absolutely, positively overnight”; a local café’s “roasted fresh every morning.”

 **IB TIP**

Positioning is about perception, not just product attributes. A product with identical features to a competitor can be positioned differently through branding, packaging, pricing, and the associations it creates. IB questions on positioning often ask you to draw or interpret a perceptual map — practice placing brands accurately and identifying the strategic implications.

## Worked Example — STP for a Premium Chocolate Brand

**Scenario:** NovaCacao, a Belgian chocolate maker, wants to launch a premium low-sugar dark chocolate targeting health-conscious adults.

### Segmentation:

- Demographic: adults aged 25–50, upper-middle income, educated
- Psychographic: health-conscious lifestyle; VALS “Achiever” or “Explorer” type; values quality over quantity; willing to pay premium for nutritional benefit

**Targeting:** Concentrated (niche) strategy — NovaCacao does not have the resources or distribution network to compete with mass-market chocolate brands. Focusing on a premium health-conscious niche allows higher margins (\$8–\$12 per bar vs \$1–\$3 for mass-market), less price competition, and clearer messaging.

**Positioning:** High price, high quality — positioned in the top-right of a price/quality perceptual map. The USP is “indulgence without compromise”: Belgian quality chocolate with reduced sugar, no artificial sweeteners. Positioned above competitors such as Lindt (high quality, mid-premium price) and well above mass-market brands such as Cadbury.

## Sales Forecasting

**Sales forecasting** is the process of predicting future sales volumes over a given period. Accurate forecasts allow the business to plan production capacity, staff levels, inventory purchasing, and cash flow requirements. Without reliable forecasts, a business may over-produce (wasting resources) or under-produce (losing customers).

### Moving Averages

A **moving average** smooths out short-term fluctuations and seasonal variation to reveal the underlying **trend** in sales data. The most common form in IB Business Management is the **4-point moving average** (used for quarterly data).

**Formula:**

$$\text{Moving Average} = \frac{\text{Sum of } n \text{ consecutive values}}{n}$$

For quarterly data (4-point), each moving average is calculated from four consecutive quarters. Because a 4-point moving average sits between the 2nd and 3rd data points it covers, two consecutive moving averages must be averaged again to produce a **centered moving average** aligned with an actual time period.

**Centered moving average:**

$$\text{Centered MA} = \frac{MA_1 + MA_2}{2}$$

**Seasonal variation:**

$$\text{Seasonal Variation} = \text{Actual value} - \text{Centered MA}$$

A positive seasonal variation means the actual figure was above the trend in that period (e.g., higher than expected sales in Q4 due to the holiday season). A negative seasonal variation means actual sales fell below the trend.

**Limitations of sales forecasting:**

- Assumes past patterns continue into the future — disruptions (new competitors, economic shocks, technology changes) may invalidate historical trends
- Moving averages lag current conditions — they reflect the past, not the present
- Seasonal variation factors are averages that may not replicate precisely
- Human errors in data collection or external unforeseen events (pandemics, supply chain disruptions) render forecasts unreliable

**Worked Example — 4-Point Moving Average**

**Scenario:** FitLife, a fitness app startup, records quarterly subscription sales (in thousands) over two years.

Quarter	Period	Sales (\$000)	4-Point MA (\$000)	Centered MA (\$000)	Seasonal Variation (\$000)
Q1	Year 1	40	—	—	—
Q2	Year 1	55	—	—	—
Q3	Year 1	48	$(40+55+48+62)/4 = 51.25$	$(51.25+52.50)/2 = 51.875$	$48 - 51.875 = -3.875$
Q4	Year 1	62	$(55+48+62+45)/4 = 52.50$	$(52.50+53.75)/2 = 53.125$	$62 - 53.125 = +8.875$
Q1	Year 2	45	$(48+62+45+60)/4 = 53.75$	$(53.75+54.75)/2 = 54.25$	$45 - 54.25 = -9.25$
Q2	Year 2	60	$(62+45+60+52)/4 = 54.75$	—	—
Q3	Year 2	52	—	—	—

**Reading the table:** The centered moving average for Q3 Year 1 (period 3) is \$51,875. The actual Q3 sales (\$48,000) are \$3,875 below trend — a seasonal dip. Q4 Year 1 actual sales (\$62,000) are \$8,875 above the centered trend (\$53,125) — a strong positive seasonal effect (holiday fitness sign-ups). Q1 Year 2 actual sales (\$45,000) are \$9,250 below the centered trend (\$54,250) — a negative seasonal effect after the new-year surge.

### EXAM ALERT

Moving average questions are worth significant marks in Paper 1. Show ALL working — even if your arithmetic is incorrect, the examiner awards method marks. Never skip the centering step: calculate the 4-point moving averages first, then average consecutive pairs to produce the centered moving average. Label your columns clearly.

## Trend Extrapolation

Once the trend line is established from centered moving averages, **trend extrapolation** projects it forward by extending the trend line on a graph. This provides forecast values for future periods. The accuracy of extrapolation depends entirely on the assumption that past trends continue — a bold assumption in fast-moving markets.

## Market Research

**Market research** is the systematic collection, analysis, and interpretation of data about a market — its customers, competitors, and environment — to support business decision-making. Without research, businesses rely on guesswork; research reduces uncertainty (though it cannot eliminate it).

### Primary (Field) Research

**Primary research** involves collecting new data first-hand specifically for the purpose at hand.

- **Surveys and questionnaires:** structured sets of questions administered online, by telephone, or on paper. Good for collecting quantitative data from large samples; relatively cheap per respondent. Risk: poorly designed questions produce biased or unusable data; response rates may be low.
- **Interviews:** one-to-one conversations, ranging from structured (fixed questions, interviewable as a survey) to semi-structured (core questions with follow-up probing) to in-depth (open, exploratory). Interviews produce rich qualitative data but are time-consuming and cannot cover large samples.
- **Focus groups:** a moderated discussion with typically 6–10 participants from the target market. Useful for exploring attitudes, testing new product concepts, or understanding emotional responses. Limitation: group dynamics may suppress minority views; results cannot be generalised to the whole population.
- **Observation:** watching how consumers behave in natural settings (e.g., observing how shoppers navigate a supermarket). Objective — captures actual

behaviour, not reported behaviour. Cannot reveal motivations or attitudes.

- **Experiments / test marketing:** launching a product in a limited geographic area or with a subset of consumers to gather real-world sales data before a full launch. Reduces risk but is costly and time-consuming; competitors may copy the product before full launch.

## Secondary (Desk) Research

**Secondary research** uses data that already exists and was collected for another purpose.

- **Internal secondary data:** sales records, customer databases, CRM (Customer Relationship Management) data, stock records, previous market research reports. This data is free, quick to access, and specific to the business — but may be outdated or not exactly match the current research question.
- **External secondary data:** government statistics (census, trade data), industry associations, trade journals, published market research reports (e.g., Euromonitor, Mintel), competitor websites and annual reports, academic publications. Advantages: often covers large populations, professionally produced. Disadvantages: may be expensive, outdated, or not sufficiently specific to the business’s market.

## Quantitative vs Qualitative Research

	Quantitative	Qualitative
<b>Nature of data</b>	Numerical — percentages, averages, frequencies	Opinions, motivations, attitudes, feelings
<b>Sample size</b>	Large (statistically significant)	Small (deep understanding of a few)
<b>Methods</b>	Surveys, questionnaires, sales data, experiments	Interviews, focus groups, observation, ethnography
<b>Strengths</b>	Statistically valid; generalisable; objective; easy to compare	Rich insight; explores “why” not just “what”; uncovers unexpected findings
<b>Weaknesses</b>	Cannot explain why; surface-level; may miss context	Cannot be generalised; subjective; time-consuming; expensive
<b>Use</b>	Measuring market size, tracking sales trends, benchmarking	Testing brand perceptions, understanding purchase motivations, new product development

## Sampling Methods

A **sample** is the subset of the target population chosen for research. The larger and more representative the sample, the more reliable the findings — but larger samples cost more.

- **Random sampling:** every member of the target population has an equal chance of being selected. Minimises bias. Requires a complete list of the population, which is not always available.

- **Quota sampling:** the researcher sets fixed numbers (quotas) from each demographic group (e.g., 50 males and 50 females aged 18–25). Faster and cheaper than random sampling; ensures key segments are represented. Not truly random, so not statistically representative.
- **Stratified sampling:** the population is divided into relevant strata (subgroups), and participants are randomly selected from each stratum in proportion to its size in the whole population. More rigorous than quota sampling; requires knowledge of stratum sizes.
- **Convenience sampling:** selecting whoever is available or easiest to reach (e.g., stopping passers-by on the street). Fastest and cheapest. Highly prone to bias — the sample may not represent the target market at all.

**Choosing a method** depends on: available budget, time constraints, the required accuracy, whether the data needed is quantitative or qualitative, and whether the population is accessible.

### ⚠ EXAM ALERT

A very common IB question type: “Identify and justify an appropriate market research method for [company X] in this scenario.” Always name the method (primary/secondary, quantitative/qualitative, specific technique), explain why it suits this specific business (size, budget, what information is needed), and acknowledge one limitation. Generic answers about “surveys are cheap” without applying to the scenario will not earn high marks.

## The Marketing Mix — The 7Ps

The **marketing mix** is the set of controllable tactical variables that a business combines to achieve its marketing objectives. IB Business Management uses the **7Ps** — this is critical to remember. The 4Ps (Product, Price, Promotion, Place) originated with physical goods; the additional 3Ps (People, Process, Physical Evidence) were added to address the distinct characteristics of services (intangibility, inseparability, perishability, variability).

### 📖 MEMORISE THIS

#### The 7Ps of the Marketing Mix

Product — Price — Promotion — Place — People — Process — Physical Evidence

### Product

**Product** refers to what the business offers to satisfy customer needs — whether a physical good, a service, or a combination of both.

#### Three levels of a product:

- **Core product:** the fundamental benefit the customer is buying. A customer buying a drill wants holes, not drills. A customer buying a hotel room wants rest

and safety.

- **Actual product:** the tangible features — design, quality, brand name, packaging, features, styling.
- **Augmented product:** additional benefits and services that differentiate the offer — warranty, after-sales service, delivery, installation, loyalty programme.

## Product Life Cycle

Every product passes through a characteristic life cycle. The key insight for IB is not just describing the stages but connecting each stage to **cash flow implications** and **appropriate marketing strategy**.

Stage	Sales trend	Cash flow	Typical strategy
<b>Introduction</b>	Low, growing slowly	Negative (high launch costs, low revenue)	Heavy promotion; establish distribution; pricing strategy depends on skimming or penetration intent
<b>Growth</b>	Rapid increase	Improving, moving to positive	Invest in capacity; widen distribution; differentiate from early imitators
<b>Maturity</b>	Sales peak and plateau	Strongly positive	Cost efficiency; defend market share; introduce extension strategies; consider product modifications
<b>Decline</b>	Falling	Weakening	Extension strategies or deletion; reduce marketing spend; manage wind-down

**Extension strategies** delay the decline stage by reviving interest or accessing new customers:

- Price reduction to attract price-sensitive customers
- Rebranding or repackaging to update the image
- Introducing new variants or flavours
- Targeting new geographic markets
- Finding new uses for the product (e.g., Arm & Hammer baking soda repositioned as a fridge deodoriser)

## Boston Matrix (BCG Matrix)

The Boston Matrix classifies a business's portfolio of products (or SBUs — Strategic Business Units) along two dimensions: **market growth rate** (vertical axis) and **relative market share** (horizontal axis). It guides resource allocation decisions across the portfolio.

Quadrant	Market growth	Market share	Cash flow	Recommended action
<b>Stars</b>	High	High	Roughly break-even (invest heavily to sustain high growth)	Invest to maintain leadership; may become cash cows as growth slows
<b>Cash Cows</b>	Low	High	Strongly positive — mature market, high share, low investment needed	Milk: extract profit to fund Stars and Question Marks
<b>Question Marks (Problem Children)</b>	High	Low	Negative (requires investment but not yet generating returns)	Decide: invest heavily to build share and become a Star, or divest
<b>Dogs</b>	Low	Low	Weak or negative	Consider deletion or divestment — rarely worth investing in

### WORKED EXAMPLE

#### Worked Example — Boston Matrix for a Consumer Goods Company

**Scenario:** Orion Consumer Goods has four products:

- **VitaSnack bar** — the healthy snack market is growing at 18% per year; VitaSnack holds 24% market share. → **Star**: invest to defend leadership as the market matures.
- **ClassicWash laundry detergent** — the laundry market grows at 1–2% per year; ClassicWash holds 32% market share. → **Cash Cow**: minimal investment needed; generate profit to fund Stars.
- **NutriDrink protein shake** — sports nutrition is growing at 22% per year; NutriDrink holds only 6% market share (dominated by brands like Optimum Nutrition). → **Question Mark**: Orion must decide whether to invest aggressively to build share, or exit before further cash is consumed.
- **RetroMint chewing gum** — declining gum market (–3% growth); RetroMint holds 5% market share. → **Dog**: consider deletion. Orion should redirect resources away from RetroMint.

### EXAM ALERT

In a Boston Matrix question, never simply label the quadrants. The examiner wants you to: (1) correctly classify each product using the two axes; (2) justify the classification with reference to the data; (3) recommend a specific action for each product based on the quadrant. “This is a Dog, therefore the business should consider deleting it because it has low growth and low share, consuming resources without generating returns” is the minimum standard for a high-band answer.

## Price

**Price** is the only element of the marketing mix that generates revenue — all others create costs. Pricing strategy must reflect the product’s positioning, the competitive

environment, cost structure, and customer price sensitivity (price elasticity of demand).

- **Cost-plus (mark-up) pricing:** calculate the unit cost and add a fixed percentage mark-up. Simple and ensures profitability. Disadvantage: ignores demand and competitor prices; may overprice or underprice relative to the market.

$$\text{Selling Price} = \text{Unit Cost} \times (1 + \text{Mark-up } \%)$$

Cost-plus example: if unit cost is \$40 and mark-up is 50%, selling price =  $\$40 \times 1.5 = \$60$ .

- **Penetration pricing:** set a low introductory price to build market share quickly, then increase prices once established. Suitable for entering a competitive market or launching a product targeting price-sensitive customers. Risk: the initial price may not cover costs; raising prices later may alienate loyal customers.
- **Price skimming:** set a high introductory price, targeting early adopters willing to pay a premium for novelty or exclusivity. The price is reduced over time as novelty wanes and competitors enter. Common for new technology products (gaming consoles, smartphones). Risk: high price may limit initial uptake; invites rapid competitive entry.
- **Competitive pricing:** set prices at or near competitor prices. Minimises price as a competitive disadvantage. Requires competing on other dimensions — quality, service, brand. Risk: competing purely on price can erode margins.
- **Predatory pricing:** pricing below cost deliberately to drive competitors out of the market, after which prices are raised. Illegal in many jurisdictions as it constitutes anti-competitive behaviour.
- **Psychological pricing:** prices designed to trigger a positive psychological response. The classic form is charm pricing (\$9.99 instead of \$10), which consumers perceive as significantly cheaper despite the 1-cent difference. Premium pricing (\$999 instead of \$1,000) is a variant. Widely used in retail and e-commerce.
- **Premium pricing:** deliberately set a high price to signal exclusivity, quality, or status. Consistent with a premium or luxury brand positioning. Only sustainable if the product genuinely delivers a differentiated experience and the brand commands aspirational value.

### EXAM ALERT

The most commonly confused pair: **penetration pricing** = low initial price to build market share (used by challengers and new entrants). **Price skimming** = high initial price to extract maximum revenue from early adopters (used for innovative or luxury products). Remember the mnemonic: Penetrate = Push into the market cheaply; Skim = Scoop profit from the top.

## Promotion

**Promotion** is the communication element of the marketing mix — how the business informs, persuades, and reminds customers about its product. The **promotional mix** is the combination of tools used.

**Above the line (ATL) promotion** uses paid mass media channels to reach a broad, undifferentiated audience:

- Television advertising — high reach and emotional impact; expensive; declining viewership among younger demographics
- Radio advertising — lower cost; good for local reach; limited visual impact
- Print advertising (newspapers, magazines) — credible; targeted by publication type; declining circulation
- Digital display advertising (banner ads, YouTube pre-rolls, programmatic ads) — highly targetable by demographic and behaviour; measurable; risk of “ad blindness”

**Below the line (BTL) promotion** uses targeted, direct communication to specific audiences:

- Loyalty schemes (Tesco Clubcard, Starbucks Rewards) — builds customer retention and generates purchase data
- Direct mail and email marketing — highly personalised; measurable open and click-through rates; risk of being marked as spam
- Point-of-sale (POS) materials — impulse purchases at the moment of decision; only reaches existing store visitors
- Free samples and product demonstrations — removes barrier of uncertainty for new products; expensive at scale
- Sponsorship — associates the brand with the values or emotions of the sponsored event or person

**Social media marketing and influencer marketing** blur the ATL/BTL distinction. A global brand campaign can be deployed on TikTok (broad reach), but a targeted collaboration with a micro-influencer (50,000 engaged followers in a specific niche) functions more like BTL. The key advantage of digital promotion is measurability — businesses can track impressions, clicks, conversions, and return on ad spend in real time.

**Guerrilla marketing** uses unconventional, low-cost tactics to create memorable experiences or word-of-mouth buzz — flash mobs, unexpected street installations, provocative stunts. It is particularly effective for reaching younger, ad-resistant audiences.

**Viral marketing** aims for organic sharing of marketing content across social networks. Success is unpredictable but, when achieved, generates massive reach at low cost.

**Choosing the right promotional mix** requires balancing: budget available, target audience’s media habits, product type (impulse vs considered purchase), stage in the product life cycle (awareness at launch vs reminder advertising at maturity), and measurability requirements.

## **Place (Distribution)**

**Place** refers to how the product reaches the end customer — the **distribution channels** and logistics involved.

### **Traditional (indirect) channel:**

Producer → Wholesaler → Retailer → Consumer

Wholesalers buy in bulk from producers and sell in smaller quantities to retailers. This reduces the producer's distribution complexity but adds cost (wholesaler margin) and reduces control over how the product is presented and priced at retail.

### **Direct channel:**

Producer → Consumer

Direct selling — through e-commerce, company-owned stores, or direct sales teams — eliminates intermediary margins and gives the producer full control over the customer experience and pricing. It requires the business to manage its own logistics and customer service, which is costly and complex.

**Multi-channel distribution:** using multiple channels simultaneously (e.g., selling through both a website and third-party retailers). This maximises reach but requires careful channel management to avoid conflicts (e.g., retailers resenting direct price competition from the brand's own website).

### **Factors influencing channel selection:**

- Product type: perishable goods require fast, direct channels; technical products may need specialist distributors
- Target market: B2C consumers may expect to buy via Amazon; B2B customers often prefer direct account management
- Cost and margin: indirect channels reduce logistics costs but reduce margin; direct channels require investment in infrastructure
- Control: high-end brands often prefer direct channels to control presentation and customer experience

## **People**

**People** refers to the human element in service delivery — the staff who interact with customers. In service businesses (banking, hospitality, healthcare, consultancy), the quality of human interaction is often the primary determinant of perceived quality. A rude front-desk employee can destroy the value created by an otherwise excellent hotel.

Key considerations: recruitment (hiring people with the right skills and attitude for customer-facing roles), training (product knowledge, customer service standards, complaint handling), and culture (creating an environment where staff are motivated to deliver excellent service).

### **IB TIP**

The 3 additional Ps (People, Process, Physical Evidence) are particularly important for **service businesses**. If an IB case study features a business in hospitality, retail,

healthcare, or financial services, always address these extended Ps. Restricting your analysis to the 4Ps in a service context will limit your marks.

## Process

**Process** refers to the procedures, systems, and mechanisms through which the service is delivered to the customer. In service businesses, the process is experienced by the customer and forms part of the product itself.

Examples: the steps involved in checking into a hotel; the ordering and payment process in a fast-food restaurant; the online claims procedure at an insurance company; the booking and consultation process at a medical clinic.

**Standardisation vs customisation:** a standardised process (McDonald's) delivers consistency and efficiency across thousands of locations. A customised process (a luxury bespoke tailor) delivers a unique experience but is expensive and slow to scale.

## Physical Evidence

**Physical evidence** refers to the tangible cues that customers use to form judgements about the quality of a service they cannot assess before purchase (because services are intangible). Physical evidence reduces uncertainty and signals quality.

Examples: the interior design and cleanliness of a restaurant; the quality of a bank's branch fit-out and materials; the packaging and unboxing experience of a premium product; staff uniforms; a professional-looking website; printed brochures or certificates.

Physical evidence is a particularly powerful differentiator in markets where service quality is hard to evaluate in advance. A law firm's oak-panelled offices and leather-bound case files signal expertise and authority even before a single word of legal advice is given.

### EXAM ALERT

**7Ps vs 4Ps:** IB Business Management uses 7Ps throughout the course. In an extended-response question asking you to evaluate the marketing mix of a service business (a restaurant, airline, gym, school, or bank), always address People, Process, and Physical Evidence as distinct elements. Students who only cover the 4Ps in a service context leave marks on the table. The mark scheme awards credit for each P that is applied with relevant evidence from the case.

## International Marketing

When a business enters international markets, it faces a fundamental strategic decision: **standardise** or **adapt** the marketing mix?

**Standardisation** means using an identical (or very nearly identical) marketing mix across all markets. Advantages: cost savings from a single global campaign;

consistency of brand identity; economies of scale in production. Limitations: may ignore important cultural, legal, or consumer differences. McDonald's global "I'm Lovin' It" campaign is largely standardised, although menus vary locally.

**Adaptation** (localisation) means modifying elements of the marketing mix for each market: different product formulations, different pricing, different promotion messages, different distribution channels. This is more expensive but may be necessary when cultural norms, consumer preferences, legal requirements, or local competitive dynamics differ substantially. Coca-Cola adapts sweetness levels and flavour profiles by market; KFC's menu in Japan includes rice dishes and seasonal products not found elsewhere.

#### **IB TIP**

When answering questions about international marketing using the CUEGIS framework (Culture, Unethical/Ethics, Globalisation, Innovation, Strategy), ethical questions are particularly rich. Marketing practices that are legal and culturally acceptable in one country (e.g., certain advertising to children, alcohol marketing, ultra-processed food advertising) may be restricted or ethically contested in others. Always evaluate both the business case and the ethical dimension.

## E-commerce

**E-commerce** is the process of conducting commercial transactions — buying and selling goods or services — electronically, primarily via the internet.

### Business Models

- **B2C (Business-to-Consumer)**: a business sells directly to individual consumers online (e.g., Amazon, Zara.com, Apple Store)
- **B2B (Business-to-Business)**: a business sells products or services to other businesses online (e.g., Alibaba, Salesforce, enterprise software subscriptions)
- **C2C (Consumer-to-Consumer)**: individuals sell to other individuals through a platform (e.g., eBay, Vinted, Facebook Marketplace, Airbnb, Etsy)

**Social commerce** refers to purchasing directly through social media platforms (Instagram Shopping, TikTok Shop, Pinterest). **Mobile commerce (m-commerce)** is e-commerce conducted via smartphones and tablets, which now accounts for the majority of e-commerce transactions globally.

## Benefits of E-commerce

Benefit	Explanation
24/7 availability	The business can receive orders and generate revenue at any time, without staffing costs at night or weekends
Lower overhead	No need for physical retail premises; reduced staff; potentially lower operating costs than a bricks-and-mortar equivalent
Global reach	A business of any size can access international customers without a physical presence in each market
Data collection	Every customer interaction generates data — browsing behaviour, purchase patterns, cart abandonment — enabling highly targeted marketing and personalisation
Reduced barriers to entry	Small businesses can launch nationally or globally with a fraction of the capital required for physical retail

## Challenges of E-commerce

Challenge	Explanation
Security concerns	Cyber attacks, data breaches, and fraud create risks for both businesses and customers; compliance with data protection law (e.g., GDPR) is costly
Lack of personal touch	Services that depend on human relationships (personal banking, medical consultations, luxury shopping) may lose value when delivered purely online
Digital divide	Not all consumers have reliable internet access, digital literacy, or trust in online transactions — some market segments may be excluded
Logistics complexity	Fulfilment, delivery, returns management, and international customs create operational complexity; customer expectations for fast, free delivery are high
Intense competition	Low barriers to entry mean the online market is highly competitive; price comparison is effortless for consumers, compressing margins

### EXAM ALERT

A common IB question: “Evaluate the benefits and challenges of e-commerce for a business such as [X].” Always contextualise — a small artisan food producer faces very different logistics challenges and competitive dynamics than a global fashion retailer. The digital divide challenge is particularly relevant for businesses targeting older demographics or markets with lower internet penetration.

## Practice Questions

The following questions cover all subsections of Unit 4. Attempt each before revealing the model answer.

- Question 1 — Role of Marketing: Distinguish market orientation from product orientation (concept)

- ▶ Question 2 — STP: Explain segmentation and targeting for a new business (application)
- ▶ Question 3 — Sales Forecasting: Calculate a 4-point moving average (calculation)
- ▶ Question 4 — Market Research: Justify an appropriate method (application)
- ▶ Question 5 — Marketing Mix: Evaluate pricing strategies for a new product launch (application + evaluation)
- ▶ Question 6 — Boston Matrix: Classify and recommend for a product portfolio (application)
- ▶ Question 7 — E-commerce: Evaluate the decision to sell online (evaluation)