



4.1 Introduction to Marketing

Exam preparation notes

Nature of marketing, market and product orientation, market share, market leadership, market growth, and the modern influences that shape marketing decisions.

Core idea

Marketing links the business to the customer. Strong answers show how firms identify needs, adapt to change, and use market share and market growth data to support decisions.

Nature of marketing

Market orientation

Product orientation

Market share & leadership

Market growth

How to use these notes

- Start with the core definitions and formulas.
- Practise explaining what the numbers mean for the business.
- Use examples, but always connect them to customer needs, change, and strategy.

4.1 Marketing at a glance

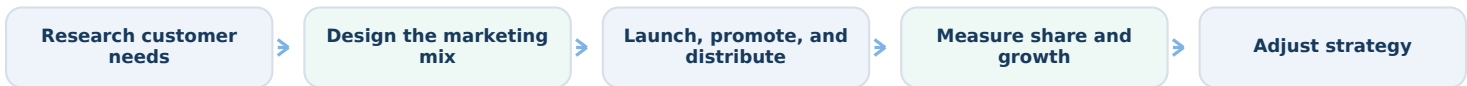
GUIDING QUESTION
 How does marketing help a business understand customers, create value, and respond to competition, technology, ethics, and sustainability?

Concept	What to remember
Marketing	Identifying, predicting, and satisfying customer needs through exchanges that benefit buyer and seller.
Market orientation	Start with customer needs, research the market, then design the offer.
Product orientation	Start with the product idea, expertise, or innovation, then try to sell it.
Market share	A business's proportion of total market sales.
Market growth	How quickly the whole market expands or contracts over time.

Market share formula
Market share = (business sales / total market sales) x 100

Market growth formula
Market growth = ((current market sales - previous market sales) / previous market sales) x 100

How the ideas connect



Why marketing matters

- Marketing is not only advertising; it starts with understanding needs.
- It guides pricing, product design, distribution, and promotion.
- Good marketing supports profit by matching what the firm offers to what customers value.

EXAM FOCUS
 Exam answers usually need more than a definition. Explain why a concept matters and how it affects business decisions such as product development, pricing, investment, or expansion.

4.1.1 Nature of marketing

Key definition

Marketing is the process of identifying, predicting, and satisfying customer needs through an exchange. It links the customer to every major business decision.

Marketing activity	What it involves
Research	Finding out what customers want, how preferences change, and what competitors offer.
Product decisions	Designing or adapting goods and services so they fit customer expectations.
Pricing	Choosing a price customers will pay while still supporting business objectives.
Promotion	Communicating value through advertising, digital platforms, sales promotions, and branding.
Distribution (place)	Making the product available through the channels customers prefer.

Why marketing is continuous	Why it matters
Customer tastes change	Businesses must keep adapting their offers.
Technology changes	New channels such as apps or subscriptions can transform buying habits.
Competition evolves	Rivals can win customers if the firm stops responding.
The external environment shifts	Economic conditions, laws, and culture affect demand and marketing choices.

Link with other functions	What marketing needs from them
Operations	Capacity and quality must match predicted demand.
Finance	Funds are needed for development, pricing decisions, and promotion.
Human resources	Staff may need recruiting or training when a new offer is launched.
Management	Targets and strategy should align with market evidence.

APPLICATION TIP

Application tip: marketing sits between the market and the business. If forecasts show strong demand, operations, finance, and HR must all respond so the firm can actually deliver what marketing promises.

4.1.2 Market orientation vs product orientation

Key distinction

The key difference is the starting point: does the business begin with customer demand, or with its own product idea and capabilities?

Feature	Market-oriented business	Product-oriented business
Starting point	Begins with research into customer needs and market trends.	Begins with the product idea, design expertise, or technological capability.
Typical tools	Surveys, feedback, competitor analysis, demand data.	R&D;, engineering skill, design innovation, internal expertise.
Main strength	Higher chance of matching what customers actually want.	Can create innovative products and entirely new markets.
Main risk	May follow existing demand too closely and miss radical innovation.	May build an impressive product that customers do not value enough to buy.
Example	A food firm expands plant-based lines because demand for meat alternatives is rising.	A technology firm launches a new wearable device before customers had clearly asked for it.
Works best when	Markets are competitive and customer preferences change quickly.	The business has strong technical leadership or the product is genuinely distinctive.

Market-oriented firms usually ...

- Research reduces risk by grounding decisions in evidence.
- Customer feedback and trend analysis are central.
- Strong in markets where buyers can easily switch brands.

Product-oriented firms can still succeed when ...

- Not automatically wrong; innovation can create demand.
- Works best when the offer is clearly superior or unique.
- Needs careful pricing and promotion if the market is unfamiliar.

EXAM TECHNIQUE

Exam technique: do not assume market orientation is always better. A balanced answer explains the industry, the level of competition, the firm's capabilities, and how uncertain customer demand is.

4.1.3 Market share

Term	Meaning
Market size	The total sales in a market. It can be measured by units sold or by sales value.
Market share	The proportion of total market sales generated by one business or product.

Formula

$$\text{Market share} = (\text{sales of one business} / \text{total market sales}) \times 100$$

Worked example: gaming laptops	Calculation
Business sales = \$300,000 Total market sales = \$1,200,000	$\$300,000 / \$1,200,000 \times 100 = 25\%$
Interpretation	The business accounts for one quarter of all sales in that market.

Why market share matters	Reason
Competitive position	It shows how strongly the firm performs compared with rivals.
Brand recognition	A bigger share often reflects stronger awareness and loyalty.
Buying power	High-volume firms may negotiate better terms with suppliers.
Economies of scale	Larger output can lower unit costs if production is efficient.

IMPORTANT LIMITATION

Interpret carefully: higher market share does not automatically mean higher profit. A firm can gain share by cutting prices, and it can hold a large share in a market that is shrinking.

4.1.4 Market leadership and competitive position

Definition

The market leader is the business with the largest share of total sales in that market. Many firms aim for this position because it can strengthen competitiveness, visibility, and bargaining power.

Why leadership can help	How it supports the business
Strong brand visibility	Customers recognise the name more easily, which can support repeat purchases and easier product launches.
Supplier bargaining power	Large firms often buy in bulk and negotiate lower prices or better terms.
Distribution strength	Retailers and platforms are often more willing to stock strong brands.
Barriers to entry	A dominant player can make it harder for new competitors to enter the market.
Potential profit advantages	If costs are controlled well, scale can turn high sales into strong profits.

Limits and risks	Why managers should be careful
Leadership can change	Technology, culture, and new rivals can quickly alter the market.
Share can mislead	A rising share in a shrinking market may still signal a weak future.
Big firms can become slow	A leader may react too slowly if it assumes customers will stay loyal.
Profit still matters	Dominance is useful only if the business remains financially healthy.

Case insight

A coffee chain with the largest local market share may benefit from bulk purchasing, stronger visibility, and easier expansion. But if customer tastes shift toward healthier or independent alternatives, leadership can erode.

EXAM FOCUS

Good evaluation links market leadership to context. Ask: Is the market growing? Is the business profitable? Is the brand still relevant as technology and customer preferences change?

4.1.5 Market growth

Key definition

Market growth measures how quickly the whole market expands or contracts over time. It can be measured by sales volume or by the total value of sales.

Formula

Market growth = ((current market sales - previous market sales) / previous market sales) x 100

Worked example

Streaming subscriptions rise from \$2.5m to \$2.8m.

Growth = $(\$2.8m - \$2.5m) / \$2.5m \times 100 = 12\%$.

Why growth matters	Business implication
Growing market	Several firms may increase sales at the same time because overall demand is expanding.
Stable market	Competition may focus on efficiency, branding, and small improvements.
Shrinking market	Firms may need to fight harder for customers or consider repositioning or exit.
Large vs small markets	A small fast-growing market may still offer fewer total sales than a huge slow-growing one.

Difficulties measuring growth	Why estimates may be uncertain
Market boundaries	It is not always clear which products or services belong in the same market.
Competitor data	Reliable information about the total sales of all rivals may be hard to obtain.
Changing prices	Sales value may change even when the number of units sold does not.
Rapid innovation	New technology can change what customers see as substitutes or alternatives.

Interpreting share + growth together	Low market share	High market share
Growing market	Opportunity exists, but the firm needs a clear advantage to win customers.	Strong position: defend the brand and invest where demand is rising.
Shrinking market	Highest risk: weak position in a market with falling demand.	Can still generate revenue, but watch for long-term decline.

4.1.6 Modern influences on marketing decisions

Big idea

Marketing decisions are shaped by change in society, culture, technology, ethics, and sustainability expectations. Strong businesses adapt their marketing to these influences rather than treating them as separate issues.

Technology

Smartphones, apps, and online platforms have changed how people search, compare, and buy. Businesses must think about digital channels, convenience, and mobile-first communication.

Social and cultural change

Lifestyle trends, health awareness, and cultural preferences change what consumers value. Examples include demand for plant-based foods, home fitness, or subscription services.

Ethics

Customers increasingly expect honest communication, fair treatment, and transparent pricing. Ethical marketing can strengthen trust and long-term brand loyalty.

Sustainability

Many buyers now care about environmental impact. Reusable packaging, energy efficiency, and responsible sourcing can all influence marketing strategy.

Influence	Possible response by the business
Technology	Expand e-commerce, use mobile-friendly promotion, and personalise communication through data.
Changing lifestyles	Adapt products and branding to new needs and preferences.
Ethical expectations	Use accurate claims, fair pricing, and responsible sourcing.
Sustainability pressure	Redesign packaging, reduce waste, and communicate environmental benefits clearly.

EXAM TIP

Exam tip: when asked about ethics or sustainability, connect them to customer perception, brand reputation, demand, and long-term competitiveness - not just image.

4.1 Final revision summary

The strongest answers usually follow this chain



Key term	Meaning
Marketing	The process of identifying, predicting, and satisfying customer needs through exchange.
Market orientation	A customer-led approach based on research and changing demand.
Product orientation	An approach that starts with the product and then sells it to the market.
Market size	The total level of sales in a market, measured by volume or value.
Market share	A business's percentage of total market sales.
Market leader	The firm with the largest market share.
Market growth	The percentage change in total market sales over time.

Practice prompts

Practice prompts

- Define marketing.
- Distinguish market orientation from product orientation.
- Calculate market share or market growth from given figures.
- Explain one benefit and one limitation of market leadership.
- Evaluate how ethics or sustainability can shape marketing decisions.

Last-minute checklist

Last-minute checklist

- Can you use both formulas accurately?
- Can you explain what the result means for the business?
- Can you compare share with growth, not just one measure alone?
- Can you link marketing decisions to customer needs and change?